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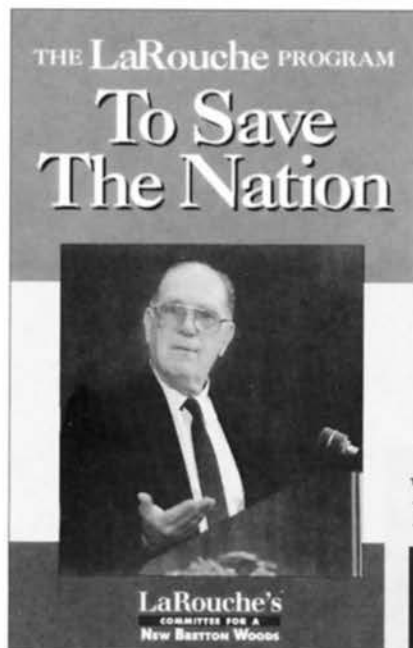
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From the Associate Editor

Two weeks ago, *EIR* reported in a little news brief, a singular development that a LaRouche campaign worker had relayed from Kalamazoo, Michigan: that Democratic Party leaders were officially instructing Democrats to vote for Republican John McCain in the Feb. 22 primary, rather than vote for Lyndon H. LaRouche, Jr.—the only Democrat on the ballot. (Quite an irony, in view of the fact that the Dixiecrat clique within the Democratic National Committee claims that LaRouche is “not a real Democrat”!) It now turns out that what was going on in Kalamazoo was no isolated phenomenon: The Gore machine is complicit in a massive national vote-rigging operation, not only against LaRouche, but also against Bill Bradley. The ultimate beneficiary of this corruption will not be either McCain or Gore; it will be George W. Bush, as LaRouche explained in a speech in Detroit, reported in our *National* section.

Our cover story provides dossiers on Bush and Gore: how Bush made his millions by graft and insider-trading, and a rundown of the most important, and strategically dangerous, of Gore’s many lies.

Exactly one year ago, on the eve of the Presidents Day conference of the LaRouche movement, *EIR* published LaRouche’s Presidential campaign statement, “The Road to Recovery” (it was later issued in book form by his campaign committee). In that document, he stressed, “The underlying fact about all the current rash of political crises, in every part of today’s world, is that the presently escalating world financial and economic crisis, will continue to become ever worse, for as long as the present world financial system exists.” Any Presidential candidate who does not commit himself to changing that situation, he said, “does not yet have his head in the real universe.”

LaRouche’s warning was rejected by the American establishment, which insisted—and still insists—that the speculative bubble which was buoying up the stock market, would keep expanding forever. But one year later, it is daily more apparent how right LaRouche was. See *Economics* for an overview by Lothar Komp, and a selection of commentaries from the international press, telling the truth which most U.S. media refuse to report, and which all other Presidential candidates refuse to admit.

Susan Welsh

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“There are certain differences between this year’s Presidential election campaign and world-class wrestling,” said Lyndon LaRouche in Detroit. “But not much.” In speeches in Michigan, LaRouche blew the lid off the vote-rigging game now in process in the U.S. Presidential elections.

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Speculation-fever and fear become explosive mixture

by Lothar Komp

The phase of outward stability, which has prevailed since the near-collapse of the world financial system in the fall of 1998, has petered out. There was no dearth of dramatic financial events, even in 1999. But, as in the case of the \$30 billion yen-dollar central bank intervention in June 1999, which saved such mammoth speculation funds as Tiger Fund at the last moment, the crisis managers refrained from spectacular rescue operations in this phase in order not to make investors nervous. A generalized panic, which was imminent in 1997 and 1998, was to be avoided. But, since massive interventions were still necessary—for example, when the stock and bond markets took a dive in August and September 1999—the leading central banks orchestrated a lot of noise around the “Y2K” problem. With computer problems as a cover-story, they were able to pump gigantic volumes of excess liquidity into the markets.

Such manipulations have now run their course. Although most investors are hyped to keep their money flowing into the markets, so they don't miss out on the latest rise in their stocks, everyone basically knows that the big crash is imminent. This schizophrenic attitude leads to extreme imbalances on the stock markets, which take on two forms. First, it is now a common occurrence for the Dow Jones, Nikkei, or Dax to shoot upward by 200 points in a single day, and then plunge into the cellar the following day. On the other hand, stock purchases are increasingly concentrated in the narrow segment of so-called “technology values,” while the majority of stocks have been falling since the beginning of 1999. The rush of Germany's Dax to record heights in January 2000 was based on only four firms (Telekom, Siemens, Mannesmann, and SAP), while the remainder of the 26 titles on the index booked considerable losses. Stocks which promise less than 20% profit in a single year are being sold off. Today's gambler

concentrates on Internet and other fashionable stocks which—so he hopes—can give him 500% growth in a year, with a little luck. With that target in his sights, the gambler is willing to incur credit debts in whatever volume seems necessary. So, in January 2000 in the United States, the outstanding volume of credit taken for purchasing stocks rose by 7% to \$243.5 billion, while the value of all stocks fell by 4%. Stock market strategist Gary Dugan from J.P. Morgan remarked: “I've been watching the stock markets for 17 years. I have seldom experienced the investors as nervous as they are today. The probability that there will be a correction on the American and then the European stock markets has increased since the beginning of the year.” When he says “correction,” Dugan means a 3,000 point drop in the Dow Jones and an average drop in Nasdaq stocks by 40%.

Summers spreads panic on the bond market

While insecurity is mounting on the stock markets, the bond and raw-materials markets are being shaken by unusual developments. First of all, these markets are being hit by the general expectation of a worldwide financial catastrophe coming soon. On the other hand, they attest to the fact that the inflationary effects of the unbridled monetary policy of the central banks from 1995-99 can no longer be swept under the rug.

U.S. Treasury Secretary Lawrence Summers proclaimed on Feb. 3 that, on account of the expected budget surplus, not only would there be no new issues of long-term government Treasury bonds, but that the buy-back of government bonds to the tune of \$30 billion would be largely restricted to 30-year bonds. Since many investment funds, especially pension funds, are required by law to invest a certain portion of their capital in long-term government bonds, this announcement

led to a rapid rise in prices of the 30-year bonds, which will be even scarcer in the future. As a result, the yield which the government has to offer buyers of these bonds, fell. But the price yield of 30-year U.S. Treasury bonds is a benchmark, including outside the United States, for the general level of interest rates. Computer programs at large banks and funds use the price of the 30-year bonds to decide whether the purchase of a stock might not be more profitable. The lower the benchmark, or the profit which can be reaped without any risk, the larger the move into the stock market becomes. And, to be sure, the Treasury Secretary had his sights on supporting the fragile stock markets when he made his announcement, since his aim is to prevent a stock market crash from occurring prior to the U.S. Presidential elections.

The move boomeranged. The bond market went out of control. Panic-buying of 30-year Treasury bonds set in, the strongest since the October crash of 1987. The yields on 30-year bonds dropped to 6.18% (mid-January 6.75%), although the margins for two-year bonds held at 6.71% — a rather unusual reversal of normal conditions on the bond market, where margins usually increase with the length of term of the bond. Some large banks and hedge funds became desperate. With their financial bets on interest-rate derivatives, they stood to suffer losses in the billions. One rumor chased the other. Deutsche Bank claimed that Goldman Sachs and Merrill Lynch had big problems. Crédit Suisse claimed that Deutsche Bank

had suffered heavy losses. Rumors flew that some hedge fund was on the brink of collapse. It was claimed that the U.S. Federal Reserve had called an emergency meeting of the heads of the largest central banks, just as it had done in September 1998.

Ultimately, Summers had to appear in public to retract his announcement of Feb. 3. The government would indeed buy back bonds, he claimed, but there was to be no restriction to 30-year bonds. The bond markets remain nervous, nevertheless. The auction of government bonds on Feb. 10 met with the “lowest demand of all time,” according to observers.

Flight into equity

A number of raw materials, especially precious metals and oil, have gone through spectacular price rises in the past weeks. Each of these raw materials has its own history, which could explain why the price rises have occurred. But there is no doubt that there is a common factor, which is responsible for the dramatic shifts in prices: the expectation of a rise in inflation and the flight into investments which would still be worth something following the implosion of the financial bubble.

On Feb. 3, South African Goldfields Ltd. announced that it would no longer sell its gold production in advance on the futures markets. One day later, the second-largest gold producer, Canada’s Placer Dome, announced a similar deci-

Milan is urged to back New Bretton Woods

On Feb. 14, Milan City Councilman Aldo Brandirali and nine other members of the City Council belonging to the Forza Italia party, introduced a motion which would commit the city to help create a New Bretton Woods global financial system. Forza Italia is the majority political party in the Milan City Council, and Mayor Gabriele Albertini also belongs to Forza Italia. Milan is the industrial and financial capital of Italy.

The motion, entitled “Instability of Financial Markets,” states:

“The Milan City Council, considering, that the beginning of the year 2000 was marked by total instability of the world stock exchanges, including the Mibtel Index in Milan which registered gigantic variations; that the present process of financial globalization is characterized by deregulation of the markets, particularly in the most aggressive and speculative sectors, such as derivatives. . . .

“Considering further that this situation can only be faced by convoking a conference of heads of state and

government like the one held in Bretton Woods in 1944, with the aim of creating a new international monetary system and taking all necessary measures to eliminate the speculative bubble, including:

“Introduction of measures such as the Tobin Tax, aimed at limiting speculative short-term operations such as derivatives; creating new credits explicitly aimed at investments in the real economy; defining great infrastructural projects on a continental level;

“Commits the Mayor and the City Council to take all necessary measures to circulate information on the urgency of a new Bretton Woods, and to solicit the Italian government to promote this initiative at the European and international level.”

Councilman Brandirali was among the speakers at the conference on a New Bretton Woods held by the Italian Solidarity Movement at the Milan Catholic University on Dec. 15, 1999, and subsequently endorsed Lyndon LaRouche’s Presidential campaign with a statement connecting LaRouche’s initiative for a New Bretton Woods system to the initiative of Pope John Paul II for debt remission in the Jubilee Year 2000. The endorsement was reported in the daily *Il Giorno* on Jan. 14, in an article entitled “Brandirali Endorses LaRouche,” and in the Jan. 28 issue of *EIR*.

sion. Almost all of the gold mines had previously attempted to secure themselves against a drop in gold prices with deals on the futures markets, which usually resulted in a more rapid fall in the price of gold. The effect of this signal of a sudden reversal of policy on the part of gold producers unleashed a rush into gold, so that the price of gold rose sharply. A number of banks and hedge funds, which had bet on the previous trend of falling gold prices, were suddenly caught on the wrong foot. To limit their losses on derivatives contracts, these investors had to cover themselves as quickly as possible with gold. As a result of this panic buying, the gold price rose still further, from \$285 to \$320 within a few days. Since the financial bets on a falling price of gold involve a volume of several thousand tons of gold, an additional increase in the gold price could bring disastrous losses for the banks involved.

There has been upward pressure for about one year in the prices for precious metals such as platinum, palladium, and rhodium, all of which are needed for the production of catalytic converters in the automobile industry. The reason usually cited is the contracted exports of the dominant producer, Russia. In January 2000, there was an acceleration of the price rises. The price for palladium shot over the threshold of \$500 an ounce, the highest mark of all time, in comparison to \$300 a year earlier. At the beginning of February, the \$600 mark

was reached, and on Feb. 17, the \$700 threshold was broken. At the same time, platinum prices reached a nine-year high. Rhodium prices doubled from December 1999 to the beginning of February 2000, to more than \$2,000 an ounce. Nickel reached a four-year high in February.

In the meantime, the price for crude oil went over \$30 a barrel for the first time since the Gulf War in January 1991. At the end of 1998, the price of crude oil had sometimes dropped below \$10 a barrel.

Even the retiring Managing Director of the International Monetary Fund (IMF), Michael Camdessus, is suddenly seeing dark clouds gathering for the future of the financial system. It is high time, he now says, to sound the "alarm bells" among IMF member-nations, and they should prepare themselves as quickly as possible for a new financial crisis. There are "reasons for concern" everywhere in the world, especially on the U.S. financial markets. The world economy has entered a "dangerous period of twilight."

Camdessus, who bears considerable responsibility for the regrettable condition of the world economy, ought to know what he's talking about.

Commentaries

Warnings of coming crash proliferate

Günther Robol and Helmut Kartner, founding members of the "Föhrenberg Circle" in Austria, *Die Presse*, Feb. 15, 2000.

We are very close to an "inevitable financial crash," as the derivatives market is fully out of control, Robol and Kartner said at a public event sponsored by the Vienna "Economic Publishers Club" on Feb. 14. It's only a matter of time as to when the speculative bubbles will burst. Alarm signals can no longer be overlooked, such as the decoupling of the financial sphere from the real economy, the increase of financial income versus labor income, and the explosive growth of the derivatives market. There is only one alternative, they stated, which is "a controlled elimination of financial assets." They also called for the introduction of a global tax on speculative stock trading and on derivatives transactions.

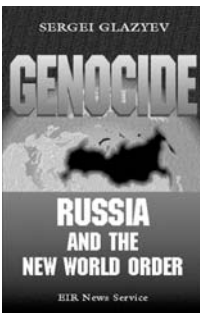
Frank Mella, the inventor of the German stock market index DAX, in an editorial for the German daily *Die Welt*, Feb. 14, 2000.

"I will now sell my stocks," wrote financial expert Mella. He stressed the likelihood of a "sharp, perhaps crash-like correction on the stock market," which would trigger a flight into investments, which are being perceived as being more safe than stocks. Once Wall Street is hit, European stock markets

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will crash as well. The “landing” of the U.S. economy could become “very hard.”

Sy Harding’s *Street Smart Report*, as quoted in the *Washington Times* “Investor’s Notebook,” Feb. 16, 2000.

“The most troubling aspect of the stock market’s current condition is the almost unprecedented negative divergence between the majority of stocks and the popular indexes. . . . With 67% of stocks in a bear market (down an average of 20% from April 1998), investors continue to pile into a few overpriced stocks that dominate the indexes, holding them up, and leaving the impression that everything is okay.”

Michel Camdessus, Managing Director, International Monetary Fund, as reported in the *International Herald Tribune (Europe)*, Feb. 14, 2000.

In an interview immediately following his last official speech as IMF managing director, Camdessus noted at the UNCTAD conference in Bangkok that the world economy has now entered a “dangerous period of twilight,” characterized by excess euphoria, and complacency, while a faulty global financial architecture is still in place. The world economy is now showing many symptoms similar to those seen in East Asia before the region was hit by economic crisis. One of these symptoms, said Camdessus, is the failure to take note of the reality of the situation. He added, “Of course, things never reproduce in an identical way. But I am ringing the alarm bell to our member countries to tell them that we run the risk of a new financial crisis.” Camdessus pointed to problems in the U.S. economy, such as “the low savings rate, the rapidly growing current-account deficit and the high stock prices.” But, “there are also worrying vulnerabilities in other parts of the world.”

Otherwise, Camdessus again dismissed criticism, that the “IMF kills babies,” and instead asserted that the IMF and World Bank are those institutions “which best serve the children of the world.” It seems that Camdessus, after being hit in his face by a puffy cream pie stuffed with red fruit paste, is now trying to cover his ass.

John Humphrys, commentary entitled “One Day Soon, the Magic of that Little Dot Will Fade,” *London Sunday Times*, Feb. 13, 2000.

Internet investors should read *Gulliver’s Travels* to understand what Yahoos are all about, says Humphrys, who compares the present hype about Internet companies like Yahoo! with earlier bubbles in history which all finally burst. Examples are the “Australian gold rush of 1968 when shares in companies such as Poseidon rocketed from 6d—that’s old pence—to £120 and fell again just as fast.” Another example was the “tulip bulb” frenzy. Today, people are again selling their house in order to invest all the money into the stock market.

Humphrys notes: “Professional gamblers know when to get out. My stockbroking friend and every City expert I have spoken to tells me that the present bubble will burst. It is simply inconceivable that all these new wonder stocks with

no profits and no assets can survive. If anything is guaranteed to end in tears, it is this. So instead of reading *The Mirror* for its City Slickers, it might be a good idea to read *Gulliver’s Travels*. The last creatures Gulliver met where the Yahoos, who seemed human enough at first glance but lacked any rationality. It was their horses who were wise. In our strange world of cyber-attacks on Yahoo! and dodgy dot.coms and instant fortunes, somebody, somewhere, is being taken for a ride.”

Former U.S. Treasury Secretary Robert Rubin, address to the London School of Economics, Feb. 2, 2000.

After warning his audience that his comments “may seem a bit dour,” former U.S. Treasury Secretary Robert Rubin warned of “serious and continuing risks” that threaten the global economy.

Rubin 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,” Rubin said. “And the risk is that, at some point, the excesses may simply become too great, and the inevitable consequences follow.”

Some people “see a new paradigm that renders irrelevant so many traditional concerns about downturns, risk, and sound policy,” Rubin said. “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.”

“What has struck me since returning to New York is how all aspects of financial life are pervaded with the assumption that all will always be well, and that any interruptions will be temporary and mild at worst—solvable, most likely, by the Federal Reserve Board, and in any case quickly overcome by a renewed focus on the promise of the long term,” Rubin said. “Record trade deficits, tight labor markets, exceedingly low personal savings rates, and stock valuations dramatically high by any conventional measures, are all dismissed as minor caveats to the positive outlook of the U.S. and global economies, instead of being seen as possible—not certain, but possible—excesses and imbalances that may pose real risk to our economic well being.”

Rubin pointed to the global financial crisis of 1997-98, plus the collapse of the Mexican peso in 1995, and said, “I have no question that they posed a real danger to the stability of the world economy.” He also pointed to the fall of 1998, “when liquidity dried up, spreads of all sorts of securities against U.S. Treasuries exploded, and fear threatened global gridlock.”

There still exists the possibility of further disruptions in the years ahead, Rubin said, and he warned that “the more we forget that the underlying factors that contributed to the recent disruptions still exist, the greater the likelihood of future disruptions.”

Jubilee 2000: The poor have paid their debt

by Liliana Gorini

On Feb. 5, Caritas Ambrosiana and the Italian Catholic Bishops Conference hosted the second in a series of presentations on “Jubilee 2000: Debt Remission,” in Milan, Italy, which were scheduled in the context of the international campaign for the “reduction if not total cancellation of the international debt” demanded by Pope John Paul II in his letter *As the Third Millennium Draws Near (Tertio Millennio Adveniente)*.

The second presentation, given by Prof. Riccardo Moro, executive secretary of the Italian Church Committee for Debt Remission in the Jubilee Year, and author of an original study for the Vatican demonstrating that Third World countries have already repaid their original debt twice over or more, began by reevaluating, “not as a church man, but as an economist,” the historical accounts of Leviticus (Chapter 25) about the Hebrew Jubilee, which required all debts to be pardoned every 50 years.

Professor Moro said that at the time of Leviticus, the Hebrew population was predominantly agricultural, and people who could not pay back their debts had to offer first their land, and then their labor and life (as slaves), in repayment. That is why every 50 years, their debts were cancelled, to allow them to be free again and to regain their land. “Today,” he said, “we have a different economy. But still, no people should be deprived of their access to the elements of production,” i.e., work and capital goods, just to obey the laws of the market.

The present system is unjust

If we stick to Genesis, which commands man to “grow, multiply, subjugate, and transform the Earth,” Professor Moro said, we have to become indebted, because it is necessary to incur debt when one starts a positive activity, for example, an industry, or agriculture. The injustice of the present economic system, he said, lies not in the fact that countries look for credits, but that “the natural resources of the North are in the hands of the North, while the natural resources of the South are also in the hands of the North.” He gave as an example Zambia and Guinea, the two African countries for which the Italian Catholic Church is gathering funds to convert the foreign debt into credits for development projects, in the context of the Jubilee. “Zambia produces

copper, which is in the hands of a British cartel, and Guinea, bauxite, which is in the hands of French and American companies,” he said.

“No one can be condemned to permanent slavery” just because he did not pay back his debts, Professor Moro said. The present International Monetary Fund (IMF) imposition of “structural adjustments” on African and other poor countries, he said, not only made the economic and debt problems worse, but are also a “modern form of slavery” which is “even more disgusting than in past centuries. At least the slave-traders of the past were more honest: They would carry away slaves in chains, while now, we are also arrogant, and claim that they are corrupt and unable to manage their economies.”

Later, in an interview with *EIR* (which follows), he added that the “self-proclaimed IMF ‘experts,’ who come out of the London School of Economics, or Harvard, have no idea about the country [they work on], except the graphs in their heads,” and destroy its economy. For example, Zambia had a Fiat auto plant which had to be shut down as a result of IMF conditionalities.

A study prepared by Professor Moro for the Jubilee Committee demonstrates that, if one takes into account the increase of interest rates, and adopts a basket of currencies other than the U.S. dollar (whose value became ten times higher for those poor countries, and four times higher for Italy), most of these countries have already paid back their debt, “not only once, but twice or more.”

The monetarist and globalist policies, such as those of Prof. Milton Friedman, imposed on poor nations after the oil crisis of 1979 by President Ronald Reagan, British Prime Minister Margaret Thatcher, et al., were in fact designed “to kill their national industries, their national economies, and even the market they were supposed to defend,” by increasing their debts, as “independent surveys on the IMF website itself are beginning to admit,” Professor Moro said. This is what led in 1982 to Mexico’s debt moratorium, and is presently “leading to the risk of a financial collapse like the one in 1929.”

Interview: Riccardo Moro

Professor Moro is a member of the Executive Board of the Italian Church Committee for Debt Remission in the Jubilee Year. He was interviewed by Liliana Gorini and Enrico Spinelli on Feb. 5. The interview has been translated from Italian.

EIR: The founder of *EIR*, American economist and Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr., who is very much opposed by Wall Street for this reason, proposed a New Bretton Woods reorganization of the global financial system, referring to Franklin Roosevelt’s Bretton

Woods as a model. First of all, what is the connection between this proposed reorganization and the “structural changes” invoked on more than one occasion by Pope John Paul II? The Pope in fact went beyond debt remission, asking Catholics to mobilize for a “change in the economic system.” Wouldn’t the debt problem come up again, even if it were forgiven, unless measures are taken to ensure infrastructural and economic development?

Moro: In certain respects, debt is a limited issue. It involves a lot of people, in the North and in the South of the world. It is limited to the fact that in order to repay the debt, and particularly service on the debt, enormous and precious resources are subtracted from development, and from the possible way out of poverty for countries which urgently need investments for their development. In this sense, it is a limited issue.

But, the demand for debt cancellation derives first of all from ascertaining how bad the debt situation is, and the fact that paying back the debt prevents possibilities of development and of changing this situation. This, then, helps ascertain that maybe, if there were a more equally distributed negotiating power between North and South, one could recognize the fact that paying the debt with a currency which is not theirs, the U.S. dollar, implies that these countries have already honored their debts. This debt has already been paid. It was the result of a perverted mechanism of accounting. That is why it is legitimate to demand its cancellation.

As for globalization, I am neither in favor of nor against it *a priori*. If it is meant as free circulation of capital, it can provide a good opportunity. It depends how it is used. It can also be used very badly; for example, to launder dirty money. If, by globalization, we mean eliminating every control, and particularly every rule, from the international market, both the financial and goods markets, this becomes a political choice. Taking away rules is a political choice, and I am profoundly against it, because taking away rules means keeping the situation as it is, like a photograph, so to speak, in which there are strong competitors and weak competitors, and not giving equal opportunities means that strong competitors will win for sure. Eliminating all rules from the financial markets means that stronger competitors, using speculation for their own interests, will win, but the price of these games can be the life of people, as happened in recent financial crises.

I think, therefore, that if the aim of an economy is to satisfy needs and preserve life, there can be no doubt that, coherent with a logic of life and freedom for all economic actors, including the smaller ones who would have no chance without rules, creating a system of rules governing the international markets means creating conditions under which financial movements regain their original aim, which was that of improving the quality of life for all the people living on the planet.

As for a New Bretton Woods, I am not at all against the idea of convoking a New Bretton Woods summit, since this



Pope John Paul II, who has called on Catholics to mobilize for a “change in the economic system.”

is absolutely coherent with the need to have a broader debate at the WTO [World Trade Organization], and also to give the UN more jurisdiction, with the participation of all countries, and not only the G-7, the big, the powerful, in order to define rules which allow the market to be functional for paths of development, well-being, and coming out of poverty, for both the North and the South. Even the IMF and the World Bank should be institutions which serve this purpose. In my presentation, I said that it is difficult to think that these institutions do not know the consequences their conditionalities have—at least some of them, such as the demand to bind certain credits to the purchase of materials coming from the countries giving the credit—and that there was cynicism in this. Otherwise, I do not think the rest was cynical, I rather think that there was a gigantic simple-mindedness and tremendous lack of conscience, rather than cynicism.

EIR: Do you think that this cynicism also led to maintaining control over raw materials, which, particularly in a period of financial disintegration, can be used to survive a crash?

Moro: Let’s say that if someone controls natural resources, they will tend to keep this control. Certainly, they will not be willing to give it up out of solidarity with others. Certainly, faced with a period of financial turbulence, maintaining control of natural resources can be a protection, even if controlling technology has become more important these days.

But I think it is natural that whoever controls natural resources will tend to keep them, and they will give them back to the original countries only through a political action which is economically advantageous for everybody. I think this is the lever we should use to balance the world economy. I do not think that simple calls to goodness and conversion can succeed. We have to build a mentality and find a path which allows everybody an economically credible result.

South Africa moves ahead with high-temperature reactor project

by Jonathan Tennenbaum

Since the early 1990s, the South African electricity company ESKOM has been actively pursuing the possibility of applying the technology of the high-temperature gas-cooled reactor (HTR) as a nuclear alternative to coal power in meeting the rapidly expanding electricity requirements of the country. After favorable initial evaluations, ESKOM has now drawn up plans for an ambitious program to develop and produce small, standardized high-temperature reactor modules both for domestic use and for export. Detailed design is projected to be completed around the end of this year, with the first module to go into operation by the year 2005. Eventually, ESKOM intends to produce as many as 30 modules per year.

The South African project derives special importance from the fact, that the modular HTR has unique features that make it ideal for use as a power source for economic development around the world, and particularly in the developing sector. These include small size, low cost, and high efficiency; robust and inherently safe design; simplicity of operation; and potential application as a heat source for desalination, the chemical industry, and other industrial processes as well as cheap generation of electricity. For this reason, the HTR figures prominently in the Eurasian Land-Bridge development concept promoted by Lyndon LaRouche and his collaborators (see “The Eurasian Land-Bridge: The ‘New Silk Road’ — Locomotive for Worldwide Economic Development,” *EIR Special Report*, January 1997).

Although the basic HTR design employed in the South African project is the so-called “pebble-bed” reactor developed in Germany, the South Africans are not simply taking over existing technology, but are carrying out ambitious new technological developments of their own. This includes development of a helium turbine for direct-cycle generation of electricity. In fact, the South African HTR project is an excellent means to make highly productive use of highly qualified scientific and technical manpower and industrial infrastructure, which already exists in that nation, especially

in military-related areas. In addition, as a developing country itself, South Africa is in an excellent position to act as a springboard for the HTR technology to the entire developing sector.

South Africa’s requirements

South Africa currently accounts for over half of the electricity consumed on the entire African continent. Thanks to a major electrification program, according to ESKOM, access to electricity has risen from only 30% of the South African population in the early 1990s, to more than 60% today. At present, more than 93% of South Africa’s electricity comes from coal, and is mainly produced by large-scale coal-burning plants built near two large coal fields located far inland on the northeast of the country, far away from the coastal centers of electricity consumption. The prospect of avoiding the enormous costs of transport of large amounts of coal, or of electricity, over distances of 1,000 kilometers, is a major factor favoring the use of nuclear energy.

South Africa, which is rich in uranium, has a single Pressurized Water Reactor located near Capetown, which produces 4.5% of the country’s electricity. However, for various reasons ESKOM has decided against constructing more large-scale nuclear plants. Instead, ESKOM has pursued the concept of much smaller modular reactors, based on the “pebble-bed” High-Temperature Reactor technology originally developed in Germany. The term “pebble-bed” derives from the fact, that the reactor core in this reactor type consists of a pile of spherical fuel elements (“pebbles”), about the size of tennis balls, instead of the familiar fuel rods of standard light water reactors. Accordingly, the South Africans call their new reactor the Pebble-Bed Modular Reactor (PMBR).

Background of the High-Temperature Reactor

The High-Temperature (Gas-Cooled) Reactor (HTR, or HTGR) is an alternative line of nuclear reactor technology, which differs in important respects from the light water reac-

tor (LWR) and heavy water reactor (HWR) technologies which are used in nearly all commercial nuclear power generation in the world today. Early experience included the DRAGON reactor in Great Britain, the Peach Botto and Fort St. Vrain reactors in the United States, and the AVR Reactor in Jülich, Germany. The latter reactor demonstrated the “pebble-bed” concept invented by the late Prof. Rudolf Schulten. It operated successfully from 1967 to 1988 at outlet temperatures of 900-950°C (compared to typical outlet temperatures of 280-330°C in LWR reactors). Development work on the Jülich reactor demonstrated the feasibility not only of “inherently safe” operation (see below), but also the potential to use the HTR as a heat source for a variety of industrial processes, including: generation of synthesis gas; coal gasification and production of synthetic fuels, including hydrogen; oil refining and heavy oil recovery; bauxite processing; ammonia production; and desalination and cogeneration of district heat.

In the mid-1980s, a large-scale, 500 megawatt HTR power plant was operated for several years, only to be shut down for political reasons. Significant development work continued, however, both in Germany and in the United States, where the HTR technology was pioneered by the General Atomics Company.

Despite the remarkable successes of the Jülich HTR in particular, the HTR technology has so far failed to establish itself in commercial power generation. Apart from various technical hurdles, which have largely been overcome, the “back-seat” status of the HTR is not least of all connected to the opposition of sections of the nuclear power industry who fear competition to the established LWR technology, as well as to the efforts of the anti-nuclear lobby generally. During the 1990s, however, the prospects for HTR technology have dramatically improved, thanks to a wave of new projects in several countries:

1. A 10 MW experimental HTR module, based on the German pebble-bed concept, has been built in China by Qinghua University’s Institute of Nuclear Energy Technology outside Beijing. This reactor is scheduled to go critical later this year.

2. A 30 MW High-Temperature Test Reactor, built by the Japan Atomic Energy Research Institute (JAERI), is now operating at JAERI’s Oarai Research Establishment. This reactor, using prism-shaped fuel blocks, will be used (among other things) to test process-heat applications of the HTR.

3. A cooperative program is now running among the U.S. General Atomics Company, France’s Framatom, Japan’s Fuji Electric Co., and Russia’s Minatom, to develop a 600 MW modular plant which would be used to burn up weapons plutonium and produce cheap electricity at the same time.

4. Last but not least, is the ambitious Pebble-Bed Modular Reactor (PBMR) program launched by South Africa’s ESKOM, which promises a near-term breakthrough of the HTR technology into commercial electricity production.

The ESKOM PBMR concept

A key feature of ESKOM’s strategy is the flexible use of small (114 MW electric) series-produced modular reactor units, rather than the giant (1,000 MWe or more) reactor blocks commonly used in commercial LWR and HWR nuclear power stations up to now. To reach higher powers, ESKOM plans to install as many as 10 HTR modules at a single site, with a common control room.

This approach replaces the economies of scale, exploited until now by the nuclear industry in realization of individual reactors of very large capacity, by the economy of mass-production of a large number of standardized smaller units. A big additional advantage, especially for developing-sector countries which should become a major export market for South Africa’s new HTR industry, is the flexibility inherent in the low cost and small size of the individual modules. Thereby, the intrinsic advantages of nuclear energy will become available to nations and regions having limited long-term capital, and where existing electricity grids are far too small for the huge LWR plants built in industrial countries. With the modular HTR system, a power station could first be set up with just one or a few modules; further modules would then be added, gradually, as the grid capacity and electricity demand grow.

Small size and standardized design will permit greatly reduced construction times. Once the production infrastructure has been set up and the first few modules are in operation, ESKOM calculates a mere two years for completion of an HTR module. (Naturally, construction and installation of modules can be carried out in parallel.)

ESKOM expects to reach a production level of about 30 HTR units per year by the end of this decade, of which 10 would be destined for domestic use, and 20 for export. ESKOM counts mainland China and Taiwan, South Korea, India, and other Asian nations among the most promising potential buyers of the HTR modules.

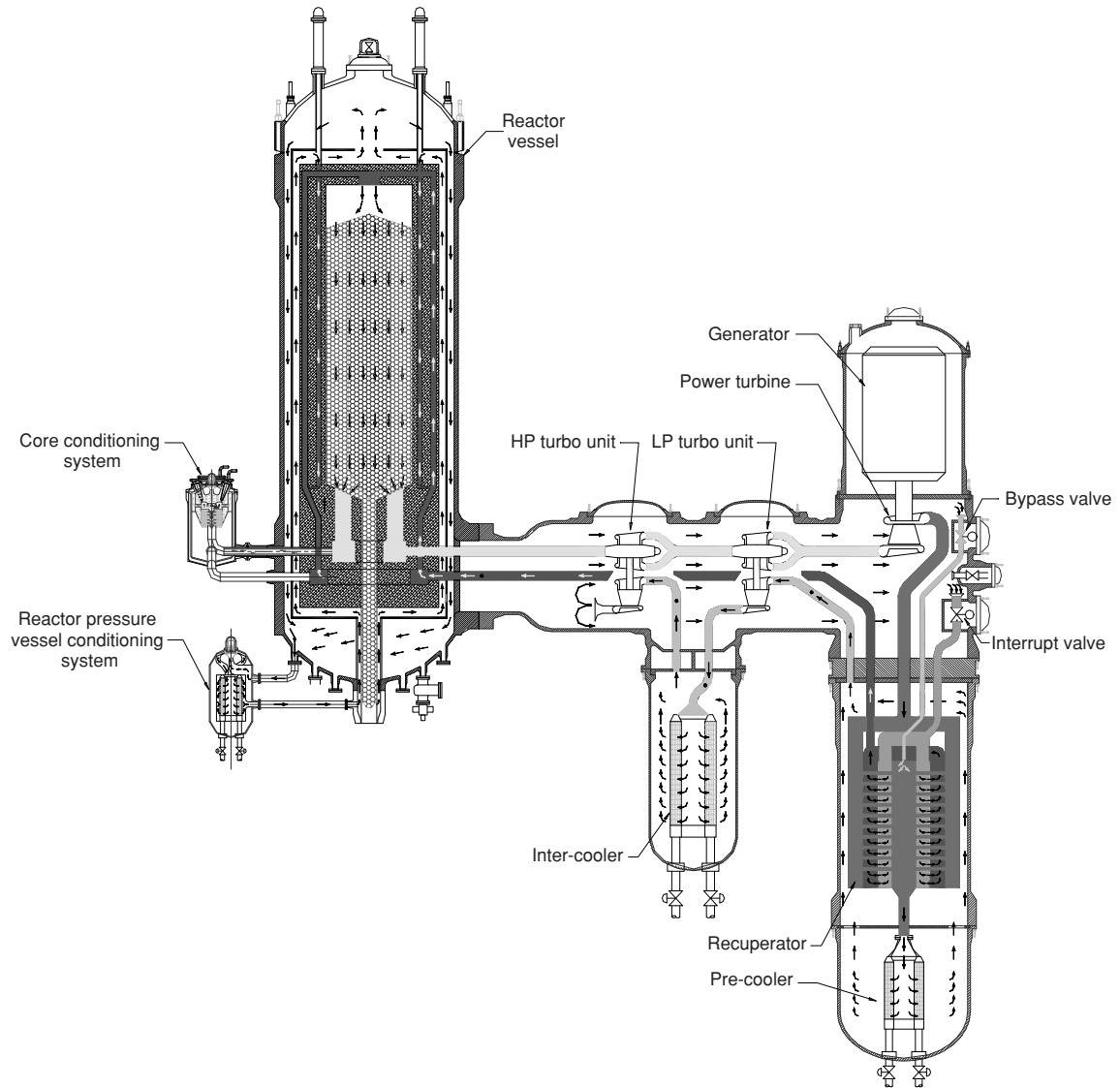
According to ESKOM, the development costs for the first reactor units will be about \$72 million. The construction cost for the first unit should be about \$100 million, with the unit price subsequently going down to about \$90 million for each of the next 10 blocks.

Taking into account the economies achieved by series production of standardized HTR modules, it is estimated that the total cost of generated electricity can be brought down to below 1.6¢ per kilowatt-hour—a very competitive level, indeed!

Basics of the pebble-bed HTR technology

The German High-Temperature Reactor development very early adopted the goal, to create “from scratch” (i.e., not as an adaptation of a pre-existing design) a basic reactor type which would be not only *inherently safe*, but highly economical at the same time. The idea was to realize a form of nuclear

ESKOM's pebble-bed modular nuclear reactor design



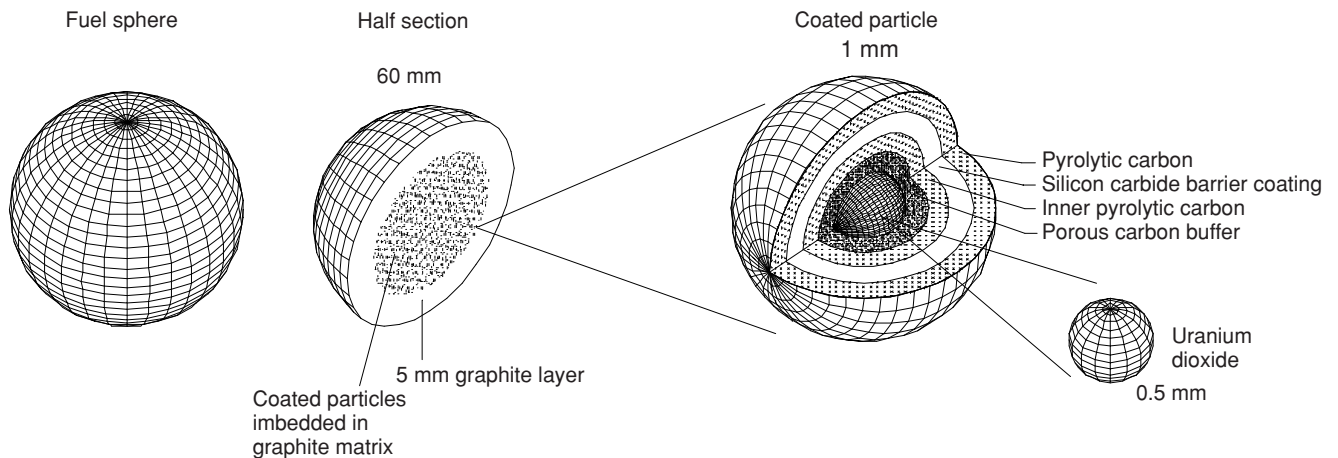
A cutaway of the South African PBMR module. On the left is the reactor vessel, on the right is the helium turbine, and in between is the housing for turbopumps which circulate the helium gas coolant. The core of the reactor is made up of several hundred thousand spherical fuel elements ("pebbles"). While spent fuel balls are withdrawn at the funnel-shaped bottom, new fuel balls are introduced at the top in a continuous fueling process. Each tennis-ball-size spherical fuel element contains thousands of tiny "coated particles" of uranium fuel encapsulated in special high-temperature ceramic materials, embedded in a graphite matrix.

energy that would not only be good for generating electricity, but could also be used as a heat source for a wide range of chemical and other industrial processes; a reactor which could be realized in a variety of sizes and would be simple, robust, and safe enough to be built and operated in industrial and population centers anywhere in the world, including the developing nations. The result, reached after decades of work, is the German pebble-bed HTR, which is the immediate basis

for the South African PBMR and a smaller test reactor in China; and two related designs with somewhat different, prism-shaped fuel elements, developed in the United States and Japan.

Key to many of the inherent safety and many other advantages of these reactors, is a U.S. invention called "coated particles." Instead of arranging the uranium fuel in the form of cylindrical pellets stacked inside metallic rods

The fuel pellet of ESKOM's pebble-bed nuclear reactor



("fuel rods"), the HTR fuel elements are built from tiny, sand-corn-sized uranium "particles" which are encapsulated in concentric layers of temperature-resistant materials, including especially silicon carbide. A major advantage of these coated particles, is that nearly all the radioactive fission products, created by the fission of the uranium in the particle, remain trapped inside the particle, even at very high temperatures.

In the German pebble-bed design, the actual fuel elements are spheres ("pebbles") the size of tennis balls, in which thousands of coated particles are embedded in a graphite matrix. If desired, further outside coatings can be added to the fuel "pebbles," reducing diffusion even more and rendering the pebbles impervious to oxidation and corrosion. (The latter is also relevant for the option, pointed out by Schulten, for using water instead of helium as a coolant for lower-temperature pebble-bed reactors.)

The core of a pebble-bed reactor consists basically of a pile of some hundreds of thousands of spherical fuel elements, filling a cylindrical vessel with a funnel-shaped conical lower end. In full operation, each fuel "pebble" typically generates about 500 watts of heat. Unlike the large light water reactors, which have to be shut down for several weeks for refueling, the pebble-bed HTR is *continuously refueled*: Fuel balls are withdrawn at the end of the funnel at the bottom of the reactor, and replacement balls are introduced at the top. By a combination of introducing fresh balls and recycling partially "burnt" old ones, the reactivity of the core is maintained at relatively constant level—generally speaking, only as is required to maintain the chain reaction.

The South African PBMR, with an 18-meter-long pressure vessel, will operate with 310,000 fuel balls plus an additional 130,000 graphite balls for additional moderation. In the course of the continuous refueling, a total of 10 to 15 fuel

loads will be consumed during the design lifetime of the reactor. The level of enrichment of the uranium fuel will be initially 4% for the start-up, and afterwards 8% for equilibrium operation. Each fuel ball will contain about nine grams of uranium.

Through continual testing and development, the release of radioactive products from HTR fuel elements was brought down to extremely low levels—far lower than LWRs in normal operation at much lower temperatures. The encapsulation of radioactive fission products within the HTR fuel elements is ensured up to temperatures of 1,600°C. Thus, HTR fuel elements easily withstand temperatures at which the normal metallic fuels rods of LWRs would already weaken and fail, releasing large amounts of radioactive substances. The level of radioactivity released to the coolant gas (helium) in the 500 MW pebble-bed reactor in Schmeehausen, Germany, for example, was so low, that a person could theoretically inhale it without risking dangerous radioactive exposure. This translates into much lower radiation doses to the personnel, than in conventional nuclear power plants.

In fact, the "cleanness" of HTRs can now be improved even further, thanks to a breakthrough by Schulten and his coworkers, in creating the advanced silicon-carbide-based ceramic material Siamant. With Siamant, it becomes feasible to construct fuel "pebbles" in such a way, that essentially no radioactivity at all is released—up to temperatures in excess of the maximum which could be reached in any conceivable accident, through an error, or even by the deliberate mishandling of the reactor (see discussion of "inherent safety" below).

The drastic reduction of radioactivity release from fuel elements under all conditions permits major simplifications in the design and maintenance of pebble-bed HTRs. In particular, the option of direct-cycle generation of electricity—

by placing a turbine directly in the reactor cooling cycles—becomes far simpler, for example, than is realized in the standard boiling water reactors, where the significant level of radioactivity in the coolant water necessitates special measures for containment and maintenance.

The helium turbine

The South African PBMR will include a major innovation vis-à-vis earlier HTR designs: exploitation of direct-cycle generation of electricity by a helium turbine, which will be used for the first time in commercial power production. Here the South Africans make use of some of their experience both in aircraft technology, and in the ultracentrifuge bearing technology developed in South Africa's former military nuclear program.

The PBMR operates with a single helium gas coolant cycle without the costly heat exchangers and secondary cycles used in commonplace light water reactors. Helium gas is heated in the reactor core to a temperature of 900°C, and passes directly to a turbine where its thermal expansion is transformed into rotational motion for electricity generation. The expanded helium is then recycled into the reactor core by means of two turbocompressors, entering at an inlet temperature of 569°C. With its higher operating temperature, the

South African HTR realizes a net efficiency of 45% (compared to 30-35% for standard LWRs).

Waste heat can be removed either by water or air cooling, thus providing important additional flexibility in the choice of sites. (Use of air cooling was demonstrated on the 500 MW HTR in Germany.)

The small size and simplicity of the helium turbine add to the attractiveness of the PBMR, which promises to become a “work horse reactor” for widespread use around the world in the coming 20 years.

Achieving ‘inherent safety’

A very important feature of the South African PBMR is its inherent safety, which at the same time permits unique economies in construction and operation. To appreciate the significance of this feature, one must take a brief look at the two basic approaches to the nuclear safety problem, which have emerged in the course of the development of nuclear energy.

One approach, which has been the one followed in the development and design of nearly all the commercial reactors now operating around the world, is to reduce the estimated probability of an accident involving a dangerous release of radioactivity to the outside, to such a low level, that it is judged “acceptable,” or even practically insignificant, in comparison with the countless other risks of industrial society, and the average risks which any reasonable person accepts in their daily life. According to this approach, the designers do not attempt to completely eliminate the possibility of a major accident—indeed, this is nearly impossible with the LWR technology—but only to render it extremely unlikely. This goal is achieved with the help of high redundancy of crucial components and an extensive safety system.

The second approach, followed in the German development of the HTR and adopted by the South African PBMR, is to design the reactor in such a way, that a major accident involving a dangerous release of radioactivity is excluded under all imaginable conditions, by the *physical characteristics* of the reactor itself—without depending on additional safety systems.

Obviously, common sense would naturally prefer the second approach. However, for various reasons, connected in part with the specific history of the development of nuclear energy, the first approach has predominated. This is connected with the fact, that inherent safety is very difficult or even impossible to achieve, at economically acceptable cost, for the light water reactors which have dominated commercial nuclear energy generation until now.

The basic physical characteristics of the standard, large unit-size LWRs now in use are such, that two basic sorts of serious accidents are in principle possible: 1) a *reactivity* accident—an uncontrolled, “runaway” chain reaction, resulting, for example, from a failure of control systems, improper

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operation, sabotage, and so on, and 2) an overheating or even “meltdown” of the reactor core, with rupture of fuel elements and large-scale release of radioactive substances from the core, which could conceivably occur as a result of failure of cooling systems, or their inadvertent or deliberate switching-off.

In fact, a serious accident of the first sort did occur once, namely, in Chernobyl, leading also to an explosion and fire with massive release of radioactivity to a large area. A relatively serious accident of the second type occurred at Three Mile Island. In the latter case, the dangerous levels of radioactivity were successfully confined to within the reactor building, and there was no significant health danger to the population outside the plant. The plant itself, however, had to be permanently shut down and dismantled at great expense.

The first type of problem is complicated by the fact, that the LWRs are refueled only from time to time, rather than continuously; thus, a new “charge” of fuel rods must have a sufficiently large excess of reactivity, to maintain the criticality of the reactor for many months in spite of a substantial amount of “burn-up” up to the next scheduled refueling. In the event all the control rods were for some reason suddenly withdrawn from the reactor, the chain reaction would rapidly grow out of control, with possibly disastrous consequences. In practice, the likelihood of a “runaway” reaction is rendered

extremely remote, by a combination of automatic control, emergency shutdown, and other safety systems.

The second problem is exacerbated by the fact, that during normal operation, a fission reactor accumulates a large inventory of heat-generating radioactive fission products. As a result, even following a successful shutdown of a reactor (i.e., ending the chain reaction), the radioactive substances in the core continue to produce large amounts of heat. In the case of modern LWRs, this amount of heat is so large, that reactor components would be severely damaged, and eventually melt, unless the heat-buildup were speedily removed by active cooling systems. To prevent such an eventuality, modern LWRs are built with several backup cooling systems, so that the likelihood of a simultaneous failure of all of them is extremely remote.

There is little doubt, that state-of-the-art LWRs are extremely safe. However, that safety is ensured at the expense of complex safety and control systems, as well as special quality standards of manufacture of components (“nuclear grade”), which together account for a significant percentage (of the order of 30-50%) of the cost of a nuclear power plant. Furthermore, the modern plants are extremely complex, requiring very high skill levels in construction and in operation, which alone has tended to restrict their use mainly to advanced industrial nations.

There do exist designs for LWRs, in which the possibility

PBMR promises good power source for desalination

Freshwater through nuclear desalination: The PBMR could become an ideal power source for large-scale desalination of seawater, which is a life-and-death issue in the Middle East and other areas of the world lacking necessary freshwater supply.

At present, the conflict over water resources is a leading underlying cause of the tension and danger of war between Israel and its Arab neighbors—a conflict that could be defused by opening up alternative supplies by the well-established technology of desalination. This problem was addressed by Lyndon LaRouche’s “Oasis Plan,” put forward in the 1980s, which foresaw the large-scale application of nuclear energy together with desalination, together with other modern transport, water, energy, and communications infrastructure, to lay the basis for peace through economic development in the region. This concept was picked up again in the context of the 1993 Oslo Agree-

ment by Israel’s then-Foreign Minister Shimon Peres, who among other things proposed building a nuclear-powered desalination plant to be jointly operated by Israelis and Palestinians. Once again, just recently, the issue of fresh-water supply and desalination has been raised in the context of continuing negotiations for peace in the region.

The PBMR holds the promise of becoming a highly economical source of both electricity and heat for desalination plants. Using electricity to power a reverse osmosis plant, for example, a single “dedicated” PBMR module would provide enough power to produce 370,000 cubic meters of freshwater per day—corresponding to the average domestic (household) water consumption of 2.5 million people at modern standards. Fifteen dedicated PBMR modules, coupled with reverse osmosis plants, would be enough to provide for the *entire* freshwater consumption of Israel today, including agriculture and industry as well as household consumption. Alternatively, PBMR “waste heat” (at 90°C) can be used to power distillation-desalination processes, while supplying electricity to the grid. Studies of these possibilities have been going on in cooperation with the International Atomic Energy Agency, with Morocco being one of the interested nations.

**Former Mexican President
José López Portillo:**

**‘And it is now necessary
for the world to listen to
the wise words of
Lyndon LaRouche.’**



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EIR's hour-long video features speeches by Lyndon LaRouche and Helga Zepp-LaRouche, and by former Mexican President José López Portillo. Here, Mr. López Portillo is shown with Mrs. LaRouche (right) and Mexican political leader Marivilia Carrasco.

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of the two major types of accidents, indicated above, is virtually eliminated without depending on complex active cooling and safety systems. This can be done by reducing the amount of excess reactivity, and placing reservoirs of coolant water *above* the reactor core, so that a sufficient flow of coolant is ensured by gravity alone. However, these designs are very far removed from the present commercial LWRs and have been practically rejected on the grounds of too high costs. The principal difficulty lies in the physical basics of the LWR technology, which was originally developed for military use (U.S. nuclear submarines), under circumstances where safety considerations were much less stringent than for commercial nuclear power today.

The HTR, and particularly the pebble-bed design, is conceived from very early on with a view toward inherent safety via basic physical principles, without the need for any special safety systems or exotic design features. Rather than contributing to increased costs, the inherent safety features greatly improve the economic viability of the reactor.

Two basic features are key to the “inherent safety” realized by modular pebble-bed reactors of the type now being realized in South Africa:

First, the HTRs are generally characterized by a *strongly negative temperature coefficient*. This means that the efficiency of the chain reaction—the average number of fission reactions triggered by a given neutron in the reactor—decreases very rapidly with increased temperature. This is achieved by the choice of core geometry and the moderator material (mainly graphite). As a result, a significant increase of temperature above the designed operating temperature (ca. 900°C) immediately causes the reactor to become subcritical, i.e., the chain reaction stops by itself, without any intervention from the outside. This “automatic shutdown,” which occurs within fractions of a second by a natural physical process, was demonstrated repeatedly on the AVR test reactor in Jülich. For example, at maximum power the control rods were suddenly withdrawn and the cooling systems turned off—a suicidal act in a normal reactor. But with the AVR, nothing happened; the chain reaction immediately ceased, and the reactor temperature remained within the tolerance of the fuel elements.

Second, the dimensions of the PBMR reactor and the relatively low power density are chosen so that the natural diffusion of heat through the reactor vessel provides sufficient “passive cooling” to keep maximum core temperature following a shutdown of the reactor well within the 1,600°C tolerances of the fuel elements.

As a result of these two main properties, a reactivity accident or the release of significant amounts of radioactivity is excluded under *all* conditions, including deliberate sabotage of the reactor. *No special safety systems* are required! This means an enormous cost reduction, as well as major simplifications in the design, construction, and operation of the reactor.

Greenspan, Summers extoll derivatives

Two oracles of the financial establishment deposited a load of manure before the Senate Agriculture Committee.

The Senate Agriculture Committee on Feb. 10 heard testimony by Federal Reserve Board Chairman Alan Greenspan and Treasury Secretary Lawrence Summers, who vied with one another to see who could most vigorously defend the cancer of financial derivatives speculation, which is destroying America's productive economy and threatens to bring on the biggest financial crash in modern history.

Greenspan spoke on a report of the President's Working Group on Financial Markets, entitled "Over-the-Counter Derivatives Markets and the Commodity Exchange Act." He participated in writing the report, which was released the same day.

The report concludes that over-the-counter derivatives should be exempt from regulation of the Commodity Futures Trading Commission (CFTC), and from the provisions of the Commodity Exchange Act, which established the CFTC. Greenspan said that over-the-counter derivatives must be allowed to grow without any government interference—that they should be "exempt" from the oversight of the CFTC.

He continued: "Over-the-counter (OTC) derivatives have come to play an exceptionally important role in our financial system and in our economy. . . . A growing number of financial and non-financial institutions have embraced derivatives as an integral part of their risk capital allocation and profit maximization. In particular, the profitability of derivative products has been a major factor in the significant gain in the finance industry's share of American corporate output during the past decade—a reflection of their

value to non-financial industry. Indeed, this value added from derivatives itself derives from their ability to enhance the process of wealth creation throughout our economy."

Greenspan's statement that "the profitability of derivative products has been a major factor in the significant gain in the finance industry's share of American corporate output," is an endorsement of the fact that derivatives trading has swelled the revenues of banks, and of Wall Street, which has increased the speculative size of what is called "Finance, Insurance and Real Estate," which is now 19.4% of total U.S. GDP. This is larger than the manufacturing portion of GDP.

This speculative cancer must not even be controlled, let alone wiped out, Greenspan stated. "In light of the importance of OTC derivatives, it is essential that we address the legal uncertainties created by the possibility that courts could construe OTC derivatives to be futures contracts subject to the CEA [Commodity Exchange Act]. The legal uncertainties create risks to the counterparties [the speculators] in OTC contracts and, indeed, to our financial system, that are simply unacceptable."

If OTC derivatives were to be construed to be futures contracts (which they are, in fact), then they could not be privately negotiated between financial institutions in the way that they currently are. Thus, all OTC contracts become legally questionable, and, if the OTC derivatives were held to the standard of the CEA, the vast majority of them could be declared null and void. This would affect tens of trillions of dollars worth of OTC contracts—

which constitute the lion's share of U.S. derivatives.

To avoid the possibility that some future CFTC commissioner would rule that OTC derivatives are subject to the rules of the CEA—as Brooksley Borne, who was CFTC commissioner in 1999, was intimating she might do (before Greenspan had her sacked)—Greenspan said that the Congress must rewrite the CEA, to specifically give an exemption to OTC contracts.

Treasury Secretary Summers, who also participated in writing the report of the President's Working Group on Financial Markets, hailed the OTC derivatives market as "an important component of the American capital markets and a powerful symbol of the kind of innovation and technology that has made the American financial system as strong at it is today." The continued development of this market, he said, "will depend a great deal on the development of a clear and effective regulatory environment."

Summers summarized the report's recommendations:

"1. Create an exclusion from the CEA for most swaps agreements."

Swaps are a leading form of derivatives transaction.

"2. Create an exclusion for electronic trading systems."

Derivatives swaps dealers use electronic trading systems to trade derivatives swaps.

"3. Permit the use of appropriately regulated clearing systems for OTC derivatives.

"4. Clarify the original intent of the Treasury Amendment." This amendment pertains to whether certain types of derivatives trades and activities are allowed. . . .

"6. Clarify the exempt status of hybrid instruments."

Summers said that these recommendations are needed to "advance" the derivatives market.

Business Briefs

Industry

Japan's machine-tool orders fell in 1999

A revealing insight into the fake Japanese "recovery" of 1999, is the poor situation of Japan's machine-tool industry, the sector most critical to future economic growth. The Japan Machine-Tool Building Association yearly figures, released in February, showed that machine-tool orders fell to 756.6 billion yen in 1999, down 23.5% compared to 1998 and almost 40% less than in 1997. Domestic orders fell 21% last year, and thereby shrank to one-third of the record result in 1990.

Three-quarters of Japan's domestic machine-tool consumption is now made up of three core sectors of Japan's industry. All three considerably reduced their machine-tool orders in 1999: machine building -21%, automobile production -31%, and electrical engineering -10%. Foreign orders for Japanese machine tools also fell by 26% last year. Other orders were sharply down, particularly from the United States (-34.6%) and Europe (-26.3%). As a consequence, the Japanese machine-tool industry eliminated one-fourth of its employment throughout the 1990s.

Economic Policy

Why Dr. Mahathir pulled out of Davos meeting

Malaysian Prime Minister Dr. Mahathir bin Mohamad told reporters upon his return from Europe on Feb. 1, that he pulled out of the Davos, Switzerland World Economic Forum after its organizers decided that, with a plenitude of luminaries attending, they preferred Dr. Mahathir to participate in a panel discussion along with George Soros, rather than deliver a keynote address as planned. Dr. Mahathir said, "I was of the opinion that as a member of a panel I would not be able to speak much, only to answer questions for two to three minutes. So, I felt there was no gain, and it seems that they do not want to hear our opinion, but only the opinions of developed countries."

In 1997, Soros led the attack on currencies which destroyed many Asian economies, following which Dr. Mahathir enforced exchange controls.

Mahathir said that he had hoped to have an opportunity to express his fears about globalization. For example, "to expect corporations in developing countries to compete with corporations from developed countries which have already merged is ridiculous. And that means that we will be swallowed up. I'm not against globalization, but I'm against the interpretation of globalization," he said.

Speaking to Malaysians in London on Jan. 27, Dr. Mahathir called Soros "a non-entity whom no one listens to anymore and whose book is drivelt."

Eco-Frauds

Global warming link to malaria spread debunked

The myth that malaria will spread north as a result of what is alleged to be man-made global warming, was picked apart by epidemiologist Paul Reiter, chief of the Entomology Section Dengue Branch of the U.S. Centers for Disease Control, in the January-February 2000 issue of the journal *Emerging Infectious Diseases*. Reiter documents through epidemiological and other historical records, as well as the literature of William Shakespeare and Daniel Defoe, that malaria was a widespread killer andcrippler in England and other European nations during the coldest years of the Little Ice Age, in the late 1500s.

The English word for malaria was "ague," which remained in common usage through the 19th century. The worst-hit areas in England were the coastal marshlands and estuaries, where five species of the malaria-transmitting *Anopheles* mosquito are indigenous. The 16th- and 17th-century descriptions of the condition of the population in these areas, Reiter says, resemble those of the malaria-endemic tropical regions today in all the medical particulars.

"The strongest evidence that ague was indeed malaria," Reiter says, "is the identity of its cure": an extract of cinchona powder,

made from the bark of several native South American trees, which has as its principal ingredient quinine. Reiter says that this "effective use for malaria therapy was first developed with ague patients living in the salt marshes of Essex, less than 50 kilometers from the center of London . . . [and] conducted during the coldest years of the Little Ice Age."

The mosquito vectors for malaria lived and transmitted disease in cold and temperate climates, but in these areas, over time, swamps were drained, window screens were used, and pesticides, especially DDT, were able to drive down or eliminate the mosquito populations.

Reiter said that the increase in the incidence of malaria today stems from the deterioration of public health services and of mosquito control, increased international travel, and natural disasters and civil strife—not the weather. "Public concern should focus on ways to deal with the realities of malaria transmission, rather than on the weather," he said.

Eastern Europe

Romanian teachers in nationwide strike

Since early February, Romanian teachers have been striking for increased state education funding, as well as increased salaries. Once general income levels and inflation are accounted for, teachers are receiving barely more than one-third of what they earned 10 years ago.

All parties, including those in the conservative-liberal government, are supporting the teachers' demands. The pro-International Monetary Fund government of Prime Minister Isarescu (who was until a few weeks ago governor of the national bank), claims the strike is meaningless, because there is no money in the state budget for the increases. Education Minister Andrei Marga has announced that he will resign if Isarescu continues to reject budget increases, which would imply funding education with 4% of Gross Domestic Product.

Support for the teachers has come from a recent international conference, "Education

for All,” in Warsaw, Poland. There, a UNESCO report detailed that among 27 countries of North America and Europe, Romania provides the least funding for education, and that Romanian teachers today earn 40% of what they earned in 1990.

On Feb. 11, President Emil Constantinescu said that some Romanians are living in such bad conditions that they are nostalgic for even the poor living conditions they had under the Communist Nicolae Ceausescu regime before 1990. “There are pensioners and old people who miss the little good they had under him. There are many who are shocked by the arrogance of the *nouveaux riches*, and many who are frustrated, rightfully frustrated, by the fact that they are bombarded on television by the images of things they cannot afford,” Constantinescu said.

Labor

Bulgaria can reject free-market ‘reforms’

Bulgarian labor leader Konstantin Trenchev said that Bulgaria has an alternative to free-market “reforms,” and called for a broad movement to express citizens’ discontent with the government and the policies it stands for, in his keynote address to the fifth convention of Podkrepa, one of the two biggest labor federations of Bulgaria.

“It is not true that this country has no alternative; a nation always has an alternative in itself,” he said. Early elections would be the best way for the population and its genuine interests to get represented in the Parliament, so that the disastrous economic course of the last decade could be reversed.

Trenchev stressed that the transition to a free-market economy spawned poverty and crime, and led the country into a dead-end. The “social stratification” that Bulgaria has seen over recent years, has led to extreme social polarization that is “un-European in character,” he said. The driving force in the nation’s economy today, is dramatically reduced personal consumption, he charged. Once people begin to lose their illusions, and see that this situation will become permanent if not changed, social discontent will spread, he said.

Trenchev said that the country has been left worse off now than even after the first and second Balkan wars at the beginning of the 20th century, and World War II.

According to a report by the Institute for Social and Labor Research in Sofia, 25% of Bulgarian households live on less than the minimum monthly income of 78.7 new Bulgarian lei.

Economic Warfare

Oligarchy targets India, China on water costs

The Feb. 3 issue of the *Far Eastern Economic Review* signals a campaign by the British-led oligarchy to sabotage the development of China’s interior regions and India, by driving up the price of water. It writes: “Apart from the unlikely scheme to divert water from the distant Yangtze River, the only way to address the shortages in northern China is by making water use more efficient—and that means raising water rates. With limited water supplies to be shared around, the government will also be forced to choose between agriculture and industry and between the backward interior and the developed eastern seaboard.”

The Dow Jones-owned magazine suggests that a proper “market price” on water would be about 400% more than the current price. To make clear that this would mean dumping both agriculture and the “backward interior,” it quotes environmentalist Lester Brown that 1,000 tons of water can produce a ton of wheat with a market value of \$200, while the same water in industry produces 70 times more revenue.

The article on India says that there is no real water shortage, only mismanagement. Again, the blame is on “the unwillingness of policymakers to charge market prices for water,” thus “stalling the participation of private companies that can bring in much needed capital and expertise.” The *Far Eastern Economic Review* sees hope, in that a 1992 constitutional amendment made local governments responsible for water policy, and some localities may be willing to raise the cost of water the required ten-fold to make it profitable.

ITALIAN Senators who have co-signed the parliamentary motion for the government of Italy to help convene a New Bretton Woods conference, now total 23. The initiative is being discussed among members of the Italian Chambers of Deputies and among Italian Members of the European Parliament (MEPs); the latter intend to begin private consultations with MEPs from other nations.

25,000 BRITONS die of cancer each year unnecessarily, the World Health Organization estimates. Many are denied payment for chemotherapy by the National Health Service, and can only get it if they can afford it themselves. Others can’t get proper care in a timely manner.

EUROPEANS invested \$13 billion in the stock exchanges in December, more than Americans did for the first time ever, the Feb. 10 French daily *Le Figaro* reported. “This is a remarkable change,” said Mark Howdle of J.P. Morgan. Europeans are just discovering the joys of the “new economy,” the article said.

THE NUMBER of least developed countries (the world’s poorest nations) has doubled since 1971, from 25 to 48, with 33 in Africa, the UN Conference on Trade and Development said in a report issued Feb. 13. Only one, Botswana, has improved conditions.

JAPANESE households have cut back on spending for an unprecedented seven consecutive years, the Japanese Management and Coordination Agency reported on Feb. 8. Household spending fell 1.2% year-on-year in 1999.

SAMSUNG Electronics of South Korea and Thomson CSF of France announced a 50-50 joint defense venture on Feb. 8. It will be capitalized at \$240 million, and will be located in Kumi, South Korea. Agence France Presse plays up the French-Korean alliance as a blow to the United States, which has dominated the defense market in South Korea.

The unscientific hoaxes behind EPA's pesticide ban

Dr. J. Gordon Edward analyzes what it means to say that a chemical poses “the reasonable certainty of no harm”—and it’s not what the Environmental Protection Agency says.

The following was prepared as an address to the Doctors for Disaster Preparedness, meeting in Seattle, Washington, on June 6, 1999. Its original title was “The EPA and the Reasonable Certainty of No Harm.” Dr. Edwards is a professor emeritus of entomology at San Jose State University in California, who has contributed a number of articles to EIR over the years—most recently, “Science, Pesticides, and Environmental Politics,” EIR, Dec. 10, 1999.

This topic is not as simple as it may seem. Before we had the EPA, pesticide regulation was relatively simple. The procedures were set forth in 1947 under the FIFRA (Federal Insecticide, Fungicide, and Rodenticide Act), and were easy to understand and to implement.

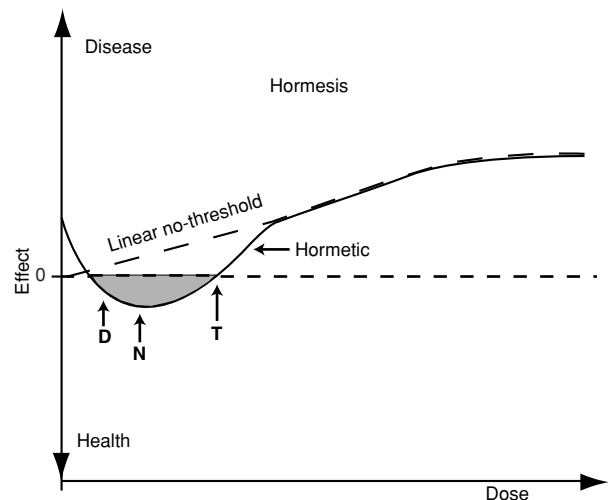
There have always been people who fear chemicals, usually because they know very little about them. Other people have carefully studied chemicals and sought to determine how safe or how dangerous they may be. In 1567 a monograph by the Swiss physician, Paracelsus, observed that “all things are poison and none are without poison.” This is more often stated as, “The dose makes the poison.” In other words, a very small amount of even the most dangerous chemicals may be harmless, but a larger amount of almost any chemical may be harmful or even deadly. This interesting and important fact is the basis of what is now referred to as “hormesis” (Figure 1). Our concern should be over what high levels of any given chemical might be hazardous, and what small levels of that same chemical will be harmless to the environment.

The Federal Insecticide, Fungicide, and Rodenticide Act

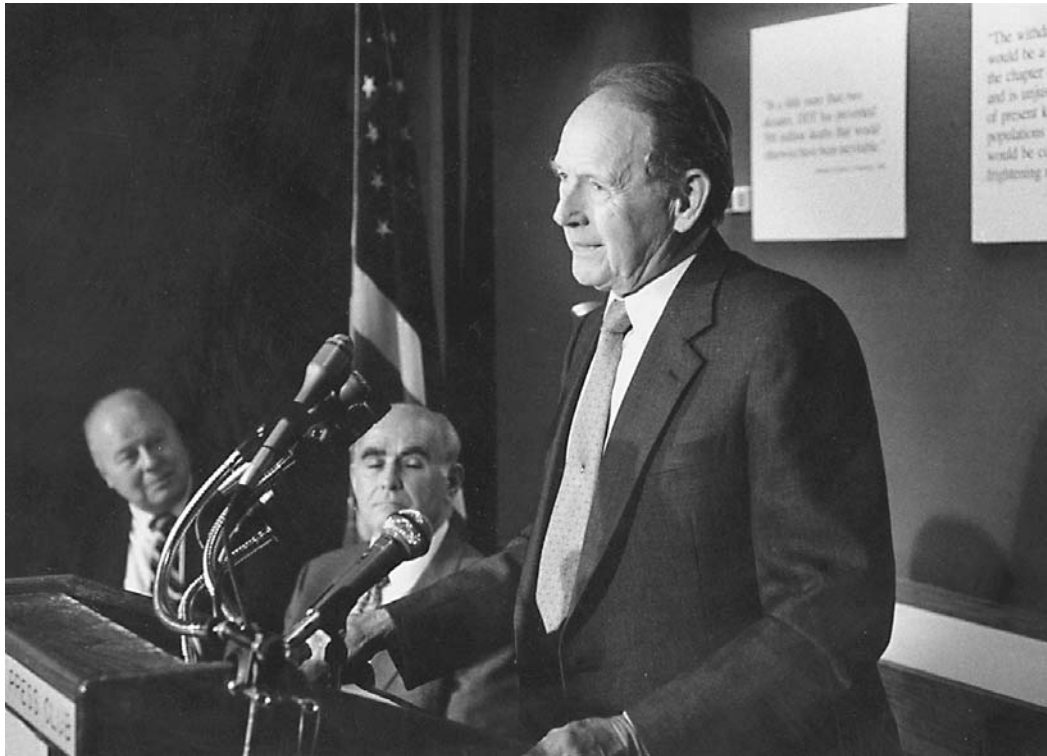
This Act (commonly called FIFRA) was passed by Congress and provided the Federal Food and Drug Administration with legal power to protect the public from being poisoned

by chemicals that were prepared to control pests in our food. Many amendments were approved by the Congress in 1970, and there were no problems during the next ten years. Under

FIGURE 1
Generalized biological response to chemical and physical agents



This illustration shows the generalized biological response to chemical and physical agents. Deficiency symptoms are caused by the deficit of an agent (dose less than D). Small doses (between D and T) are vital for good health (shaded area). Doses higher than T cause toxic or other harmful effects. N is the average global natural radiation dose. The dashed line is the linear no-threshold dose-effect relationship in which there is no beneficial effect from the agent. The solid curve is the hormetic dose-effect relationship.



The author, Dr. J. Gordon Edward addresses a scientists' press conference against the banning of DDT in 1992.

FIFRA, if harm was feared and might be severe enough to cause a pesticide to be banned, authorities were required to consider a “Rebuttable Presumption Against Registration” (RPAR). The charges had to be rebutted with solid proof that no significant harm was likely. If the charges were not rebutted, the chemical would be banned, unless benefits could be proven to outweigh the risks. “Twelve large eco-organizations budgeted over \$48 million for targeting pesticides via the RPAR route” (*Fruit Grower*, December 1977).

In 1978, Congress created a Scientific Advisory Panel (SAP) of seven members, nominated by the National Institutes of Health and the National Science Foundation, to make studies and review RPAR candidates. They required more evidence before EPA could take action against a pesticide, and formulated about 30 new FIFRA provisions that were helpful.

The Delaney Clause of the Federal Food, Drugs, and Cosmetics Act

In 1958, Rep. James Delaney entered a clause into the food additives provision of the Federal Food, Drugs, and Cosmetics Act. It was intended to reduce the threat of cancer that might result from exposure to significant levels of manmade food additives. A few details follow:

21 USC: 348, p. 280. Section 409 of the Delaney Clause specified: “No additive shall be deemed to be safe if it is found to induce cancer when ingested by man or animal, or if it is found, after tests which are appropriate for the evaluation

of the safety of food additives, to induce cancer in man or animals.” Ten years later I discussed this clause with Representative Delaney, in Washington. He was quite upset because nobody seemed to notice that he had specified that appropriate tests should be performed before any chemical could be deemed to be unsafe. He said his intent had been to permit only insignificant amounts of additives in our food. Both Congress and the Department of Health, Education, and Welfare (HEW) also construed the clause as permitting insignificant amounts of chemicals, including potential carcinogens. They did *not* expect the permissible amounts to approach zero, which even then was known to be an unattainable goal.

The first part of the clause could be determined only by feeding tests on caged men or other animals to determine if they caused cancer. All activities of a large series of nearly identical, same-sex humans, would have to be controlled, with half of them daily consuming huge doses of the test chemical and with none consumed by the other half. If, after months or years on such diets, the “test” humans developed cancer but the “controls” that were fed exactly the same diet and lived under identical conditions, did not develop that same type of cancer, it might be hypothesized that the tested chemical might have caused cancer in the “test” humans. Such tests have never been performed, and obviously never could be performed in a civilized, free society, therefore that part of the Delaney Clause was meaningless.

However, such tests would have been performed by the

EPA, if they could get away with it. In 1975, the EPA developed a \$100,000 plan to feed known cancer-causing fungicides to Mexican citizens in Hospital de Gineco-Obstetricia. The proposal stated: “The recent HEW moratorium on human testing has put severe constraints on the ability to have studies involving human subjects performed in the United States.” But Mexico had no such moratorium. The proposal called for huge doses of EBDC to be fed to humans, “If possible, 1,000 times higher than the average daily intake that Americans normally would be exposed to on vegetables and other crops.” When fed to animals, the fungicide caused thyroid defects at low levels and thyroid cancer at higher levels (*Los Angeles Times*, May 11, 1977, front page). The proposal was blocked at the last moment when an EPA attorney, Jeffrey Howard, told *Newsday* that he thought the plan was inhumane, and “absolutely shocking.” He later resigned from the EPA.

The rest of that sentence in the Delaney Clause specified applying “tests which are appropriate for the evaluation of the safety of food additives.” Health authorities should have determined what tests *are* “appropriate for the evaluation of the safety of chemicals.” Could dosages thousands of times greater than encountered in the environment be considered “appropriate”? Could “gavage,” where toxins are pumped directly into the stomach of test animals, be considered “appropriate”? Should the massive doses be fed daily, or several times each day? The answer seems obvious, but all such tests were usually considered “appropriate” by the EPA. Most regulators simply ignored Delaney’s requirement for “appropriate tests.” They routinely fed their animals “maximum tolerated doses” (meaning that any further increase in dosage would quickly be fatal, but for reasons unassociated with the tested chemical). Such high doses cause the destruction of body tissues. As a result, there is a proliferation of new cell divisions, during which numerous natural mutations occur. The development of tumors or cancers is therefore increased, but those mutations were *not* directly caused by the tested chemicals. Obviously, such rodent tests were *not* “appropriate for the evaluation of the safety of food additives to induce cancers in man or animals,” as specified in the Delaney Clause!

Instead of seeking to implement “appropriate tests,” the EPA routinely concluded that if *any* amount of a chemical, no matter how large the dose or how it was applied, caused cancer in rodents, that chemical must be banned “because of the Delaney Clause,” even though Delaney never envisioned such unreasonable criteria. Worse yet, they used laboratory test rodents that had been specifically bred to be highly sensitive to chemicals and quick to develop tumors or cancers!

The use of such tremendously inappropriate tests involving massive dosages and unnatural applications of the chemicals caused much opposition to reliance on rodent tests. The American Council for Science and Health wrote that “sound

toxicological principles are routinely flouted in laboratory rodent tests and the results are frequently inappropriately extrapolated to humans.” There have also been hundreds of complaints by toxicologists who are convinced that chemicals have very different effects on rodents than they would on humans. Rats produce a special protein (Alpha 2U Globulin) which makes them especially prone to develop tumors and cancers. In 1992, even some employees of the Environmental Protection Agency pointed out that humans lack that protein, which they said “could invalidate thousands of tests of pesticides, preservatives, additives, and other chemicals that have been banned on the basis of producing tumors in rats in laboratories.” Those tumors, they said, “are a species-specific effect inapplicable to human risk assessments” and “are not relevant to human risks from those chemicals.”

The Environmental Protection Agency

The first “Earth Day,” on Stalin’s birthday in 1970, helped bring about the establishment of the Environmental Protection Agency (EPA). Most scientists assumed that this would be an agency composed of truthful scientists who would establish legitimate scientific procedures having a sound scientific basis. As it turned out, *none* of the administrators in the following 29 years had any such background. Instead, almost every one of them has been an attorney!

Dr. Lee DuBridge, the President’s science adviser, wrote in April 1972, that “responsible groups have not attempted to advocate impractical panaceas—such as prohibiting the use of automobiles, or of DDT, or of phosphates in detergents” (*Science*, 176: 230, 1972). That may have been true, but what *were* those “responsible groups”? Certainly not the Environmental Protection Agency, the Natural Resources Defense Council, the Sierra Club, the National Audubon Society, the National Wildlife Federation, or the Environmental Defense Fund!

The Environmental Defense Fund (EDF) was organized and financed by the National Audubon Society. They could legally lobby for Audubon propaganda issues without endangering the Society’s tax-exempt status. They filed suits against the U.S. Department of Agriculture and the Environmental Protection Agency, resulting in the famous DDT hearings of 1971 that lasted for seven months and generated more than 9,000 pages of official transcripts.

During the EPA Hearings on DDT, Samuel Epstein testified (pp. 7306 and 7340 of the transcript) that he was a member of the HEW panel on carcinogens, but under cross-examination he admitted that he was *not* (p. 7374). In his testimony, Epstein also alleged that tests by Fitzhugh, Davis, and Gross indicated that mice with DDT in their diet developed cancer. Epstein failed to point out that the control mice developed 26% *more* cancers than did the DDT-fed mice. That omission was obviously intentional and many scientists considered it to be unethical! The actual data from the Fitzhugh Report are shown in **Table 1** below, indicating the



William Ruckelshaus (left) imposed the ban on DDT, despite overwhelming evidence and a judge's finding that the pesticide posed no threat to humans. Russell Train (right) continued Ruckelshaus's environmentalist lunacy as head of the Environmental Protection Agency.

numbers of cancers developed in the mice in each group. (The research team called them “tumors,” but Epstein called them “cancer.”)

TABLE 1
The Fitzhugh Report: Mice fed DDT had fewer tumors

	C3HeB/FeJ Mice		Balb/cJ Mice		Total
	(100) Males	(100) Females	(100) Males	(100) Females	
DDT-fed Mice (100 to 300 ppm in diet)	10	25	16	15	66
Control Mice (no DDT)	10	30	15	28	83
Totals	20	55	31	43	149

Epstein neglected to explain why the Fitzhugh Report was never published, but Dr. Adrian Gross had already pointed out that it was because by mistake the mice had been fed 300 mgs of DDT per kg of body weight rather than the intended 100 mgs/kg, for an unknown period of time. Dr. Kent Davis, Assistant Chief of Pathology for the Department of HEW, stated that “preliminary surveys showed that in this study neither of the pesticides tested was carcinogenic.” EPA attorneys successfully blocked efforts by the U.S. Department of

Agriculture (USDA) to have Dr. Davis testify at the hearings, even though he was at that time employed by the EPA. Dr. Epstein was also on the EPA payroll at the time of his testimony, but that was not mentioned.

During the EPA hearings, Dr. George Woodwell testified regarding an article written by him and Charles Wurster (*Science*, 156: 821-824, 1967). The abstract stated, “DDT residues in an extensive salt marsh on the south shore of Long Island average more than 13 pounds per acre.” This was discussed on page 7232 of the hearing transcript, as follows:

Cross-examination of Dr. Woodwell by the USDA attorney

Q: “Isn’t it a fact that after you initially studied this marsh you continued your samplings, and found as a result that you were getting an average of only one pound per acre of DDT?” [rather than 13 pounds]

A: “No, I wouldn’t agree with that.”

Q: “Dr. Wurster, perhaps?” [We had given the attorneys the details of Wurster’s Seattle testimony, and Wurster was in the audience, that day.]

A: “I don’t believe he knows that, either. I don’t believe there’s any evidence to that effect.”

Q: “Dr. Wurster, your co-author, made the following statement at the Washington state hearings, and I’m quoting him verbatim: He testified: ‘We have since sampled that marsh more extensively, and we found that the average in the marsh was closer to one pound per acre. The discrepancy was

because our initial sampling was in a convenient place, and this turned out to be a convenient place for the mosquito Commission's spray truck, too.' Did you learn that after the fact, Doctor?"

A: "That is a true statement in my experience. I did not know that Dr. Wurster had said that, but that is a true statement."

Q: "Doctor, have you ever published a retraction of this 13 pounds per acre, or a further article which discloses the results of your further sampling which brings the average down to around one pound per acre?"

A: "I never felt that this was necessary."

Woodwell also admitted they had only taken six samples to determine the "average concentration" of DDT in that "extensive marsh"!

Later, Dr. Woodwell was questioned about his article, titled "Persistence of DDT in Soils of Heavily-Sprayed Forest Stands" (*Science*, 145: 481-483, 1964). He had claimed that after spraying DDT on New Brunswick forests, the concentration in the soil built up to higher levels each year. Other scientists revealed that Woodwell's sampling site was beside the local forest airstrip and was heavily dosed with DDT by aircraft during the testing and calibration of spray equipment. When questioned about that during the EPA hearings, Woodwell admitted it, saying, "That is an accurate statement. . . . That's why it had such high levels of DDT. That's why we picked that site in New Brunswick" (*Bulletin of Environmental Contamination and Toxicology*, 1970).

Woodwell had also written about the rapid disappearance of DDT from the environment, stating that "6 billion pounds of DDT had been used, but only 12 million pounds could be accounted for in all of the earth's plants, animals, fish, and birds," and that was "less than a thirtieth of one year's production of DDT during the mid-1960s." He theorized that "most of the DDT has either been degraded to innocuousness or sequestered in places where it is not freely available" (*Science*, 174: 1101, 1971). Because that recent article had contrasted so sharply with his testimony at the EPA hearings, a reporter asked him why he had completely omitted all of those details from his testimony. Woodwell explained that "EPA lawyers told me not to mention it, lest my testimony be disallowed" (*Business Week*, July 8, 1972).

Dr. Philip Butler's testimony was also misleading. When asked about the persistence of DDT residues in the environment, Butler testified (p. 3726): "I am thinking of a study which has shown that DDT persists for as much as 40 years in terrestrial deposits." (Of course the truth was that there had been no such study, because DDT had only been around for 30 years at the time of his testimony!) Under cross-examination, Butler also had to admit that published reports from his own EPA laboratory at Gulf Breeze, Florida, confirmed that 92% of the DDT and its metabolites disappeared from the sea water

in huge closed glass submerged containers in just 38 days! (Wilson, A.J., et al. *USDI Circular*, 335, 1969, p. 20).

It was after hearing this sort of untruthful testimony for seven months that EPA Judge Edmund Sweeney arrived at the conclusion that DDT should *not* be banned. In his final official decision, issued on April 26, 1972, he stated: "DDT is not a carcinogenic, mutagenic, or teratogenic hazard to man. The uses of DDT under the regulations involved here do not have a deleterious effect on freshwater fish, estuarine organisms, wild birds, or other wildlife. . . . The evidence in this proceeding supports the conclusion that there is a present need for the essential uses of DDT.' "

Ruckelshaus overturned his own judge's decision

EPA Administrator William Ruckelshaus never attended a single day of those seven months of expensive hearings, and his Special Assistant (Marshall Miller) told reporters that Ruckelshaus had not even read the transcript (*Santa Ana Register*, July 23, 1972). Instead, he turned the transcript of the hearings over to a 29-year-old judicial officer, Charles Fabrikant, who also "had no special background in science." Two other non-scientists in Fabrikant's office prepared anti-DDT statements based on Environmental Defense Fund propaganda, rather than on the hearings transcript and data. (They included claims from Environmental Defense Fund propaganda that appeared nowhere in the entire 9,400 pages of the hearings transcript.) Ruckelshaus was himself a member of that Environmental Defense Fund, and solicited donations for that group on his personal stationery, stating: "EDF's scientists blew the whistle on DDT by showing it to be a cancer hazard, and three years later, when the dust had cleared, EDF had won."

Ignoring the seven months of testimony and evidence, and the hearing judge's deliberations and conclusions, Ruckelshaus personally reversed the court's decision and gave the victory to his friends in the Environmental Defense Fund! His decision to ban DDT appeared to be *political*, rather than reflecting scientific evaluations. On April 26, 1979, Ruckelshaus wrote to American Farm Bureau Federation president Allan Grant, stating: "Decisions by the government involving the use of toxic substances are political with a small 'p.' *The ultimate judgment remains political.*" Further, he wrote, "In the case of pesticides in our country, the power to make this judgment has been delegated to the administrator of the Environmental Protection Agency" (emphasis added).

Then, Ruckelshaus ruled on the opponents' appeal himself.

John Quarles served as General Counsel for Mr. Ruckelshaus in 1972. On June 3, 1982, he testified in an affidavit to a U.S. Court in northern Alabama that: "After seven months of hearings, the EPA Hearing Examiner made findings generally supportive of the position that DDT did not cause undue harm

and that an adequate basis did not exist for cancelling the uses of DDT." Opponents had quickly filed an appeal for a judicial review of the Ruckelshaus decision, as provided by law, but, Quarles said: "Because of the importance of the question, rather than refer it to the judicial officer, Mr. Ruckelshaus decided to rule on the appeal himself." Ruckelshaus, of course, supported his own decision. As a result, his DDT ban still stands and millions of humans are still dying as a result.

Ruckelshaus refused to comply with the FOIA, and to file environmental impact statements

After reversing the decisions reached by the EPA hearings, Ruckelshaus defied efforts by the USDA, and others, to obtain information regarding his conclusions through the Freedom of Information Act (FOIA). Honest scientists were therefore prevented from exposing the untruths upon which the Ruckelshaus "Opinion and Order on DDT" was based.

Ruckelshaus spurned the National Environmental Policy Act by refusing to file any Environmental Impact Statements regarding the anticipated environmental effects of his DDT ban, including outbreaks of diseases in birds, mammals, and humans, the deaths of beneficial insects, birds, and mammals (caused by the deadly substitute, methyl parathion, that he had recommended to replace DDT), the destruction of millions of acres of oak and Douglas Fir forests, extensive agricultural losses in the United States, and widespread famine and death in Third World nations.

Later Mr. Ruckelshaus became senior vice-president of the Weyerhaeuser Lumber Company. (Evidently he was not opposed at that time to clear-cutting forests.) He kept that position until May 1983. When he returned to the Environmental Protection Agency, as administrator, his annual salary was \$200,000 less than he had been paid by the lumber company.

Russell Train replaces Ruckelshaus at EPA

In 1973, Ruckelshaus was replaced as EPA Administrator by Russell Train, another attorney with a very limited scientific background. Train transferred from his position as head of President Nixon's Council on Environmental Quality (formerly headed by Shirley Temple Black). He promised that he would "not take any precipitous action against pesticides without giving Congress advance notification." He then surprised Congress and even his own staff with a Christmas Eve press conference to announce his intention to ban the best substitute for DDT: He would ban chlordane!

A suit by environmental groups later urged that dieldrin also be banned, but many scientific organizations opposed such action. On March 28, 1972, even the EPA Science Advisory Committee unanimously recommended that it not be banned. That echoed the recommendations of the following authorities: the U.S. Food and Drug Administration (1965), the National Academy of Sciences (1965), the USDA Ag-

ricultural Research Science committee (1969), the Mrak Commission of the Department of Health, Education, and Welfare (1969), and the World Health Organization Food and Agriculture Committee (1970). None of those science-oriented organizations influenced tax attorney Russell Train, and he took it upon himself to ban dieldrin. Because that was the only chemical that could effectively halt the huge locust invasions that repeatedly destroy African grain crops, the ban had drastic effects on millions of humans, causing widespread malnutrition, starvation, and thousands of deaths.

Train ignored the portion of the Delaney Clause that required tests which were "appropriate for the evaluation of the safety of food additives." As a result, EPA attorneys assumed that they could ban *any* substance which caused *any* tumor or cancer in test animals, at any dosage, when applied in *any inappropriate* manner (including gavage and injections). Even worse, Train's attorneys assumed that they could also ban any chemical found on field crops, at any level above zero. That illegal activity resulted in widespread efforts to remove the Delaney Clause. With modern methods of analysis, parts per billion, parts per trillion, or even parts per quadrillion could be detected, so "zero" had practically ceased to exist.

Attempting to defend its DDT ban, the EPA told Congress and the media that Americans were ingesting 13.8 milligrams of DDT daily before the ban, and implied that that was a serious health hazard. Scientists quickly pointed out that the EPA's figure was 1,000 times higher than reality. The EPA admitted its decimal point error, in a letter to the Montrose Chemical Company (Sept. 11, 1975), and changed its figure to 0.015 milligrams ingested daily in 1970. (The level dropped to 0.0018 milligrams per day, by 1973.) (See also *Chemical & Engineering News*, Sept. 29, 1975.)

In the late 1970s, the Civil Service Commission reported that 46% of the EPA employees polled thought the agency was not doing its job properly. The Commission also reported that because of low morale there, "nearly one-third of the positions at headquarters must be replaced every year."

In the 1970s and 1980s, the EPA, relying primarily on the Delaney Clause, had banned aldrin, dieldrin, endrin, BHC, Lindane, heptachlor, toxaphene, and many other pesticides. Even after ignoring Representative Delaney's intent that "*appropriate tests*" for carcinogenicity be required, the EPA still could not have banned many of those substances, *had not "carcinogenicity" been redefined by tax attorney Russell Train!*

In Delaney's day, *cancers* were considered as malignant growths that tended to spread to other parts of the body, frequently with fatal results. Tumors, on the other hand, were usually non-malignant lumps that did not spread (and in lab rodents they often disappeared after the massive chemical insults were halted). Train redefined those medical terms and specified that "for EPA's purposes of carcinogenicity testing,



An anti-malaria DDT spraying program in North Borneo in 1956. It was so successful that the World Health Organization converted it into a full-scale eradication program.

tumorogenic substances and carcinogenic substances are synonymous,” and “for purposes of carcinogenicity testing no distinction will be made between the induction of tumors diagnosed as benign and the induction of tumors diagnosed as malignant” (*Chem. & Engineering News*, 52: 13, 1974). All would be considered as carcinogens. At the EPA, therefore, chemicals causing only benign tumors would be subject to banning under the Delaney Clause. The Council for Agricultural Science and Technology, a consortium of more than 30 scientific and professional organizations, observed that “classifying as ‘carcinogens’ all chemicals that cause tumors greatly overestimates the ‘cancer’ risk.”

In a radio broadcast on May 15, 1975, Russell Train’s EPA alleged that “hundreds of thousands of American farm workers are injured every year by pesticides, and hundreds of them die annually.” That false statement had originated in 1970 Congressional testimony by a Cesar Chavez spokesman, and the EPA was forced to apologize (UPI press release, May 24, 1975), stating: “We used those statements in good faith, but they turned out not to be accurate . . . they cannot possibly be substantiated.” Ignoring that apology, Train relied on the same false statement to support his inauguration of the famous “EPA Hot Line.” Anyone could call the hot line, toll-free, and anonymously accuse anyone else of misusing a pesticide. The *New York Times*, through the Freedom of Information Act, learned that the hot line number did not reach any EPA office,

but instead went directly to Chavez’s National Farm Workers office in Texas. A UPI press release on June 3, 1975 revealed that the project was financed by the U.S. Labor Department, via Antioch College. Vehement Congressional criticism of that Gestapo-like operation caused it to be shut down later that month.

But what was the source of those untruthful 1970 figures? *USA Today* printed an editorial on April 14, 1992 repeating the same figures, but they falsely attributed them to “a Congressional study last month.” I wrote to the editor, pointing out that it was actually from a World Resources Institute press release seven years earlier, which had deliberately falsified the report of the two researchers who made the study (Robert Wasserstrom and Richard Wiles). Those researchers quit the WRI because of that untruthful figure of 300,000, which they said “tells a story substantially different from what was in the epidemiologic record” (*Chem. & Engineering News*, September 1985). *USA Today* never answered my letter or corrected their serious error.

The overwhelming figure was derived from a report of 235 medical complaints by California farm workers in 1982 (roughly half of the injuries were skin irritations caused by exposure to sulfur). National Institute of Occupational Health and Safety employee Dr. Molly Coye extrapolated from that 235, to reach the 300,000 figure, as follows: Dr. Ephriam Kahn had estimated in 1976 that “California doctors report

only 1% of the complaints they hear.” Coye therefore multiplied 235 by 100 and reported that 23,500 medical complaints must have really been made that year. She said that that number was roughly 7.8% of the farm workers in California, and since there were about 4 million farm workers in the entire nation, and assuming that 7.8% of them would have pesticide injuries, Dr. Coye extrapolated to 312,000 poisoned farm workers annually in the United States (7.8% of 4 million). She ignored Dr. Kahn’s well-known year-long study, which had revealed that 80% of all California pesticide-related complaints *were* reported, rather than his earlier estimate that only 1% were reported. Based on the 80% level, the 235 California complaints would extrapolate to 300 California cases instead of Coye’s propaganda figure of 23,500 (and to less than 4,000 cases nationwide, instead of 312,000).

Ruckelshaus profits from previous EPA position

In May 1974, Ruckelshaus developed an industrial defense firm in Washington, D.C. with nine other lawyers. Ruckelshaus said that “about 50% of the firm’s business dealt with legal problems involving the EPA.” Five of the lawyers were ex-employees of the EPA (Gary Baise, Carl Eardley, Richard Fairbanks, Leonard Garment, and Henry Diamond). The *New York Times*, through the Freedom of Information Act, forced exposure of some of the results. In the first 18 months, Ruckelshaus and his friends made “at least 178 identifiable contacts with EPA officials, for 20 different clients.” Ruckelshaus himself made 27 of the contacts. Thirty-seven of those EPA contacts were made on behalf of the plastics industry, which was employing Ruckelshaus to influence the EPA (*New York Times* July 6, 1975). This involved “avoiding air pollution controls that the EPA might impose to protect the public from polyvinyl chloride, a potential cause of cancer.”

The EPA had planned actions against plastics, but now they took no action against it. The FDA was not a part of the cozy relationship, so they announced on Aug. 27 that the agency would act against the plastic food containers they feared might be carcinogenic. A Ralph Nader associate, Mark Green, criticized those EPA actions, and Gus Speth (of the Natural Resources Defense Council) commented that “it’s obscene.” Nevertheless, the group persisted, and became known as “The Institute for Congress.” According to the *San Jose Mercury News*, Feb. 8, 1976, “The Institute for Congress, estimated to cost \$22.5 million over five years, with much of the money coming from Congress, was quietly established.” They planned a professional staff of 80. Ruckelshaus used the skills he learned in the government to fight against some of the very regulations he had helped create. The Institute’s Board of Directors included William Coleman (Secretary of Transportation), Clarence Mitchell (Director of the Washington Bureau of the National Association for the Advancement of Colored People), Cyrus Vance (former Secretary of the Army),

Lucy Bensen (Secretary of Human Services), and Leon Jaworsky (a bank director, but more famous for his political activities). Meanwhile, contempt for the EPA continued to spread.

In 1975, while he was also Acting Attorney General of the United States, Ruckelshaus continued to make untruthful statements. At a news conference, he said that when he went to White House Chief of Staff Ehrlichman’s office to get some records “we almost had to arm wrestle the Secret Service.” The Secret Service heard about that statement and objected, saying, “We gave them the files they requested, without incident.” Ruckelshaus then apologized, saying, “My allusion to arm wrestling was an effort at hyperbole at a time when reality could not absorb exaggeration. Furthermore, the gloves were never donned, and the bell never sounded . . . in short, the bout never occurred” (from EPA Radio Broadcast, May 15, 1975). Unfortunately, similarly, he never retracted his lies about DDT, which resulted in so much environmental destruction and were responsible for hundreds of thousands of human deaths.

Russell Train’s EPA continued to perform poorly. In 1977, the Toxic Substances Control Act was widely criticized when it was introduced. British science attaché Alan Smith expressed his frustration to an audience of 600 applauding supporters. He urged the United States to “not presume to legislate for the Universe and the whole human race.” Have a thought for your reputation, he suggested. “There is a limit to the number of times even the greatest country in the world can afford to appear ridiculous in international affairs, yet you are taking the unreasonable risk of doing just that. This EPA draft is like the Jabberwocky of Lewis Carroll, and I suspect that you use words as Humpty Dumpty did—to mean whatever you want them to mean. Do not expect the international community to compensate for the defects in your own approach to problems” (*Science*, June 1977, p. 1182).

Attempts to clean up the EPA fail

In 1980, the EPA had more than 10,000 employees, and its budget that year was \$5 billion. Still, they revealed no comprehension of the importance of scientific data, of dose responses, of biological thresholds, or of ethics and moral responsibility. Russell Train left the EPA and joined the Board of Directors of Union Carbide Corp. (not notorious for environmental concerns). Later, he moved to the World Wildlife Fund.

Attorney Douglas Costle became the next non-scientist EPA Administrator. At his first interview with agricultural leaders, he said: “I’m going to endeavor to bring common sense to the administration of law and the writing of registrations. It may take three or four years, but we’re starting right now.” Obviously, he failed, and was soon driven from the EPA. He and several EPA colleagues then founded the “Environmental Testing and Certification Corp.,” in New Jersey.

In 1981, the next EPA Administrator, Anne Gorsuch Burford, expressed her intent to ensure scientific objectivity in

statements made by EPA employees. Deputy Administrator John Hernandez said that the new strategy would be to “get away from the adversarial role and the litigious attitude this agency has had in the past.” Dr. Andrew Jovanovich, EPA’s new research director, said that he had designed procedures to assure that research is “of high quality and based on creditable scientific and technical knowledge.”

What a marvelous change! Unfortunately, they were no match for the multimillion-dollar pseudo-environmentalists, and were forced out of the EPA. A memo from James Conn (an EPA inspector general) then urged employees to quickly “destroy and conceal information which could prove embarrassing. We have to think about what to get rid of before a Freedom of Information Act request catches us with our pants down” (*Washington Post*, Sept. 18, 1982).

Meanwhile, in October 1988, Ruckelshaus emerged from his relative obscurity following his departure from EPA, as chairman and CEO of Browning-Ferris Industries, a worldwide waste disposal company. According to the *San Jose Mercury* (March 14, 1990), the company’s assets were \$2.35 billion. They collected garbage from 5 million homes and half a million businesses, and operated more than 100 landfills. They developed the medical waste-disposal market, owned an asbestos company, and a plant that reclaimed fuel from solvents, and they even rented portable toilets. At that time, they were facing both criminal and civil charges. In a *Wall Street Journal* article titled “The Politics of Waste Disposal” (Sept. 5, 1989), Ruckelshaus wrote: “People are perfectly willing to endure something unpleasant if you pay them for it.” (Nobody paid Americans for Ruckelshaus’s actions in the EPA!)

‘We’ve jailed more people’

In 1988, William Reilly, another non-scientist, moved from the World Wildlife Fund to take charge of the EPA. Reilly proposed “an ethic of environmental stewardship, to replace the traditional Judeo-Christian moral law which places man above the beasts” (*New Federalist*, March 2 1990).

Reilly commented that huge sums of money had been spent by previous administrations on hypothetical risks to a few individuals, while no attention was paid to the hardships caused to millions of other people, and that we should avoid basing programs on so few individuals, “because the cost to society for protecting those few individuals soars to unlimited heights” (*Science*, Feb. 4, 1994).

In a 1992 interview, Reilly boasted that “we’ve increased the EPA budget by 44% in the past three years and proposed over a billion dollars more for the land and water conservation fund,” which was zero for the previous eight years. He also stated: “We increased geographic initiatives in the EPA from \$40 million to \$700 million, and wetlands money was raised from \$200 million to \$812 million. . . . We have assessed

more fines and penalties in our three years than in the previous 18 years, and we have also jailed more people, and for longer sentences.” He estimated that “the total EPA budget in the future will go up from the present \$130 billion a year (2% of the Gross National Product) to 3% of the GNP, and that’s more than most of our economic competitors” (*San Jose Mercury*, July 26, 1992).

Rep. John Dingell (D-Mich.) audited the EPA and charged that there was more than \$8.6 billion of fraudulent government contracts, “most of which is lining the pockets of lawyers and consultants.” He revealed that “environmental regulations have cost the U.S. economy over \$1.2 trillion since 1972, according to official EPA figures.”

Carol Browner was appointed EPA Administrator at the urgings of Vice President Al Gore in early 1993. (She was generally assumed to have been the ghost writer of portions of his book, *Earth in the Balance*.) Her husband, Michael Podhorzer, was still employed by Citizen Action, an extremist environmental organization, in which she was also active. Browner told a U.S. Congressional Committee, “I’m appalled by what I’ve learned about the EPA’s total lack of management, accountability, and discipline. . . . I have reviewed audit reports that clearly describe serious violations of rules and intolerable waste of taxpayers’ money” (*Audubon* magazine, September 1993). Browner also said that the EPA should “spend \$15 to \$20 billion for short-term economic programs to jolt the economy” (*San Francisco Chronicle*, Feb. 2, 1993). Apparently, the EPA is still intent on such goals.

Overview of the EPA

Rep. Philip Crane (R-Ill.) summed up the EPA’s record in the July 29, 1977 *Congressional Record*. He stated: “EPA methods of operation are too often unreasonable, arbitrary, and unscientific. The Agency has tried to cover up its inefficiencies with lies and deceit. . . . EPA has misled Congress, the GAO [General Accounting Office], and the public, regarding pesticide programs. . . . It now has a vigorous and unrelenting campaign of enforcement.” Crane noted that “EPA and OSHA [Occupational Safety and Health Administration] alone have forcibly closed 350 foundries and innumerable small businesses without either substantially improving air quality or reducing work-related injuries.”

For example, the agency didn’t realize that the energy required to remove 99.8% of the particulates from smokestacks costs four times as much as removing 98%, so they continued to demand the removal of that last 1.8% even if plants were forced out of business as a result. In Gary, Indiana, EPA ordered U.S. Steel to either pay \$2,300 a day in penalties or shut down. The plant shut down, putting 500 employees out of work. *Fortune* magazine calculated, “The cumulative cost of pollution abatement could lie in the trillion-dollar range by 1985.” (And it undoubtedly did!)

The EPA is now said to be considering the expenditure

of \$2 billion or more annually on a health measure with no detectable benefits. This is the reduction of sulfur and nitrogen dioxide from automobile emissions. They ignored scientific studies which reveal that more than 75% of smog precursors are from non-automobile causes.

Let's hope that they do not hear about the potential threats by dihydrogen monoxide, the abundant colorless, odorless, tasteless fluid that is a major ingredient of acid rain, is prominent in El Niño and in the ozone layer, and invades most of our body cells, including cancerous tissues. Hopefully, they will not spend billions of dollars studying it, before learning that it is just plain water!

The *San Francisco Chronicle* (June 3, 1999) reported that the European Union ordered that "a vast array of potentially tainted Belgian food products made with suspect eggs be destroyed, after the Belgian government decided to ban the sale of all chicken- and egg-based foods." Why? Because "massive traces of dioxin," a carcinogenic chemical, were found in animal feed sold to poultry farms by a Belgian processor" (emphasis added).

At least our EPA has not referred to our "traces" of dioxin as being "massive"! They have not even referred to "massive parts per million or billion." (However, it is still difficult to believe that they can be "reasonable," as required for Food Quality Protection Act decisions.)

The Food Quality Protection Act

In 1996, the Food Quality Protection Act (FQPA) was enacted, giving the EPA even greater power to harm American citizens, businesses, and our environment.

This remarkable mandate states that the EPA may ban any chemical, unless they believe "there is a reasonable certainty of no harm from the total amount of that chemical in the aggregate of food, water, or residential use." The long history of unreasonable behavior by the EPA permits very little assurance of "reasonable" considerations.

Tolerances for each of the thousands of chemicals in food and liquids available to humans or other life forms are required to be reassessed between 1996 and 2006. This is to be done by a Tolerance Review Assessment Committee that will assess potential limits for human exposure to pesticides. The committee contains non-scientists, from environmental organizations, which makes "reasonable" decisions more difficult.

By August 1999 the EPA must complete their analyses of 3,000 pesticides, and establish tolerance levels. At the top of their list are the organophosphate and carbamate insecticides. Those categories include about three-fourths of the insecticides needed to protect American crops, upon which our balance of trade is dependent. Perhaps it is not surprising that the Director of EPA's Pesticide Programs said that one way to implement the Food Quality Protection Act would be to just revoke all insecticide tolerances and simply start over. Hopefully she was being facetious!

The EPA intends to estimate a dietary risk for each pesticide, and also estimate non-dietary exposures. After all of their *estimates*, from all sources, are combined, the EPA will subjectively decide upon a total level of risk that they consider acceptable. They refer to that level as the "risk cup," which cannot be legally exceeded. When the "risk cup" for any pesticide is full, they say, no additional uses of that chemical can be approved unless others are removed from the "cup." To further complicate the process, the EPA will assign every pesticide to one of three poorly differentiated "groups," each containing various poorly differentiated "classes" of chemicals.

Might we assume that the EPA chose their words deliberately, anticipating that FQPA activists could then employ "reasonable," "harm," and "no harm" in ways that could permit the banning of *every* pesticide? If their intentions were not malicious, wouldn't they have worded their proposals very differently? For example, they could have required that there be "no significant danger of serious harm to non-target organisms." That would have protected the environment, but would have permitted the use of chemicals that are vital for human survival. If their intentions were legitimate, why wouldn't they seek to ban chemicals that have been proved to cause significant harm, rather than seeking proof that harm is not caused? Isn't it more difficult to "prove a negative"? Shouldn't the *reasonable* purpose of public agencies be to determine if legitimate uses of a chemical pose significant harm to children or normal adults?

Dr. Bruce Ames (an outstanding biochemist at the University of California) has pointed out that edible plants often contain *natural* pesticides making up 5% to 10% of the plant's dry weight, and that "we are ingesting in our diet at least 10,000 times more, by weight, of natural pesticides than of man-made pesticide residues" (*Science*, 236: 271-280, 1987). Of those that have been adequately tested, about half were found to be carcinogenic. He and Lois Gold, in the National Center for Policy Analysis, March 1998, confirmed that more than 99% of the pesticides we ingest are produced by live plants. How will the EPA deal with pesticides that are produced naturally by live plants, but are more toxic than many synthetic pesticides?

Biotechnology has been opposed by the EPA. The process of "gene-splicing" (with genes from one organism placed into another organism) can quickly transfer desirable qualities into the recipient. The "new" form then can pass the beneficial traits to its offspring. Each year, plant breeders run field tests on as many as 50,000 new genotypes, many of which result in genetically-altered crops. For example, they have experimentally incorporated *Bacillus thuringiensis* into the plants' genetic makeup. It kills insects just as quickly as if the plants had been sprayed with a *Bacillus thuringiensis* insecticide. Because genetically-altered plants have produced within themselves effective natural chemical insecticides, the EPA

is seeking to ban them by classifying each individual plant as a pesticide!

Scientists have also developed a bacterial strain of *Pseudomonas syringae* that prevents frost from damaging plants. Desperate for more power, the EPA declared frost to be an agricultural pest, and said that the bacteria are therefore “pesticides,” and must be regulated by the EPA (*CEI Update*, April 1999).

Greenpeace recently called a press conference to urge the Mexican government to ban genetically-altered corn which produces a natural pesticide that kills European corn borer larvae, and can result in the production of thousands of tons of grain that would otherwise be destroyed. Greenpeace warns that the pollen of that corn may fall on milkweed leaves and kill monarch butterfly larvae that eat those leaves (*San Jose Mercury*, May 21, 1999). Which is more important, caterpillars or human nutrition?

Can this power-hungry EPA, constantly striving to regulate everything in order to gain more power, be trusted to determine when there is a “reasonable certainty of no harm” from the presence of such plants and bacteria in the fields? Will they place strict limits on the numbers of genetically-altered plants and bacteria permitted in each field? It would not really be too surprising.

What might the EPA refer to as ‘harm’?

The method used to establish the amount of each chemical permitted in the environment will be based on the EPA’s “reasonable certainty of no harm.” We have now reviewed much evidence displaying EPA’s tendency *not* to be “reasonable.” They now evidently plan to regulate our health, welfare, recreation, and business based on vague, biased calculations of “reasonable certainty.” But, what must they be “reasonably certain” about? The answer they provide is that they must be reasonably certain about “harm.” Unfortunately, their definition of “harm” will surely lead to unending confusion and catastrophic results. Based upon past EPA actions, we may anticipate that they will utilize a multitude of questionable interpretations of “harm,” in order to regulate all chemicals in our diet, our homes, our businesses, and our environments.

Now, let us seek to determine what they might consider to be *harm*.

EPA does not specify if they intend to include only the effects of intentional applications of chemicals, *or*, if they will also seek to regulate all other chemicals. Will they inspect homes for chemicals in our kitchens, bathrooms, and garages? What about other chemicals applied on our property, including house paint, lawn chemicals, and living plants? Chemicals in the soil, water, and air must presumably pass inspection. Many chemicals alter the breathability of air. Others pollute our water, including those that destroy pathogens, protect our teeth, etc. Some chemicals, either natural or synthetic, get into soil and may inhibit the growth of plants or the survival of

arthropods and microorganisms. Many chemicals may render soil unsuitable for plant growth, but others are added to increase plant growth, flowering, or fruit production. (Remember Alar, 2,4-D, and 2,4,5-T?) Presumably *all* such chemicals can be classified by the EPA as “harmful,” at *some* concentrations, thus could be banned or restricted because high levels may cause harm, and may thus be banned under the Food Quality Protection Act.

The EPA might also prosecute citizens who own property on which traces of chemicals are found, even if the pollution preceded their ownership. They may then assess charges that the owner cannot afford to pay, and then confiscate the property.

Harm to humans or animals might include cancers, tumors, coughing, skin rashes, aches and pains, effects on pulmonary, gastrointestinal, nervous, or reproductive systems, harm to sense organs, cholinesterase alterations, and so forth. Also, the EPA immediately appeared to relish the unsupportable warnings of endocrine disruptions causing sperm declines, undescended testicles, shortened penises, and attention disorders, as alleged in the book, *Our Stolen Future*. The American Council on Science and Health called that book “an alarmist tract, crafted for political impact,” but the EPA quickly accepted the anecdotes, unconfirmed allegations, and unsupported hypotheses in that book.

Regardless of what the EPA determines to be “reasonable,” and how they define “harm,” further difficulties center on their explanation of what the meaning of the word “no” is. Doesn’t the word “no,” as in “no harm,” also threaten society? Rather than seeking to measure the *effects caused* by any chemicals, the EPA is more likely to just measure the levels of chemicals that cause those effects or the amounts of substances that might be harmful to the environment. The EPA certainly realizes that “no,” meaning “zero,” is not attainable. They could legally settle on *any* level, but the standard decreed obviously will be less stringent than “no,” or “zero.” How large or how small an amount might be considered by the EPA to be “harmless”? In the past, they have measured chemicals in parts per million (ppm), parts per billion (ppb), parts per trillion (ppt), or simply “traces” of chemicals. They then could guess what concentrations might cause “harm.” Their decisions obviously are all subjective, for there is no way to base them on correlated “facts.” The EPA nevertheless must somehow establish permissible “tolerance levels” and enforce them as harshly as possible.

Those “tolerance levels” are extremely important, even though they are wholly subjective. How many parts per million or parts per billion of a chemical should they permit in the habitat before they ban it and order the crop to be destroyed? Such decisions were formerly based on how toxic the chemical was and how much harm it would cause. Now, it must only be the result of the “reasonable certainty of no harm,” based on the opinion of some EPA employees! There are no factual data to support EPA’s decisions, and no bases

for prosecuted citizens or organizations to dispute EPA's delineation of "no harm."

How much is a part per million? Imagine a pile of pennies worth \$10,000 and then imagine adding one more penny to the pile. That additional penny would be one part per million (1 ppm) Now imagine the EPA calculating how many parts per million of an insecticide should be legally permitted on a apple. Would one part per million be frightening? Would it be dangerous to the environment, or to the person eating the apple? If the EPA decides that the concentration in ppm exceeds their "tolerance level," that apple, or the entire crop, will be condemned and must be destroyed.

How much is a part per billion? Imagine an 8,000-gallon railroad tank car full of gin, and imagine adding one jigger of vermouth. That addition would be one part per million (ppm). If you added that same jigger of vermouth to the total contents of a thousand of those tank cars, you would have added one part per billion (ppb).

Is the EPA still a cesspool?

During a hearing on the EPA, Representative Dingell, the Chairman of the House Energy and Commerce Committee, referred to the EPA as "a cesspool." That designation harks back to earlier comments by a disgusted EPA staff member, Oren Long, who stated: "The EPA has a word for the process whereby civil servants just rise to the top. . . . It's called cesspoolation" (*Human Events*, Dec. 31, 1977, pp. 1039-1042).

In June 1998 letter to the *Washington Times* signed by 19 EPA employees, they said: "We are but a few of the EPA scientists, managers, and affiliated persons protesting fraud or waste in our agency involving hundreds of millions of dollars, and alerting the public that EPA regulations and enforcement actions based on poor science stand to harm, rather than protect, public health and the environment. We find the situation so reprehensible that we submit this letter, risking our careers rather than to remain silent." The details were published by the National Wilderness Institute, May 12 1998, in "The People v. Carol Browner: EPA on Trial" (see www.nwi.org).

In 1993, the EPA began dumping human sewage on coastal farmlands, instead of pumping it out to sea. Dr. David Lewis said: "A handful of non-elected government officials at the EPA decided to protect whales in the ocean from potential risk by dumping contaminated sewage onto croplands, thereby exposing many Americans to food supplies with contamination by serious disease organisms" (From *Accuracy in Media*, November 1998). As a result, he was targeted for trumped-up charges by an official. Lewis, a microbiologist, fought back, and won a \$115,000 libel settlement. He continued to be pilloried, and several of his supporters were forced to resign. Alan Rubin, who wrote EPA's sludge regulation, told the New Hampshire state legislature in November 1998 that "the sludge was *not* too toxic for the ocean. The reason

we got it out of the ocean was basically an image-political-type deal." Numerous illnesses have developed in communities where the sludge was dumped, and at least one death resulted (*Environment News*, May 1999).

Recent troubles for the EPA

In May 1999, the EPA suffered another defeat when a U.S. Appeals Court ruled that the agency had overstepped its constitutional authority when it ignored the "non-delegation" doctrine, which holds that some issues are too important to be delegated to agencies by Congress. The judges said that the EPA "had acted on legal assumptions that amounted to unconstitutional delegations of legislative power," and ordered the EPA to explain how its rule-making process was justified under the Constitution. Legions of scientists have complained about such unjustified regulations by the EPA for almost 30 years, but could not influence so powerful an organization. The Supreme Court's decision may finally begin to protect America from irresponsible environmental extremists.

Referring to the EPA's actions, a conscientious American scientist once wrote: "It appears increasingly unlikely that a free society can coexist with such a capricious monolithic organization whose uninformed zeal so greatly surpasses its expertise."

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FIGURE 1
Colombia's two narco-DMZs



The Colombian government is about to hand over to National Liberation Army (ELN) narco-terrorists, a substantial chunk of territory in Bolívar province, in the country's convulsed north-central region known as the Magdalena Medio. In exchange for being granted absolute control over four demilitarized townships in the area, the ELN promises to sit down to "peace" talks with the government. What the ELN has not promised, is to stop bombing oil pipelines and electricity transmission towers, blockading highways, ambushing police and military patrols, kidnapping civilians for ransom, or running drugs.

If President Andrés Pastrana agrees to the arrangement, he will be creating a second *officially protected* refuge for narcotics production and smuggling in the country. The first such "demilitarized zone" (DMZ) has already existed for more than a year in Colombia's south, under the rule of the ELN's cousins, the Revolutionary Armed Forces of Colombia (FARC) narco-terrorists. In the course of that year, cocaine and heroin production under the FARC has skyrocketed. U.S. government estimates are that cocaine production in Colombia went from 250 tons in 1988 to more than 500 tons last year, the majority of that under FARC protection.

Terrorism, kidnappings, and assassinations by the FARC have also continued unabated, but the Pastrana government remains firmly wedded to its farcical "peace process" — with full backing from the U.S. State Department — so much so that it is currently treating a combined delegation of government representatives and FARC chieftains to a "public relations" tour of western Europe. The delegation is holding joint meetings with diplomats, industrialists, labor leaders, non-governmental organizations, and even an official Vatican envoy. It is



Colombian Finance Minister Juan Camilo Restrepo (right) embraces FARC chieftain Manuel Marulanda Velez, Jan. 20, 2000.

holding joint press conferences and issuing joint statements, about developing a “mutual understanding.” After that, they intend to continue their travelling road show in Ibero-America, possibly including Argentina, Mexico, Chile, and other countries. At the conclusion of the tour, the intention is for both parties to return to Colombia, and draft a joint agenda of economic “reform” for immediate implementation.

Once, such a scenario could only have occurred in the fantasy land of Macondo, described in Gabriel García Márquez’s famous existential novel, *One Hundred Years of Solitude*. Today, it is the reality facing 40 million horrified Colombians. Without even demanding a FARC cease-fire, the Pastrana government has in one stroke granted co-government status to drug-trafficking terrorists. Pastrana is handing over national territory, piece by piece; he is inviting international financiers and businessmen to “invest” in FARC territory; he is co-authoring “development plans” with the narco-terrorists. All this, despite a recent poll showing that 72% of the population is strongly opposed to Pastrana’s “peace plan.”

A strategic give-away

Putting the ELN in control of southern Bolívar, would not only give them control over crucial river transport on the Cauca and Magdalena rivers, but also over rail and land transport to and from the Atlantic Coast. It would give the ELN sure access to oil pipelines which terrorists have already bombed over 600 times, while also putting the country’s leading oil refinery in Barrancabermeja within easy reach. The region’s gold and cattle production, not to mention marijuana and cocaine production and smuggling, would come under

direct ELN “protection,” as well. Importantly, Bolívar is contiguous to Antioquia, the country’s industrial heartland, which has already felt the brunt of the ELN’s sabotage campaign against the area’s energy grid.

Taking a leaf from the FARC’s strategy manual, the ELN is using the carrot-and-stick approach to push the Pastrana government into granting it its own DMZ. Sow terror, then talk peace. In recent weeks, ELN terrorists have systematically bombed scores of electricity transmission towers in the region. Telephone service, water treatment plants, the metro in the Antioquian capital of Medellín, were all shut down. Factories and schools were closed, production was interrupted, and daily life was disrupted across the board. Severe energy rationing has been instituted in some areas, and it is estimated that there will be huge repair costs to reinstate the grid.

Stage two was blocking the main highway from the capital city of Bogotá, to Medellín. For an entire week in mid-February, some 1,500 ELN terrorists cut off all transportation between Colombia’s two largest cities, burning tractor-trailers, seizing cargo, and holding thousands of hostage. Army spokesmen denounced the ELN tactic of using those hostages as “human shields,” to prevent a military counteroffensive.

President Pastrana’s public response was to warn the ELN that peace negotiations could not be forced by acts of terrorism. The warning rang rather hollow, given that the FARC received its own Switzerland-sized fiefdom, and every other government concession to their demands, through precisely such escalations in terrorism. When the governor of Bolívar province protested against carving yet another narco-terrorist niche out of sovereign Colombian territory, Pastrana publicly accused him of being an “enemy of peace.” And when 14,000 Bolívar peasants, who opposed the proposed DMZ, blocked a branch of the highway from Bolívar to the Atlantic Coast, they were denounced by President Pastrana. It took a full week before the government agreed to send Interior Minister Nestor Martínez to hear their concerns.

Out of Macondo

Following decades of battle with the FARC and ELN narco-terrorists, the Colombian Armed Forces are now being treated to the spectacle of a government which has gone from appeasement of narco-terrorism, to outright power-sharing. Although officialdom remains silent, former Armed Forces Commander Gen. Harold Bedoya (ret.) has been outspoken in his denunciations of government betrayal, and has repeatedly

warned of the drive by Wall Street and the international financial oligarchy to turn Colombia into a drug plantation. Pastrana forced General Bedoya out of the military when he made his opposition to the FARC demilitarized zone a public issue.

In a recent public statement of support for U.S. Democratic Presidential pre-candidate Lyndon LaRouche, Bedoya identified the international forces behind the drive to convert Colombia into a narco-dictatorship: "It's no accident that Richard Grasso, president of the New York Stock Exchange, is leading the absurd process of legitimizing the narco-terrorist gangs which assail Colombia. What do these bankrupt international financiers seek? Leveraging the speculative bubble with funds from the cocaine and poppy trade? Installing as Colombia's official government a merciless gang of terrorist psychopaths, dedicated to drug-trafficking and kidnapping?"

On Feb. 23, Bedoya will be holding a joint seminar/press conference with LaRouche in Washington, on the subject of "The War on Drugs and the Defense of the Sovereign Nation-State." General Bedoya's visit to Washington occurs in the midst of a heated debate on what U.S. policy toward Colombia should be. In Feb. 15 hearings on Capitol Hill, the U.S. Director of the Office of National Drug Control Policy Gen. Barry McCaffrey (ret.) argued in defense of the \$1.6 billion aid package the Clinton administration has offered the Colombian government, a large portion of which is slated to boost the Colombian military's war-fighting capability.

McCaffrey's testimony repeatedly stressed the urgency of giving the Colombian Army the wherewithal to take back the drug-producing south of the country, largely under FARC domination. Reflecting what is clearly his own view, he said: "The Colombian Army has got to get back into these places . . . and regain control, so that the police can enter in a law enforcement way, provide alternative development as well as crop eradication." Elsewhere, he stated that "cocaine, we would argue, is the heart and soul of the incredible impact that 26,000 armed people are having on Colombian democratic institutions. . . . As long as the FARC, the ELN, and the paramilitaries have this tremendous wealth, if there's no *quid pro quo*, if there's no reward and punishment, why would they talk instead of fight?"

But even as McCaffrey was arguing for stripping the narco-terrorists of their financial and political sustenance, the State Department's Madeleine Albright was enthusiastically endorsing the FARC tour of Europe as "remarkable" and "very encouraging." In testimony before the House Foreign Relations Committee, both she and her underling Peter Romero suggested that the \$1.6 billion U.S. aid package was little more than a scare tactic, the "stick" in a carrot-and-stick policy designed to prod the FARC to the negotiating table.

However, the FARC has not been prodded to the negotiating table. Instead, it is striding down a blood-red carpet, right into the halls of power.

Iran-Contra secrets strangle German CDU

by Rainer Apel

The leadership of the German Christian Democratic Union (CDU) had a turbulent session in Berlin on Feb. 15, and although it was not the first of its kind, it will be the last for numerous party leaders, including party chairman Wolfgang Schäuble, who on Feb. 16 announced his resignation as party chairman and chairman of the CDU parliamentary group. Others will follow.

The end of the Schäuble era, following close upon the political demise of former Chancellor Helmut Kohl, signifies that, beginning with the CDU, the entire political system of Germany is being destabilized.

Schäuble had maneuvered himself into more and more trouble over recent weeks, with his apparent difficulty remembering when and under what circumstances he had been in personal contact with Karlheinz Schreiber, the German-Canadian "businessman" whose charges against CDU politicians are fueling the party-financing scandal that is rocking Germany. Schreiber has prominent connections to figures in the British-American-Commonwealth oligarchy (BAC), dating back to the Iran-Contra period of the early 1980s (see especially, "BAC Cabal Exposed Behind German Scandals," *EIR*, Jan. 21, 2000; "LaRouche Defends Nation-State vs. 'Clean Hands' Subversion," *EIR*, Feb. 4, 2000). He is a fugitive from German prosecutors on a tax evasion case, and whatever he says in the numerous interviews he has granted from his present exile in Toronto, should not, under normal circumstances, be enough to cause serious trouble for a leading politician in Germany. But, Schäuble is not a politician who stands above suspicion. It is not personal, financial corruption that he can be charged with; it is political corruption.

The 'ghost' of Uwe Barschel

Having been in direct contact with Iran-Contra and BAC circles, Schäuble is vulnerable to anything that Schreiber may know or have heard about these affairs. And, advised by his prominent Canadian friends, Schreiber has chosen a strategy of making select hints that are vague enough not to tell the broader public what all of this is about, but are at the same time precise enough to send a message to people like Schäuble. For example, in an interview with the German weekly *Stern* on Feb. 10, Schreiber said that he is fed up with being "used" by German politicians, that "the whole affair for me already has a Barschel quality."

Uwe Barschel was a leading German Christian Democrat



Christian Democratic Union Chairman Wolfgang Schäuble's resignation means the end of an era. He knows which closets really contain the skeletons, but he isn't talking.

who was assassinated at the Beau Rivage Hotel in Geneva on Oct. 10, 1987, two days before he was to testify on his insider knowledge about murky arms-peddling and other matters related to the Iran-Contra affair. The ports of the northern state of Schleswig-Holstein, where Barschel had been governor during the 1980s until a few weeks before his untimely death, played a prominent role in the secret shipments of East bloc arms and other “commodities” to the drug-running Contras, among others, that Oliver North and others in the George Bush-Robert McFarlane-Richard Secord entourage had arranged with their partners in East Germany.

Like every other leading German politician, Schäuble knows that Barschel was murdered, and like most other representatives of the German political establishment, he has taken part in the official cover-up of that assassination, through a concocted story that Barschel committed suicide in Geneva, at the peak of alleged mental disarray. For more than 12 years, the German establishment has invested immense effort to suppress any serious public interest and debate about the Barschel case. And Schreiber knows people in Canada, Britain, the United States, and France, who know the truth behind the death of Uwe Barschel—maybe many do not know all of it, but some of it. Mentioning the name “Barschel” against that background, can make some people in Germany very nervous, indeed.

Baumeister's amnesia

Many in Germany have been wondering why Schäuble has been so hesitant to move against Schreiber, why he has been so defensive in his response to allegations that Schreiber made in numerous interviews during November-February. The situation became even more delicate for Schäuble, because of his dealings with Brigitte Baumeister, the former CDU party treasurer who arranged for his initial personal contact with Schreiber, by inviting the latter to a Bonn dinner of CDU fundraisers in September 1994. After that encounter, Schreiber donated 100,000 deutschemarks to the CDU.

Schäuble first denied any such contact, then “recalled” that Schreiber had given him the money the day after the Bonn dinner. Schreiber, however, insists that he gave the money to Baumeister, three weeks later. Baumeister, for her part, first claimed “amnesia” on the whole affair, saying that she could not recall exactly how the money got transferred, but recently, she has backed Schreiber's story. Now, numerous CDU politicians, some of them apparently getting in Schäuble's way, have been sacked. But, Schäuble failed to sack Baumeister. She has not backed down, and she has even been able to keep her position as CDU deputy manager in the German Parliament, through all these weeks of fierce controversy with Schäuble. Now, as Schäuble's resignation leads to an overhaul of the entire party leadership, Baumeister will also be forced out.

Is it her insider knowledge of party funding methods, from her six years as CDU party treasurer, that made her a difficult target for Schäuble? Or, rather, is it her personal involvement with arms-dealing circles? Not only has she maintained a friendly relationship with Schreiber for several years, but she has also been a very close friend of Jürgen Massmann, a top manager at Thyssen.

Massmann is the man under whose auspices a tank deal between the United States, Germany, and Saudi Arabia was arranged, between the spring of 1990 and the summer of 1991. And, Massmann used the services of Schreiber and other middlemen in working out that deal. The other middlemen include Mansour Ojjeh, a chief representative of the business interests of the Saudi Arabian Osama bin Laden clan, which has served as a favored partner of Bush-Thatcher and other BAC interests in the Middle East and the Persian Gulf region. Schreiber tried to set up a tank production site for Thyssen in Canada in the late 1980s and early 1990s, which project failed, but his close contacts to Massmann date from at least that period. Therefore, it can be expected that Baumeister, who promoted Thyssen arms deals with Saudi Arabia and other Mideast countries during the 1990s, knows what Schreiber knows, about affairs that people like Schäuble would rather not talk about in public.

The ghost of the murdered Barschel has begun to talk, although through the mouth of Schreiber, and it not only heralds the end of the official cover-ups of secrets, but also of many a political career in Germany.

After the elections in Croatia: a Marshall Plan, or a new war?

by Elke Fimmen

The parliamentary elections in Croatia of Jan. 3 brought to power a coalition of the two main parties, the Social Democratic Party (SDP), led by Prime Minister Ivica Racan, and the Social Liberal Party (HSL), led by Drazen Budisa. These two parties won 75 seats in the new Parliament, and are supported in a coalition by four other parties — the Croatian People's Party (HNS), the Croatian Peasant Party (HSS), the Liberal Party (LS), and the Istrian Democratic Party (IDS) — such that this new bloc forms a solid majority of 95 seats out of 151. The HDZ, the former ruling party of President Franjo Tudjman, who led the country since the first multi-party elections in 1991, through independence, until shortly before he passed away on Dec. 10, 1999, won only 45 seats in the Parliament. It thus suffered a big defeat, but remained the single biggest party in the Parliament. The other seats are held by five ethnic minority representatives, and another five by small conservative parties.

On Feb. 7, Stipe Mesic, who was the candidate for President of Croatia of the four smaller parties in the new ruling coalition, won the run-off election against the candidate of SDP-HSL, Budisa, with a clear majority. Mesic was the last President of the all-Yugoslav collective Presidency in 1991, before it broke apart. He was a co-founder of the HDZ, and was president of the Croatian Parliament, until he left the HDZ in 1994 over disagreements with President Tudjman's policies.

Ivica Racan, the new Prime Minister, was a member of the leadership of the Yugoslav League of Communists, and became its Croatian president in 1989. He has led the SDP of Croatia since independence. From 1995 until the recent election, the SDP had been the largest opposition party.

Economic crisis

The country is facing a high rate of unemployment, around 20%. It went through years of economic liberalization and monetarist policies, which were imposed by the International Monetary Fund (IMF) and the World Bank, and were complemented by internal machinations in the privatization process, which led to huge bank failures and massive losses in the real economy. Further, the country has still not recovered from its war of liberation, beginning in 1991, against "Greater Serbian" aggression.

Croatia is also suffering from the NATO war against Yu-

goslavia over Kosovo during 1999, in which the countries of the region were economically devastated, and nations such as Romania, Bulgaria, Macedonia, Albania, and Bosnia left teetering on the brink of social explosions. The situation in Kosovo has dramatically deteriorated politically in recent weeks. No economic assistance for civil reconstruction was forthcoming during the winter months, as had been promised by the so-called Stability Pact, whose members are going to hold another "donors meeting" in late March.

The change of government in Croatia has been strongly welcomed by the U.S. Clinton administration and the European Union. Now, however, is the hour of truth: Will Croatia receive substantial material support and be allowed to contribute positively to the desperately needed economic reconstruction and development of the region on the basis of respect for national sovereignty? Or will it be gripped even more tightly by the IMF, the World Bank, and Maastricht Treaty policies, and be forced to serve as a junior partner in NATO's new confrontationist policies against Russia and China? The answer to these questions will be crucial for the Balkan region as a whole, and above all, for world peace.

Interview: Faris Nanic

'We are expecting a fifth Balkan war'

On Feb. 9, Croatian political leader Faris Nanic gave a first-hand evaluation of the new political situation in Croatia and the problems facing the new government.

Mr. Nanic is Secretary General of the Party of Democratic Action (SDA) in Croatia, which participated in the general parliamentary elections. He is trained as an engineer, and, in 1996, he served as chief of cabinet of Bosnian President Alija Izetbegovic. In September 1999, on the invitation of the Schiller Institute, he travelled to the United States to present the Call for a Marshall Plan for Southeastern Europe,

which he had jointly issued with Helga Zepp-LaRouche, founder of the Schiller Institute (see *EIR*, Oct. 29, 1999, p. 45). He has endorsed Lyndon LaRouche's campaign for U.S. President. The interview was conducted by Elke Fimmen.

EIR: What are the main problems confronting the new government of Croatia?

Nanic: The main problems are the overall economic ones, not only the financial aspect, but also the dying of the real economic sector. So, the government, first of all, has to deal with the problem of so-called illiquidity, which is the internal debt of \$10 billion, which is in addition to the external debt of \$9 billion. This year's repayment obligations alone are about 6 billion kunas [Croatia's currency], which is almost \$1 billion. It will be very difficult, very harsh, and the government has already announced that austerity measures will be introduced.

Second, what the government has to do, is to revive the previously existing industrial and agricultural potential, which has been largely devastated, either by the war, or by the insane economic policies of the former government.

One of the hopes, that this could turn into a good direction, is one of the first statements given by the new Finance Minister, who is a professor of the faculty of economics, Dr. Mate Crkvenac, that Croatia should be reindustrialized.

The other problems are how to put the legal system under the control of the Parliament, and, of course, how to put the intelligence community [under the same control], which was largely controlled by the former President, and which got out of control and was used mainly in the HDZ inter-party settling of accounts. These are the three topics that I see.

Of course, it is very important that Croatia finally cease to be internationally isolated, not only by being sucked into Euro-Atlantic associations, but also by establishing good relations within the region and with the West.

EIR: There is a lot of pressure from outside, from the IMF, but also from the European Union, for Croatia to open up to international financial circles, for globalization, privatization, and to push forward the policy of liberalization of the remaining parts of the economy. Now, the question, of course, is, are there any indications that there is the political will to establish national sovereignty in economic terms?

Nanic: I think we have to allow a certain period of time for the new government, not only to be established, and to be confirmed by the Parliament, which will happen today, but also to inspect the situation in the government ministries and in the overall economy in the country. Before that, it is very difficult to judge any government move or any government position, because I think—and that is an opinion also largely shared by the elected President—that the situation is much worse than was expected.

For me, it was very indicative, that the representative of the International Monetary Fund in Zagreb, Gary O. Cal-

laghan, strongly supported the former governor of the National Bank, Marko Skreb, to remain at this post. He is one of those who was blamed by the former opposition (now the government parties), for being totally inefficient and irresponsible in dealing with the banking sector crisis, which actually swallowed three or four major Croatian banks. Second, he is a proponent of the policy of the so-called hard kuna, which was pegged to the deutschemark at a very unrealistic exchange rate. The new government is definitely going for an adjustment in the exchange rate of the kuna, which will still be pegged to the deutschemark, and to resolve the effects of the destruction in the country. . . .

I think, judging as much as possible from the announcements made so far, that this government will have a certain positive notion of reviving the economy, and will act for the Croatian people, in a situation which had otherwise become almost unbearable.

EIR: You have supported initiatives to revive the economy in Croatia and Bosnia, but also the overall regional situation, which is a disaster right now, with the effects of the war against Yugoslavia—the situation in Kosovo, the situation in Bosnia, and the blockage of the Danube River. This is definitely something in which Croatia must play a positive role. What do you think Croatia should do toward the region as a whole?

Nanic: Croatia can now take a leading role, or take a certain initiative, within the so-called Stability Pact, to really fill the form of the pact, which so far means nothing, to launch an overall development policy. I think that Croatia has the capability and potential for a certain initiative in the context of the Stability Pact, which is supervised by the guarantors of the Dayton Agreement and other countries also, for especially infrastructure development to the benefit of all the countries of the region. Croatia should draw on other countries to formulate a list of expectations and of rules, I shall say, to maintain the economies of the region. I think this is something which Croatia can do. I myself would go for a kind of Marshall Plan initiative for southeastern Europe, go for reconstruction of the regional infrastructure, and seek real cooperation among sovereign nation-states. This can be done. It is my hope, that Croatia can initiate such a process in the context of the Stability Pact. Otherwise, the Stability Pact will yield nothing.

EIR: Considering this very inefficient bureaucracy, which we saw already in Bosnia, and the urgency of the situation, i.e., the Danube question, don't you think that Croatia should go also for some bilateral initiatives?

Nanic: Yes, of course. But one can be sure that Croatia will do nothing in terms of bilateral cooperation with Yugoslavia, before there is a solution to the problem of [Serbian President Slobodan] Milosevic. Because this is something where there is a political consensus, not only in the country, but also

abroad, that no cooperation, except basic necessary relations, will be developed before radical political changes occur—which are not to be expected soon, unfortunately.

What we do expect here, is a launching of a new war, a fifth Balkan war, after the murder of the Defense Minister of Yugoslavia [Pavle Bulatovic], who was close to Milosevic. We can expect something to happen. We do not know more at this point. He was murdered the day before yesterday. But we can expect that something is going to be provoked, either in Montenegro or Kosovo, as retaliation.

Otherwise, on bilateral relations, it is important that, first of all, Croatia has to settle all open questions with Bosnia and Slovenia, its closest neighbors. . . .

EIR: Your party supported Stipe Mesic for President, who, to the surprise of many observers, won against Drazen Budisa, the candidate of the two main governing parties, the HSLS and the SDP. Can you explain the reasons for your support?

Nanic: There are several motives why the SDA, which is a minority party, a non-parliamentary party in Croatia, but very close to the ruling party in Bosnia, supported Mr. Mesic for President of Croatia. First of all, Stipe Mesic was one of the strongest personalities in the former government, with major responsibilities during the war, who was, from the very beginning, very principled against the disastrous policies toward Bosnia, and the dealing with Milosevic for a division of Bosnia, and even including migration [i.e., resettling]. He was also against the wild privatization schemes that were conducted in Croatia, which resulted in a very crude policy, and the robbery that really happened in Croatia. And he was very firm for the rights of the citizens of Croatia. One of his slogans in his electoral campaign, was that he will be the President of all Croats, not only of the ethnic Croats, which, unfortunately, was the habit of the former President and the former government.

Second, Stipe Mesic was also very cooperative with our party during the parliamentary elections in 1995, when we almost entered the Parliament. Since that time, we have had a very good relationship with him personally. And finally, Stipe Mesic is one of those personalities who is very welcome not only in Bosnia, but also in Slovenia and other countries. This is of great importance, to finally extract Croatia from its unbearable isolation. And he is one of those personalities who is mentally and intellectually independent, who can serve as a very good corrective for the new government, and can deal with crises in his capacity as President.

Mr. Mesic also honored his commitment to preserve the territorial integrity and sovereignty of Bosnia, when he was President of the Croatian Parliament. He joined and actively worked at the conference of the International Parliamentarians against Genocide in Bosnia in 1994, which resulted in the resolution, of one of those documents, which was utilized by the Clinton administration in terminating the war against Croats and Bosniacs in Bosnia. That was at the peak of his

conflict within the HDZ, the former ruling party, when he finally laid down his position.

EIR: Could you explain the much publicized changes in the Presidential responsibilities, which all parties supposedly agreed to?

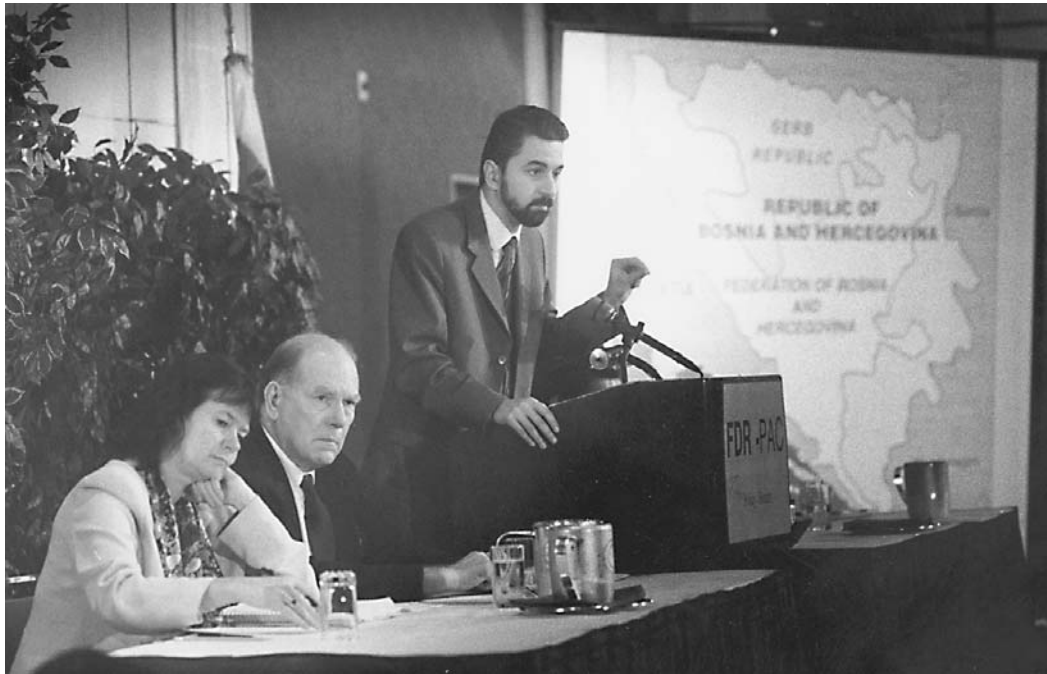
Nanic: What we are doing, is, to try to somehow limit the Presidential authority, because it was greatly manipulated and maliciously utilized by the former President. What has to stop is, that an authoritarian person, or anybody, has control over the government and the intelligence community. [The main ministries were directly responsible to the President, instead of to the government.] The 24 constitutional authorities of the President have to be reduced to a smaller number, which has to be debated in the Parliament and carefully selected, for the benefit of Croatia. There are certain laws that have to be amended, so that the government will be fully responsible to the Parliament. . . .

Second, we have to somehow change the image of the President. The President has to be the President of all citizens of Croatia; he has to be a person who is approachable, who is close to his own citizens, not a President who looks like a king or acts like a king. He will have the power over the Armed Forces, and also the power to decisively solve certain possible parliamentary and constitutional problems, as well as the right to introduce initiatives to the Parliament and the government—not only laws, but also other initiatives, either economic or social, or even cultural. So, this is what Mr. Mesic, as newly elected President, has announced that the government coalition will stand for, and we will witness these changes not very long from now.

EIR: What is your message to the United States and to western Europe, in particular to Germany, in terms of how they should treat Croatia now, given the large support for the change of government from their side?

Nanic: These countries should definitely support the right of Croatia to conduct its own sovereign policies, in terms of external, internal, financial, and economic policy, for the benefit of its own citizens. They should encourage the foreign policy of Croatia for regional development and regional cooperation, and they should not try to somehow put conditions on the rapprochement of Croatia to the European Union and NATO, or at least the Partnership for Peace, with certain concessions to financial institutions. That would be a disaster, not only for Croatia. Croatia now has the unique chance, after almost ten years which have been devastating for the country, to become a normalized, very cultivated country, if it is not forced into certain concessions, from which it would not benefit.

EIR: You presented your new book, *Times of Depression*, in Zagreb last week. Could you tell us about the content, the basic thrust of it, and why it is important that it came out now?



Faris Nanic addresses a forum of the FDR-PAC in Washington, D.C., Jan. 4, 1997. At the dais are Lyndon and Helga LaRouche.

Nanic: This is a book of my selected articles, commentaries, and some smaller studies, which I did in the period between 1989 and 1999, the period of transition and privatization in Croatia, and also the period of the war. The book is divided into six chapters, dealing first of all with the overall economic and financial developments in the world, which have major consequences for Croatia, then the overall international policies, which I have been following for a number of years, and the games that have been played in this region, followed by a chapter which is dedicated to the Islamic world, which has been a focus of interest for me for a long period of time, and which I think I know something about. One chapter has been dedicated to the Bosniac people.

This book can at least serve later as a document of the times, and a witness that there were some people in Croatia who dared to express their opinions, which were different from the so-called “politically correct” ones. And that refers mainly to the international financial and economic field, in which I openly endorsed many ideas of Lyndon LaRouche, and of the movement which he leads. I tried to present this kind of thinking, which is not the “politically correct” one of the majority, and tried to present a certain philosophical and historical continuity to the public, as much as I know, at least to provoke some discussion.

One of the encouraging signs was that I found a Croatian publisher, who did not have any problems with publishing this book, and who said during the promotion, that he saw this book as the beginning of turning a new page. There was also a journalist from *Vijenac*, a cultural magazine, who commented that it was a premiere, that for the first time the ideology of the “New Age” was exposed in Croatia in this way.

Also, the Catholic press was very largely represented at the book promotion. I do not find that very strange, even though I am a Muslim. The main idea, which we promote with the book, is that of a dialogue of civilizations instead of clash of civilizations. The Catholic Church in Croatia, and also in Bosnia, used its capacity to stop the war, and was trying to promote this concept. I come from a bi-cultural origin: My mother is Croatian, my father is Bosnian. I was raised as a Muslim in Catholic surroundings, and I am really proud to be able to communicate in the same way with the so-called Western and so-called Oriental culture. This I consider my own personal advantage. But I am just one example of the unique position that Croatia and Bosnia have, in serving as a certain springboard for launching the cultural concept of the different, but same principal concept of the Abrahamic faiths. Of course, this has to be initiated as a force not only by the Church, but also by the very strong Islamic community in Bosnia.

EIR: Lastly, what is your comment on the newest initiative of Italian Senators for a New Bretton Woods system?

Nanic: This is certainly an encouraging development, because members of the political establishment, even if they are in the opposition, are finally beginning not only to realize what is happening, but also to take political initiatives with a larger scope than before. That is why I think it is important that this initiative is being taken up in other countries. It is crucial to put this question, namely, the issue of economic development and sovereignty, where it belongs: before the parliaments and those politically responsible within each and every country.

UN aid coordinators in Iraq resign in protest against embargo

by Hussein Al-Nadeem

The recent, simultaneous resignations of the two top UN workers in Iraq, Hans von Sponeck, the chief coordinator for humanitarian affairs in Iraq, and Jutta Burghardt, head of the World Food Program in Iraq, have emphasized two interrelated aspects of the tragedy in Iraq: first, the failure of the immoral and genocidal policy of the “New World Order” initiated by George Bush and Margaret Thatcher, and the desperate attempt by the Anglo-American establishment to keep this crisis alive as one of the most important aspects of this new order. Second, these developments come at a time when the military-strategic situation indicates that there is a move toward a military escalation in the Middle East in general, and Iraq in particular.

The two resignations were followed by the widely publicized appeal by 70 U.S. Congressmen to President Bill Clinton on Feb. 16, calling on him to lift the sanctions imposed on Iraq since 1990. This coincided with the moving of a major Russian reconnaissance ship from the Black Sea to the eastern Mediterranean, reportedly to monitor the movement of 400 U.S.-British naval vessels active in the Gulf in anticipation of a major military operation against Iraq, according to official Russian sources.

Von Sponeck and Burghardt, both German career diplomats at the United Nations, resigned in mid-February in protest against the UN “humanitarian aid” program in Iraq, and against the pressure practiced by the U.S. and Britain in the UN Sanctions Committee to block appropriate function of this program. Under the UN scheme called “oil for food,” Iraq is allowed to sell limited amounts of oil in order to finance food, medicine, and other basic civilian supplies. In reality, less than one-third of the revenues have been used to buy food and medicine for the Iraqi population. More than one-third has gone for war reparations to Kuwait and other countries, and for UN operations in Iraq. The remaining sum has been frozen in Western banks, because the U.S. and Britain have blocked hundreds of contracts for spare parts for Iraq’s oil industry, energy, and water treatment facilities.

“We have increasing evidence on many fronts. When you look at the mortality situation you could see there is a rising trend,” von Sponeck told Qatar’s al-Jazeera satellite television. “In 1991, fifty-six children under the age of five per 1,000 were dying. Now 10 years later, the figure has gone up, according to Unicef, to 131 per 1,000,” he said. “Malnutrition.

I keep saying every night, one out of five Iraqi children under five goes to be malnourished,” he said. So, there is a sense of hopelessness, and can we afford, can anyone afford, to associate himself or herself with such a reality? I cannot.”

On the conditions in education, von Sponeck emphasized that “there is not enough anywhere, whether it is books or pencils or classroom furniture. . . . That is the generation that is now in Iraq being prepared for responsible citizenship of tomorrow,” he said.

“Every year that passes, every month, in fact, that passes, sees the intensity of the weight of the sanctions on the lives of people here increase,” he said. According to a Unicef report released last year, mortality rates among Iraqi children more than doubled in the past ten years.

Jutta Burghardt submitted her resignation over the weekend of Feb. 13, saying that a UN resolution offering to ease the ten-year-old sanctions on Iraq was unworkable. She said that she supported von Sponeck’s statements. Von Sponeck’s predecessor, Denis Halliday of Ireland, left his post in mid-1998 after voicing similar views. He not only resigned, but also started campaigning in the United States and Europe to lift the sanctions.

Growing opposition

Added to the U.S. Congressmen’s appeal to lift the sanctions, these developments are threatening to discredit the U.S.-British policy, and, even more, the Presidential campaigns of the so-called front-runners such as Al Gore and George W. Bush, who have pledged to take even harsher measures against Iraq, including military action to overthrow the Baghdad government.

“This embargo hasn’t hurt Saddam Hussein or the pampered elite that supports him but has been devastating for millions of Iraqi people,” Rep. David Bonior (D-Mich.) told a Feb. 16 news conference. “Our message is simple. We’re saying millions of children are suffering and we refuse to close our eyes to the slaughter of innocents,” he added. Rep. Dennis Kucinich (D-Ohio), said: “What we have done is to put in place a policy that is not only counter-productive—it’s more than that, it’s immoral.”

This policy has faced ever-growing opposition from Russia, China, and most continental European states, including France, Italy, and Spain, in addition to most nations in the

Third World. There is a perceived danger that the British-American-Commonwealth warmongers will move the field of operation from the Caucasus, especially after the Chechnya operation failed in destabilizing Russia at a greater scale, to the Middle East. The Gulf, specifically Iraq, has become an easily manipulated field for this new cold war against Russia and China.

Following the British-American December 1998 "Desert Fox" military operation against Iraq, which ended the cooperation between the UN weapons inspectors and Iraq, the British government came with a new proposal to return the weapon inspectors to Iraq through a new Security Council resolution. As expected, this British proposal was supported by the U.S. After protests, negotiations, and compromises, Russia, France, and China accepted a modified form of the proposal demanding that Iraq cooperate with a new team of inspectors called UNMOVIC under Resolution 1284, in return for "suspending" the oil embargo for periods of six months. This resolution continues to place oil revenues under U.S.-British control. Iraq has rejected this resolution. American and British officials have threatened to use force to implement the UN resolution.

Unrepentant war-mongers

In the United States, the State Department, under Madeleine Albright, and Vice President Al Gore have decided to

ignore all these developments and pursue the same catastrophic policy. These two played a key role in promoting the December 1998 bombing of Iraq.

Albright on Feb. 16 defended Washington's policy toward Iraq, rejecting Congressional criticism, saying that it was in "disarray," and stressing that the administration remained focussed on removing Saddam Hussein from power. "Our policy toward Iraq has not changed," Albright told the House International Relations Committee. "We are committed to regime change and in assisting the opposition both inside and outside Iraq," she said. "We've been working very hard with the opposition and are discussing providing it first with non-lethal material and training." U.S. military experts have repeatedly emphasized that the Iraqi opposition will never be able to achieve these goals without a major American military intervention on the ground. Such an involvement has been opposed by the Clinton administration.

Meanwhile, Al Gore, who is desperate to carry out whatever crazy adventure to secure a victory in the coming elections, has invited the Iraqi opposition for a meeting in Washington, for "concrete planning" to overthrow the Iraqi regime. In a letter to the Iraqi opposition on Feb. 8, Gore said: "I would welcome a meeting with the leadership of the Iraqi National Congress to hear more about what can and must be done to accomplish our shared objective in promoting freedom and democracy in Iraq."

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International Intelligence

Tories to EU: 'Thus far, and no farther'

British Conservative Party foreign affairs spokesman Francis Maude delivered a speech in Brussels on Feb. 10, ahead of the Feb. 15 meeting of the European Union Intergovernmental Conference, in which he demanded that the British government "set out no-go areas, areas into which Brussels [the EU] must not stray." The European Union has reached a "fork in the road," he said, "on the one hand, the integrationist road leading to a single European state," which nearly two-thirds of Britons have rejected, and on the other a more flexible Europe "fit to take its place in tomorrow's globally interconnected world."

He called on Her Majesty's government to "now unequivocally rule out concessions that would further erode Britain's democratic control of Britain's democratic destiny." Most objectionable are proposals for harmonization of taxes, and creation of a Euro-army and a single European legal area. He praised the EU's inclusion of eastern European states, however, so that it would no longer remain a "club of western European states."

Terrorists attack Iran government offices

With only two weeks to go before Iran's elections for parliament on Feb. 18, terrorists from the Mojahideen-e-Khalq Organization (MKO) launched a mortar attack on Feb. 5 on the Tehran building complex that includes the offices of spiritual leader Ali Khamenei, the Council of Expediency of the System headed by former President Ali Akbar Hashemi Rafsanjani, and of President Seyyed Mohammad Khatami. All three were in their offices at the time, but were unhurt, and little damage was done to the buildings. One civilian was killed in a nearby printing house, and several others were injured.

The attack coincided with stepped-up efforts by conservatives to destabilize the moderate regime of Khatami during the election campaigning. In an interview with

an Arabic satellite broadcast channel, MKO leader Al-Jazirah boasted that the group had organized government officials to acquire intelligence for the attack, which served to further heat up the dispute between the conservatives and the moderates in Khatami's government. The MKO, while largely based in Iraq, has received support for its "political organization," the Council of Resistance in Iran, from the British Parliament, even though Britain, late last year, became the first Gulf War "ally" to re-open diplomatic relations with Tehran.

On Feb. 5-6, major protests were arranged by religious seminaries and hard-line groups in many cities: They claim that Khatami's cultural policies and openness to the West have degraded the cultural and moral values of the nation. Pro-Khatami ministers who have been open for dialogue with the West have come under severe attacks.

The Feb. 18 elections are expected to break the conservatives' decade-long control over the Parliament and the government. During an election debate, candidate Ahmad Bourqani, a former culture minister, said that Iran and the United States should open talks, after more than two decades of estrangement. "The two countries should sit and make decisions on the basis of their national interests, and this will happen," he said.

Haider affair revives modern Metternicheans

The contrived hysteria sweeping the European Union, around the entry of Jörg Haider's Austrian People's Party into the government, has given rise to latter-day Metternicheans, who claim the right to interfere in the internal affairs of another country on whatever pretext. It was such a policy that Metternich fashioned for the 1815 Congress of Vienna, on behalf of the oligarchy.

Two incidents are most telling: German Chancellor Gerhard Schröder told the Feb. 17 issue of the weekly *Die Zeit*, that the European Union would have to impose the same kind of sanctions against Italy, that are now in force against Austria, should the

Alleanza Nazionale (AN) party enter the government in Rome. "It would have to, if neo-fascists sat at the government table there again," he insisted. "The new policy does not stop at [the borders] of states with a large population and major economic power," Schröder continued, because Europe has undergone a profound transformation, with its single currency and coordinated foreign and security policy. "Values and criteria do exist here, which set the standard for all members."

In an interview with Germany's *Die Woche* weekly, also published on Feb. 17, former NATO Secretary General Javier Solana said that the EU has the right to interfere with the domestic affairs of each member-state, insofar as Europe is now "one big family." Five years ago, when the AN entered the coalition government of Silvio Berlusconi, the EU could not interfere, because the EU governments were not ready to. "Today, we can do that. That must be welcomed, it means: We are growing up! We are willing to take active measures. We are becoming more political by the day. We are moving toward the political Union. For the building of Europe, that is positive," he crowed.

French Foreign Minister Védérine visits India

French Foreign Minister Hubert Védérine began a visit to India on Feb. 17, which will include speaking to an international seminar on strategies to create a multipolar world. He is also expected to meet with Prime Minister Atal Behari Vajpayee, and will have wide-ranging talks with Foreign Minister Jaswant Singh. "No major power has come closer to India in the last couple of years than France," wrote *The Hindu* on Feb. 15. While Indian expectations of an improved relationship with the United States have risen recently, in anticipation of President Clinton's visit in March—the first by a U.S. President in 22 years—there is also concern in New Delhi about Clinton's focus on two issues, Kashmir and non-proliferation.

Before leaving Paris, Védérine gave an interview to *The Hindu*, in which he discussed his concept of a multipolar world.

RIEK MACHAR, Sudan's vice-president and the most prominent southern Sudanese rebel leader to sign the April 1997 peace accord, resigned all his government and party positions on Feb. 6, and returned to Unity state. The move bodes ill for peace prospects in the south.

THE PARIS prosecutor's office recommended on Feb. 10, that former French Foreign Minister Roland Dumas be tried for corruption, relating to arms deals with Taiwan in influence-peddling by the oil giant Elf-Aquitaine. When the scandal emerged, Dumas was forced to resign as head of the Constitutional Court in March 1999. In 1995, Dumas used that post to oversee the witch-hunt against Lyndon LaRouche's associates in France, which bankrupted Presidential candidate Jacques Cheminade.

THAI SECURITY officials arrested Northeast Indian separatist guerrilla Thuingaleng Muivah, head of the National Socialist Council of Nagaland, on Jan. 19 in Bangkok airport. The arrest occurred the same week as Thailand crushed the seizure of hostages at a hospital, by terrorists opposed to the Myanmar government.

KOFI ANNAN, the UN Secretary General, has sent a letter to Cambodia Prime Minister Hun Sen rejecting Cambodia's draft genocide law, which Phnom Penh needs in order to try Khmer Rouge leaders, because the UN found the law not up to "international standards." Hun Sen retorted, "We cannot turn over ownership of our house, to be just like a guard dog. We are a nation."

AN 'OLD LABOUR' opponent of Tony Blair's "New Labour" in Britain is the favorite to win the party nomination to run for Mayor of London, in the capital's first election. As a member of the Greater London Council, Kenneth Livingstone cut transit fares and had other anti-austerity policies, as well as favoring the Sinn Fein in Northern Ireland.

Since the collapse of the Soviet Union, "we have lived in a changed world . . . where one power is predominant in all fields, and that is the United States. Because it is dominant in all these fields, I have said that the U.S. is a 'hyper-power.' This is not criticism, but just a statement of fact.

"We do feel this is not a healthy situation to be in. Indeed, the world is a diverse one. And we believe that maintaining and protecting diversity across the world is a crucial issue. . . . The U.S. is a great friend of ours . . . but we do think that other countries have a right to exist as well. It is also true that from the American point of view, too, a balanced situation would be better for them. . . .

"We believe in a world where there won't be just one American pole. If we have other poles, in India, China, Russia, Europe, and maybe elsewhere too, and if obviously these different poles cooperate and work together, it would be a better world.

"We have to maintain an effective multi-lateral context, and that is the United Nations, plus, a reformed UN Security Council."

Speaking of Franco-Indian relations, Védrine told interviewer C. Raja Mohan, "We are ready to increase our cooperation in the field of civilian nuclear technology. The world meet and satisfy a great need in India." However, he noted, "to make progress in this field of cooperation, India has to show it is ready to go along with the international [nuclear] regimes." His statements go further than anyone else in the West in suggesting that if New Delhi signs the Comprehensive Test Ban Treaty, it could begin to benefit from nuclear technology transfers that have long been denied to it.

Einaudi arranges 'DMZ' in Honduras, Nicaragua

Luigi Einaudi, parading as a special peace envoy for the Organization of American States (OAS), has set up his second cross-border "demilitarized zone," which will be, de facto, patrolled by the OAS. Einaudi, a geopolitical manipulator of the Kissinger stripe and a leading figure in the Inter-American Dialogue, met on Feb. 8 with the Foreign Ministers of Nicaragua and Honduras,

to sign a "tension reduction" agreement over their disputed maritime borders in the Caribbean. The settlement includes forming "joint patrols, in which other OAS member countries may participate," to police the zone. This latter opens the door to the possible creation, in fact if not in name, of a regional OAS military force which Einaudi has been trying to get going for years.

Wire reports note that the disputed areas are "Caribbean fishing grounds considered rich in natural resources." A U.S. Naval Intelligence officer said that there may be oil in the area, as well as other minerals. Einaudi's cross-border DMZ settlement was to similarly lock up a resource-rich region between Peru and Ecuador, by declaring it a "nature park."

Prodi, in Latvia, offers EU security guarantees

On Feb. 10, European Commission President Romano Prodi, speaking in Latvia, said that the European Union would extend absolute security guarantees to all its members. He declared that "any attack or aggression against an EU member would be an attack or aggression against the whole EU, this is the highest guarantee," according to the private intelligence service Stratfor.

If this is implemented as stated, says Stratfor, it is a marked shift of EU policies into the security realm, which Russia cannot afford to ignore. "Now Russia will feel just as threatened by EU expansion as it has by NATO expansion," Stratfor says. "Prodi's announcement intensified the ever-escalating race to establish a new frontier between Russia and the West."

The language used by Prodi is very similar to NATO's Article V security guarantee: "that an armed attack against one or more of them shall be considered an attack against them all."

Stratfor concludes: "Prodi's assurance of security to all EU members extends NATO's guarantees to the countries that will be on the EU's new eastern border. Suddenly, Russia's perception of the EU becomes much less benign." All the more so, since Prodi chose Latvia, on Russia's doorstep, to make his proclamations.

Will American voters buy Wall Street's vote-rigging game?

by Nancy Spannaus

In speeches given in Michigan the week of Feb. 14, Democratic Presidential pre-candidate Lyndon LaRouche blew the lid off the vote-rigging game now in process in the U.S. Presidential elections.

"Now, there are certain differences between this year's Presidential election campaign and world-class wrestling. But not much," LaRouche told a town meeting pulled together by his supporters in Detroit on Feb. 15. You have two dummies in the ring, George W. Bush and Al Gore, who both happen to be controlled by Wall Street. And the game is to prevent the voters of the United States from interfering with the pre-rigged outcome; the voters are supposed to simply sit on the sidelines, and cheer.

The pre-rigged outcome is intended to make none other than George W. Bush the next President of the United States, a prospect which should chill the hearts of Americans as much as it does those in the nations of the Middle East, South America, and Africa, who had enough of a taste of Bush neo-imperialism under George W.'s lunatic father. They are no more eager to experience the effects of the idiot son, who is guided by many of the same advisers who steered former President Bush.

This outcome is only possible if Al Gore becomes the Democratic Party nominee, as LaRouche has often stressed. And Gore could only become the nominee if the Democratic Party bureaucracy succeeds in suppressing those forces around challengers Bill Bradley and LaRouche, in favor of the "insider" thug machine which is currently seeking to lock up the nomination for Gore, by threats and exclusion, by March 7.

At present, the rigged game appears to be on course. Wall Street assets in the media have done their part by excluding the only candidate addressing the crucial strategic issues, LaRouche, and by treating the Bradley campaign as if it's all

washed up. The Democratic Party machine, under Wall Street influence, has sought to reduce the involvement of the general population in choosing the candidate, and to suppress the LaRouche-Bradley threat, as shown by the series of cancelled primaries, exclusions of LaRouche from caucuses and debates, and the like. Just think: In Delaware, a grand total of 5% of registered Democrats voted in the Feb. 5 primary.

But, as LaRouche laid out in his Michigan events, there are processes afoot that can blow the game apart. First, there is ferment among the 80% of the population who make up the nation's lower income brackets. Second, the turbulence now being felt on the financial markets, and strategically, promises a huge political shock in the period ahead, which will break through the aura of mass hysteria about the "markets." And third, there is the potential for the *reality* about the two dummies in the ring—George W. Bush and Al Gore—to hit the public, and galvanize a real revolt against them.

In the pages below, *EIR's* investigative team, Scott Thompson and Michele Steinberg, provide dossiers on the two dummies whom Wall Street has chosen, showing without a doubt that they are a couple of thugs unfit for public office, much less the Presidency of the United States. These scandals have the potential to derail the election rigging. These dummies, of course, don't tell you anything you can trust. Contrast their approach with LaRouche's half-hour TV message to the voters of Michigan, whose transcript is printed below. That TV show aired first on Feb. 13, and received an exceptional response; it will air again on Feb. 19, at the height of the last-minute mobilization for the Feb. 22 Michigan primary, where LaRouche is the only Democrat on the ballot.

How the game is rigged

In a release from LaRouche's Committee for a New Bretton Woods on Feb. 16, LaRouche described the way the elec-

tion-rigging is now occurring.

“How’s the game being played? Well, let’s get at it,” he said. “How does it work? In New Hampshire, as a result of things that are happening across the country, there is a kind of ferment among independent voters. This ferment is concentrated in the lower 80% of the family income brackets—the poor. Remember, 80% of the U.S. population make less than 50% of the total family income of the entire nation. And, that has been a big change since 1971. You see that right here in Michigan.”

LaRouche explained that going into the New Hampshire primary, there was an apparent standoff between McCain and Bush, on the Republican side, and between Gore and Bradley on the Democratic side, with a small but significant Democratic vote for his own candidacy. Within that context, LaRouche said, although Al Gore moved 1,700 bureaucrats into New Hampshire, trying to organize some 50,000 votes, and despite widespread reports of thuggery by the Gore camp, “the polls showed the independent voters prepared to overwhelm Al Gore in the primary, with Bradley.” When the election actually occurred, LaRouche said, Gore was shown as winning, but, “suddenly McCain has a landslide victory over Bush!”

“What happened is, the Gore people ran an operation to run a lot of independents to voting on the Republican side, against Bush, for McCain! It was a big boost. Now, what’s in process?”

LaRouche pointed out that, in the long run, although McCain may do some damage to Bush, McCain “is not really a problem. *They* can sink him anytime they want to. Because, who is ‘they’? ‘They’ are the people that control Gore, own Gore from Wall Street, because Gore is totally owned by Wall Street money. *And, they own Bush!*”

“See, the election is not about Gore versus Bush. As of now, the election is rigged. By supporting Gore on the Democratic side, you ensure that you’re going to get George Bush as President! Now, that’s a fine Democratic policy.”

Turning to Michigan, LaRouche said, “People inside the Democratic Party are doing exactly what happened in New Hampshire; pushing independent voters, and Democrats, to go into the primary, to *vote for the Republicans*, for McCain, against Bush. From *inside* the Democratic Party! *and they call themselves ‘good Democrats.’*”

“What’s the game? If you sink the independent vote, up through March 7, Super Tuesday, sink it to the point that Bradley is out, forced out by the drawing of the independent vote, which would tend to go to him, away from him, into McCain—as was done in *New Hampshire*—then McCain becomes the opposition to Gore and Bush. Then, the Bush crowd comes in and sinks McCain, with the biggest load of scandal you ever saw, including a rewarming of ‘Keating Five,’ and the breakup of his marriage, and a few other things. *He’s out!*”

“The election is not among these figures. It’s not among Gore, Bush, McCain. It’s a question of how the politics are

being orchestrated to prevent the independent vote, and the American people, from intervening to change the name of the game.

“Who’s doing it? Wall Street! The big financial interests that control the mass media, and control both party machines from the top down, with money. It is the mass media; it is Wall Street—*against* the American people, and against the world. So don’t worry about voting your choice for McCain, or Bush, or Gore. If you are voting for any one of them, you are one of the fools who believes in the sincerity of world class wrestling, or worse!”

South Carolina, Michigan are key

The primary elections in South Carolina on Feb. 19, and Michigan on Feb. 22, will be critical in determining whether the Wall Street strategy works. Both are what are called “open primaries,” where Democrats and Independents can vote in the Republican contest. In both states, there has been an unabashed campaign by Democrats, to get the vote out for McCain, in order to defeat Bush.

In South Carolina, the Democratic Party of Don Fowler, the Democratic National Committee (DNC) official who excluded LaRouche’s delegates in 1996, and is a leading sponsor of the DNC’s legal effort to nullify the Voting Rights Act in order to keep LaRouche out, has done its part to play the game. First, it refused to permit LaRouche to participate in its primary; then it cancelled the primary altogether in favor of a caucus. Then two Democrats filed suit in order to force the Republicans to open up more polling places for their primary in African-American-dominated areas, an effort that was at first publicly touted as a bid for blacks to vote for McCain.

At present, the race in South Carolina is too close to call, but the mailed fist underneath George W. Bush’s goofy smirk is beginning to show, as the race gets tighter.

In Michigan, the stakes are much higher, as the LaRouche Democratic campaign is on the ground there, with significant support in the African-American community and among other constituencies, in an effort to bust the game wide open. The Democratic Party leadership, under orders from the Democratic National Committee’s chair Joe Andrew, has carried out unabashed black propaganda campaign, and in many areas is openly campaigning for a vote for McCain. The official line is that a vote for McCain will hurt Governor John Engler, the hated Republican who is leading Bush’s effort in the state.

But it is not lost on the DNC, that a significant vote for LaRouche, who is only running against “uncommitted” on the Democratic line, will throw a huge spanner in their election-rigging game. Particularly problematic for them is that LaRouche is endorsed, and is being campaigned for aggressively, by Rep. Ed Vaughn, the vice-chair of the Michigan Legislative Black Caucus, who appeared with him in Detroit, and whose endorsement has drawn significant press attention going into the election.

How George W. Bush got rich through graft, kickbacks, and family connections

by Scott Thompson

Like his father, President George H.W. Bush, Texas Gov. George W. Bush has proved on the campaign trail that he was born with a “silver foot in his mouth.” As a candidate for the Republican Presidential nomination in 2000, he has amassed a campaign war chest of as much as \$100 million, which has permitted him to forgo taking Federal campaign matching funds, and therefore, to bypass Federal Election Commission guidelines on campaign spending. “Dubya” (Texas pronunciation of his middle initial) likes to claim that this huge war chest is the result of a grassroots groundswell for his “compassionate conservatism.”

In fact, Dubya has traded on his family dynasty name, while engaging in bribery, graft, and kickbacks, in collusion with a tight circle of “Bush Leaguers,” to amass this fortune. Looking at Dubya’s *curriculum vitae*, and how he personally became a multimillionaire, there is not a single business deal that President Bush’s son has been involved in that did not involve some form of “insider trading” on the family name—or worse.

A careful investigation of how G.W. made his fortune would likely lead to racketeering prosecutions, and a swarm of actions by the Securities and Exchange Commission, according to several professional investigators who have peered into Bush, Inc.

Below, you will discover how:

1. Dubya ran a string of “wildcat” (independent) oil firms, ranging from Arbusto (Spanish for “bush”), to Bush Exploration, to Spectrum 7. These relied largely on tax shelter hand-outs from cronies of his relatives, while returning to investors only 20¢ on the dollar. One crony of the Bush family, Philip Uzielli, invested \$1 million from offshore sources into Arbusto in return for a mere 10% of Arbusto’s stock, even though Arbusto’s total value at the time was only \$440,000.

2. Dubya was saved from bankruptcy in the oil business by the intervention of British “golem” George Soros, whose hedge funds have destroyed whole nations’ currencies and stock market valuations, wiping out 50 years of development efforts overnight. Through his partnership with Soros, Dubya, as a board member of Harken Energy, won offshore drilling rights in Bahrain.

3. Throughout his career in the oil business (including

especially with Harken Energy), Dubya was partnered with the corrupt Bank of Credit and Commerce International (BCCI), which, though nominally an Arab bank, had been managed by a City of London-centered Rothschild family retainer, and was built as part of the global Iran-Contra gun- and drug-running network run by Dubya’s father, when he was Vice President. BCCI had emerged out of the Anglo-American oligarchy’s need for a vehicle for money-laundering on behalf of the gun- and drug-running “Afghansi” mujahideen, who were then fighting the Soviets in Afghanistan, and today constitute the world’s top international terrorists and traffickers in the “Golden Crescent” heroin trade. BCCI was known to the CIA in the 1980s and 1990s as the “Bank of Crooks and Criminals International.”

4. Had Dubya’s last name been “Smith,” he would probably be in jail or have paid a huge fine for “insider trading,” after he sold off his Harken Energy stock at a huge profit just weeks before Iraq’s invasion of Kuwait in 1990—the move that his daddy lured Iraq into making, in order to precipitate the Gulf War. As soon as the shooting started, Harken’s stock values collapsed, because of that and major losses from its failure to make a major find in offshore drilling in Bahrain.

5. Through a partnership with Texas financier Richard Rainwater, who had been a party to the insider-trader scams that landed Drexel Burnham Lambert’s Michael Milken in jail, Dubya skimmed at least \$75 million from Texas taxpayers, who paid most of the costs for a new stadium for the Texas Rangers, the baseball team which Dubya had acquired with Rainwater and others. Bush later sold out his Texas Rangers stock at 18 times what he paid. Leveraged buyout bandit Tom Hicks bought it, for the second-highest amount ever paid in baseball history.

6. With Hicks, Dubya was involved in the biggest heist in Texas history, by signing legislation to privatize the \$13 billion endowment of the University of Texas system. The University of Texas Investment Management Co. was turned into a piggybank for Hick’s and Dubya’s family cronies. Dubya’s buddies often paid him back by joining his group of “Pioneers”—those who each raised at least \$100,000 or more for his run for the GOP Presidential nomination.

Unravelling Dubya's succession of business fronts, silent partners, and inside deals is a very complicated matter. But the reader who pays close attention will find his way through the maze, and will conclude that a fine line separates garden variety "Texas sleaze" from outright criminality. How far Dubya steps over that line, is a matter for the courts to decide.

Getting rich quick

On April 15, 1998, Governor Bush made public his 1998 tax returns. The figures contained in the returns were, to anyone unfamiliar with Bush's recent business affairs, simply astonishing. The Governor, who had reported income of \$271,920 in 1997, estimated that he made \$18.4 million in 1998. His tax bill alone was \$3.7 million. "I never dreamt I'd write a check that big," Bush happily told reporters in Austin. "Of course, I never dreamt I'd make that much money, either."

Dubya's income in 1998 came from two main sources. The great majority—some \$14.9 million—came from his stake in the sale of the Texas Rangers team. An additional \$3 million or so came from a blind trust that manages his investments. (The same trust had reported an income of merely \$200,000 the previous year.) The smallest component of Bush's 1998 income was his salary as Governor, \$99,121.

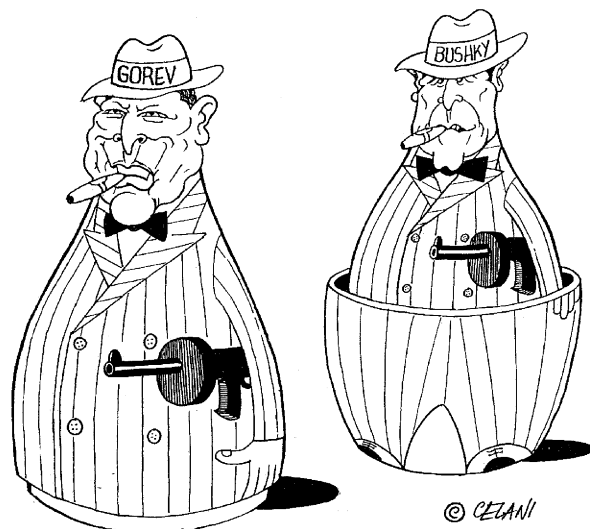
If Dubya's campaign opponents, such as Sen. John McCain (R-Ariz.), who has tried to make campaign reform an issue, were more on the ball today, they would grill him on where this multimillion-dollar personal income came from.

Arbusto and the oil patch

Following in his father's footsteps, Dubya went into the wildcat oil business, and relied upon family cronies to bail him out every time he got into trouble. Dubya started his firm, Arbusto, three years after he had graduated with an M.B.A. from Harvard Business School in 1976, setting up shop in Midland, Texas, where his father had been the uncrowned king of a group of monied, Ivy League Easterners, who had moved to the oil patch looking for big money from the post-World War II period to the 1960s.

For seed money, Dubya used a \$20,000 trust fund from his own Ivy League education (Andover, Yale, and Harvard), but that just covered the rent on an office and furniture. With assistance from his uncle Johnathan Bush, a Wall Street financier, Dubya called in favors from family members and cronies of the Bush dynasty. Altogether, from 1979 to 1984, when Arbusto and its brief successor, Bush Exploration, went bust, some 50 Bush family members and friends put \$4.7 million into these two companies. (See box on the Ohrstrom family.)

Basically, these two firms, which only returned 20¢ on the dollar, doubled as tax shelters. By April 1984, Dubya had drilled 95 holes, with 47 yielding a small amount of oil, 3 yielding natural gas, and 45 that were dry. With the assistance of geologist Paul Rea, Dubya, who had taken a course at the local Permian Basin Graduate Center before embarking as a



"Russian" Mafia

"wildcatter," had played it safe by drilling on leases near where small gushers had already been found.

When Arbusto ran into trouble in 1983-84, Dubya tried to capitalize on his father's name (the senior Bush was then Vice President), by renaming the company Bush Exploration. But throughout 1983, with depressed oil prices that had slid from \$30 to \$13 a barrel, Bush Exploration did not even try another limited partnership, because even the son of the Vice President could not raise the money.

Salvation arrived, however, in the form of a friendly takeover.

Geologist Rea, who realized that Dubya was facing disaster, reached out to one of his close business contacts in Ohio, William De Witt, Jr., according to the *American Spectator* of June 1999. De Witt's family, which is best known for having once owned the Cincinnati Reds baseball team, owned another small wildcat firm known as Spectrum 7, which De Witt, Jr. was unable to manage on top of his other investments. After a luncheon between De Witt and Dubya, a merger was hatched. In February 1984, Spectrum 7 bought out the nearly worthless Bush Exploration, ostensibly to take advantage of Dubya's "management expertise." The Vice President's son became chairman and CEO of Spectrum 7, with Rea as president.

However, by 1985, trouble arose again, as oil prices dropped. People stopped investing, despite the possibility of a tax write-off. So, Bush and Rea were out looking for another "white knight" to save Spectrum 7.

Harken Energy and George Soros to the rescue

In stepped Harken Energy, a Dallas-based company that was then aggressively taking over troubled oil firms. Former Harken director Stuart Watson told the *Dallas Morning News*

in 1994: “George was very useful to Harken. He could have been more so if he had funds, but as far as contacts were concerned, he was terrific. . . . It seemed like George, he knew everybody in the U.S. who was worth knowing.” And, as Harken founder Phil Kendrick put it, “His name was George Bush. That was worth the money they paid him.”

Harken bought the failing Spectrum 7 to get the Bush name. It did not give Dubya a managerial post, but placed him on its board, gave him a \$120,000 a year consultancy, and stock which was worth \$500,000 in September 1986, when Harken completed the merger with Spectrum 7.

At the time, according to a July 1999 seven-part series in the *Washington Post*, among other sources, the biggest investor in Harken Energy was George Soros, a Hungarian-born, British-trained and -owned billionaire. Soros’s multi-billion-dollar investment fund, Quantum Fund S.A., based in the Netherlands Antilles, had on its board representatives from two branches of the London-centered Rothschild family, and one of Quantum’s biggest investors is Her Majesty Queen Elizabeth II. This combination had taken over Harken Energy in 1983, and it was seeking to build an oil and gas conglomerate, under the direction of Soros’s hand-picked director, Alan Quasha.

No sooner had Dubya joined the board of Harken Energy, than another major investor came in, Harvard Management Corp., which manages that school’s multibillion-dollar endowment. Harvard Management agreed to invest an initial \$20 million in Harken, which gave Harvard some 10 million shares of Harken stock, or 24.5%. Eventually, Harvard Management would invest \$200 million in wildcat oil ventures, ostensibly at the instigation of Robert Stone, Jr., one of its directors. According to *The Buying of the President 2000: The Authoritative Guide to the Big-Money Interests Behind This Year’s Candidates*, by Charles Lewis and the Center for Public Integrity (New York: Avon Books, 2000), Stone had invested in the senior George Bush’s drilling ventures with Zapata oil in the late 1940s. In 1980 and 1988, Stone contributed to Bush’s Presidential campaigns.

Harken, Bahrain, and BCCI

On Jan. 30, 1990, Harken Energy startled the oil world by announcing that it had beat out Amoco, one of the Seven Sisters, for the contract to do the offshore drilling for the emirate of Bahrain. According to Jonathan Beaty et al. in *The Outlaw Bank: A Wild Ride into the Secret Heart of BCCI* (New York: Random House, 1993), the *Wall Street Journal*, and other sources, this deal would never have gone through except for the intervention of BCCI, which was glad to help the son of a President—especially as BCCI was on the verge of being shut down, when it was discovered that this drug- and gun-money-laundering firm of British and U.S. intelligence, had managed to siphon off all but \$1.5 billion of its \$23 billion assets. (See box.)

(Bahrain’s emir is especially close with Queen Elizabeth II, and he uses her Privy Council as his country’s highest court. The country is located on the Persian Gulf coast, neighboring Saudi Arabia, which has one of the largest oil and gas fields on the planet.)

When Harken Energy admitted that it could not continue drilling without a partner, both the *Wall Street Journal* and *The Buying of the President 2000* report that Harken was permitted by Bahrain to find one. Harken chose Bass Enterprises Production Co. of Fort Worth, Texas, a company controlled by the billionaire Bass family, which had contributed more than \$200,000 to the GOP in recent years. Two members of the Bass family had become members of President George Bush’s “Team 100.” Since those days, the Bass family has also been generous with Dubya, ranking number

Skullduggery and the Ohrstrom family

As the accompanying article reports, members of the Connecticut- and Virginia-based Ohrstrom family were among the investors in George W. Bush’s Arbusto company. This family is at the heart of an oligarchical network of intelligence operatives and dirty-tricksters who, among their other projects, railroaded Lyndon H. LaRouche, Jr. to prison, on trumped-up charges, from 1989 to 1994.

First, the case of Arbusto: George L. Ohrstrom, Jr. and his wife put \$100,000 of their own money into Dubya’s company, as well as lining up another shady investor with “deep pockets,” Philip Uzielli, who was working through the offshore company Executive Resources. This firm had first been incorporated as a mailbox in the Netherlands Antilles, before shifting to the deregulated country of Panama. At first, Uzielli only invested \$50,000 in Arbusto. However, when the company was failing in January 1982, Uzielli bought 10% of Arbusto’s stock for \$1 million, when the entire firm had an assessed value of \$440,000.

Looking back up the family tree, George Ohrstrom, Jr.’s father, George L. Ohrstrom, Sr., had been a Wall Street swindler who lost his securities license and was barred from selling for several years. He was rescued by Dubya’s granddaddy Sen. Prescott Bush, then with W.A. Harriman and Co., who helped set up the George L. Ohrstrom Investment Company, and placed Ohrstrom (his Greenwich, Connecticut neighbor) on several corporate boards. It was Prescott Bush, together with such figures as Bank of England Governor Montagu Norman, who helped to finance Adolf Hitler’s rise to power, as Webster Tarpley

five among his career patrons, with contributions of more than \$273,000 to him from political action committees and individual contributions, according to the Center for Public Integrity.

Insider trading?

On June 22, 1990, Dubya suddenly unloaded 212,140 shares, or about two-thirds of his holdings in Harken Energy, for a total of \$848,560. Author Joe Conason writing in the February 2000 issue of *Harper's Magazine*, among other responsible investigative reporters, raises the question whether Dubya had been tipped off by his papa that a war was about to break out that would affect Gulf oil stock prices. As *EIR* has previously reported, it was President Bush who lured Iraq into invading Kuwait, by having the U.S. Ambassador to

Baghdad, April Glaspie, tell Saddam Hussein that the United States would not become involved in any military resolution of the two nations' border dispute. Only a few weeks after Dubya dumped the majority of his stocks, Iraq invaded Kuwait.

However, when Dubya's dumping was first reported by the *Houston Post* in October 1990, there were already accusations of insider trading: accusations that incumbent Gov. Anne Richards (D) repeated against him during his 1994 successful bid to become Texas Governor. In April 1991, the *Wall Street Journal* revealed that the Securities and Exchange Commission (SEC) had not been notified of this timely trade until eight months after the legal deadline. Now, it seems likely that Dubya may not only have been tipped off to the impending war, but that he had been on Harken's

and Anton Chaitkin documented in *George Bush: The Unauthorized Biography* (Washington, D.C.: Executive Intelligence Review, 1992).

Ohrstrom, Sr.'s three children operate from the Hunt Country in Middleburg, Virginia. One of them is Magalen Ohrstrom Bryant, whose stepson, "Generalissimo" J.C. Herbert Bryant, Jr., the founder of a paramilitary organization called Armored Response Group, U.S. (ARGUS), was convicted in 1994 for impersonating a Federal officer.

On Oct. 6, 1986, ARGUS provided an armored personnel carrier for the 400 Federal, state, and local officials who carried out a raid on offices in Leesburg, Virginia associated with Lyndon H. LaRouche, Jr., as well as on the Virginia farmhouse where LaRouche was staying. The purpose of the aborted raid was to assassinate LaRouche; failing that, the "Get LaRouche" task force proceeded to have LaRouche and many associates indicted on fraudulent charges, jailing LaRouche and others soon after George Bush became President of the United States.

The major business of the Ohrstrom/Bryant family, the Carlisle Companies, makes and sells specialty parts for oil-drilling rigs and pumps.

Members of the extended Ohrstrom/Bryant family helped to fund the Iran-Contra network of gun and drug running, which Vice President George Bush oversaw. They also helped fund Bush's aide, Lt. Col. Oliver North (ret.), after the Congressional Iran-Contra hearings at which North testified. Tom Harvey, who helped create ARGUS, had been working for the senior George Bush personally in covering up the drug-running side of Iran-Contra and in running operations against the anti-drug activities of Bo Gritz. The Ohrstrom/Bryants then used Harvey to create their Global Environmental Technology Foundation, which was inserted into former East bloc



An armored personnel carrier belonging to the paramilitary group ARGUS, used in the 1986 raid against LaRouche and associates.

countries as an intelligence-gathering operation, after the fall of the Soviet Union in 1991.

The Ohrstrom/Bryants have often funded such radical environmentalist projects as Prince Philip's World Wildlife Fund, and they control the anti-development Piedmont Environmental Council in Loudoun County, Virginia.

The Ohrstrom/Bryants also funded the Afghan Relief Committee, which was run by investment consultant and anti-LaRouche operative John Train. Before LaRouche's indictment, Train held a series of "salons" with representatives of the media, the Anti-Defamation League of B'nai B'rith (ADL), the U.S. Department of Justice's "permanent bureaucracy," and rogue members of the U.S. intelligence community. Under Train's instruction, they mounted a campaign of lies and slander against LaRouche, to create a lynch mob climate so that he could later be jailed.—*Scott Thompson*

audit committee, which knew that vast sums of money had been spent digging dry holes off the coast of Bahrain. Within two months of his stock sale, Harken Energy would report a \$20 million loss for its second quarter. Harken stock dropped like a stone.

However, Dubya was not found guilty of insider trading. Perhaps this was due to the fact that the SEC chairman at the time, Richard Breeden, was an especially ardent loyalist of President Bush. And, the SEC's general counsel, James Doty, had not only come from the Baker and Botts law firm of Bush's Secretary of State, James A. Baker III, but in 1989 he had assisted Dubya in the legal aspects of arranging a franchise takeover of the Texas Rangers baseball team.

The report clearing Dubya of insider trading charges was released in 1993, just as he was entering the Texas gubernatorial race.

Although Dubya sold out most of his oil stock interests, there exists an ongoing tie between the Bush family and an energy conglomerate known as the Enron Corp., which is based in Houston. In a list of the top ten corporate and individual contributors to Dubya's subsequent political career, Enron ranks as number one, having given a total of \$550,025, through political action committees and individual corporate member contributions, according to the Center for Public Integrity. Enron owes the Bush family big time, since President Bush led a team of Enron officials to Kuwait to

Bush's buddies at BCCI

Throughout his career as an oilman, both in Texas and Bahrain, one of George W. Bush's silent partners was the Bank of Credit and Commerce International (BCCI), known to the CIA as the "Bank of Crooks and Criminals International." *EIR* documented its corrupt history in 1991-92, while BCCI was being shut down and when Manhattan District Attorney Robert Morgenthau threatened it with Racketeering Influenced and Corrupt Organization (RICO) charges, among other felony counts. These developments led President George Bush to attempt to cover up his family's and associates' ties with the BCCI, starting with pressure on BCCI's nominal executive leadership to accept plea-bargains, so that the case would never go to a trial that might get out of control.

BCCI was nominally an "Arab bank," tied to Abu Dhabi, Saudi Arabia, and other oil-rich Persian Gulf states—e.g., BCCI official Kamal Adham had once been the chief of Saudi intelligence, working opposite then-Director of Central Intelligence George Bush. But BCCI had in reality been created by the Anglo-American oligarchy, to give logistical support for the "Afghansi mujahideen," in the war against the Soviet Union. This irregular warfare, and BCCI's coffers, were financed largely with proceeds from heroin trafficking from the "Golden Crescent."

The Tampa, Florida-based branch of BCCI, as early as October 1988 (shortly before the partnership with Dubya Bush), had been indicted by a Florida grand jury on charges of laundering \$32 million in Medellín Cartel cocaine profits. Some 41 other U.S.-based banks were subpoenaed to turn over records detailing their involvement in the same

cash laundering. However, before U.S. Customs Commissioner William Von Raab could crack down on this vast laundromat of banks, BCCI was let off with a plea-bargain and a fine of \$11 million.

BCCI Holding (Luxembourg) SA, the flagship of the BCCI cartel, was directed until July 1991 by Arthur Hartmann, the board member in charge of auditing of all BCCI facilities worldwide. Hartmann must know more than anyone else about how all but \$1.5 billion of BCCI's \$23 billion in assets disappeared overnight, after the "Afghansis" kicked the Soviet Union out of Afghanistan. Hartmann was one of the most senior officials of the British Rothschild financial empire and the former general manager of the Union Bank of Switzerland (UBS). Despite the BCCI scandal, Hartmann remained the managing director of Rothschild Continuation, based in Zug, Switzerland, the holding company for the City of London-headquartered N.M. Rothschild & Sons, Ltd. Hartmann also remained the vice president of Rothschild Bank of Zurich.

BCCI was mentioned repeatedly in Lt. Col. Oliver North's Iran-Contra notebooks, as a conduit for illicit funds, when he worked under Vice President George Bush. BCCI had extensive ties not just with rogue elements of British and U.S. intelligence, but also with such lackeys of the Anglo-American oligarchy as former Secretary of State Sir Henry Kissinger, through his Kissinger Associates, Inc.; Clark Clifford; and, Robert Keith Gray, the GOP insider who, as chairman of the Hill and Knowlton consulting firm, shielded his client, BCCI, from Federal investigators. Robert Gray was an intimate of President Bush and White House General Counsel C. Boyden Gray.

One of the early investors in Dubya's first oil firm, Arbusto, according to Jonathan Beaty et al., *The Outlaw Bank: A Wild Ride into the Secret Heart of BCCI*, was James Bath, who had been in the Texas Air National Guard

talk business deals as part of the “spoils of war” following the Persian Gulf War. (See box.)

‘Play ball’ — or else

Toward the end of the 1988 Presidential election campaign, in which Dubya worked for 18 months as his father’s paid campaign adviser and “loyalty enforcer,” Dubya heard from his former Spectrum 7 partner Bill De Witt, that the Texas Rangers were on the market. This fit perfectly with the Bush dynasty’s plans for Dubya, who had considered running in 1988 for Governor of Texas. President Bush’s campaign manager Lee Atwater, First Lady Barbara Bush, and others told Dubya that he would be seen as a “carpetbagger” and

lose the race, unless he first established credentials as a Texas “good ole boy.” Being the public manager of the Texas Rangers seemed to them to be the perfect, high-profile way of showing that Dubya was “just folks.”

De Witt knew that he would need Texas backers, and the son of the incoming President was perfectly situated to find them. Dubya also had a powerful advantage in dealing with the Texas Rangers’ owner, a Midland oil millionaire, Eddie Chiles, who had been a Bush family friend since the 1950s.

Baseball commissioner Peter Ueberroth was eager to help the son of the new President, but he became less so when Dubya told him that the biggest investors in the proposed Rangers deal were the Cincinnati-based De Witt family, and

along with Dubya. In 1976, Director of Central Intelligence George Bush recruited Bath to the CIA. As a frontman for the BCCI “sheikhdow” artists, Bath, according to a former partner, invested \$50,000 for a 5% share of Arbusto. He also fronted for BCCI in airplane leasing—e.g., a multimillion-dollar Boeing plane for the Abu Dhabi oil company that became one of the largest such firms in the United States.

Bath, Sheikh Khalid bin-Mahfouz, and BCCI officer Ghaith Pharoan had been business partners with former U.S. Treasury Secretary and Texas Gov. John Connally, as the principal investors in the purchase of the tiny Main Bank in 1976. Main Bank made the news when a bank examiner discovered that it was purchasing \$100 million in hundred-dollar bills each month from the Federal Reserve, which dwarfed its minuscule capital base. As a result, Bath was investigated by the Drug Enforcement Administration, which suspected that he was using his planes to fly currency to the Cayman Islands, although the Drug Enforcement Administration could never prove that drug money-laundering had been involved.

The *Wall Street Journal* of Dec. 6, 1991 reported on the role of BCCI in arranging for the oil firm of Harken Energy, controlled by George Soros, to win the contract for offshore drilling in Bahrain (by Thomas Petzinger, Jr., Peter Truell, and Jill Abramson, “Family Ties: How Oil Firm Linked to a Son of Bush Won Bahrain Drilling Pact”).

Apparently, after Dubya came on board Harken Energy, when his daddy had just been elected President, BCCI moved in. It is notable that Sheikh Khalifah bin-Salman al-Khalifah, the Prime Minister of Bahrain and brother of the country’s ruling Emir, is identified on an October 1990 shareholder list as one of the 45 investors who own BCCI Holdings SA.

Harken’s adviser on the Bahrain deal was the former Saudi chief of intelligence, Kamal Adham.

According to several sources, part of the money for Harken Energy’s exploration of Bahrain offshore fields was provided by Jackson Stephens, who had supported the senior George Bush in his failed 1980 campaign for the GOP Presidential nomination. During Bush’s 1988 campaign, Stephens was a member of Bush’s “Team 100,” those who had raised \$100,000 or more for his election.

Stephens’s Little Rock, Arkansas investment bank was one of the largest in the United States, outside Wall Street. It was Stephens, according to the *Wall Street Journal*, who put together a rescue plan for Harken Energy (after it had drilled two or three wells off Bahrain and came up with nothing), through Arthur Hartmann’s UBS, to loan Harken \$25 million. Apart from the prescience of Hartmann, who survived the collapse of BCCI with barely a scratch, it is notable that UBS then had a joint venture investment with BCCI in another Geneva-based bank. However, the UBS financing hit a last minute snag, because of U.S. banking laws. UBS sold its Harken shares to the BCCI-affiliated Abdullah Bakhsh, who thus came to own 17.5% of Harken Energy. Bakhsh put his man, Talat Othman, on Harken’s board. And, suddenly, Othman became one of 15 Arabs who held regular meetings with President Bush during the build-up for the 1990-91 Gulf War.

The *Wall Street Journal* also reported in 1992, that both Dubya and his brother Jeb (now the Governor of Florida) were considered to be material witnesses in a class action suit to recover funds from the BCCI. Notes the *Journal*: “Including the President’s sons in the court record doesn’t guarantee they will become witnesses, but it could perpetuate the BCCI-related headaches suffered by the Bush administration. A former White House aide [Bill Rogers] took a job as a lawyer for a principal figure in the BCCI scandal [Kamal Adham], only to withdraw when a furor arose.” — *Scott Thompson*



Al Gore (left), George W. Bush (right), and a rally of supporters of Lyndon LaRouche in Philadelphia. Said one politician: “One of my friends has described George W. Bush as ‘Texas’s Chainsaw Governor.’ And that’s not an unfair characterization. . . . Gore’s the same thing. Gore has a different flavor to him; he’s got sawdust rather than bad meat as a flavor. But Gore will do exactly the same thing, with a different flavor than George Bush.”

also his old Yale fraternity brother Roland Betts and Tom Bernstein, who were partners in a New York-based film investment company.

Ueberroth helped Dubya line up Texas investors. One of the key sources of this indispensable Texas money was Richard Rainwater, who had formerly been the chief financial adviser to the Bass brothers of Fort Worth, who themselves had put nearly \$25 million into Harken Energy’s Bahrain deal. The Bass brothers had inherited \$50 million in oil money from their father, and under Rainwater’s stewardship, their fortune grew to \$4 billion, before he struck out on his own in 1986 with \$20 million seed money.

Rainwater had learned how to “grow money” from the likes of Michael Milken, the convicted insider trader and the inventor of “junk bonds.” In 1984, for example, Rainwater went to Beverly Hills to visit Milken, to propose that they run a fund together. Milken signed on, and Rainwater set up the Bass Investment Limited Partnership. The general partners were himself and Dort Cameron III, a former Drexel Burnham Lambert junk bond trader. Milken, Frederick Joseph, and other Drexel employees anted up \$30 million. The Besses, Rainwater, and other Bass employees contributed another \$30 million. And, Equitable Life—for which a large investment at the time was in the range of \$25-50 million—shelled out

\$540 million. After leveraging up with an equal amount of debt, the fund had a total capital of \$1.2 billion. Rainwater et al. were soon participating in many of Milken’s deals.

The fund’s first investment was in the restructuring of the Mittel corporation. Hundreds of deals followed, including MCI Telecommunications Corp., McCaw Cellura Communications, Metromedia Co., and Intermedics. As of now, after Milken’s conviction, jailing, and parole, the fund is in the process of liquidating. The venture demonstrates that Dubya did not particularly care about the company he kept, if there was money in it for him.

Dubya’s stake in the Rangers was just under 2% initially. He purchased his shares with a \$500,000 loan from a Midland bank of which he had been the director, using his Harken stock as collateral. And, he eventually scraped together \$106,000 to buy out two other limited partners. With a total price tag from Chiles in the neighborhood of \$46 million, Rainwater and associates put up \$14.2 million, while Betts and Bernstein put up about \$6 million. The balance came from smaller investors, loans, and the equity on minority partners in the old Chiles partnership.

While Dubya paid off his bank loans with the money he earned from the sale of two-thirds of his Harken Energy stock, his partners in the Rangers increased his stake from 1.8%

to 11.8% for services rendered in orchestrating the deal and giving it the special “Bush” name cachet.

The payback

As soon as Dubya became Texas Governor in 1995, he began to use his office to “pay back” the leveraged buyout bandit Richard Rainwater for services rendered.

One of Rainwater’s ventures, upon leaving Bass Enterprises, according to *The Buying of the President 2000*, was the creation of Columbia/HCA, Inc., which is now the nation’s largest for-profit hospital chain. In 1997, Federal agents raided Columbia/HCA facilities in Florida, Texas, and other states, as part of an investigation into whether the company had defrauded the Federal government of millions of dollars in Medicare reimbursements. The FBI, the Internal Revenue Service, and the Department of Health and Human Services are still carrying out the probe.

Despite this, Governor Bush vetoed a Patient Protection Act that, among other things, spelled out obligations hospitals and health-care providers have to those who need medical care. Dubya claimed that the bill would “unfairly impact some health care providers while exempting others.” When Dubya later asked his insurance commissioner to implement some of the bill’s provisions, he made sure that there was nothing that would adversely affect Columbia/HCA.

In 1997, Dubya proposed in his biannual budget that the state look into privatizing Texas’s mental hospitals, just as Rainwater was in the midst of building a mental-health-care chain. In 1997, Rainwater’s Crescent Real Estate purchased 95 mental hospitals from Magellan Health Care Services of Atlanta, and also became a 50-50 partner in Magellan’s Charter Behavioral Health Systems. It quickly became the nation’s largest provider of mental-health-care services.

Also, while Dubya has been Governor, the Texas Teachers Retirement System, which manages the pension fund for the state’s 800,000 public school teachers, sold two office buildings and a mortgage on a third to Crescent Real Estate in 1996 and 1997 at a \$70.4 million loss. Not only was Dubya still Rainwater’s partner in the Texas Rangers at the time, but it is reported that the Governor owned \$100,000 worth of Crescent stock.

The stadium boondoggle

Soon after buying the Texas Rangers, Dubya and the new owners realized that, in order to make a real killing, they needed to build a new stadium, with luxury “skyboxes,” to replace the minor league stadium that the team currently played in, in Arlington, located between Dallas and Fort Worth. However, they were not about to undertake this with their *own* money: instead, they made John Q. Public pay for it, and the taxpayers handed Dubya and his fellow franchise owners at least \$75 million toward the total price of the new, pink granite, mausoleum-style monstrosity.

In October 1990, Arlington Mayor Greene signed a con-

tract that guaranteed \$135 million toward the stadium’s estimated cost of \$190 million. Under the terms of the deal, the Rangers’ owners put up no money of their own, but financed their \$55 million share through a ticket surcharge. From the team’s operating revenues, the city would earn a maximum of \$5 million rent a year, and, after \$60 million in rent had been paid over 12 years, the stadium would revert to the franchise owners, leaving a \$75 million tip from the taxpayers. Apparently, at the urging of Dubya and other franchise owners, Mayor Greene mounted a referendum with high-ticket advertising to pay for Arlington’s share of the stadium through a 0.5% increase in the sales tax, which passed overwhelmingly in January 1991.

However, the Rangers’ franchise owners were still not satisfied. Through the efforts of then-Gov. Anne Richards, according to Conason, the Texas legislature passed, and Richards signed, legislation that created Arlington Sports Facilities Development Authority, which wielded the right of eminent domain to buy up or condemn some 200 million acres of land surrounding the sports facility. As Conason and other sources report, never before in Texas history had *private citizens* been given the right of eminent domain for any reason.

Altogether, court proceedings granted some \$11 million to aggrieved property owners, who had rejected offers from the franchise owners at half their lands’ assessed value, only to have it condemned when they refused to sell. Dubya and the other franchise owners even tried to make the Arlington taxpayers cough up again for this.

In any event, the stadium built by Arlington taxpayers was completed just before Dubya challenged Richards in the 1994 gubernatorial race.

In 1998, Gov. George Bush and his franchise partners sold out the works for \$250 million, including the \$190 million stadium, to leveraged buyout (LBO) bandit Thomas Hicks of the Texas-based firm of Hicks, Muse, Tate and Furst (HMT&F). This was the second-largest amount ever paid for a baseball franchise, with the largest being the \$311 million that Rupert Murdoch paid for the Los Angeles Dodgers. Hicks, who looms large on Dubya’s road to riches, stated that he planned to build hotels and restaurants on his option for the 200 acres surrounding the ballpark, while merging the entire affair into an entertainment conglomerate, together with his hockey team, the Dallas Stars. Hicks was no stranger to Dubya at the time, since they had earlier heisted the \$13 billion endowment of the University of Texas system, turning it into their piggybank.

The cost of a ‘privatized’ education

Given the size of his other business interests, what did Tom Hicks get for his \$250 million for the Texas Rangers? The story starts on Dec. 6, 1994, one month after Dubya defeated Anne Richards, when he received a large, albeit belated, campaign contribution from a mere acquaintance, Tom Hicks. Although Hicks had rejected Dubya’s earlier appeals

for campaign help, and had backed Governor Richards, in hopes of winning a seat on the Texas University Board of Regents, after Bush won the election, Hicks was ready to play ball. Hicks offered Bush a check for \$25,000, and Bush, knowing that HMT&F made billion-dollar deals, accepted the check. Looking toward the future, Dubya placed Hicks's name in nomination to the Board of Regents, which was approved when the Texas legislature convened in January 1995. This proved to be a cagey decision for several reasons, because, apart from the \$14.9 million share that Dubya got from the 1998 sale of the Texas Rangers, giving him a personal fortune, HMT&F subsequently became the fourth political career patron of Dubya, handing him \$290,400 from political action committees and individual contributions, according to the Center for Public Integrity. And, there were other deals between Dubya and Hicks that may merit Justice Department investigation.

For Hicks, being a Regent provided something far more valuable than status. Hicks had conceived an ambitious plan for the state university system's financial assets — more than \$13 billion — that matched his LBO bandit mode of operation. Hicks introduced the buzzword of “privatization,” and Dubya, the new governor, bought into the scheme, signing legislation that created the University of Texas Investment Management Company (UTIMCO) in 1996, whereby all the \$13 billion endowment for the University of Texas system was placed under Hicks's management for financial wheeling and dealing, and would now be closed to the public.

A little background on Tom Hicks, who proved to be Dubya's biggest “Daddy Warbucks,” is in order. HMT&F had supplanted Kohlberg Kravis Roberts (KKR) as the top LBO financier in 1997, according to *U.S. News & World Report*, and it has bought more than 180 firms since 1989. It is the largest U.S. radio station owner, controlling 414 stations with \$1.389 billion in revenue. It also owns movie theaters, TV stations, and sells consumer products. The total value of the 180 firms that HMT&F has acquired internationally over the past nine years tops \$25 billion.

Perhaps most singular, are Tom Hicks's dealings with Ibero-America, including his close ties and friendship with Gustavo Cisneros, the man who had banned *EIR's Narco-tráfico S.A. (Dope, Inc.)* in Venezuela. Writing in the July 1998 edition of *América Economía* magazine, reporter Pablo Bachelet said that Hicks thinks that Cisneros is the most “enterprising” of his friends, and for that reason he has undertaken a number of projects with him in Venezuela.

According to *Forbes* magazine of March 24, 1997, Hicks, who had formerly gotten the cold shoulder from Ibero-America, moved in on Mexico to gobble up the pieces with shark-like precision after the Mexican peso collapsed. In 1997, HMT&F committed \$400 million in private equity capital to Ibero-America from its U.S. investment portfolios. As of that date, HMT&F was considering raising \$500 million more in a separate Ibero-American fund.

Now, back to Texas: After UTIMCO officially took over from the Regents committees in early 1996, with Hicks as its first chairman, all of its business was done behind closed doors. The directors often gathered for board meetings in the plush offices of HMT&F in downtown Dallas, rather than at UTIMCO's more modest quarters in Austin.

Writes Joe Conason in *Harper's Magazine* of February 2000: “Friends and longtime associates of Thomas Hicks, and his firm's past and future business partners — as well as major Republican contributors and political supporters of the Bush family — received hundreds of millions of dollars from the University of Texas investment funds.”

In short, Hicks and Dubya began to feed in the UTIMCO trough that they had set up. Some examples:

- On March 1, 1995, the Texas Regents decided to place \$10 million with the Carlyle Group, a Washington-based merchant bank that had been founded by a Democrat in 1987, taken over by “Bush Leaguers” in 1993, and tended to concentrate on defense contract-related businesses. According to its website, the Carlyle Group has invested \$3.3 billion of equity in 126 corporate and real estate transactions with an aggregate acquisition value of \$11.5 billion. The firm currently has \$5 billion under management. Among the people who run the Group today are some of President Bush's closest associates: The senior counselor of the Carlyle Group is James A. Baker III, who served during 1985-88 as Secretary of the Treasury in the Reagan-Bush administration, and then as Secretary of State in the Bush administration from January 1989 through August 1992, when he became Bush's White House Chief of Staff; the chairman of the Carlyle Group is Frank C. Carlucci, who had been Secretary of Defense from November 1987 through January 1989 in the Reagan-Bush administration, after serving as National Security Adviser under President Reagan; and, the senior adviser and managing director of the Carlyle Group is Richard G. Darman, who served during 1989-93 as director of the U.S. Office of Management and Budget and a member of President Bush's Cabinet.

Dubya had had his own relationship with the Carlyle Group, when he served on the board of its Caterair, one of the nation's largest airline catering services. And, since leaving the White House, President Bush has been paid by Carlyle for frequent speeches at events hosted by the merchant bank. In early 1988, President Bush became even closer to Carlyle, when he accepted the position of “senior adviser” to Carlyle Asia Partners, a fund set up to buy up businesses in the Far East, after Soros and the hedge funds had destroyed the value of their nations' currencies and stock markets.

- One of UTIMCO's first investments had been to place \$50 million with KKR, which had earlier been a rival of HMT&F. KKR's founding partner is Henry Kravis, who has been one of the largest Republican contributors in the country over the past decade. Kravis was also a financial co-chairman of Bush-Quayle 1992, and he was a friend and confidant of President Bush.

- In April 1998, UTIMCO placed \$20 million in a deal involving Bass Brothers Enterprises, which had been a partner with Dubya in the Bahrain oil-drilling business. According to the Center for Public Integrity, the Bass family and their business interests are Dubya's fifth-largest political career contributors, with some \$273,927 through political action committees and individual donations.

- Later in 1998, UTIMCO placed \$96 million with Maverick Capital, a relatively new partnership in Dallas. Among Maverick's main investors and general partners are the Wyly family, longtime friends of the Bush family. According to the Center for Public Integrity, Sam and Charles Wyly were the ninth-largest contributors to Dubya's campaigns, with a career total of \$222,773.

- UTIMCO placed \$8.9 million into Crescent Real Estate, a firm run by Richard Rainwater; Dubya had held \$100,000 of its stock.

'The Pioneers'

Finally, when Dubya's war chest for this year's Presidential campaign hit \$58 million reported cash on hand, campaign finance chairman Tom Evans made known that there were already 115 members of a group known as "The Pioneers," who had each raised at least \$100,000, consisting of contributions of \$1,000 from 100 people. This is a process known as "bundling," which is perfectly legal. However, it often masks

the fact that cash is passed under the table to match the \$1,000 contribution.

Conason points out that many of his "Pioneers" came from families that had profited through his creation of UTIMCO or other business dealings, including: R. Steven Hicks, the brother of Tom Hicks; three partners from the law firm of Vinson and Elkins, which serves as counsel to UTIMCO; former Texas Rangers partners Mercer Reynolds, William De Witt, and Roland Betts; Charles Wyly of Maverick Capital; Lee Bass of Bass Brothers Enterprises; and Wayne Berman, the lobbyist and consultant who represents the Carlyle Group.

Clearly, Dubya, who has claimed that he is the "education governor," has, by "privatizing" the endowment to fund higher education, found a new way to finance campaign contributions.

Even the Republican conservative magazine the *American Spectator*, which played such a major role in the British-backed impeachment drive against President Clinton, writes in its June 1999 issue, "George's Road to Riches," that this corrupt paper trail should be followed as closely as was done with the Clinton administration (perhaps because the *Spectator* is backing another Republican hopeful). There is no reason why the current host of Presidential contenders, as well as the media cartels, should not start asking Dubya where he gets his money now.

Dubya, Enron Corp., and the spoils of war

Enron Corporation, headquartered in Houston, Texas, has been the number-one career patron of George W. Bush. It has given \$550,025 to his political campaigns through political action committee and individual contributions, according to the Center for Public Integrity. Enron, which was formed in 1985 through the merger of two small energy firms, Houston Natural Gas and the Nebraska-based Inter-North, has become a diversified utilities corporation, dealing in oil and gas, electricity, and, most recently, water futures. President George Bush is an old friend of Kenneth L. Lay, the chairman and chief executive officer of Enron. Lay was a member of "Team 100," whose members each raised \$100,000 or more for Bush's 1992 campaign, and headed the Host Committee for the 1992 Republican Convention in Houston.

However, the giving has not been all one-way. On April 14, 1993, when President Bush travelled to Kuwait and was showered with adulation and gifts, he brought with him two former staff members who were consultants

to Enron. These former Bush administration officials were seeking to secure up to \$4 billion worth of contracts rebuilding Kuwait's shattered electrical power plant capacity. Bush also brought along two of his four sons, Neil and Marvin, who were also seeking "spoils of war."

The two Enron consultants who had served President Bush during the Persian Gulf War were James A. Baker III, former Bush Secretary of State, White House Chief of Staff, and family intimate; and, Gen. Thomas Kelly, who had been the Pentagon's daily briefing officer during the war. General Kelly served briefly on Enron's board, after retiring from the military in 1991. When he left the board, while remaining an Enron consultant, he became a partner of Wing-Merril Group, a large energy company that had formed a consortium with Enron to bid on a Kuwaiti power-plant deal.

Clearly, the ability to line up \$1-4 billion in deals for an aggressive corporation like Enron makes the political campaign contributions to Dubya seem like chicken feed. Enron has become Houston's fifth-largest corporation, with annual revenues of \$8 billion. Enron deals heavily not just in the production of oil, natural gas, electricity, water, but in highly speculative futures derivatives in these areas.—*Scott Thompson*

Al Gore is a racist liar: the lies Bradley didn't mention

by Michele Steinberg

A scandal has erupted in the Presidential race: Al Gore's thug apparatus, in league with the racist permanent bureaucracy of the Democratic National Committee (DNC), is working to steer independent voters, and even Democrats, to vote for John McCain's Republican campaign. This strategy argues that, in "open primaries," such as in Michigan and South Carolina, independent votes must be kept away from Gore's Democratic opponents, Bill Bradley and Lyndon LaRouche, at all costs. The DNC is also attempting, wherever possible, to eliminate primaries completely, and replace them with tightly controlled caucuses.

In turn, the Bush apparatus, which includes the "serial murder" capability built up under President George Bush's Executive Order 12333, believes that it can "blow McCain out of the water" with smears and dirty tricks. Such attacks on McCain have already begun, with notorious "push polling" used in South Carolina. In such tactics, the alleged "poll taker" answers a declared voter preference with a smear against the candidate whom the citizen supports. The evidence shows nothing short of a Bush/Gore deal to *steal* the U.S. election.

In the last month, even leading Democrats who know that it is an urgent strategic necessity to prevent George W. Bush and the Bush dynasty from capturing the White House, and who know that Gore cannot defeat Bush, have tended to cave in to the argument that there's no alternative to Gore. Insiders report that Gore's campaign is in a mad scramble to "lock up" 1,900 delegates by mid-March. Gore's thugs insist that it would then be "statistically impossible" for Bradley to catch up to Gore, and that Gore will have the nomination.

The Gore forces are taking no chances. All their muscle, and a lot of their money, is going to *stop* as many primaries as possible, and to limit the delegate selection rules to the pre-Voting Rights Act era of private clubhouse politics. In addition, Gore has personally chosen to attack Bradley and his supporters as "non-Democrats," because they dare to raise the reality of the economic decline for the poor and uninsured during the Clinton-Gore administration. At the recent California State Democratic Convention, Gore's goons physically prevented Bradley's supporters from putting up signs, and blocked a few hundred of his supporters from the convention, on the excuse that he was only allowed to have a certain number of "guests."

But Gore's biggest problem is to maintain the bodyguard

of lies about his own character, and beliefs, as a cover for permitting his thuggery to work.

War, racism, genocide, and globalism

Gore's record of lying and hypocrisy is well known. Bob Zelnick, author of *Gore: A Political Life*, says that Gore's "zigs and zags" on issues have "an Orwellian tone"—referring no doubt to the graphic scenes of Orwell's book *1984*, where the monolithic state would simply "morph" the image of the enemy that it was attacking one day into its erstwhile ally, and vice versa, as circumstances changed. In Orwell's world, teams of librarians also worked to purge all recorded history of political stances that contradicted the line of the day.

Gore's staffers and opponents alike have been stung by these "Gorewellian" tactics. A former staffer in Gore's disastrous 1988 Presidential campaign, Arlie Schardt, observed (and is now trying to squirm out of it) in a memo to Gore, "Your main pitfall is exaggeration . . . remarks that may be impossible to back up." Bradley and his staff are reportedly astounded by Gore's bald-faced lying about Bradley's record, and about his own record. But the lies and hypocrisy that Bradley has chosen to "expose" are minor, compared to Gore's real crimes.

The time is long overdue to stop Gore's corruption, and for Democrats, joined by independents, to rally to support Lyndon LaRouche, the Democratic candidate who has not been afraid to tell the ugly truth about Al Gore. As LaRouche reported in 1998, Gore is "the most corrupt politician never elected President," whose psychological problem manifests itself as a bi-polar rage embodied in the warning, "You *know* how I get when I don't get my way."

Over the last year, *EIR* has documented that, under a "Gore, Inc." Presidency, U.S. policy will be one of wars against Third World countries to implement population control, globalism, and technological apartheid; Confederate racism, such as destruction of the 1965 Voting Rights Act; globalization and war against the nation-state through radical free-trade looting measures; drug legalization, both of drug use, and drug-money laundering; and large-scale corruption in business deals and campaign financing, which has been a hallmark of the Gore family for two generations. The following summary documents just a few of these areas, and shows that Goebbels would be proud. When Al Gore lies, it's *big*.

Wars against the nation-state

Gore is a genocidal maniac, whose book *Earth in the Balance: Ecology and the Human Spirit*, and his long association with Britain's Prince Philip, show him to be committed to a war against countries which have rapid population growth, such as Iraq did in the 1970s.

Gore's intention to crush any Third World country that opposes globalization came to the surface at the Nov. 12-18 Asia Pacific Economic Cooperation Business Summit in Kuala Lumpur, Malaysia, when he was sent to represent the United States. (Clinton, who was scheduled to meet the new

Russian Prime Minister, Yevgeni Primakov, there, remained in Washington, so as to prevent the British-inspired attack on Iraq from going ahead that weekend.) In Kuala Lumpur, Gore delivered an unmistakable threat to Malaysian Prime Minister Dr. Mahathir bin Mohamad, encouraging the overthrow of that leader, who had just enacted currency and capital controls in order to protect Malaysia from speculative assault, led by Gore crony and top contributor George Soros and his Quantum Fund. Gore established himself as the "Enforcer" for globalization, but his history against pro-technology, high-growth countries in the developing sector goes back

Blood and Gore for Thatcher's Iraqi war

As the UN Security Council continues the genocidal economic sanctions against Iraq for another year, Al Gore wrote a letter, dated Feb. 8, 2000, to the so-called Iraqi National Congress, a discredited opposition grouping that was assembled by the British Foreign Office, giving the group his support.

Gore's letter capped a nearly decade-long record of serving the interests of the British Crown, in launching the 1991 Desert Storm war against Iraq. In fact, Gore is every bit as faithful to the Crown as former President George Bush, who was later knighted for his service.

Despite Gore's animus against Iraq, when he cast a crucial vote for Bush's war in 1991, Senate colleagues immediately noted that he made sure that he got the most out of it.

As the New Hampshire *Manchester Union Leader* noted in a Feb. 11, 2000 editorial entitled "383 Lives for 20 Minutes: Gore Supported Gulf War To Promote Himself," Gore bartered his vote to the side that offered him the most exposure—the pro-war side, giving him the lead-off speech on the Senate floor of 20 minutes, to be carried on national prime-time TV. The scandal was so intense that, in 1992, during the first Clinton-Gore election campaign, Sen. Joseph Lieberman (D-Conn.) defended Gore. "The question of when he [Gore] spoke or how long he spoke," said Lieberman, "was *irrelevant*. The decision . . . was critical. It was pivotal; it was one of the decisions that authorized that war and led to what I believe was not only the appropriate action . . . but *probably the finest hour of the Bush Presidency*."

Indeed, Gore has been one of the most virulent Iraq bashers, as shown by the *Congressional Record* of 1991-92:

Jan. 12, 1991: Gore's 20-minute speech supporting Bush, out-Goebbeled Goebbels: "Had this President

[Bush] and his predecessor [Reagan] not grossly misunderstood Saddam Hussein, we would have taken action against him sooner. . . . Saddam Hussein has more troops than Hitler did in the early years of World War II. He is not Hitler . . . but he is using weapons of mass destruction. He is threatening to continue his march throughout the region. . . . He is seeking now to acquire ballistic missiles and nuclear weapons."

Jan. 30, 1991: Gore said, "We shall not have peace . . . in the Middle East. . . . However, we can have a balance of power," which would require constant monitoring. Gore suggested means to bar Iraq "from access to nuclear materials and nuclear technology, [and] demand full international inspection on demand of any industrial, scientific, or military facility." He suggested that the United States support "exiled Iraqis" who cannot come to power "unless we were to install them."

September 1991: Gore criticized Bush for ending the war with Iraq without marching on Baghdad, and eliminating Saddam. Gore said that "stability" will only come when the policy is "successful in removing the regime of Saddam Hussein from power . . . and if his Baathist regime is dismantled as well." Gore added, "I want to propose how that might be done." He suggested blocking access to international support, building the resources of the opposition, and "cutting off access to any resources."

Expressing the hatred of the Third World shown in his book *Earth in the Balance: Ecology and the Human Spirit*, Gore continued, "It is a tragedy that the people of Iraq will have to suffer . . . economic stagnation," but they have to get the "message" that Saddam Hussein is the "cause of their misery."

Condemning the entire population of Iraq, Gore added, "In general, the world does not need the contributions of Iraqi space science or of Iraqi work in nuclear physics—practical or applied. The U.S. should work to completely block future Iraqi activity of any kind in these areas. There is no way to think about certain branches of science and engineering in Iraq except as tap roots for programs aimed at programs of mass destruction."—*Michele Steinberg*

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Gore, British push world toward nuclear war
BIS: LaRouche's Ninth Forecast was right
Bankers' arithmetic vs. human arithmetic

**Gore caught in international
murder and theft ring**



EIR of March 19, 1999 pictured Al Gore with Russian mafia figures, from the diamond- and gold-smuggling operation Golden ADA. Left to right: security expert Jack Immendorf; Gore; ADA officers David and Ashot Shagirian; 1994 California gubernatorial candidate Kathleen Brown; and Golden ADA chief Andrei Kozlenok.

much further.

In January 1991, Gore, then a U.S. Senator, was the decisive Democratic vote for President George Bush's war with Iraq. Gore's ambition was a driving force in throwing his support to Bush, as was his view that Iraq should *never* be allowed to develop nuclear power and other 21st-century technologies (see box).

Gore's service to President Bush included a good measure of political corruption. According to an editorial in the Feb. 11, 2000 New Hampshire daily *Manchester Union Leader*, entitled "383 Lives for 20 Minutes: Gore Supported Gulf War to Promote Himself," Gore shopped around for the best prime-time TV before deciding whether to support or oppose the Persian Gulf War that cost 383 American soldiers their lives. The Democrats offered him seven minutes; but the Republicans, 20 minutes. The same day, Sen. Bill Bradley (D-N.J.) opposed the use of force in Iraq because of the strong possibility that a diplomatic solution could be reached through the United Nations. In the January 2000 Iowa debate, Gore tried to smear Bradley for being soft on Saddam Hussein, but Bradley insisted that he was right to vote against the

war, and would do it again today.

To glimpse into the nightmarish future of a Gore Presidency, recall that when British-inspired independent counsel Kenneth Starr was trying to force the removal of President Clinton, Gore and his secret team carried out an illegal "coup d'état" in the White House.

In a span of seven months, between August 1998 and the onset of the Kosovo war in March 1999, Gore caused no fewer than four wars: On Aug. 21, 1998, when Clinton was embroiled in his grand jury battles, and "confession" on national television, Gore and allies rammed through a *completely unjustified* attack on the Al-Shifa pharmaceutical plant in Khartoum, Sudan, alleging that it was a counter-terrorist strike. On Nov. 15, 1998, in covert coordination with British Prime Minister Tony Blair, Gore and his team initiated a decision to bomb Iraq, which was *stopped* by President Clinton *after* planes were in the air. On Dec. 19, 1998, Gore and Co. succeeded in starting their war against Iraq, which had been planned at meetings—behind Clinton's back—during the impeachment proceedings. And, from December 1998 to March 1999, Gore and his agents in the Principals' Committee, including Secretary of State Madeleine Albright, wrecked the diplomatic talks on Kosovo, which led to the war against Serbia. In March 1999, at the last possible moment to avert the war, Gore even went so far as to feed disinformation by telephone to Russian Prime Minister Primakov, who was on his way to meet President Clinton. The Clinton-Primakov meeting was cancelled. Gore's National Security Adviser Leon Fuerth then credited Gore with being the real driver behind the war against Serbia over Kosovo.

The looting of Russia

In January 1999, *EIR* posed the question, "Will Al Gore Be Impeached?" Because, while Congress was following the British script to remove Clinton, it was ignoring compelling evidence that Gore had engaged in genuine acts of "treason, bribery, or other high crimes and misdemeanors," especially regarding relations with Russia.

Evidence in the possession of the Central Intelligence Agency reportedly can prove that Gore provided cover for his close Russian collaborator, former Prime Minister Viktor Chernomyrdin, to loot Russia of more than \$5 billion through control of Russia's natural gas and oil conglomerate, Gazprom. In another case, Gore was photographed in San Francisco with three young Russian mobsters, who were exposed for stealing Russian gold, gems, and precious metals in cahoots with top Russian government officials involved in the Jeffrey Sachs and International Monetary Fund (IMF) "reform" faction. That photo first appeared in the August 1998 *U.S. News and World Report*, in an article entitled "The Looting of Russia," and then on the cover of *EIR*, March 19, 1999. The Russian mobsters were attending a fundraising event with Vice President Gore.

Gore's Wall Street crony and one of his major financial backers, David E. Shaw of D.E. Shaw Investments, turned

to Gore for his help in looting Russia through privatization deals and investments in usurious state bonds such as the infamous GKO, which were then offering as much as 300% interest.

On Aug. 17, 1998, the Russian government suspended payment on some of the usurious debt created by the radical pro-IMF “reformers,” especially Chernomyrdin’s sidekick Anatoli Chubais. The move was disastrous for D.E. Shaw Investments, which resulted in the firm’s inability to pay a \$372 million loan from Bank of America. Gore took drastic steps, including an attempt to force Russian President Boris Yeltsin to re-appoint Chernomyrdin because he, supposedly, would honor the debt. Phone calls by Gore to Yeltsin and other top Russians were made *without* Clinton’s okay.

D.E. Shaw is no small firm; the *Wall Street Journal* reported that it handled 5% of all stock trades in the United States in a single day. In terms of Shaw’s importance for Gore, Charles Lewis’s book *The Buying of the President 2000* identifies Shaw as arranging \$98,000 directly for the Gore 2000 campaign, and \$557,000 in soft money to Democratic committees since 1991.

But the Russia crisis was even bigger. According to subsequent admissions by top Clinton administration officials such as former Treasury Secretary Robert Rubin, and by Federal Reserve Chairman Alan Greenspan, the September 1998 failure of the Long Term Capital Management (LCTM) hedge fund came very close to causing a meltdown of the world financial system. The LCTM bust was directly related to the Russia crisis of August 1998.

To save Wall Street, Gore set into motion a series of actions that destroyed U.S.-Russia relations, including two anti-

Russian “surrogate wars” against Iraq and Serbia, in an attempt to restore the IMF looters in power.

Al Gore’s racist streak

Gore portrays himself as an advocate of civil rights, but his record is more like a record of crimes against humanity.

Gore is most infamous for being the source of vicious, racist attacks on Gov. Michael Dukakis during the 1988 Presidential campaign on the question of Willie Horton, the black convict who committed a murder while on furlough. Author Bob Zelnick reports on the incident in a chapter entitled “Failure”: “Gore’s Confederate battle flag was rising.” Zelnick quoted Gore goading Dukakis by asking him if he would “advocate a similar program” of furloughs from Federal penitentiaries, as the one in Massachusetts where “two convicted murderers had committed other murders while free on weekend passes.” When Gore lost the nomination, the smear was picked up by fellow Confederate “good ole boy” Lee Atwater (working for George Bush), and used relentlessly against Dukakis.

Gore lies outrageously on his civil rights record, as well as that of his late father, the former Sen. Al Gore, Sr. In July 1999, Gore tried to gain favor with African-American voters by telling them that his father had been “a great contributor to the cause of civil rights in the South.” The truth is that Gore, Sr. *opposed* measures to end segregation, especially the landmark Civil Rights Act of 1964. According to the record on civil rights. *Congressional Record* of 1964, Gore, Sr. first tried to render the act impotent, by introducing an amendment that would have prevented the Federal government from withdrawing funds to school districts that continued the practice

Primaries cancelled in Puerto Rico, Kansas

In the Commonwealth of Puerto Rico, the Democratic National Committee has run a coup to cancel the scheduled March 26 primary election that would have given voters the right to choose among Democrats Lyndon LaRouche, Bill Bradley, and Al Gore. Instead, in line with Gore’s thug operations through the DNC, Puerto Rico’s delegates to the Democratic National Convention will be chosen through “clubhouse” district meetings which are kept so low-key that only controlled party regulars even know when, where, and how to vote.

Some Gore watchers suggest that this is the kind of election that “Prince Albert” (as he was called in the 1988 primaries) prefers, because of the severe losses he suffered to Michael Dukakis, Jesse Jackson, and other Democratic opponents in the 1988 primaries (Gore barely got 10% in

New York, and lost the South).

The cancellation of the Puerto Rico primary is the result of a particularly dirty operation. It came as the result of a suspicious lawsuit filed by State Sen. Kenneth McClintock, who identifies himself as a “statehood Democrat,” even though he’s a member of the NPP, a party which is more closely affiliated with George W. Bush’s Republican Party machine. The suit claimed that the primary, as it was structured under the leadership of State Sen. Eudaldo Baez Galib, a pro-Commonwealth Democrat, was discriminatory against those who favored statehood (which reportedly is Gore’s position). As a result of the suit, the DNC took control of the process, and after a fact-finding mission, cancelled the election.

Almost the same day, the state of Kansas cancelled its primaries through an action of the state legislature which claimed two reasons: “tight budget” considerations, and the so-called “fact” that by the time of the Kansas primary in early April, the winner will have already been decided.—*Michele Steinberg*

of segregation. When the amendment failed, Gore, Sr. voted against the Civil Rights Act. Continuing in that tradition, in 1999, Gore, Jr. has allied with attorney John Keeney, Jr., the attorney for Gore's cronies at the DNC, who made the argument before a panel of Federal judges in Washington, D.C. that the 1965 Voting Rights Act should be declared "unconstitutional." Keeney was attempting to defend the decision by former DNC Chairman Don Fowler to lock duly elected delegates pledged to LaRouche out of the Democratic National Convention.

Keeney is the son of Jack Keeney, who has been a Justice Department official since the early 1950s and who was the architect of "Operation Fruehmensch," the DOJ plot to "get" every African-American elected official on trumped-up criminal charges.

Although Gore has not claimed credit for "inventing Operation Fruehmensch," his big "break" as a reporter with the *Nashville Tennessean* newspaper came when he arranged a "sting" against popular African-American City Councilman Morris Haddox. Haddox was arrested in city council chambers for bribery; the money, \$300, had been supplied by reporter Gore and the *Tennessean*! Gore had gotten the idea for the sting after attending a seminar on investigative reporting at the Columbia School of Journalism in 1972, when Woodward and Bernstein were riding high for their Watergate coverage.

But the most damaging indictment against Gore is what he is doing right now in denying inexpensive AIDS treatment to Africans, because generic drug production violates Gore's free-trade agreements. According to documentation supplied by the AIDS Drugs for Africa coalition, Gore took steps to stop Africa—particularly South Africa, where 3.2-6 million people are already infected by HIV and condemned to a horrible death—from affordable access to life-extending medication. The charges burst on the scene in June 1999, when thousands of supporters of the coalition took part in a protest demonstration against Gore. Gore had threatened South African President Thabo Mbeki with sanctions against South Africa because it has passed a law legalizing the production of generic drugs. Gore has scrambled to cover his tracks, apologize, and meet with AIDS treatment advocates at the White House. In a brazen show of hypocrisy, Gore opened the year 2000 session of the UN Security Council, to announce that the Clinton administration was increasing financial grants to Africa to fight AIDS.

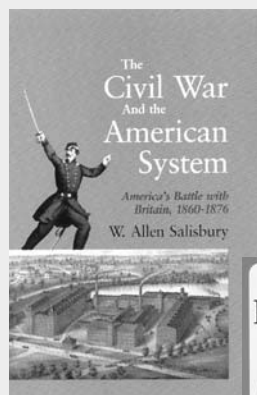
Gore's lie at the UN had already been exposed in the Dec. 4, 1999 *Washington Post*, which revealed that, while Gore had scrambled to make an exception for South Africa, to stop the protests against his campaign, the U.S. policy under the World Trade Organization is to keep prices high, and leave the rest of Africa to die.

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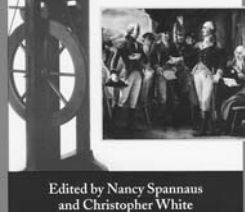


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'Don't vote for the lions,' LaRouche urges Michigan voters

The following is the transcript of a half-hour television spot purchased by Lyndon LaRouche's Presidential campaign, which aired in Michigan on Feb. 13 and on Feb. 19 on WWJ-TV.

Lyndon LaRouche: Most voters today vote like fans cheering at a football game or wrestling match. They vote like Romans, sitting in the grandstand, cheering, watching Christians being torn apart by lions. Most voters today, on the day after the election, begin to wish the candidate for whom they cheered the loudest, had never been born. Now, that may be a slight exaggeration, but not much.

Today, what you're hearing from most candidates on the television debates, so-called, has nothing to do with the leading issues which will decide the fate of this nation in the coming years. We're in the middle, presently, of the worst financial crisis in over 100 years. Exactly when it's going to blow up, no one knows. It could be tomorrow. Japan could blow up and then the U.S. markets would collapse; or a Russian crisis. We have other crises; we have military crises, since the middle of 1998, in various parts of the world: wars, mini-wars, larger wars—patterns of wars spreading all over the place. Ecuador no longer exists as a nation. Venezuela is disintegrating. Colombia is being torn apart. Argentina is disintegrating. Brazil is ready to blow up. Most of Sub-Saharan Africa is disintegrating. The governments of Europe, Germany, and Japan are in deep trouble, and may disintegrate too, under the weight of the new scandals being orchestrated from the United States and from Britain. These issues, which will determine your lives, and determine whether there's any money or not, to pay for health care, or education, or Social Security—these issues are not discussed by these candidates.

The story is, that the voters constitute about 30% of the total voters who should be eligible to vote—the voters in any election. That of the voters who vote, who determine the outcomes of these elections, most come from the upper 20% of family-income brackets. Most of those in the upper 20% of family-income brackets, make their living, not as we used to, not as top professionals, or as top industrialists used to; they make their money as so-called middle management; in financial and service operations. They get salaries, perhaps, of \$50-70,000 a year, and they get stock options bonuses as well. They're up to their ears in hock, and when

the \$300,000- to million-dollar house caves in because they're not able to pay the mortgage any more, then where will they go? Will the house blow out? Where's a job for them? The nation goes into chaos. Where's that so-called—nonexistent—budget surplus which people keep talking about? It doesn't exist. The system's going. The question is, what do we do about it?

The system is going to blow soon

Now, when the system goes, is not the issue. Exactly *how* it goes, is not the issue. The only fact is, it's soon. For example, just this past week, and the week before, in Europe and the United States, there was the biggest turbulence, rumbling underneath the markets, that there has been in more than two years. Probably bigger than what happened in 1998, when the LTCM [Long Term Capital Management hedge fund] blew out. Bigger perhaps, than the Brazil crisis of February 1999. Big rumble. Bond markets were involved. Derivatives markets were involved. All kinds of things were involved. The most turbulence we've seen in a long time. So, if you don't know when the system is going to collapse, you know that that turbulence, that rumbling, tells you that something *big* is going to happen soon. Maybe not the Big One, but a fairly big one. At that time, people are going to have to change the way they think.

They want to know what's going to happen to our economy. What about the local factory, what about the bank? What about the job, what about the community? How do you distribute tax income where the tax income is collapsing, because the economy is collapsing? What do we do about it, then? Well, it's very simple. There are solutions—you go back to the 1930s, to Franklin Roosevelt; and Franklin Roosevelt had an approach, whether you agree with every detail of what he did or not, the man, as President, was committed to the General Welfare, and took emergency measures as needed, to defend the General Welfare. He got us through the Depression, he got us through most of the war, and he laid the basis, in 1944, for a postwar monetary system that worked very well, at least for us and for Europeans. It worked very well until 1959, it worked very well until the middle of the 1960s, and then it began to degenerate. From 1971 on, when Nixon made that foolish mistake he made that August, the world economy, especially the U.S. economy, has been deteriorating. Yes, some people have more money. They have more

money because they're able to borrow it, or because they're getting capital financial gains — which they may not be getting for much longer. But most of our population, in the lower 80% of the family-income brackets — and that's only half of the total family income of the nation — they're worse off than they've been before.

You know, people who talk about prosperity and boom, forget. They're the same people who are telling us we can no longer afford the health care we used to be able to guarantee. We can no longer afford the education we used to be able to guarantee. We say we can no longer guarantee Social Security, the way we used to. How is it that we're more prosperous, if these things were true? One of the two has to be false. I'll tell you, it's the first—the “prosperity”—that's false.

Now, how are we going to change this? The politician you're hearing, is generally talking to, mainly — maybe McCain's doing it a little bit differently, maybe Bradley—but generally they're talking to the upper 20% of the family-income brackets, from where they get their campaign money, where they get their voting support. From the strata of the population that controls the bureaucracy of the Democratic and Republican parties. That's who they're speaking to. They're speaking to the money, not to the people. The lower 80%, who live with all these problems—the African-Americans, the Hispanic-Americans, the Asian-Americans, labor, senior citizens—they're not addressing the issues that they face. That's 80% of the families of the United States, who are living in worse conditions, less secure conditions, more perilous conditions, than they have at any time during the past 30 years. Nobody's addressing them.

The vital interests of the nation as a whole

Well, the problem is, you've got to change things. You saw a bit of it in New Hampshire, where the Democratic Party machine, the party bureaucracy, found itself swamped, when the independents went in to vote. Far more people turned out than they expected. And maybe, maybe Bradley actually won that primary; we don't know yet. But certainly, when the independents swarmed over onto the Republican side, they sent George W. Bush to, perhaps much-needed, showers. And it may happen again, probably will. But the point is this: In this nation, the people, who include African-Americans, Hispanic-Americans, Asian-Americans, Arab-Americans, and so forth, they are the ones who are poorly represented. If they can get together around one common issue, the issue of defending the General Welfare for the entire population, *they* represent—not the so-called top 20%—*they* represent the power.

My job is to get you to do that. To join with me in bringing together a coalition which represents the vital interests of the nation as a whole, and represents also the vital



Lyndon H. LaRouche, Jr. campaigns in Detroit, Michigan on Feb. 15. He is the only candidate on the ballot in the state's Feb. 22 primary.

immediate interests of the lower 80% of our family-income brackets. You've got to turn this election around. *Forget* the candidates who have pitched to you what you hear now, as the so-called national television debates. Forget it—they're saying nothing. We have a crisis on our hands, it's coming down fast, it's going to hit hard. You need not fear, if you get me as your President, as you get 80% or a good part of them into the polls to vote *their* vital interests, and the vital interests of this nation.

The real economy has been looted

Let's talk about the issue of the economy. Why is the story you're hearing from the President, and other candidates about the economy, a lot of nonsense? Look at the figure you're seeing on the screen now. Let's call this the Triple Curve [Figure 1]. It's something I've used for a number of years to explain to people in the simplest terms possible, what's wrong with the world and U.S. economy. What went wrong, beginning about 1971, and has been getting worse, ever since.

The top curve, the one which, toward the right, zooms upward, is the growth of what we call “financial aggregate.” That is the total amount of outstanding claims, of financial value, debt and so forth.

The second one, which also curves up, but more slowly, and is now accelerating in the rate of growth, is called “mone-

tary aggregate.” That means money pumped into circulation by central banks and related sources.

The third curve, which points downward, is “physical aggregate.” That is the total value, as compared in market-baskets, say, for the years 1966–68, the market value, in physical terms, of the content of a market-basket of food, clothing, housing, education, and so forth, that you receive, as a member of society, as family income. Now, this is going *down*, per capita, actually. That is, if you compare what you could get with a certain kind of work, say, factory work, in 1966, 1968–69, you will find that the market-basket you get for your work today is actually *less*, in terms of real, physical value, than it was then. That’s why people are working two to three jobs, to try to keep up with—usually unsuccessfully—what they were able to accomplish with one job plus something extra, back 20, 30 years ago.

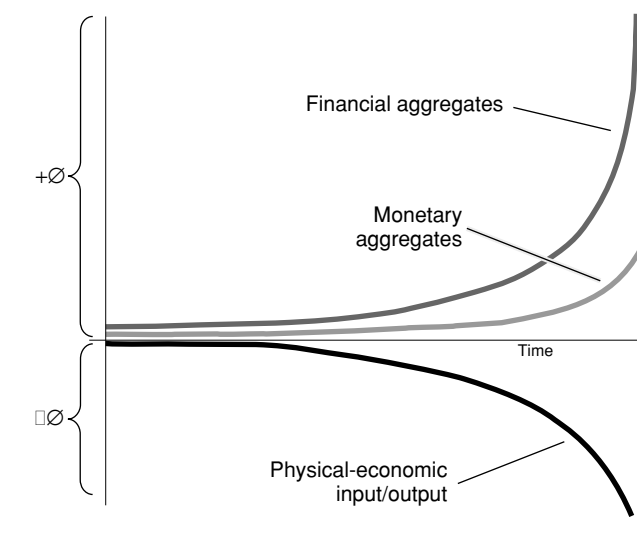
It’s going down. You’re losing industries. Where’s the factory that disappeared? What happened to the farm that’s going out of business? What happened to the infrastructure that’s decaying? What about the quality of the goods you get? *Junk!* Coming from slave labor in some poor country, rather than a good product made in the United States, by U.S. former industrial standards. It’s going down.

These three things are related. What has happened, especially since Nixon’s decision, of August 1971, is that there’s been a gigantic ripoff, worldwide, of looting of previous investments in infrastructure, manufacturing, and so forth—capital investments. Also looting of income, beginning with Phase I and Phase II of Nixon’s program. So, the *real economy* has been looted, in order to extract cash, or the basis for cash, in order to support, through Federal Reserve and similar kinds of discounting, a growth of *monetary* aggregate—that is, money printing and similar types of vice.

This money, which is printed, now pumps into, on what’s called a leveraged basis, into financial speculation, and this really took off after Volcker’s foolish measures of 1979–82—Paul Volcker as Federal Reserve chairman. And then, with the Garn-St Germain bill, and the Kemp-Roth bill, the big financial ripoff of America began. And also of the world. You’ll find a steady growth, first steady, then going up, financial aggregates, growing and growing, through junk-bond takeovers and things like that, while monetary aggregate increases to fund this—while in the meantime, the *real economy* contracts.

Now, this has begun to accelerate: 1987 was a turning point; 1992 was another big turning point—1989–92. It’s *zoomed* since then. Now we have, in the world market, well over \$300 trillion of pure gambling debts. These are called financial derivatives. The biggest fund of so-called assets and liabilities in the international financial system, are nothing but gambling debts. That is, they are side bets. They’re not investments in *production*. They’re not investments in employing people to produce. They’re not investments,

FIGURE 1
A typical collapse function



certainly, in providing more medical services, or health services generally. Not investments in providing more real education. These are pure *riporoffs*, in which the economy is looted through mergers and so forth, more and more, to feed this bubble of speculation which goes skyrocketing up—and the economy goes down and down. As the economy goes down, what do they do? The Congress and Wall Street begin to talk about entitlements. They say, there are *all these entitlements*. Government entitlements. Social Security, health insurance, *all of these entitlements* out there. Education. We can rip ‘em off! And that’s what they’re doing. They’re ripping off health care with acquisitions and privatization. They ripping off education, with similar methods. *Ripoff! Ripoff! Ripoff!*

Financial values skyrocket, derivatives skyrocket, the monetary aggregate increases, to try to keep the financial bubble going. The real economy, goes down. And the lower 80% of the family-income brackets know it. You compare what the percentile was of the U.S. population, which had 50% of the total national income, 30 years ago, 20 years ago, 10 years ago. You find there’s a steady growth in the income of the top 20%, *which is all tied, chiefly, to financial speculation*. There’s a steady *collapse* of the absolute income of people in the lower 80%. So that the people in the top 20% have half of the national family income, while people in the lower 80% have less than half the total, national, family personal income. That’s what’s happened.

This is a bubble

Now, this bubble is like a chain letter. Some of you are old enough to remember the Pyramid Club scam of 1949–



Detail from William Hogarth's etching "The South Sea Scheme." The South Sea Bubble, an English joint-stock company scheme which created a speculative frenzy, collapsed in 1720, wiping out the fools who invested in it. The speculative bubble today dwarfs any yet seen in history.

1950. Some of you have read about the South Sea Island and Mississippi bubbles of the early 18th century. Some of you have heard about Ponzi schemes. Some of you have heard about the Tulip Bubble panic in the Netherlands in the seventeenth century. *That's what this is.* This is not an economy, this is a *bubble!* And you've got 20% of the upper income brackets are mostly bubble-headed people, who think about nothing but getting more money out of this bubble, which they take their capital gains from the bubble, and they hock them for credit, go more deeply into credit, to buy big mortgages on tar-paper shacks with Hollywood exteriors, and probably some fancy gold faucets in between, in the plumbing.

This is what the nation's become. This is what the world has become. We don't produce our own food any more, the way we used to. When farmers of my generation die, or go out of business, there won't *be* family farms as we used to know them. The family farms that made America strong—they won't be here. The industries—we don't have the competence to run industries any more, the way we used to. We can't get our satellites to go up properly. We have lost *competence*, because we've stopped investing in the kinds of employment and activities which once made us the world's leader in technology. Oh, we're still able to bomb a lot of countries; we still have a lot of physical power, while it lasts. But we're not the nation we used to be, any more. And that's the truth about our economy.

Let's think of it. You see the financial values going up. Watch people betting on Wall Street. "Everything is fine! Wall Street—Look at the Wall Street index! Look at the Dow

Jones; it's going up, going up! It's great, wonderful! Going up!"

Like a hot-air balloon, going no place, until it pops. But then, look at reality, the reality which is faced by the lower 80% of family-income brackets. Look at the lost factories, the lost jobs, the lost farms, the lost quality of product. You go into a mall to get goods, which are produced by cheap labor, dumped into a mall. You're ashamed even to look at it, let alone buy it. We used to take pride in the quality of what we produced. That's gone, we don't even produce it any more. We're so happy to get slave labor to produce it cheaply, we don't care that much about the quality.

That's the truth about our economy.

Yes, there's a lot more to it, but I thought just this explanation might be helpful to some of you who wonder how you can talk some sense into your neighbor.

The 'General Welfare'

That said, now let's talk about the General Welfare itself. Now the term "General Welfare" you probably recognize from the Preamble of the U.S. Federal Constitution. Now that Preamble, taken in its entirety, is actually the fundamental law of our nation, the fundamental, Constitutional law. The rest of the Constitution is an appendix, for implementation of what is summarized in the Preamble.

The Preamble of the Constitution, particularly the phrase on General Welfare, has a big history behind it. Until about 500 years ago, or slightly longer, the nations of European culture were dominated by a form of law called oligarchical law, or imperial law. The populations of these nations had

no rights. The authority of law was embodied either in an emperor, or in some oligarchical class and its permanent bureaucracy, such as the Roman imperial permanent bureaucracy, which treated the majority of the population as no better than a convenience, in service of whatever class ruled the government, or controlled it, or owned it.

It was only in the 15th century, beginning with developments in France and then England, the France of Louis XI, the England of Henry VII, that a new form of state was formed, based on the concept of the General Welfare. Another term that was used in the English language to describe this concept of General Welfare, was Commonwealth. You may note, for example, we have a Commonwealth of Massachusetts in the United States, we have a Commonwealth in various other parts — states of the nation. This concept came from that. The United States was actually the first nation, the first modern nation, which was founded on the concept of the General Welfare. There are many people in European nations who share that view, but European governments today are not based on the notion of Commonwealth or General Welfare. The European governments today are reforms, democratic reforms, imposed upon forms of government left over from feudalism. That is, they're called parliamentary governments, in which the people have certain parliamentary rights to influence government, depending upon how many concessions have been obtained, but finally, there's a state bureaucracy, with some pretty powerful financial interests behind it, which will topple governments, by arranging scandals and crises, bringing them down, the way some people tried to bring down Clinton in that funny impeachment process.

Our government is unique. Our Constitution is unique. Our authority in government is this: We say, as the Declaration of Independence made clear, and as the Constitution's Preamble makes clear, that government has no legitimate authority to exist, except as it is committed efficiently to defense and promotion of the General Welfare of *all* of the population, including posterity. That's what the General Welfare clause means. That means, for example, that for the sake of shareholders, you can not kill people, including senior citizens, by robbing them of the medical care they need. You can not cheat people, by robbing them of their rights in other ways for the sake of the greater profit of shareholders who may have bought a stock 15 seconds ago. That's what the principle is. So the problem today is, that our Supreme Court, or at least the leaders of it, and many other institutions of government, and also the leading political parties at the top, the bureaucracies, no longer respect and recognize the principle of the General Welfare.

They say you have to go along, you have to go along, people have to learn to suffer. We have to sacrifice for the middle, we have to appeal to the suburban vote, people will have to give up this, give up that, give up this. And how does

this work? Well, they use the mass media, which they control, to disorient you; they have you sitting in front of a television set like a Roman proletarian living in virtual slavery, sitting in the arena, watching the lions tear Christians apart. You call that entertainment. You get violent, pornographic sex and bloody violence, on TV, or in wrestling matches or whatnot — that's your *entertainment*. Entertainment values dominate your mind, and through the medium of entertainment, you are influenced against your own vital interests.

You say, which candidate has media appeal? Not which candidate is good for you, but which one is like a movie star, has media appeal. And you go out and vote for that candidate, many of you, or you don't vote at all, because you're disgusted with them all. And see what you get. See the result you get.

So the issue today — we have a growth of racism in the United States, we have a propensity to kill, in police forces and among Governors such as George W. and Jeb Bush, or Gilmore of Virginia, we have a cruel disregard for humanity, which is growing — all in the name of shareholder values. And the 80% of our families are suffering, our nation is suffering, as a result of this. And what do you do? You sit back, and you either don't vote, or you vote for a mass-media-approved candidate. You vote on issues which are dictated by the mass media. What about *your* interests? What about the interests of your neighbor? What about the interests of 80% of the families of this country, whose conditions of life are becoming progressively worse, more insecure?

Who do you vote for? Why don't you guys get together, you who typify the so-called lower 80% of family income? Instead of talking about *my* constituency interest, or this little interest here or there, why don't you say, what about the General Welfare? Let's get together and agree, that if we elect political leaders who are committed to the principle of the General Welfare, and regard the General Welfare as the standard by which the legitimacy of government is determined, and we elect people who will vote that way, act that way in government, then we have the kind of government which represents *us*, and our posterity.

That really is what this campaign is about. I'm the best candidate for President that exists. No one else even matches my qualifications for this kind of job, at this time, under these conditions. But, although I have the best answers, there's nothing I can do for you, unless you're willing to do something for yourself. Get out and vote. Build a coalition, a coalition committed to the General Welfare, especially of the lower 80% of the family-income brackets — senior citizens, people in labor, African-Americans, Hispanic-Americans, Arab-Americans, Asian-Americans — get together. Vote *your* interests. That's what I represent.

This time, when you go to the polls — and you should go to the polls — vote Christian, or vote Jewish, or vote Muslim. Just please, don't vote for the lions.

Capital punishment is under assault in U.S.

by Marianna Wertz

Opposition to the continued use of capital punishment—or at least to the possible execution of innocents—is growing across America, in the wake of Illinois Gov. George Ryan’s Jan. 31 decision to declare a temporary moratorium on executions in that state, where 13 people have been released from death row, having been proven innocent, since the death penalty was reinstated in 1976. Ryan, a Republican, is a proponent of the death penalty, but said that he did not want to execute an innocent person. He is also the Illinois campaign director for George W. Bush, who, as Governor of Texas, has executed 119 people in his five-year incumbency, a record number for an American governor in modern times.

The issue has now been joined at the Federal level. On Feb. 1, Sen. Russ Feingold (D-Wisc.) publicly urged President Bill Clinton and Attorney General Janet Reno to suspend Federal executions and undertake a thorough review of the administration of the Federal death penalty, in light of Governor Ryan’s decision.

“Before using the immense power of the Federal government to take the life of a citizen,” Feingold wrote to Clinton and Reno, “our government has a solemn responsibility to every American to prove that its actions are consistent with our nation’s fundamental principles of justice, equality, and due process.”

President Clinton’s spokesman Joe Lockhart, asked on Feb. 4 what Clinton’s response was to the Feingold letter, said that Clinton “will consider” the request, but that does not guarantee that he will act on the matter soon.

Clinton and Reno are also under pressure on this issue in the District of Columbia, whose court system is a Federal jurisdiction. There, Reno recently ignored the residents’ expressed opposition to the death penalty, by deciding to seek the death penalty against the suspect in a high-profile triple killing at a Starbucks restaurant in Georgetown. The D.C. Council repealed the death penalty in 1981, and District voters overwhelmingly rejected a proposal to reinstate it when Congress forced the city to hold a referendum on the issue seven years ago. On Feb. 8, Eleanor Holmes Norton (D), the District’s Delegate to Congress, castigated Reno’s decision to go for the death penalty, charging that it was made because the murders were committed downtown, rather than in an African-American community which makes up the majority of

the city. It shows “just how discriminatory the death penalty is,” Norton charged.

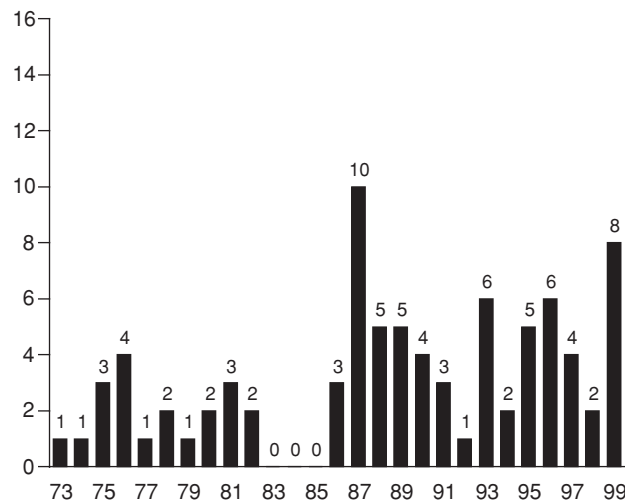
The Innocence Protection Act

On Feb. 11, Sen. Patrick Leahy (D-Vt.) introduced the Innocence Protection Act of 2000, the first Federal bill to address the problems in the administration of capital punishment. At a press conference where he was joined by Feingold and others, Leahy said, “Whether you support the death penalty or not, executing an innocent person is abhorrent. . . . We have a moral duty to make the criminal justice system accurate and fair, especially when innocent lives are at stake.”

The Innocence Protection Act of 2000 is a comprehensive package of criminal justice reforms aimed at reducing the risk that innocent persons may be executed. Most urgently, the bill would 1) ensure that convicted offenders are afforded an opportunity to prove their innocence through DNA testing; 2) help states to provide competent legal services to the accused at every stage of a death-penalty prosecution; 3) enable those who can prove their innocence to recover some measure of compensation for their unjust incarceration; and 4) provide the public with more reliable and detailed information regarding the administration of the nation’s capital punishment laws.

At his Feb. 11 press conference to announce the bill, Leahy told a roomful of reporters and supporters that wrongful convictions of people sentenced to death “is not just an Illinois problem, it’s a national crisis.” He noted that while 610 people have been executed in the United States since

FIGURE 1
Death row inmates exonerated by year
(number freed)



Source: Death Penalty Information Center.

the reinstatement of capital punishment in 1976, eighty-five people have been found innocent and released from death row. This means, he said, “that for every seven executions, one person has been wrongly convicted.”

Justice Gerald Kogan, formerly the Florida Supreme Court Chief Justice, told Leahy’s press conference that there is “no question” that some of those who were executed in his Florida jurisdiction—where George Bush’s brother, Jeb Bush, is Governor—“either didn’t fit the criteria for execution, or were not guilty of the crime for which they were executed.”

Bush and executing innocents

Leahy targeted George W. Bush directly, with respect to the execution of innocents, as has Democratic Presidential pre-candidate Lyndon LaRouche, the only candidate to raise the issue in the campaign. In a Feb. 1 statement on the Senate floor, Leahy said, “In Texas, the state that leads the nation in executions, courts have upheld death sentences in at least three cases in which the defense lawyers slept through substantial portions of the trial. The Texas courts said that the defendants in these cases had adequate counsel. Adequate counsel? Would any one of us, if we were in a taxicab, say that we had an adequate driver who was asleep at the wheel?”

Leahy detailed all three cases, including that of George McFarland, whose lawyer slept through much of his 1992 trial. McFarland is still on death row for a murder which he insists he did not commit. Said Leahy, “The judge who presided over McFarland’s trial summed up the Texas court’s view of the law quite accurately when he reasoned that, while the Constitution requires a defendant to be represented by a lawyer, it ‘doesn’t say the lawyer has to be awake.’ ”

Leahy noted, “If your conscience says otherwise, maybe we ought to do something.”

Other motion

Other motion against the death penalty nationwide includes the following:

- Legislation to impose a death penalty moratorium has recently been introduced in New Hampshire, New Jersey, Maryland, Alabama, Oklahoma, and Washington State.

- Bishop Joseph Fiorenza, the president of the National Conference of Catholic Bishops, on Feb. 10 urged President Clinton to propose a suspension of all Federal executions. Bishop Fiorenza said that he was adding his voice to others who have called for this in the wake of Governor Ryan’s “courageous step to stop executions in the State of Illinois.” Bishop Fiorenza cited Pope John Paul II’s “continuing conviction that there are better ways to protect society that are more in keeping with the dignity of all people.”

- On New Year’s Day, Pope John Paul II joined the United Nations and Amnesty International in a year-long campaign against capital punishment, in which the Colos-



Betty Lou Beets, a 62-year-old great-grandmother, who is scheduled to be put to death in Texas on Feb. 24, for the murder of her abusive husband, unless Gov. George W. Bush grants a pardon.

seum in Rome will be lit up for 48 hours every time a government renounces capital punishment or a death sentence is commuted. It was last lit on Dec. 17, 1999, to honor the commutation of Wendell Flowers’s sentence by North Carolina Gov. Jim Hunt.

- The Philadelphia City Council on Feb. 10 adopted a resolution urging the Pennsylvania legislature to enact a moratorium similar to that which Governor Ryan implemented in Illinois. This makes Philadelphia the eighth—and largest—municipality to call for a moratorium. Other municipalities that have passed moratorium resolutions recently include Charlottesville and Mount Rainier, Virginia; New Haven, Connecticut; and four North Carolina municipalities.

- Maryland Gov. Parris N. Glendening announced on Feb. 9 that he is proposing to fund a study of the death penalty in Maryland to determine whether it is being imposed fairly and without racial bias. He has set aside \$225,000 in his budget to pay for the study. While moratorium legislation was introduced on Feb. 1 in the Maryland legislature by Del. Salima Siler Marriott (D-Baltimore), Glendening opposes a moratorium.

- Former Virginia Attorney General William G. Broadus, who carried out five executions while serving under Gov. Charles Robb during 1985-86, announced at the Leahy press conference on Feb. 11 that he now opposes the death penalty. What changed him, he said, was the execution of Paraguayan national Angel Breard in Virginia in 1998. Broadus said that he believed Breard had a sincere conversion before dying, and

that he, Broaddus, had tried, but failed, to stop the execution because of the stringency of Virginia's pro-death penalty laws. On Feb. 14, the Virginia House of Delegates voted to change the worst of those laws, which outlaws the introduction of new evidence in a capital case 21 days after sentencing. However, the legislation is not expected to pass in the Virginia Senate.

International perspective

The United States stands alone, among its closest allies in the world, in continuing to use capital punishment. In April 1999, the United Nations Human Rights Commission voted in favor of a resolution supporting a worldwide moratorium on executions. The United States voted against the resolution.

Both the European Parliament and the 40-nation Council of Europe have made the banning of capital punishment a prerequisite for membership, recently forcing Russia, Ukraine, and other former East bloc nations to change their laws on capital punishment in order to join.

In 1998, according to the Washington, D.C.-based Death Penalty Information Center, European Parliament official Alan Donnelly wrote to Texas Governor Bush warning of possible economic consequences for any U.S. states that continue to use the death penalty.

In a recent discussion with a British expert who campaigns for the abolition of the death penalty, *EIR* learned that the history of opposition to capital punishment in Britain closely parallels ongoing developments in the United States today. The death penalty was banned in Britain in 1965, except for a few categories of offenses including piracy, treason, and certain military-related offenses, he said. In 1998, even these categories were eliminated legally. As the source told it, there was "a very strong campaign to get rid of the death penalty, dating back to the 1930s." Then, after World War II, a Royal Commission on Capital Punishment raised many doubts about the way in which executions were being conducted. In 1957, a Homicide Act was passed, which reduced the use of the death penalty significantly. Then it was found that the law had many strange anomalies in practice, and it fell into disrepute, leading to the 1965 law, which was reaffirmed in 1970.

"What turned the tide against capital punishment, even among hard-line Conservatives," the source said, "was the mounting concern over *wrongful convictions*, especially for the Irish defendants, and not only for them. We had a spate of wrongful convictions, resulting in those wrongfully convicted, being executed."

Bush to execute great-grandmother

On Feb. 24, Betty Lou Beets, a 62-year-old great-grandmother, is scheduled to be put to death in Texas, for the murder of her abusive husband, unless a reprieve is granted by Governor Bush. Beets' case has captured the attention of domestic violence organizations and advocates nationwide, according to a Feb. 10 press release by the Death Penalty Information Center. "After a lifetime of victimization, it is time for Betty Lou Beets to receive some mercy," said Sue Osthoff, director of the National Clearinghouse for the Defense of Battered Women. "Governor Bush can do that by commuting her death sentence to a life sentence."

The jury in the Beets case never heard about her lifetime of horrific abuse, which began at age five, when she was raped by her alcoholic father. Her trial attorney, E. Ray Andrews, failed to investigate her background and made no effort to present expert testimony on her behalf. Since her conviction, Beets has been diagnosed by prominent psychologist Lenore Walker as suffering from organic brain damage, Post-Traumatic Stress Disorder, and Battered Women's Syndrome, all of which would have supported her defense at trial.

Since 1976, only three women have been executed in the United States: Velma Barfield in North Carolina, in 1984; Judy Buenoano in Florida, in 1998; and Karla Faye Tucker in Texas, in 1998. If George W. Bush continues his record as a "compassionate conservative" and orders Beets' execution to go ahead, she will be the second woman executed in Texas in more than a century.

As Senator Leahy said, "If your conscience says otherwise, maybe we ought to do something."

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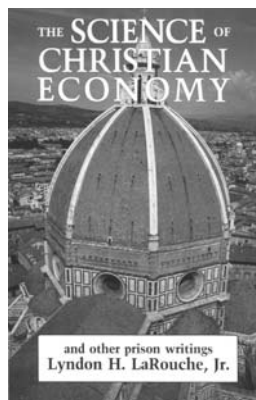
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Northeast lawmakers hit high heating oil prices

On Feb. 9, Sen. Chris Dodd (D-Conn.), and six other Senators from Northeast states, introduced a bill to create a heating oil reserve to be available when prices rise “because of anti-competitive activity,” or when there is a supply shortage during periods of severe winter weather. Heating oil prices have risen to as high as \$2.10 per gallon in the Northeast.

Dodd reported that retailers in Connecticut are struggling to meet the demands of their customers and that supplies at oil terminals are at “dangerously low levels.” Dodd said that icy conditions and isolated supply problems have been a factor, but “many analysts believe that the precarious petroleum situation was precipitated by a calculated decision by OPEC [the Organization of Petroleum Exporting Countries] and others to cut back production, and by major oil companies adhering to a practice of just-in-time inventories.” Dodd’s bill would authorize the creation of a heating oil reserve of 2 million barrels in the New York area, and 4.7 million barrels in one of the four caverns currently used by the Strategic Petroleum Reserve (SPR). It would be available for stabilizing prices “during critical periods.”

For several weeks, Sen. Charles Schumer (D-N.Y.) has been pressuring the White House to release part of the SPR to provide some price relief. Energy Secretary Bill Richardson told reporters after a meeting on Capitol Hill with members of Congress from the Northeast, “We are not prepared to use the Strategic Petroleum Reserve in the current context of the market. We don’t believe this is a supply emergency.”

The Clinton administration has expressed a preference to use the Low Income Heating Assistance Program

to aid families hit hard by the oil price spike. In January, the administration released \$45 million for this program, and Richardson announced that the administration would soon be announcing another targeted initiative.

Marriage penalty tax cut passed by House

On Feb. 10, the House passed a GOP bill to repeal the so-called marriage tax penalty, by a vote of 268-158. Despite the bipartisan support for cutting the marriage tax penalty, the House Democratic leadership strongly objected to the bill, and it has drawn a veto threat from President Clinton.

D.C. Delegate Eleanor Holmes Norton (D) summed up the Democrats’ complaints. “When Republicans and Democrats support basically the same idea,” she said, “the people expect us to come together and get together. Instead, the Republicans have drafted their bill in secret, as if this were a one-party state.” The reason why they did this, Norton said, is because “half their bill goes to couples who pay no marriage penalty.”

Democrats also charged that this bill was only the first in a GOP strategy to push through their entire \$800 billion to \$1 trillion tax cut package, piece by piece. “The real problem with this bill,” said Bob Matsui (D-Calif.), “is we have no budget.” What is going to happen as a result of all these “little tax bills,” he said, is that “all of a sudden it is going to affect our ability to fix Medicare and Social Security, the two most pressing problems in America today.”

Republicans generally repeated their standard anti-tax rhetoric. Jerry Weller (R-Ill.) ran off the statistics of how many couples are paying the marriage penalty. Ways and Means Com-

mittee Chairman Bill Archer (R-Tex.) said that, contrary to Democratic assertions, the bill largely is aimed at middle-income families because it doubles the 15% tax bracket and increases the range for the earned income tax credit by \$2,000.

Senate panel conducts Seattle WTO post-mortem

On Feb. 10, the Senate Finance Committee held its first hearing on last December’s Seattle World Trade Organization (WTO) ministerial meeting. Committee chairman William Roth (R-Del.) put the blame for the failure of the summit squarely on the shoulders of the Clinton administration. “It began,” he said, “with the President’s ambivalence on trade issues from 1992 to the present.” Not having any prior agreement on a negotiating agenda was “a prescription for disaster.” Then, the United States became isolated by Europe and Japan, and was at odds with developing countries over labor and environmental standards. “What we did not achieve,” he said, “was any progress on market access.”

Defending the administration’s record on trade was U.S. Trade Representative Charlene Barshefsky. She admitted that a number of WTO members “were reluctant to commit themselves to a negotiating agenda covering difficult issues.” However, in her view, “it was not the U.S. who was isolated; it was Europe and Japan who were isolated, but refused to accept the agriculture text that was negotiated in Seattle.” She admitted to an “erosion of public support” for the multilateral trade institutions, which suggests that labor and environmental issues “should at least be discussed in the context of trade policy.”

Drug Control Summit held on Capitol Hill

The third International Drug Control Summit was held Feb. 8-9 on Capitol Hill with international parliamentarians, government officials, UN representatives, law enforcement officials, and others in attendance. It was co-hosted by House Speaker Dennis Hastert (R-Ill.), and Pino Arlacchi, of the UN Office of Drug Control Policy.

The biggest controversy at the summit concerned Colombia, where President Andrés Pastrana's government has effectively given about half of the national territory to the narco-terrorist FARC, under the banner of "the peace process." Despite (or because of) these concessions, violence has escalated and the drug traffic has flourished.

U.S. drug policy adviser Gen. Barry McCaffrey (ret.), speaking on Feb. 8, emphasized the importance of American anti-drug aid to Colombia. The entire U.S. Cabinet he said, believes that Colombia is under siege, and that the aid package, which includes a significant military component, has to pass through Congress soon. These remarks were in response to a question by House Foreign Relations Committee Chairman Rep. Ben Gilman (R-N.Y.), who asked how strenuously the administration is supporting the aid package. McCaffrey argued for the United States to supply Black Hawk helicopters, because government forces need a lot of mobility to reintroduce sovereign control in the south. He emphasized that there is no reason to fear, as some do, that U.S. aid will lead to a "new Vietnam."

McCaffrey underlined that Colombia has experienced extensive violence and three nationwide guerrilla offensives over the last three years. He pointed to the cases of Bolivia and Peru as the answers to those who say you can never decrease drug supply. Those nations reduced drug production substantially within a small period of time. He reiterated that he and Health and Human Services Secretary Donna Shalala strongly oppose the legalization of marijuana.

U.S. Congressional speakers included Rep. William Delahunt (D-Mass.), who

wants to make sure that funds from the U.S. aid package do not go to the Colombian military. He claimed that the only way to stop the flow of drugs from Colombia was to stabilize the country through the "peace process" first.

Representative Gilman, who also wants to keep funds away from the Colombian military, threw his support behind Colombian President Pastrana's "Plan Colombia," talking tough about the need to prevent Colombia from becoming a "narco-state," while saying that more funds in the aid package should go for "alternative development."

Colombian General Trujillo from the National Police gave a report on efforts in Colombia to eradicate coca and poppy production. He estimated that they have 106,000 hectares involved in cocaine production. The immediate goal is to fumigate 50,000 hectares of coca, and 10,000 hectares of poppies. They want to seize 40 tons of coca, 30 tons of marijuana, and 600 kilos of opium derivatives, as well as destroy 500 labs in Putumayo, as well as landing strips.

Homeless and broke in Silicon Valley

In California's Silicon Valley, a leading center of computer and electronics development, former high-tech job holders—and even some still employed—are now living in homeless shelters or out of their cars, Mark Leibovic wrote in the *Washington Post* on Feb. 12. A few examples:

Gordon Seybold worked as a corporate sales manager for Oakland-based C2Net Software, Inc., where last year he was on track to earn \$125,000. He was fired and, in August of last year, was evicted from his \$1,600-a-month apartment. He now lives in a homeless lodging, and recently got a job as a clerk at a drug-store, which pays \$8.50 per hour.

Tim McCormack works as a systems engineer, which pays \$52,000 per year, at CompuNet Systems Solutions in San Jose. He has child-support payments to make, and past due credit card debt. When his rent dou-

bled at his San Jose apartment, he was forced to live in his car.

It is reported that 20,000 people in Santa Clara County, which encompasses most of Silicon Valley, will experience a "homeless episode" this year. An official of the Emergency Housing Consortium, which crams people into very small quarters, reports, "We turn out people every day who are making \$60,000 a year." He said that about half of the consortium's 1,100 clients are employed. Thus, there are people earning as much as \$35,000 to \$60,000 per year, who live at the consortium.

Randall Condon, who works at the San Jose-based Inn-Vision, which provides shelter to some of the homeless, said, "There's a very thin line in Silicon Valley between being a director and being a derelict."

General asks, 'Why do we need NATO?'

The CBS news program "60 Minutes" on Feb. 8 interviewed Gen. Eugene Habiger (ret.), the four-star general who was, until his retirement a year and a half ago, the head of U.S. nuclear forces. He was sharply critical of the "New NATO" policy toward Russia, and reported the background of the failure of the lengthy and laborious U.S.-Russia negotiations concerning nuclear missiles.

"On Dec. 16, 1998," the program reported, "the United States bombed Iraq. The attacks came three days before the Russian parliament was to vote on the Strategic Arms Reduction Treaty II. Once again, the treaty was expected to pass. But because of the bombing, the treaty was shelved. And in the months that followed, U.S.-Russian relations went from bad to worse as NATO, with Washington leading the way, expanded by adding three former eastern European countries to its ranks. Habiger says that these moves confused his new friends [the Russians]. 'The Russians continue to shake their heads,' he says. 'They would ask me, "Now, let me get this right, NATO is a Cold War organization? The Cold War's over. Why in the world do you still have

THE ARKANSAS disbarment committee has drafted a complaint which could result in disbarment of President Clinton, according to the *New York Post's* Brian Blomquist. Sources told him that the committee sent a copy of its proposed complaint to the Southeastern Legal Foundation—one of “Get Clinton” operative Richard Mellon Scaife’s front groups. The committee’s next step would be to send the complaint to President Clinton and his lawyer, David Kendall, who would have 30 days to respond.

LAROCHE spokesman Harley Schlanger addressed a luncheon of the California Democratic Council on Feb. 12. “Lyndon LaRouche,” he said, “is the one Democrat who is addressing the reality of the economic crisis,” and is organizing to bring together the FDR core constituencies of the Democratic Party, so that the U.S. can take leadership in creating a New Bretton Woods system.

BILL BRADLEY condemned George W. Bush and John McCain for refusing to take a stand against the flying of the Confederate flag over the South Carolina capitol. In Columbia, S.C. on Feb. 8, Bradley said, “That flag shows the true colors of the Republicans who want to be President. That flag is not a symbol of Southern heritage—that flag is a symbol of the fight to preserve segregation.”

REV. AL SHARPTON, the Harlem African-American leader, criticized Al Gore for taking black voters for granted. “You don’t expect a marriage before courtin’,” said Sharpton, “and so far we’ve only been dated by Senator Bradley.” Sharpton said that if Gore did not respond within a week to his offer to debate urban issues in a black neighborhood, “then clearly some of us may mobilize against his efforts.”

GEORGE W. BUSH'S donors and fundraisers are asking how he could spend \$50 million and win only 31 convention delegates so far, the *Washington Post* reported.

NATO?” I didn’t have a good answer for them. We’re doing a heck of harm to the Russians—or with the Russians—by continuing to poke this NATO stick in their eye,” says Habiger.

“The Strategic Arms Reduction Treaty II came up for another vote in the Russian parliament on March 16, 1999. Once again, it didn’t pass. The night before the vote, NATO began bombing Kosovo. Had that not happened, the treaty would probably have passed, Habiger says. Shortly after the war in Kosovo began, General Yakovlev deployed 10 new Topol missiles and mounted the largest nuclear exercise since the end of the Cold War. At the same time, the Russian missile-controllers were ordered to break all contact with their American friends. Habiger says that he is worried. ‘It doesn’t take a brain surgeon to figure out that when you shut off that kind of a relationship, you’re going down a path that’s not pleasant.’ ”

Spare parts shortages threaten military

A problem has been developing since the U.S. military drawdown began at the end of the Cold War: Aviation forces in the Coast Guard and all the military services have taken to “cannibalization” as a way of life, to keep aircraft operable for missions, the *Washington Post* reported on Feb. 3.

Cannibalization involves taking a part from one airplane to install on another. This is done when the needed part is not available from supply warehouses, and doubles, and in some cases triples, the maintenance time required. It also results in “hangar queens,” aircraft that have had parts removed from them to keep others flying, and are, consequently, not available for missions.

The problem is so serious in the Coast Guard that they often have only one C-130 long-range search aircraft operational for each coast, a situation that can result—and has—in lost lives. During the bombing of Yugoslavia last year, the Air Force succeeded in keeping the 400 war planes flying, by stripping parts from units that were not

involved in the war.

Military officials say that the spare parts situation resulted from the drawdown of the 1990s, when the military lived off large supply inventories from the 1980s defense buildup. Additionally, to cut costs further, the military reduced its ability to overhaul parts itself, and relies, instead on “just-in-time” supply-and-delivery methods. When the military cut purchasing parts during much of the 1990s, many suppliers went into other businesses, and now they are no longer capable of producing many of the highly specialized parts that the military services need. The drawdown has also resulted in a huge loss of experienced maintenance personnel within the services, resulting in too few people to keep the military’s airplanes flying.

British dirty-tricks man comes to help Gore

Shaun Woodward, a millionaire British Member of Parliament who left the Conservative Party to join Prime Minister Tony Blair’s Labour Party about eight weeks ago, was in Washington at the end of January, to offer tips for Al Gore’s and Hillary Clinton’s campaigns. He was a guest of Sidney Blumenthal, described by the London *Sunday Times* as one of Blair’s friends on President Clinton’s staff.

Woodward, as the Tories’ communications director, had helped to formulate their dirty-tricks campaign which defeated Labour’s Neil Kinnock in 1992.

Besides briefing Democrats on possible Republican dirty tricks, “he also held high-level policy discussions on how to ensure that community values and the support of middle America, are at the heart of Gore’s Presidential campaign and Hillary Clinton’s bid to be a New York Senator,” the *Times* reported.

An anonymous White House source told the *Times* that Woodward had “offered considerable advice and helped to ensure that the Vice-President came from behind to win the New Hampshire primary against Bill Bradley.”

We have entered an area of phase-shift

The following is an excerpt from Lyndon LaRouche's address in Grand Rapids, Michigan, on Feb. 16:

Now, what's the situation? Right now, despite this talk of "prosperity," the world economy, the world financial system, is ready for the biggest bust in several hundred years. You'd have to go back to the 17th century, to the period of the religious wars before 1648, to find an economic condition as bad as that which threatens the world right now. Or maybe earlier, back to the 14th-century Dark Age.

That's the direction we're moving in. Right now, this financial system is going—it's gone. On the stock markets, the international markets, the past weeks or so, the past three weeks, there has been, as I knew would come, an increasing turbulence. The market goes up, down, up, down, up, down.

On the one hand, you have the bankers like Alan Greenspan, who is not a magician, who are pumping money into the system, to try to keep the financial market and the financial indexes up. The printing of money is the greatest in history, among all nations.

Japan is about to blow up. The U.S. dollar depends upon Japan's inflation, monetary inflation, to help keep the stock market up. The European bankers are generating cash, putting it into the system at a great rate—real cash, fake cash. Every time the market goes down, you watch them. They'll run in with several hundred billion dollars more of currency, to pump the markets up. And firms like Goldman Sachs and so forth are there to pick up the money and pump it in, and get the markets up again.

Then you wait a couple of days, and the market goes down. If you sit and you watch this thing closely in Europe and the United States, and Japan, what you see, is something like the wildest roller-coaster you ever saw. Up, down, up, down, up, down. They're talking about prosperity.

What we're at, is, we're like a jet in the old days, when they were first trying to get through the so-called sound barrier. You try to get that plane through that

sound barrier. As you get to that point, before they figured out exactly how to do this, there was a lot of rumbling and turbulence, as you get through what's called the sound barrier area—the trans-sonic region. And then later, we figured out how to get through this thing.

But we're now in an area of turbulence. Now, this kind of turbulence is called in physics a "phase-shift." We have entered an area of phase-shift. People want to know what day the market is going to collapse, and by how much. That's not the question.

The question is: Are you going into a phase-shift area? We are now in a phase-shift area.

Take, for example, one thing which is symptomatic: heating oil prices. You've got two aspects to heating oil prices right now. It's a great crisis for the United States communities. There are surcharges going on airplane tickets, because of the rise in the price of fuel. Oil went up to—what?—\$28, \$30 a barrel, that vicinity recently. They'd been down about \$10.

What's happening? Because of the monetary inflation behind the financial inflation, we're having the beginning of a kind of inflation, like Germany in the spring and summer of 1923—whenever you try to keep a financial bubble afloat by pumping money into it, the way the German printing presses in 1923 were doing to try to keep the German Reichsmark afloat by pumping money in to pay off the debt. Up to that time, the German mark remained rather stable, in terms of prices. In the summer of 1923, suddenly the stability ended and prices began to go up. And the rate at which the prices rose, accelerated. By October-November of 1923, the Reichsmark no longer could print itself fast enough, to cover the rate of inflation.

What we have now entered, as you see reflected in heating oil prices—two or three causes. But the essential cause, is that we are now experiencing a global hyperinflation in real asset prices. It will hit food prices. It's hitting heating oil prices, and it will hit in other things very rapidly. We're in that kind of period of turbulence, a period of phase-shift. And the system is ready to go. . . .

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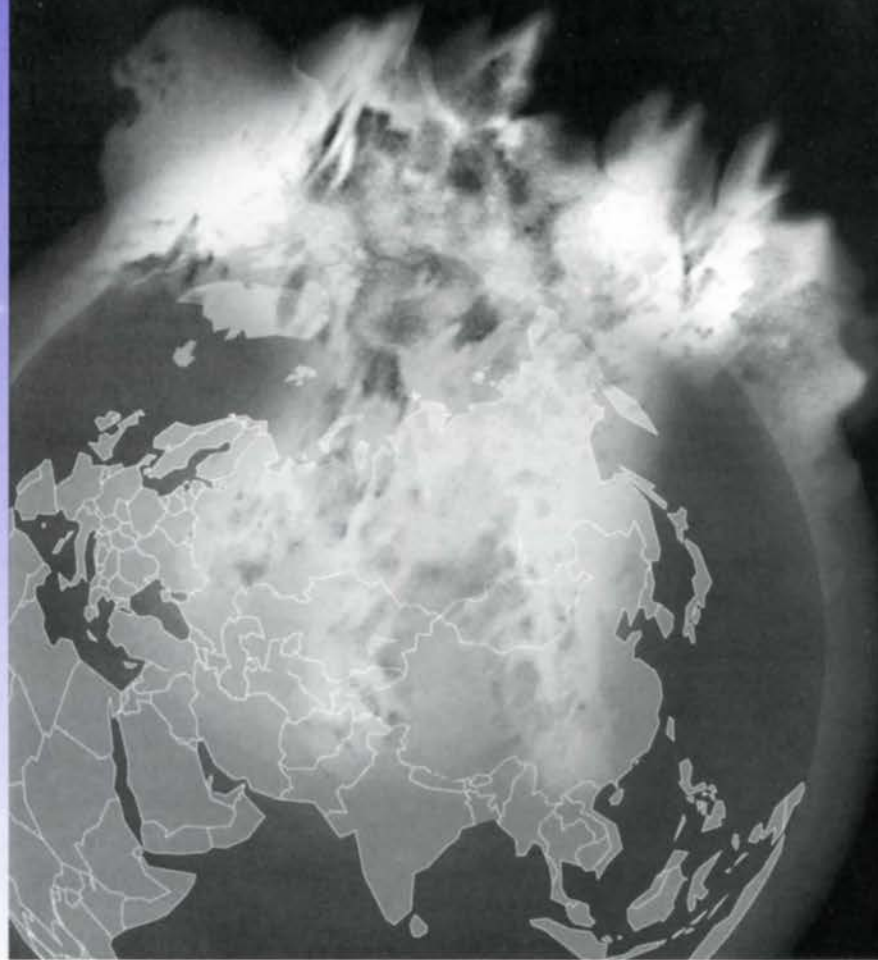
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