EIR

Executive Intelligence Review

March 9, 2001 Vol. 28 No. 10 $10.00

Turkish Crisis Could Trigger Financial Chaos

Return of Animal Plagues Marks Economic Collapse

D.C. Hospital Fight: General Welfare, or Genocide?

LaRouche: A Branch in The Road of History

ECONOMICS I.Q. TEST

Does $10 million = $10 million?

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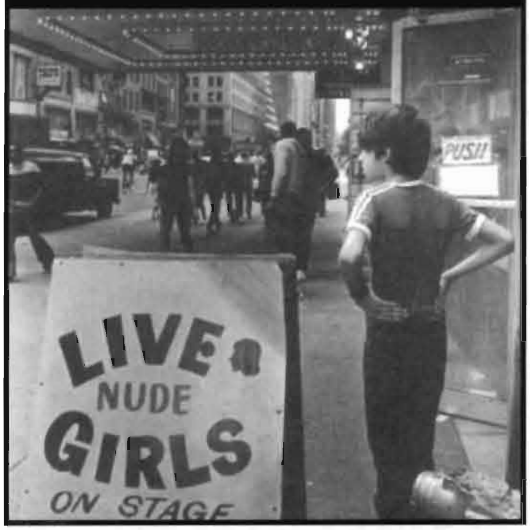

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Make checks payable to EIR News Service Inc.
P.O. Box 17390, Washington, D.C. 20041-0390.

EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July and the last week of December, by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 3rd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451, or toll-free, 888-EIR-3258.
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Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

Periodicals postage paid at Washington D.C., and at an additional mailing offices.
Domestic subscriptions: 3 months—$125, 6 months—$225, 1 year—$396, Single issue—$10

Postmaster: Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

EIR

From the Associate Editor

Our cover presents starkly the choice facing world policymakers now, at this branching point in history; and the entire magazine elaborates the nature of that choice, as well as the genocidal consequences of failing to accept the leadership of the modern equivalent of Franklin D. Roosevelt: Lyndon H. LaRouche, Jr.

Start with our *Feature,* LaRouche's Feb. 17 keynote speech to the semi-annual conference of the Schiller Institute and International Caucus of Labor Committees. He situates the current strategic moment within the long span of world history, and tells what must be done to avoid a descent into financial and economic collapse, fascism, and cultural pessimism.

In *Economics* and *International,* we have exclusive, shocking reports on the precipitous state of the world economy—the onrushing collapse of the bankrupt system, which, even at this late hour, most top world leaders pretend is not occurring. Where, outside the LaRouche movement, are solutions being offered? The so-called experts are babbling like idiots. Take the U.S. energy-price crisis. On Feb. 28, the chairman of the Federal Energy Regulatory Commission (FERC), Curt Hebert, was grilled by a Republican Congressman from Georgia, Charles Norwood, as to the reasons for the spikes in energy prices. "Are we seeing that much demand, or decreased supply?" Norwood asked. Hebert was forced to admit that he did not know (or, perhaps, would not say publicly). "The Energy Information Agency will have to answer that," he punted. But *EIR* readers know exactly what is happening. See, in this issue, John Hoefle's report on the "energy pirates," and our weekly "Energy Crisis Update."

The genocidal effects of the bankers' "globalization" policy, are reported in our *Political Economy* feature—the concluding installment in a series on a conference in Sudan, co-sponsored by *EIR* and addressed by LaRouche. (Don't miss the speech by Professor Ojuwo, who recounts how a Nigerian official was deployed to write a report by kerosene lamp, on the effects of Y2K in Nigeria. There was no electricity in his location!)

And in *National,* the battle over the impending shutdown of D.C. General Hospital is assuming international importance. Thanks to the organizing of the LaRouche movement, serious resistance is being mounted to the imposition of Nazi economics, as represented by the financiers' decision to close this vital facility.

Susan Welsh

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Cover This Week

The 1930s branching point in history: President Franklin Roosevelt's United States versus Adolf Hitler's Germany.

Economics

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International

Full, exclusive Ishayev Report coverage is on www.larouchepub.com. *EIR* on March 2 carried partial coverage of Governor Ishayev's "Economic Mobilization Plan for Russia." Full coverage is on our website.

National

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Political Economy

Departments

Hoof-and-Mouth Plague Grows: Again, Globalization Kills!

by Rosa Tennenbaum

Smoldering pits filled with animal carcasses, blockades and checkpoints on roads and highways, empty stockyards; a ban on all public meetings, all sports events cancelled, many schools closed: This is Great Britain under quarantine. As the 21st Century dawns upon this industrialized country, scenes as if from the Middle Ages now predominate. The United Kingdom has re-entered the Pre-Industrial Age.

For two weeks, hoof-and-mouth disease (HMD) has been raging, and despite drastic anti-epidemiological measures, the feared epidemic spread quickly throughout the country. All efforts to cut its transmission lines failed, and this outbreak could become even worse than the last major plague in 1967. The British daily, the *Guardian,* on Feb. 22 published some memories of that nightmare: "Farms found to have the disease were immediately sealed off, with no one allowed on or off the premises. Police were stationed outside the gates. It closed everything. . . . Nothing happened in the villages because no movement was allowed off the farm. Children could not go to school, women could not shop. Food and milk was delivered to the farm gate. . . . The epidemic devastated the region economically and traumatized thousands of farmers for years. . . . Pedigree flocks and herds were lost. . . .By the time the allclear was sounded on June 4, 1968, there had been 2,364 outbreaks and 433,987 animals had been slaughtered."

Britain's current downfall began in 1979, with Maggie Thatcher's rise to power. Her new slogans were "productivity," "cost-effectiveness," and "competition." Short-term material gain was worshipped as the ultimate aim of national policy. As a result, today, the minimum size of farms in the hilly central regions, is 150 hectares (370 acres), while the lowlands are dominated by huge 1,500-hectare farms that are owned by international businessmen. And just as elsewhere in Europe, fruits, vegetables, and meats come in from distant lands, while domestic orchards are laid waste in order to make way for apples from New Zealand, Chile, and Argentina. Yes, this has indeed yielded a profit—for the trading companies and for the legions of middle-men who all have a piece of this absurd system.

And for a time, this system even meant tidy profits for the British farmer himself. But then came the crash. In the last five years alone, net farm income has collapsed by 70%, according to the Ministry of Agriculture's statistics. Other estimates by independent institutions set that figure even higher, at 90%. The reasons given for the collapse, include the drastic drop in prices paid to the producer, especially for cattle and pigs, and also the British pound's high price on international currency markets. Since the European Union bureaucracy in Brussels calculates all payments to EU farmers in euros, British farmers have been receiving 40% less than if they had been paid in their own currency. But now, with the hoof-and-mouth crisis, farmers are cut from any income whatsoever, since the embargo on transport of agricultural products prevents them from selling anything. Producer prices are in free fall.

"Britain First!" So went Thatcher's election slogan—one that has now come gruesomely true. The British long thought that they could set up free trade to work to their advantage; all you had to do, was be quicker and more ruthless than the next guy. The principle of "get big, or get out" was implemented with a vengeance. Of the 1,400 slaughterhouses that existed in the U.K. in 1990, only 1,000 now remain, and the shutdown rate is still increasing. The ones that remain are giant, centralized plants, to which cattle must be transported over hundreds of miles, making them excellent transmissionbelts for spreading an emerging disease throughout the country.

Following the British Goat

Globalization became a popular British export item. The European Commission willingly followed suit, adjusting its guidelines accordingly. As a result, 250 million animals in Europe are now sent on long trips each year; English suckling-pigs are fattened in Spain, slaughtered in Holland, butchered in Germany, and then are consumed in some other part of the world. Why? Well, feed is cheaper in Spain, and you can save a bit of money on top of that, if you have the animals slaughtered in Holland. Profit margins have become so tight, that even minuscule margins are exploited to the hilt. And if any maneuvering room does crop up, you lower your prices in order to increase your market share. And so, even though Great Britain is dependent to a considerable degree on imports of meat, over the past year it *exported* 850,000 live sheep and pigs, almost all of them for slaughter and not for breeding. In turn, the United Kingdom had to import ever greater quantities of lamb and mutton from Australia and New Zealand. The system has been one long nightmare.

Of course, along with the globalization of trade, came the globalization of its dangers. The UN Food and Agriculture Organization (FAO) now warns of a worldwide spread of hoof-and-mouth disease. The latest epidemic began in 1991 in South Asia, spreading westward through the Arabian Peninsula and Turkey, reaching Europe in 1996. In the past two years alone, there were outbreaks in over 60 countries, many of which had been entirely free of the disease for generations. In the last two weeks of February alone, the disease has erupted in Argentina, Paraguay, and Kyrgyzstan. Globalization has become the world's greatest threat to the health of man and beast alike.

All past experience with HMD demonstrates that even the most rigorous measures are ineffective in entirely preventing its spread. This virus is so infectious, and can be transported so easily over large distances, that it cannot be eliminated though isolation and extermination. But despite that, the British have so far restricted their efforts to just those two measures. The most effective means of blocking potential transmission routes, is vaccination; but Britain has not taken that step.

When Denmark entered the European Union in 1993, they were required to cease all vaccinations against hoof-and-mouth disease and swine fever, so as not to endanger Denmark's meat exports. Traditionally, Denmark exports pork to Japan and the United States; but these two countries declared that they would only import meat from countries which did not vaccinate their animals, arguing that vaccination leaves traces of the disease behind. Great Britain supported this view. All EU countries were likewise intent on instituting uniform procedures within the framework of harmonizing the policies of the EU member states. And so, given the fact that EU countries had not had any animal-disease epizootics for years, the Danes felt secure in abolishing all vaccinations.

Antibodies and Anticompetition

But the real story about vaccination, is its implications for trade policy, and therefore financial policy. Antibodies in the blood of vaccinated animals are indistinguishable from those left in the wake of a hoof-and-mouth disease outbreak, thereby making it much more difficult to detect any new outbreaks. But on the other hand, the animal is protected against the disease. And so, the argument cited by Washington against vaccination, turns out to be yet another excuse to set up an unfair trade barrier. And meanwhile, Washington has had no qualms about continuing to import meat from Argentina, where there has also been an outbreak of hoof-and-mouth disease: Some 5,000 of its cattle are ill with the disease, and at least 11 million animals are set to be vaccinated. But Argentina, unlike the European Union countries, is not seen by Washington as a competitor, and therefore it does not come under the U.S. embargo.

In Europe, whenever there is an outbreak of hoof-and-mouth disease in one country, that country immediately ceases all export of meat, milk, and milk products. In a globalized economy, where exports are the main measure of economic success, this inflicts enormous damage upon the affected country. In England, the losses caused by the agricultural trade embargo alone, are estimated at £150 million ($220 million) per week. Immediately following the outbreak, it was predicted that at least every second farm would not survive the crisis. In Germany, it is estimated that any outbreak would cause at least 2 billion deutschemarks ($95 million) in damage.

The countries on the European continent are concentrating their efforts on preventing an outbreak within their own borders. Cattle markets have been suspended, and restrictions have been put on the transport of animals. Any animals that had been imported from the United Kingdom within the previous four weeks, have been exterminated, and other possible routes of infection are being carefully monitored. In Germany, they are prepared to start vaccinating. According to their crisis plan, immediately following a single confirmed outbreak of hoof-and-mouth disease, all animals on farms located within a radius of 3 kilometers of the affected farms, are to be vaccinated. Through immunization and drastic preventive measures, they hope to localize its spread and minimize the economic losses.

But despite these measures, the effects are going to be devastating. Many tens of thousands of animals have already been exterminated and burned, with many more to come. In Great Britain, 4.5 million cattle have already been destroyed because of "Mad Cow" disease (bovine spongiform encephalopathy, BSE).

And now will go, on account of HMD, another few hundred thousand, plus about the same number of sheep and pigs. On the continent, hundreds of herds have already been destroyed. All these animals can yield us neither milk nor meat; they have been entirely lost for human consumption, and for breeding. The politicians describe this euphemistically as "taking them out of the food chain." All told, 1.2 million cattle will end up being destroyed in the wake of the BSE crisis, and now another 1.7 million will follow them.

Now, this is indeed a huge quantity of food—of meat, milk, and milk products—and if Europeans had not been able to procure what they lacked from other parts of the world, they had long since died of hunger.

But, for many years now, one instrument of international agricultural policy, has been the creation of artificial food shortages. And now, on top of this comes the new epidemic. The industrialized countries have seen food become increasingly scarce and thus more expensive. And so, the days when agricultural products held down inflation, are drawing to a close, and soon the exact opposite will be the case.

The crisis unleashed by this new epidemic, is a clear warning to us all. It gives us a graphic picture of the failures of our recent economic and agricultural policies—globalization, deregulation, maximization of profits—and literally cries out for a fundamental reorientation. And this will have to be precisely the opposite of what German Consumer Protection Minister Renate Künast and, more recently, British Prime Minister Tony Blair, have been preaching. It is not a matter of "reshaping globalization," and injecting a bit more "circulation economics." Rather, there must be a radical break with the current policy.

National Food Security

The first and foremost task of any nation's agricultural policy, must be to provide food for its own citizens; only after that, should export come into play. With this weighting of policy priorities, the worst dangers confronting us right now, would be solved. A further step to be taken, is the establishment of a system of parity pricing. Farmers must receive a guarantee that the prices paid to them will at least cover their production costs, and give them a small profit for reinvestment purposes. These two small changes could turn today's absurd system topsy-turvy—i.e., back onto its feet. Agricultural policy would suddenly become transparent and manageable.

The "ecologization," however, which is currently being pushed throughout Europe, is only making matters worse. It has brought a flood of new regulations, laws, and subsidies, and has not had the slightest effect on the process of globalization. It is merely serving to further curtail food production, and is applying more heat to a now-impending explosion of consumer prices.

We are at the end of an epoch, and the question now, is: Which direction shall we take? Will we follow Great Britain into the Post-Industrial Age, which has all the trappings of the old feudal order? Or, will we make a daring break, and open up at least a distant view of a more friendly future?

U.S. Economic Breakdown Enters New Phase

by Richard Freeman

The U.S. physical economy has entered a new phase of collapse, marked by an accelerated rate of breakdown. This extends across the spectrum of the economy, but is highlighted by certain critical sectors.

The collapse is driven by the intensifying disintegration of the world's banking-monetary system.

In America, the spread of energy hyperinflation, of price increases between 200% and 4,500%, is feeding the global hyperinflation, which is crossing the boundary condition into the hyperinflation during the Weimar Republic in March-November 1923, which ravaged Germany. The current price increases are compelling several industrial companies to shut down partially or completely.

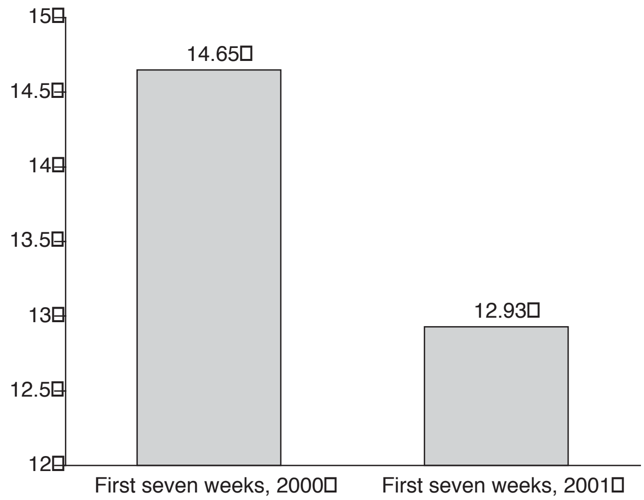
Another crucial element that has forced further shutdown of American industrial production, is the unravelling of the "importer of last resort" relationship. America is dependent on the rest of the world for 25-60% of critical consumer, intermediate, and capital goods. As America becomes less able to import these goods, production contracts further. This generates significant adverse consequences for nations whose exports go mostly to the United States. Japan, for example, exports 31.2% of all its physical goods exports to the United States. As a result of the ongoing contraction of the U.S. physical economy, in January, compared to January 2000, the volume of Japan's exports to the United States fell by 12.1%.

As the case of Japan exemplifies, the accelerating demise of the United States as the importer of last resort means that each new ratchet-step downward in trade forces a corresponding ratchet-step downward in industrial production globally. The self-feeding process forces America's industrial production ever lower.

In January, Federal Reserve Board Chairman Alan Greenspan launched an attempt to stem the rate of decline of industrial production, and reverse the associated disintegration of financial markets, typified by the 40% meltdown of the Nasdaq stock average over the prior ten months. With much fanfare, Greenspan cut the Federal funds rate, a key interest rate, twice, each time by 0.5%. The total cut of 1% was one of the largest that had been made for a single 30-day timespan, in several years. Yet, the industrial and financial decline continued unabated. Greenspan's "magical powers" were exposed as worthless, forcefully demonstrating his irrelevance.

A fundamental reason is that the current decline represents a sharp breakdown within a 30-year process of economic decay, which originated with the City of London-Wall Street financier oligarchy's imposition of a post-industrial policy during the Southern Strategy embarked upon by the Nixon Administration. Either that policy is now scrapped, and the entire bankrupt financial system put through Chapter 11 bankruptcy reorganization, culminating in a New Bretton Woods monetary system, or the industrial depression will not be halted.

FIGURE 1
U.S. Raw Steel Production Plunges by 12%
(Millions of Net Tons)



Source: American Iron and Steel Institute.

Industrial Shutdowns

An overview of significant industries' shutdown, indicates the loss to, and speed of devolution of, the overall economy:

Steel: Figure 1 shows that for the year to date, which covers Jan. 1 through Feb. 17, 2001, American steelmakers' raw steel production totalled 12.931 million net tons. Compared to 14.652 million net tons for the comparable period of the year 2000, this constitutes a year-on-year fall of 11.7%.

However, if attention is restricted to only the latest available week of Feb. 11 through Feb. 17, 2001, American steelmakers' raw steel production totalled 1.899 million net tons, compared to 2.304 million net tons for the comparable period last year. This is a fall of 17.2%, indicating that the rate of decline is accelerating.

Motor Vehicles: The fall in U.S. consumption of motor vehicles has sent car and truck production plummetting, as represented by plant closings and layoffs by General Motors, Ford, and DaimlerChrysler.

Figure 2 shows that for the year to date, which covers Jan. 1 to Feb. 22, compared to the same period in 2000, U.S. truck production fell from 1,210,445 units to 843,921 units, that is, by 30.3%. Since truck production, which includes sport utility vehicles and vans, makes up more than half of

FIGURE 2

U.S. Auto Production Plunges: First Eight Weeks of 2000 v. First Eight Weeks of 2001

(Percent of Change)

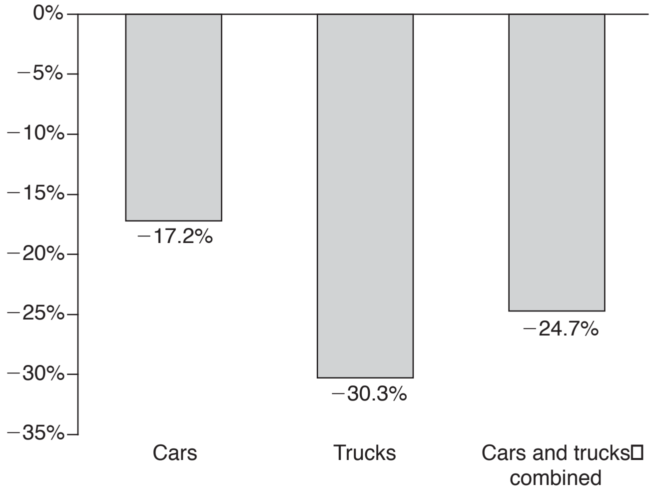
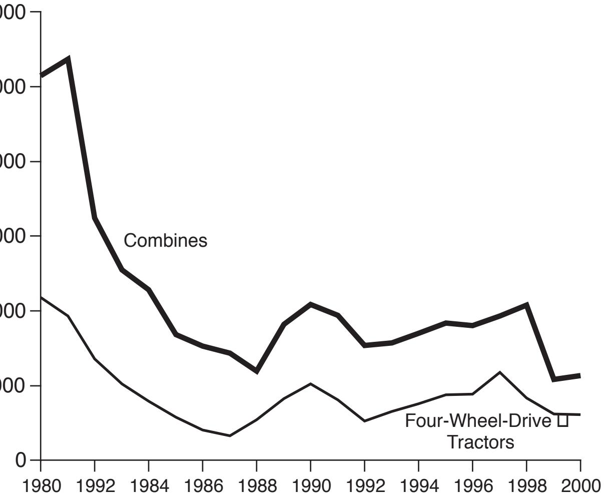


FIGURE 3

Sales of Four-Wheel-Drive Tractors and Combines, 1980-2000

(Number of Units)



U.S. motor vehicle production, combined U.S. car and truck production fell by a very large 24.7%.

Housing: In January, new single-family homes sold at an annualized rate of 921,000, compared to December last year, when they sold at a record annualized rate of 1,034,000. This is a 10.9% drop, which is the greatest monthly rate of fall since January 1994.

Manufactured Durable Goods: New orders for U.S. manufactured durable goods dropped from $214.9 billion in December 2000 to $202 billion in January 2001, a fall of 6%. However, closer examination shows a deeper trend: In June 2000, durable goods orders stood at $241.7 billion; thus, they have fallen one-sixth over the last six months.

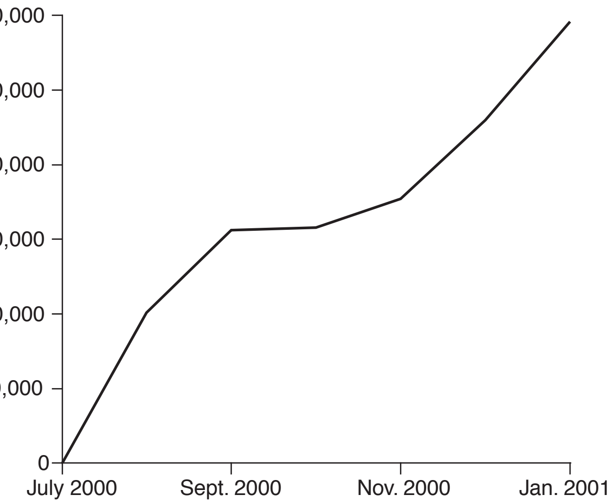
Farm Equipment: Figure 3 shows that in 1980, the United States produced 26,000 self-propelled farm combines, and 11,000 four-wheel-drive tractors. Those are the tractors with four large equal-sized wheels, that do the hard work on a farm. Today, for each of them, the United States does not produce half the 1980 level. Since the United States produces one-third of the world's farm implements, and exports one-quarter of what it produces, this has tremendous implications not only for the United States, but also for the rest of the world. In this, we see the several-decades-long process in which this new sharp phase of economic collapse is occurring.

Layoffs: Each new closedown in industry has generated new layoffs. The layoffs reduce purchasing power, which shrinks the economy further. Within the last six weeks, the following companies have reported layoffs: GE/Honeywell, 75,000; DaimlerChrysler, 26,000; Lucent Technologies, 10,000. The list goes on.

Many of the layoffs have been concentrated in manufacturing. **Figure 4** shows that since July of last year, the United States has lost 296,000 manufacturing production workers, with a good chunk of those in the last three months. This is a good indicator of what has happened to industry as a whole. More than 50 countries don't even have manufacturing production workforces of 296,000; the United States has lost that many workers in six months.

FIGURE 4

U.S. Has Lost 296,000 Manufacturing Production Jobs in Six Months



Source: U.S. Department of Labor, Bureau of Labor Statistics, *EIR*.

Support Boxer/Feinstein Bills as First Step Toward Re-Regulation

by Marcia Merry Baker

This testimony of EIR News Service was prepared for the Senate Energy and Natural Resources Committee Hearing, March 1, 2001, "To Receive Testimony on Senate Bills: S. 26, S. 80 and S. 287." The full title of EIR*'s testimony is "Support the Feinstein/Boxer Energy Bills as First Step To 'Go the Whole Way' To Re-Regulate Energy, To Use Chapter 11 Bankruptcy, and Stave Off Economic and Financial Collapse."*

Dear Chairman Murkowski, Members of the Committee, and Senator Boxer:

The draft Federal energy bills now before you—S. 26, S. 80 (both introduced Jan. 22), and S. 287 (Feb. 8), by the California Senators—deserve full support for the policy direction they propose. Namely, they are a move toward Federal government regulation of the vital service of electric power, for the interest of the general public. The limitations are not as important as the fact that these two bills, and very few others (one is that of Rep. Peter DeFazio, D-Oregon), favor serving the general welfare, and go against the Administration's crazed continuance of deregulation, which is equivalent to throwing gasoline on a burning house.

Moreover, the additional danger at present, is the political fact that, without such measures, the process of worsening energy emergencies—for the Northwestern states, and New York, as well as California—can be taken by the Administration as the pretext for "rule-by-decree," on exactly same principle as in Hitler's 1933 takeover. We do not exaggerate. This prospect was the inherent danger in the confirmation of John Ashcroft for Attorney General, who ideologically opposes Federal government measures to protect and advance the General Welfare. Without re-regulation, however, the crisis will worsen to the point of creating a national emergency.

In opposition to the mantra of "free markets," there are moves now in all states to delay, roll back, or reconsider energy deregulation, to prevent economic destruction, and the threat of chaos or dictatorship. In particular, the emergency policy proposals made by economist Lyndon LaRouche—contributing editor to EIR News Service, are under review at town meetings, lobbying days, and policy sessions in dozens of states.

In brief, LaRouche's proposals call for re-regulation of energy, and Chapter 11 bankruptcy for the California utilities, and others in the same position. These are traditional precedents from the FDR era.

LaRouche, who forewarned decades ago of the consequences of deregulation, and allowing a "casino" economy of speculation and concentrated ownership, released on Feb. 6 a policy document on the "California Energy Crisis, As Seen and Heard by the Salton Sea," 400,000 copies of which are circulating in the form of a mass pamphlet, through the "LaRouche in 2004" Democratic Presidential campaign. Excerpts of this document were provided to the Committee in *EIR* testimony to the Jan. 31 hearing on the California crisis.

We remind you of what it means to continue to back deregulation. In tables below, we provide the statistics of the 30% to 200% profit rates for Y2000, made by Bush Administration-aligned Enron and the new energy "merchant" and speculation companies, off California and other power crises; these companies also made mega-donations to elected officials. However, beyond simple corruption, the point shown is that any expectation that the *financial and economic system which is based on this level of hyperinflation, and cartel control, can continue, is insane.*

Either you start to think, as implied in the Feinstein/Boxer bills, that something can and must be done to set controls on the markets, or you are on the side of chaos and destruction. First, we provide the Committee the economic assessment given by Lyndon LaRouche at an international policy conference Presidents' Day weekend in Reston, Virginia; and then some documentation of the nature of the crisis, and why there is no other policy direction than what LaRouche proposes, like it or not.

LaRouche's Assessment: Hyperinflation

On Feb. 17, in an address titled "A Branch in the Road of History," LaRouche said, "What you're seeing in the energy prices, what you're seeing in the costs of supplies—manufacturers' supplies—combined with what you're seeing in the collapse of retail sales, what you're seeing in terms of the mass layoffs, in one industry after another, which is now building up into an international chain-reaction, is a process of a depression, caused, like that of Weimar Germany in 1923—worldwide—by the collapse of a financial bubble, which has gone into a hyperinflationary phase.

"That's why Alan Greenspan has lost his marbles. He probably didn't have too many to begin with, but whatever he had, he's lost.

"So, we are now at the point, where it is impossible, by the present methods, to keep this system going. It is in the process of going into a deep depression. And nothing that these guys are proposing, or will accept, will work. The idea of more deregulation, the idea of tax reductions, all these kinds of things—cutting down the role of government, opposing re-regulation—all of these things ensure nothing but the greatest depression in world history. *Globally*.

"Because, what happens is, the U.S. is the importer of last resort; nations all over the world have been depending on dumping cheap-labor products on the U.S. market, for the products we no longer produce. As our market declines, as you saw in the last-quarter retail sales, which is the big Christmas retail business, from the last quarter of the year: That collapse set into motion a chain-reaction collapse around the world, which, together with the financial collapse, caused by the hyperinflation, has sunk the world economy. We can no longer finance that kind of subsidy for imports, as we were doing before; therefore, we can't do that. Therefore, our suppliers, who have used us as a market, are now being shut down.

"For example, Mexico can expect, 20, 30, 40% of its exports into the United States to be wiped out, very soon. One of the biggest. Canada is already suffering, as you've seen from some reports recently from there. This is a global process."

Required: Re-Regulation and Chapter 11 Bankruptcy

LaRouche continued, by describing what is required: "Take the California energy crisis. We have a worldwide energy crisis, and especially a West Coast energy crisis. There's only one way you can deal with that energy crisis: You've got to go back to regulation. Use what we prepared in the 1930s—Chapter 11 bankruptcy protection for the entire industry. You see, in this kind of Chapter 11 bankruptcy, you protect, not only the creditors and debtors; *you protect the general public*. You see, because the people of California, for example, have to be defended. The interests of the firms of California, the farms, have to be defended. Whether or not they're involved in the relationship between the creditors and debtors, is irrelevant.

"The fundamental interest of the United States, is that our people have electricity! That our firms have the power to operate on. That our hospitals function. That our farms function. When we go into court with a Chapter 11 bankruptcy, these interests come on the table, and actually have the greatest say, in how the bankruptcy will be renegotiated. The creditors and the debtors go into a second tier. What comes up front, is the interest of the nation; the interest of the people; the interest of the economy.

"So, we need Chapter 11 protection, for all the imperilled sections of vital infrastructure for our national economy.

"Secondly, we can not do this, without both a combination of Federal and state *re-regulation*.

"If we do that, we have enough energy available to manage this crisis, and can manage this at prices, at charges to people who are using electricity, to ensure the electricity they require, and to ensure that it's delivered to them, regularly, at a decent price. We can guarantee that.

"If we do that, the energy crisis is brought under control."

Who Opposes Controlling Energy Prices?

LaRouche then turned to who would oppose solving the energy crisis, asking, "*But, what does that mean?* That's in the interest of the nation. How can any patriot oppose that? George Bush has to be opposed to it. If you look at the combination of financial interests, which is represented by the people that gave the money to make Bush President: *These guys would be wiped out, by an honest deal*. Because they make their money by looting; they bid up the price. The reason that the prices go up, is purely that these fellows are looting the United States, as well as other countries. Therefore, the interest, the reaction, the response of these people, is *against* the interest of the people of the United States; *against the national security interests*."

TABLE 1
California Power Suppliers Post Mega-Profits for 2000
(millions of dollars)

Company	1999	2000	% Change
Williams Cos.	$ 221	$ 832	276%
Calpine Corp.	95	323	240%
Dynegy	146	452	210%
AES	228	657	188%
Arizona Public Svc.	127	307	141%
Reliant	528	819	55%
Enron	893	1,266	42%
Duke Energy	1,507	1,776	18%
Southern	1,276	1,313	3%
Total	**$5,022**	**$7,745**	**54%**

Source: Company reports, analyzed by *Public Citizen,* February 2001.

TABLE 2
Political Donations by Energy Cartel Firms, 2000
(thousands of dollars)

Company	Republicans	Democrats	Total
Enron	$1,610.0	$ 728.3	$2,338.3
Southern Co.	856.5	275.0	1,131.5
Reliant Corp.	634.6	190.3	824.9
Edison Electric Institute*	347.1	293.6	640.6
Williams Cos.	244.0	30.9	274.8
Duke Energy	210.8	66.3	277.0
Arizona Public Svc.	92.5	14.8	107.2
Dynegy	60.2	59.9	120.5
AES Corp.	4.7	76.2	80.9
Calpine Corp.	34.7	39.5	74.1
Total	**$4,095.0**	**$1,774.5**	**$5,869.4**

* Association of investor-owned power companies.
Source: Public Disclosure Inc. (www.tray.com) data analyzed by *Public Citizen,* February 2001.

Public Citizen *shows that the major California power producers and marketers donated $5.9 million to Federal candidates and political parties during 1999-2000; of this amount, $4.1 million went to Republicans and $1.8 million went to Democrats.*

Tables 1 and **2,** reproduced here from the March 2 issue of *EIR,* "Energy Crisis Update, Feb. 22," give data analyzed on the energy cartel mega-profits, and mega-donations to political campaigns.

Not a 'Supply-and-Demand' Problem

The tables, listing the companies making hyper-profits off hyperinflationary energy prices, also raise the point that the problem in runaway energy prices is emphatically not a "supply-and-demand" issue. While the energy infrastructure and resource base of the United States has been degraded (from aging transmission lines, to the lack of new nuclear plants) over the last 30 years, today's energy price spikes are clearly speculation and gouging.

Figures 1, 2, and 3 (see pp. 12-13) for three power commodities—oil, natural gas, and electricity (California)—all show that while supplies (and correspondingly, use) remain almost level, prices soared during 2000. During this same time, demand did not jump. The price takeoff came directly from deregulated energy "markets" and speculation.

Two more points should be brought out in this respect. Natural gas, because it is Federally deregulated, is soaring in price (from speculation and gouging) *all across the continent,* with terrible economic dislocation and financial chaos. Where natural gas is part of the electricity generation, a double-whammy is hitting the locale. Secondly, price rises for petroleum do not correspond with nonexistent swings in supply or demand for oil. Prices soar from speculation and gouging.

In the best estimates of financial analysts, every barrel of oil entering world exports, is traded up to 15 times over on the London and New York commodities futures exchanges. This is called "paper oil." Natural gas is traded on the New York Stock Exchange eight or ten times more than the volume that exists. Electricity futures are traded many times over the actual unit volume and production costs.

These few facts demonstrate that only a policy that will "go the whole way" with energy price re-regulation, and Chapter 11 bankruptcy protection of the public interest, is appropriate to the nature of the crisis we now face. Half-way measures, or partial "bailouts," are doomed, along with the economy, if we don't take an across-the-board re-regulation approach.

Thus, from this point of view, the principle of public interest embodied in the Feinstein/Boxer bills is in the right direction, but too limited, given the reality of the depression.

S. 26—"To impose interim limitations on the cost of electric energy to protect consumers from unjust and unreasonable prices in the electric market"; and

S. 80—"To require the Federal Energy Regulatory Commission to order refunds of unjust, unreasonable, unduly discriminatory or preferential rates and charges for electricity, to establish cost-based rates for electricity sold at wholesale in the Western Systems Coordinating Council. . . ."

S. 287—"To impose cost-of-service-based rates [meaning, to cover cost of production, and a reasonable return on invested capital] on sales by public utilities of electric energy at wholesale in the western market" [the states covered by the bills are defined as the "Western Energy Market"—Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming].

It is in the best interests of the nation, that these draft bills be expanded to cover all power modes, be nationwide, reinstate regulation, and facilitate Chapter 11 bankruptcy actions where needed.

Pirates' Energy Ripoffs Fund the Bush League

by John Hoefle

The consequences of the orchestrated jump in energy prices in the last half of 2000 are revealing themselves with a vengeance in the U.S. economy. California's electricity bill quadrupled during the year, and average Winter heating costs jumped 40% for heating oil-heated households in the Northeast and 72% for natural gas-heated households in the Midwest, on top of the bill already being paid for higher gasoline and diesel fuel prices, pulling many tens of billions of dollars out of the pockets of American citizens and corporations, many of whom were already up to their eyeballs in debt. The result of such looting can be seen in the poor holiday retail sales figures, the sharp drop in sales of motor vehicles and other big-ticket consumer goods, and in the waves of layoffs hitting the industrial workforce.

Soaring energy prices are by no means the only factor driving the dramatic contraction of the economy; they represent, in fact, the attempt by the financial sharks to divert new streams of money into their failing bubble. The restructuring of the method by which energy is sold to consumers is designed to allow the financial oligarchy to survive the financial crash by giving it control of the energy stream once protected by the system of regulated electric and natural gas utilities.

The nature of this beast can be seen clearly in the sudden "shortages" which accompany deregulation, shortages which in turn generate sharp increases in prices. Each is accompanied by a seemingly plausible explanation. Gasoline prices, we were told, rose sharply last year because of shortages of crude oil and refining capacity (with a shortage of crude, one would think, refining capacity should not be a problem). The gasoline shortage, we were told, caused the refineries to delay production of Winter heating oil, leading to shortages and higher prices in that commodity. The natural gas shortages, which "caused" prices to soar, were blamed on increased demand, including the demand for natural gas to power all the electricity generating plants being built by the new breed of independent power pirates. The higher cost of natural gas, in turn, triggered an increase in the cost of electricity. The effect of this series of events was to divert large sums of cash from the pockets of businesses and households, into the pockets of the energy companies and speculators, and from there into the financial system.

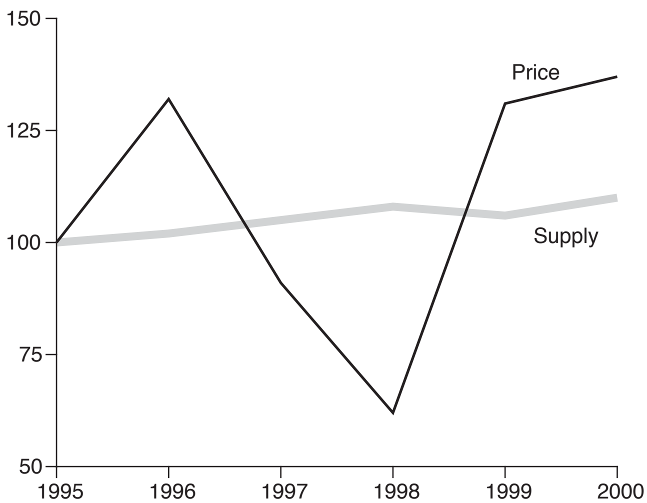
Cartel Price Manipulation

The alleged shortage of crude oil, the experts blame on the OPEC "oil cartel," while the shortage of electricity in California is blamed on the people and government of that state. Both claims are lies.

Blaming OPEC for the sharp rise in the price of crude oil since the end of 1998, is a fallacy on several levels. First, it is the giant oil multinationals like BP Amoco, Royal Dutch/Shell, and Exxon Mobil, together with their smaller sisters, which make up the international oil cartel; OPEC is a factor, but not the controlling one, and the OPEC nations themselves are significantly controlled by the oil and financial cartels, and imperial cultural warfare. Second, as **Figure 1** shows, the wild gyrations in oil prices in recent years are not in any way related to global oil production. The sharp price drop during 1997 and 1998 was not due to supply and demand, but to a manipulation by the majors to shake out the smaller players and consolidate the industry. The prices began to rise at the end of 1998, only after the giant mergers, in which British Petroleum bought Amoco, Exxon bought Mobil, and TotalFina bought Elf Aquitaine.

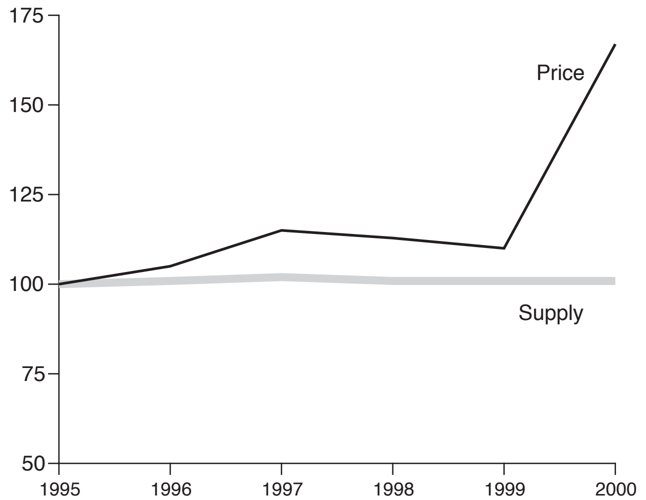
Neither can the sharp rise in the price of natural gas be attributed to a corresponding decline in supply **Figure 2.** The sharp spike in price during 2000 occurred during a period when U.S. natural gas production was basically flat. The average national price for natural gas at the wellhead during the fourth quarter of 2000 was $5.61 per thousand cubic feet, an increase of 148% over the fourth quarter of 1999; prices at the Southern California and New York citygates were consid-

FIGURE 1
World Oil Price vs. Supply
(Indexed to 1995=100)



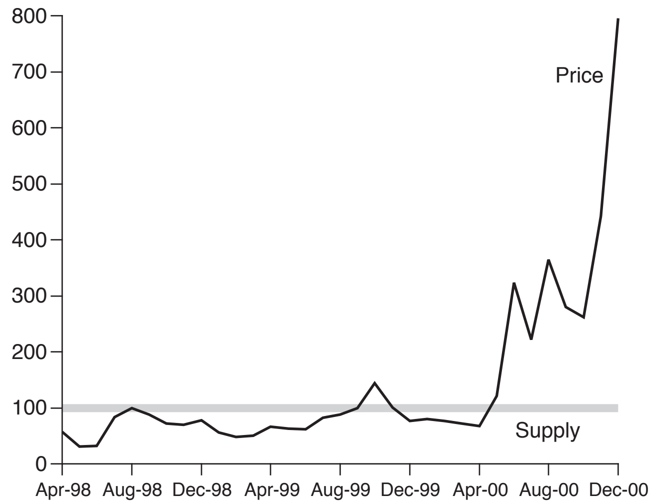
Sources: U.S. Dept. of Energy, International Energy Agency, *EIR.*

FIGURE 2
U.S. Natural Gas Price vs. Supply
(Indexed to 1995=100)



Sources: U.S. Dept. of Energy, *EIR.*

FIGURE 3
California Electricity Price vs. Supply
(Indexed to August 1998 =100)



Sources: California Power Exchange, U.S. Dept. of Energy, *EIR.*

erably higher. (Both the petroleum and natural gas supply figures for 2000 are estimates, as final figures are not yet available.)

The case of California electricity prices is even more blatant. **Figure 3** shows the average monthly price on the California Power Exchange's day-ahead auction from its inception in April 1998, through December 2000, compared to the average monthly consumption. (The actual monthly consumption figures were not available, so we calculated monthly consumption by dividing annual consumption by 12. This process unfortunately eliminates the seasonal changes in consumption, but does not invalidate the basic trend. The price increase was clearly not "seasonal.")

In all three cases, it is clear that some factor other than demand is responsible for the sharp swings in price. That factor is deregulation, and the included change in pricing from a "cost of production plus reasonable profit" model to a "whatever the market will bear" spot-market model.

The most blatant example of this process was in the California electricity market. All of the electricity destined for the state's big three electric utilities, including the electricity generated by the companies themselves, was sold through the California Power Exchange's day-ahead auction, with any shortfall bought by the California Independent System Operator (ISO) on a daily as-needed basis. The utilities would estimate their needs for the next day and solicit bids through the Power Exchange, buying blocks of electricity, starting with the lowest-price bids and then the more expensive ones, until their demand was met.

However, the pricing structure was set so that every bidder got the highest price paid for any of the accepted bids, regardless of their own bidding price. The electricity suppliers quickly learned how to play the game and jack up the price on the last bits of electricity needed by the utilities. They also learned that when the day-ahead auction did not provide enough electricity, the ISO could be forced to pay even higher prices to keep the power flowing each day. The result was that the power producers kept generating plants down for "maintenance" for extended periods, causing the use of expensive "peaking" plants, which bumped up the auction prices.

This manipulation of generating capacity caused power alerts and blackouts in December and January at a demand level of 30,000 megawatts, even though no blackouts had occurred in the Summer of 2000, when demand was 45,000 megawatts.

Profiteering

The sharp increases in gasoline, heating oil, natural gas and electricity prices during 2000 led to huge profits at the major oil companies. According to the U.S. Department of Energy's Energy Information Administration (EIA), the major energy companies in the United States saw an average increase in profits of 143% for the year compared to 1999. In the fourth quarter, the net income from domestic refining and marketing rose 692% over the fourth quarter of 1999, and corresponding profits from non-U.S. refining and marketing rose an astonishing 1,862%, according to the EIA. By com-

TABLE 1
Profits Soar at U.S. Energy Companies: Increase in Net Profits, 2000 over 1999

Company	Percent Increase
EOG Corp.	570%
Unocal	436%
Williams	277%
Apache	259%
Phillps	250%
Calpine	238%
Kerr McGee	218%
Dynegy	210%
Occidental	176%
AES	165%
Conoco	149%
Texaco	139%
Chevron	138%
BP Amoco	129%
Exxon Mobil	102%
Shell	85%
Reliant Energy	65%
Dominion Resources	36%
Enron	32%
Coastal	31%
Duke Energy	18%

Source: company financial reports.
Note: Net income excludes special items.

parison, the average price paid by a refinery for a barrel of imported crude oil rose 22% in the fourth quarter of 2000, compared to the fourth quarter of 1999.

Profits at the big integrated oil companies rose accordingly. For the year, BP Amoco, Exxon Mobil, Chevron, Texaco, Occidental, and Conoco more than doubled their profits, with Shell not far behind **Table 1.** Unocal saw a fivefold increase, and Phillips Petroleum three-and-one-half times. BP Amoco, Exxon Mobil, Shell, and the merging Chevron and Texaco are, not coincidentally, the biggest producers of natural gas in the country.

The smaller oil companies, natural gas companies, and non-regulated electricity generators also had a good year. EOG Corp. (née Enron Oil & Gas) saw its profits jump 570% for the year. Calpine led the electricity pirates with a 238% increase in net income, followed by Dynegy with a 210% increase, AES with 165%, Reliant Energy with 65%, and Duke Energy with a 20% increase over 1999. Calpine, Dynegy, AES, Reliant, and Duke all own significant electricity generation capacity in California, and, with Enron and a few others, drove the electricity prices in the state into the stratosphere.

In addition to these energy companies, the Wall Street investment banks got into the act through the power marketing and energy derivatives business. Along with Enron, which is more of an investment bank than an energy company, the roster of "power marketers" includes Goldman Sachs (which supplies 10% of the natural gas used by Pacific Gas & Electric), Morgan Stanley, Merrill Lynch, and the other usual suspects, who buy and sell energy derivatives just like they do currency and interest rate derivatives.

The arrogance with which these investment banks assert their right to loot is sobering. Last Summer, when the California ISO lowered the maximum price it would pay per megawatt-hour of electricity, to $500 from $750, Morgan Stanley complained to the Federal Energy Regulatory Commission that the ISO's move was "illegal" and "unfairly amends the market rules midstream, after market participants have invested substantial time and money by responsibly hedging price and market risks under the current $750/MWh restrictions."

In other words, this is our market now. Keep your hands off our derivatives profits.

Political Protection

To keep this scam going, the energy and financial companies have spread money liberally around the political system. Enron, historically the largest single contributor to the political campaigns of President George W. Bush, donated $2.3 million to Federal candidates and political parties during the 1999-2000 campaign, with 69% going to Republicans and 31% to Democrats; Enron gave $127,525 to Bush and $11,250 to Gore, and the company and its two top executives donated a total of $300,000 to the Bush-Cheney 2001 Presidential Inaugural Committee.

Enron is the leader, but by no means the only jackal in this pack. Citing the failure of the Bush Administration to impose temporary price caps as requested by eight Western Governors, Public Citizen notes that ten energy suppliers active in California contributed $4.1 million to Republican candidates and committees in the 2000 election. The board of Reliant Energy includes Bush family consigliere, former Secretary of State James A. Baker III, who formerly was a consultant to Enron, and both Reliant Chairman Don Jordan and CEO Steve Letbetter are members of Bush's "Pioneers" fundraising team. Enron Chairman Kenneth Lay and Edison Electric Institute President Thomas Kuhn are also Pioneers.

But while the money is never far from the thoughts of the ranking members of the Bush family, even more important is their ideological blindness. As *EIR* outlined in its Jan. 1 *Feature* on the Southern Strategy, what pass for ideas in the heads of the Presidents Bush, were put there by a largely British intelligence operation functioning in Texas. These brains behind the Bush scrawn are not fazed by arguments that their energy looting will collapse the economy; it is intended to provide them a stream of income *after* the crash.

Prepared March 1, 2001

Agenda for National Energy Emergency Action

I. Scope of Energy Crisis:

Physical Economy

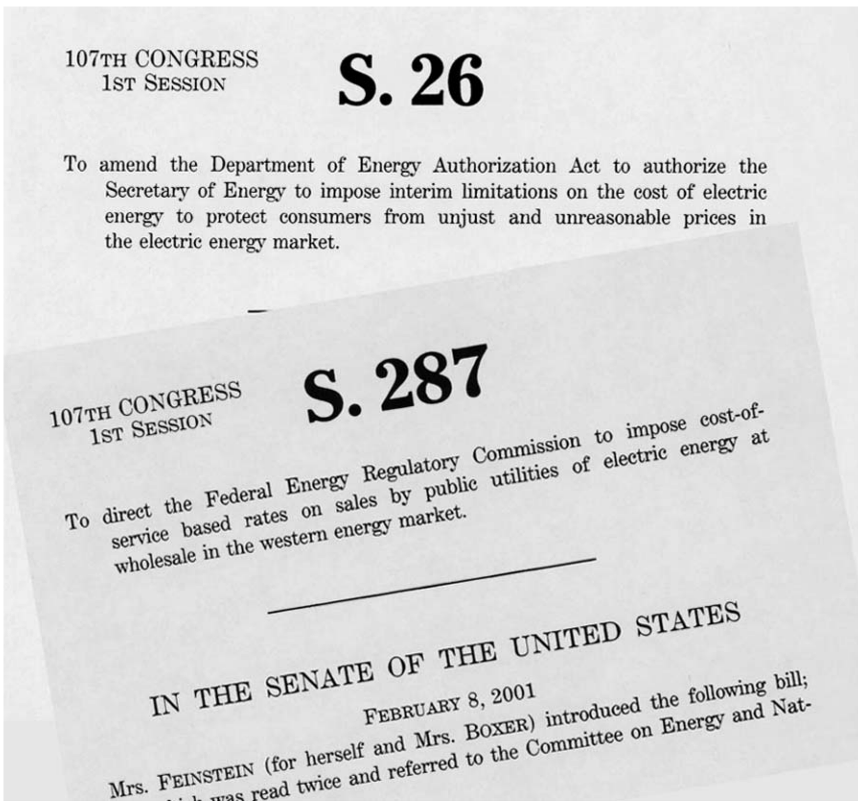
Chain-reactions of U.S. layoffs, factory closings, residential hardship, threats to farming, etc. provide dramatic evidence of the consequences of allowing the out-of-control energy crisis to continue, and tolerating the Federal Reserve/Administration hyperinflation policy. While the 300,000 industrial layoffs over the past six months cannot be directly attributed to the dramatic jumps in energy costs, these are certainly a causal element.

■ **California update:** After a several-day reprieve from more than a month of "Stage Three Alert," on March 1 the state had to move to a Stage Two Alert, meaning that the power supply had dipped to less than 5% in reserve. This was due to a number of power plants being taken out of service for maintenance.

Southern California Edison has agreed to sell its share of the transmission system to the state of California for $2.76 billion, to avert bankruptcy liquidation of the utility. But Bush's Federal Energy Regulatory Commission (FERC) chairman, free-market zealot Curt Hebert, made clear the agency will oppose California's action, calling it "nationalization." Edison International, the parent company, will transfer $420 million to the ailing utility. Southern California Edison's bankers said on Feb. 23 that they would extend their forbearance agreements on overdue loan repays to March 14. There is still no agreement between Pacific Gas & Electric and the state on selling that company's lines.

The L.A. Dye and Print Works announced that it will close down at the beginning of April, due to the skyrocketting cost of natural gas. This will lead to 700 more layoffs. Twenty percent of California's small businesses are now trying to arrange to move to other states, because of the energy crisis, according to the National Federation of Independent Businesses.

According to the *San Francisco Chronicle* of Feb. 23, wholesale suppliers are holding California utilities hostage, by refusing to sign long-term contracts until Gov. Gray Davis somehow assures that they will collect their debts from the state utilities. Four contracts have been signed, and ten are pending.



107TH CONGRESS
1ST SESSION

S. 26

To amend the Department of Energy Authorization Act to authorize the Secretary of Energy to impose interim limitations on the cost of electric energy to protect consumers from unjust and unreasonable prices in the electric energy market.

107TH CONGRESS
1ST SESSION

S. 287

To direct the Federal Energy Regulatory Commission to impose cost-of-service based rates on sales by public utilities of electric energy at wholesale in the western energy market.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 2001

Mrs. FEINSTEIN (for herself and Mrs. BOXER) introduced the following bill; was read twice and referred to the Committee on Energy and Nat-

Hearing cancelled: California's Congressional delegation's first sane step toward solution of the energy crisis, according to the general welfare principle, was brushed aside by Republican Congressional leaders. S 26 and S 287, by Senators Boxer and Feinstein, were denied a scheduled March 1 hearing, by Senate Energy Committee Chairman Frank Murkowski (R-Alaska).

II. Scope of Energy Crisis: Financial

On Feb. 28, California Governor Davis went to Wall Street to personally talk up his new state energy rescue plans, while nationally and internationally, the whole financial system is proceeding to unravel.

According to the Feb. 28 *Wall Street Journal,* two money market funds managed by Zurich Financial Group's Zurich Scudder Investments, and one offered by Mellon Financial Corp.'s Founder Asset Management, were forced to sell off their holdings of commercial paper in the California utilities to their parent companies, in order to make sure the funds do not take a loss, and go below the $1 a share net asset value that most funds maintain. An official of iMoneynet expects at least a dozen other funds with exposure to the California utilities, to do the same in the next few weeks.

Surcharges on services and products are now being slapped on, not just airfares, freight hauling, FedEx, aluminum, but even down to laundry fees and dozens of daily costs.

III. Energy Infrastructure: Crises and Reactions

"What's going on in California has put the whole Western U.S. at risk," is the comment from Jerry Smith, the Chief Engineer for Arizona's Corporation Commission (utilities' oversight commission), reported Feb. 17, in the *Arizona Republic*. There is intense pressure for makeshift solutions to providing energy, in the absence of re-regulation intervention. In Phoenix, Arizona Public Service Co. has arrangements under way to put back into operation two mothballed, 50-year-old steam generators. It will rent two portable generators, and set up an operation to marginally increase supplies this Summer for west Phoenix.

On Feb. 27, Governor Davis, in a speech before the California State Society, claimed the electricity crisis was on the road to being fixed. He was quoted by Reuters on Feb. 26, saying, "hopefully . . . we are on the backside of the problem." But the Independent System Operator, whose job it is to find the power the state needs, predicts shortages of over 3,000 megawatts in May, 6,815 megawatts in June, and 4-5,000 megawatts in July and August.

IV. Policy Response: Federal Level

■ **Bush, Congressional Republicans in "Imperial Front" Against Regulation:** An "imperial front" was presented in Washington, D.C., the last week of February, by the Bush Administration and allied Congressional figures, backing energy deregulation, no matter what.

The persistent "line" is that the energy cartel must be given free rein, assurances of future free rein, and financial inducements to build more natural gas electricity plants, to gain more control over transmission grids, and other similar demands.

Feb. 26: During a Western States' Governors meeting with Bush, Washington Gov. Gary Locke asked Bush for Federal intervention, in the form of regional caps on wholesale electricity prices. The Washington press reported Locke's statement that Bush "said he was very reluctant to go down that path," and Locke's dissatisfaction with the White House response.

Feb. 26: FERC head Curt Hebert reiterated to state utility commissioners, his personal allegiance to President Bush, and to deregulated energy "markets" pricing.

Feb. 26: The National Energy Policy Development Group (formed earlier in the year by President Bush, and including Vice President Richard Cheney, Treasury Secretary Paul O'Neill, Energy Secretary Spencer Abraham, and others) presented its pro-energy cartel policy, at the National Association of State Energy Officials conference in Washington, D.C. Deputy Director for the group, Karen Knutson, said that they are working on a study, to be released in April, which would include how to make it attractive for energy companies to increase future supplies.

Feb. 26: Sen. Frank Murkowski (R-Ak.), Chairman of the Senate Energy and Natural Resources Committee, held a press conference to release his new "National Energy Security Act of 2001." The bill includes billions of dollars in tax breaks, incentives, and subsidies for oil and gas companies. It proposes to streamline permits for oil and gas pipelines (on routes where the "industry"/cartel desire). Other proposals facilitate the energy cartel gaining control over the continental electrical transmission grid.

About the same time, Murkowski's Energy Committee *cancelled* a March 1 hearing, which was to have taken testimony on bills opposite to Murkowski's. Hearings were initially scheduled for March 1, on Senate bills 26, 80, and 287, which were submitted by Democratic Senators Barbara Boxer and Dianne Feinstein of California. See *EIR*'s testimony evaluating these bills on p. 9. This testimony was circulated widely on Capitol Hill, in anticipation of the hearings.

A new bill to repeal the 1935 Public Utility Holding Company Act, FDR's flagship bill, was introduced on Jan. 30. S. 206 is sponsored by Senate Energy Committee Chairman Murkowski, Richard

Shelby (R-Ala.), Paul Sarbanes (D-Md.), Phil Gramm (R-Tex.), Chris Dodd (D-Conn.), Senate Majority Leader Trent Lott (R-Miss.), Larry Craig (R-Id.), and Michael Crapo (R-Id.). It will go to Gramm's Banking Committee for hearings.

■ **AFL-CIO for Re-Regulation:** The Executive Board of the AFL-CIO took a significant step at its Feb. 14-17 meeting in the direction of re-regulation. The Board said that the energy "crisis is primarily due to inadequate generating capacity, and this shortage is the result of the removal of the regulatory regime that would have been responsible for assuring adequate supplies of power. . . . California's experience exemplifies the pitfalls of electricity restructuring, and underlines the foolhardiness of trusting this most essential industry to flawed market mechanisms." It calls for a "new regulatory regime that can ensure affordable and adequate supplies of power." They call for a national conference to fight deregulation.

V. Policy Response: State and Local Initiatives

In over two dozen states, hearings in the legislature, or before state regulatory boards, are taking testimony on the scope of the crisis, and need for re-regulation.

■ **Michigan:** On Feb. 28, two representatives of FDR-PAC, the political action committee founded by LaRouche Democrats, addressed a packed hearing of the energy committee of the Michigan State Legislature. Max Dean, a well-known Flint attorney, and constituency leader James Puertas both testified, outlining the reality of the U.S. depression and the need for total re-regulation, Chapter 11 bankruptcy protections, where required, and an approach based on the General Welfare clause of the U.S. Constitution. The hearing occurs as Michigan, which has undergone deregulation, anticipates a 100% rise in natural gas prices in April, when deregulation permits price caps to be lifted.

■ **Nevada:** Senate Bill 253, which would halt the sales of power plants owned by Nevada's utilities, has been introduced and referred to the Committee on Commerce and Labor. The bill would halt all sales now in progress, and prohibit any through at least July 1, 2003, thus blocking other measures for deregulation on the books.

■ **Texas:** Rep. Sylvester Turner (D-Houston) has filed a bill to allow regulators to cap prices, or delay deregulation, if it appears that retail competition will fail when the market opens in June 2001.

■ **Kansas:** The legislature defeated a bill on Feb. 22 that would have given unregulated "merchant" power suppliers tax breaks for building power plants.

■ **California:** In a proposed order to the state Public Utilities Commission, administrative law Judge John Wong recommended on Feb. 23 that past utility layoffs be rescinded, planned layoffs be cancelled, and none be allowed in the future, as they could hurt electric reliability and reduce customer service. The PUC will review the matter on March 7.

VI. Considerations for Re-Regulation: National Energy-Management and Reconstruction

Seven states have taken their case against the FERC to the U.S. Supreme Court, to stop it from being able to supersede the states' rights to regulate electricity rates for their retail customers. In a ruling in 1998, FERC had told states they could not regulate intrastate distribution, if the power is resold. The Justice Department is supporting FERC. The Supreme Court decided on Feb. 26 it will take the case.

It's The Ideology, Stupid

LaRouche Democratic leader Harley Schlanger reports from California:

Major financial institutions, such as Bank of America and Wells Fargo, already staggering, are now forced to write off bad debts (more than $1 billion for the Bank of America in the fourth quarter of 2000, and $1.2 billion for the first quarter of 2001) They are pressuring the state of California for a bailout of the California utility companies so they can pay their debts, so the banks can survive. Policymakers in California, starting with Governor Davis, are hoping they can crisis-manage their way out of the crisis, afraid to challenge the axioms of the New Economy, perhaps in fear that to do so might precipitate a panic.

I, and other leaders and activists among LaRouche Democrats, have met with state and national elected officials, who are supposed to act for the general welfare of the citizens. In private, they admit that deregulation has been an unmitigated disaster. Most will acknowledge that there was nothing wrong with the regulated system, which worked quite well since having been implemented by President Franklin Roosevelt. Yet, these officials whimper, "We can't go back to regulation. We have to accept the reality of the New Economy."

In other words, while they know that deregulation does not and will not work, they say that there is no choice but to accept it! And so, while the Governor of California is offering assurances that the energy crisis will soon be under control, he has committed the state to a bailout fund which is now approaching $15 billion, with the money going into the pockets of the shareholders of the power companies and the bankrupt banks. The taxpayers and consumers of California are being looted, in the name of "shareholder values," which is being imposed by Enron chief Ken Lay and his bought-and-paid-for henchmen in the Bush Administration.

There is an alternative. It's time to say, "It's the ideology, stupid," and join the fight led by Lyndon LaRouche to re-regulate, in defense of the general welfare.

California Hospitals Are in Crisis, Too

by Mary Jane Freeman

Time is of the essence if you suffer a heart attack, or injuries as a result of a car accident. Your life may be saved if you get to an emergency department in time. But, nationally, these critical life-saving staff and facilities are disappearing. Between 1995 and 1999, according to the American Hospital Association, 286 emergency departments in the United States closed, and 115 of those, or 40%, closed during 1997-99. Yet, visits to emergency rooms increased from 89.8 million in 1992 to more than 100 million in 1998. In California, the most populous state in the nation, this trend is the same or worse. From 1990 to 1999, fifty emergency rooms closed, while visits shot up from 8.4 million to 9.4 million. Why are these vital services vanishing? The bottom line is, the U.S. health-care system is being looted.

In January 2001, a California Medical Association (CMA) report, "California's Emergency Services: A System in Crisis," sounded the alarm. "Once the envy of the country, California's trauma and emergency services are in serious jeopardy. In 1998-99 alone, emergency departments reported financial losses of over $315 million while serving 9.3 million patients. . . . For the average patient treated in an emergency room at a cost of $136, hospitals and physicians are only reimbursed $90. That is a loss of $46 per patient." The result? "Throughout California, ambulances are being diverted, hospitals are shutting down or scaling back emergency services, and patients are waiting hours for treatment. [California] faces a very real choice: Act now and save a system on the brink of disaster, or ignore the warning signs and watch the system flat line and die."

Just as deregulation of energy supplies has given energy pirates, such as Enron, a free hand to loot the financial stream from the sale of the production and delivery of energy, so too has the privatization of health care by Wall Street bandits—such as President George W. Bush's angel and speculator Richard Rainwater, who launched Columbia/HCA (see "How Wall Street 'Shareholder Value' Destroyed America's Hospital System," *EIR,* April 7, 2000)—turned the delivery of health care into a market commodity. Two acts of Congress in particular made this takedown of the nation's health and hospital system possible: the Nixon Administration's Health Maintenance Organization Act of 1971, passed in 1973 (see *EIR,* May 19, 2000), and the Balanced Budget Act of 1997, which gutted Medicare and Medicaid payments to hospitals. As the CMA report shows, these looting schemes have brought us to the end of the line.

Market-Driven Medicine Is Madness

"The lights are on, but if you dial 911 [in California] today you have only a 20% chance of being taken to the nearest hospital," Dr. Roneet Lev, president of the California chapter of the American College of Emergency Physicians (Cal/ACEP), told reporters in Sacramento. Dr. Michael Sexton put it this way when the CMA released its report: "It's every bit as important as the electricity crisis. . . . In emergency services, we've had rolling blackouts for years."

Indeed, just as with energy deregulation, prioritizing shareholder value above the general welfare of citizens, means that people die. According to a state health-care official, as of 1986 California did away with the regulatory licensing procedure called "certificate of need," to "let the market tell us where to build or close hospitals." Such market-driven madness has its consequences. Twenty percent of California hospital closures over the past 20 years occurred in Los Angeles County, whose estimated population of 9.5 million accounts for nearly one-third of all Californians, and is a larger population than all but seven U.S. states. California's estimated population of 33 million represents just over 12% of the entire U.S. population. Disease or epidemics do not stop at geographical borders, and thus the ramifications of ratchetting down the health-care system of the nation's most populous state will impact us all.

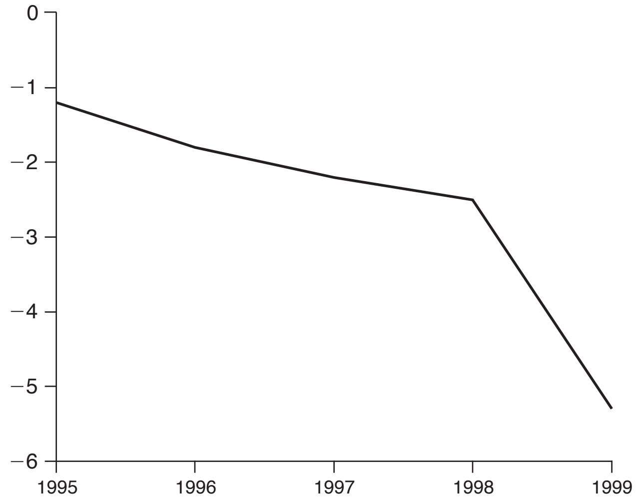
Let's look at the critical role emergency rooms have come to play over the last two decades, as the bandits have looted the health-care system. "The ER has become the point of entry into the health-care system for a steadily increasing percentage of the population—a reflection of the rise in the number of uninsured people and the consequences of managed-care gatekeeping that discourages access to other health-care services," reports California Nurse Association president Kay McVay, RN. The relationship between the "gatekeeping" practices imposed by the privatized managed-care policy matrix, along with the growing number of citizens without health-care insurance and the shutdown of hospitals and/or emergency departments, is quite direct. Compare the collapse in operating margins and the closure of emergency rooms in California from 1995 to 1999 (see **Figures 1** and **2**). As the rate of loss of revenues increased, the rate of emergency room closures increased. The California Healthcare Association's (CHA) April 2000 report, "California Hospitals—Facing Financial Crisis," from which Figure 1 is taken, reports that "64% of California hospitals have negative operating margins," and thus their operations alone "are not self-sustaining." To offset the loss, they must scramble for nonpatient income from gifts, grants, and so on. Even after that, the report says, "almost half the state's hospitals are operating in the red." Figure 1 shows that the loss in operating margins went from about −1.2% in 1995 to −5.3% in 1999.

Figure 2 shows that from 1995 to 1999-2000, nineteen hospitals with emergency departments closed, and nine, or 47%, of those occurred in 1999-2000. Of those nine closures, three were in the San Diego area, two in the San Francisco

FIGURE 1

Operating Margin Losses At California Hospitals

(Percent Loss)



Source: California Healthcare Association, April 2000 Special Report, "California Hospitals—Facing Financial Crisis."

TABLE 1

Emergency Department Financial Losses (Representative Counties)

(Dollars)

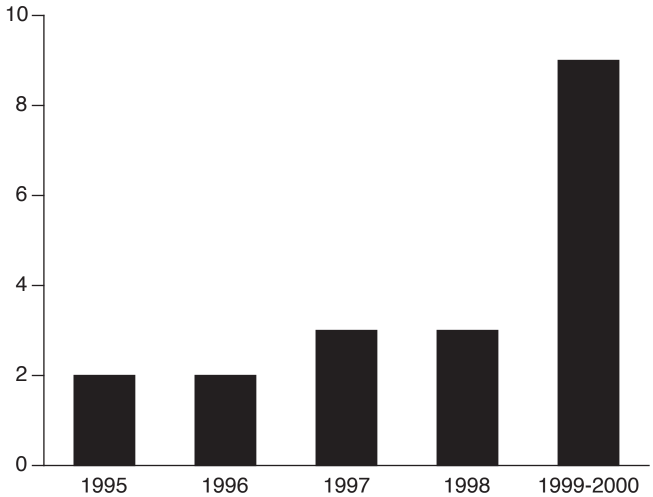
County	1996-97	1997-98	1998-99
Alameda	$9,805,952	$16,879,461	$20,802,807
Butte	2,049,620	2,592,243	4,216,448
Contra Costa	8,648,299	7,909,566	12,077,437
Humboldt	72,376	798,428	1,307,618
Los Angeles	78,195,890	77,037,599	94,944,083
Monterey	164,907	1,512,487	2,934,341
Sacramento	2,039,529	2,475,795	5,709,972
San Bernardino	16,381,315	17,142,584	19,679,307
Santa Clara	9,384,158	9,091,701	15,538,942
Statewide Totals (All Counties)	**$299,690,531**	**$291,986,350**	**$316,576,503**

Source: California Medical Association January 2001 report, "California's Emergency Services: A System in Crisis."

FIGURE 2

California Emergency Department Closures

(Number of Hospitals)



Source: California American College of Emergency Physicians' 2000 report, "Emergency Care in California: Overwhelmed, Underfunded and Dangerous."

Bay area, and one each in Sacramento, Long Beach, Lindsay, and Harbor City. During 1996-98, four of the 19 closed in the Los Angeles area. Each such closure forces patients to other facilities, which in turn adds to the overcrowding and waiting time for treatment. Of the 50 hospitals closed in the state since 1990, almost one-third (30%) closed since the Federal passage of the draconian 1997 Balanced Budget Act.

Size and Impact of Financial Losses

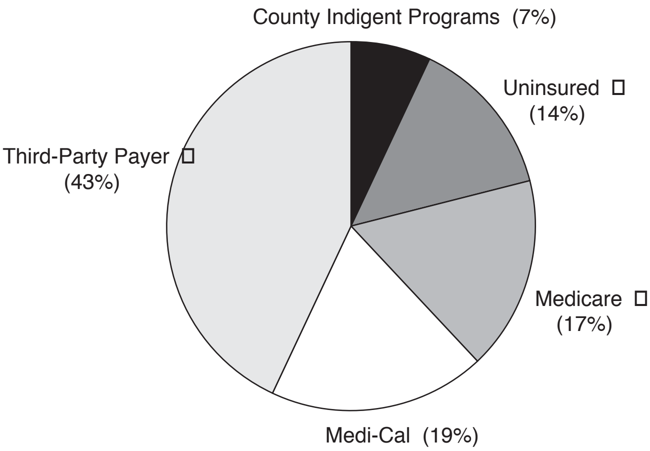
The CMA report asserts, "The current funding of trauma centers and emergency rooms is a disaster. The state's Medi-Cal [California's Medicaid] program severely under-reimburses the actual cost of emergency care. Many HMOs [health maintenance organizations] reduce reimbursement (down-coding), delegate the responsibility for payment to medical groups, or refuse reimbursement entirely because they didn't consider it an actual emergency after the service is provided. The flow of red ink has forced hospitals and physicians to function in a perpetual state of crisis." **Table 1** shows the losses sustained by nine representative counties across the state, both urban and rural. The increase in losses between fiscal years 1997-98 and 1998-99 ranged from a low of 15% to a high of 128%—but they all lost. For 1998-99, statewide emergency room losses totalled $316.5 million.

The impact of such losses is life threatening in many cases. A Cal/ACEP fact sheet lists some patient consequences: "preventable deaths and disabilities," "patients wait for respirators," "ICU [intensive care unit] patients held in ER for days," "long waiting room times," and "prolonged pain and suffering." Both Cal/ACEP and CMA cite forced ambulance diversions as one of the largest contributing factors to these consequences. "Hospital diversion [sending ambulances from one hospital to another] has spiked dramatically" over recent years as more and more hospitals have closed, the CMA report states. The diversion happens when an ambulance arrives at a hospital and is told the emergency room is full or closed. At that point, it is forced to shop for an open ER, which decreases the ambulance's availability to the community and extends the treatment wait time. During 2000, the following hospitals

FIGURE 3

California Emergency Room Use, by Payer 1998-99

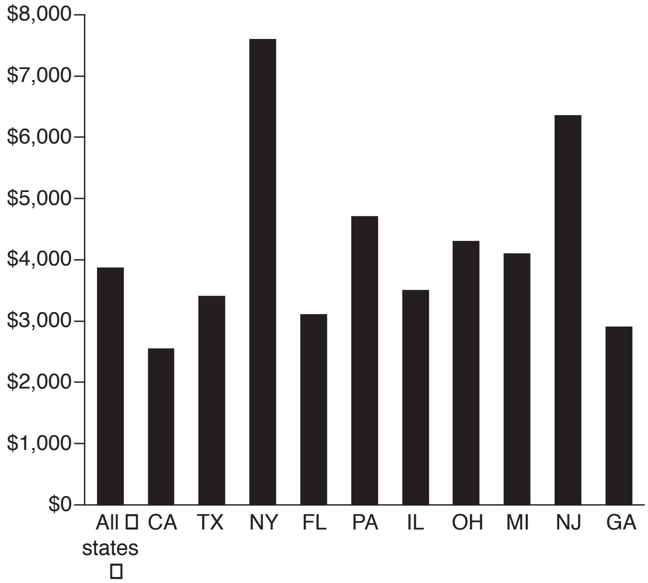
(All Services)



Source: California Medical Association January 2001 report, "California's Emergency Services: A System in Crisis."

FIGURE 4

Ten Most Populous States: Average Medicaid Payment Per Recipient



Source: California Healthcare Association, April 2000 Report, "California Hospitals—Facing Financial Crisis."

were on by-pass diversion: San Francisco General Hospital, 31% of the time; Los Angeles' Martin Luther King Hospital, 70%; and all of San Diego's hospitals, 15%.

Emergency rooms have become "the providers of first resort for many Californians," as more and more Medi-Cal and uninsured patients are squeezed out of the traditional health-care system. If we look at the percentage of use of ERs by type of payer, we begin to see why these vital service centers are operating in the red. The CMA report states, "Medi-Cal, uninsured patients, and county indigents accounted for 40% of all emergency room visits during 1998-99" (see **Figure 3**). The percentage of these patient types' use climbed to 53% in 40 of the hospitals which reported the greatest losses. The CMA reports, "For these patients the hospital and physician can expect inadequate or no payment." Next look at the "third-party payer" category, which is 43% of the users at California ERs. A very high percentage of this category of users are in HMO plans, which frequently reduce and/or refuse payments for emergency room visits. Add to this the balloon end-loaded 1997 Balanced Budget Act cuts, which will total $6 billion in Medicare cuts to California hospitals during 1998-2002, and you have a disaster.

The Failing U.S. Economy

While this picture is bleak, it will get worse. As the U.S. physical economy rapidly plummets, with layoffs increasing and production drastically contracting, more and more Americans are becoming uninsured. Of necessity, they will have to seek medical care at hospital emergency rooms. These economic realities will very soon swell the percentage of visits made to ERs by the uninsured and Medicaid recipients, thus further gouging hospital revenues. Simultaneously, states' budget deficits are zooming, leaving many legislatures scrambling for funding schemes to meet the state portion of the Medicaid program. Already in 1997, California ranked "last among the ten most populous states in expenditures" made on behalf of eligible Medi-Cal recipients (**Figure 4**), and 48th nationwide—which payments covered less than 40% of outpatient costs. Moreover, because of the 1997 Balanced Budget Act-mandated cuts, "The total Federal funds available for California hospitals will decline . . . , from $1.1 billion in 1997-98 to $881 million in 2001-02," the CHA reports. According to a CHA spokesman, total uncompensated care in the state has already risen to $2.958 billion, a 61.1% increase since 1998!

The magnitude of this looting of the California hospital system, compounded by the accelerated shutdown of the real economy and the energy crisis, cannot but cause the system to "flat line and die." Two California legislators have initiated stop-gap measure bills to stem the hemorrhaging. State Sen. Joe Dunn's (D-Santa Ana) bill would declare emergency care "an essential public service" like fire and police, and increase state funding subsidies for it. State Sen. Jackie Speier's (D-Hillsborough) bill (SB 17) calls for direct payment by HMOs for emergency claims. While both initiatives are not unuseful, nothing short of a full-scale national FDR-style mobilization to protect the general welfare as the guiding principle for any and all expenditures, will work.

Here Cows Burning, There Children Starving

by Rosa Tennenbaum

The beef market in the European Union (EU) has collapsed. Even Agriculture Commissioner Franz Fischler speaks of a "total breakdown" of the market, due to European consumers' hysteria over the outbreak of BSE ("Mad Cow" disease), even before the eruption of hoof-and-mouth disease in Britain. Beef cattle, and older cows in particular, became unsellable, causing not only big financial difficulties for farmers, but also crowded stables.

The EU decided to slaughter 1.7 million older cows and burn them, because there would be no need for the meat they deliver. This plan caused many politicians to raise "ethical concerns." German Consumer Protection Minister Renate Künast of the Green Party, in particular liked to talk in public about "morality" in this regard, but finally agreed to the program, despite having "ethical remorse" over it.

So, orders from abroad for this slaughtered meat should be highly welcomed, one expects. And there came a letter from the North Korean government, asking Künast to send the meat of 200,000 out of the 400,000 cows that are to be culled in Germany in this "market cleansing program" of the EU, as food aid to this country, to ease the needs of 2 million people who are suffering under famine.

Almost the total North Korean population has been exposed to starvation for three years. This Winter, the situation got even much worse. The whole North and Northeast of Asia is experiencing extremely low temperatures, down to –40°C (–40°F). Already the past Winter was very cold, and in between, there was a severe drought. In Mongolia, for instance, cattle have already frozen, and according to the United Nations, a total of 6.6 million head of cattle is at risk.

In North Korea, after years of famine, there are no cattle left to speak of. It is a hungry people who need help, and the demand by their government gave politicians like Künast, who were tortured by "moral scruples"—at least in public—the chance to get rid of the unwanted cows and to do good deeds at the same time.

'They Don't Need Meat'

But Künast rejected the request. "North Koreans," she stated, "do not need meat, but grain and rice." In addition, such aid programs would "distort the internal market" of the country, and third, the transport would be "too difficult and too expensive."

The EU's "market cleansing program" had already caused a storm among farmers and in the general population. The meat should be frozen and stored and given away for free to people in need, is the general opinion, because it is best quality and it is tested for BSE. *"Hier brennen Rinder, dort hungern Kinder, das kann's nicht sein!"* ("Here cows are burning, there children are starving, that must not be!") was one of the slogans farmers carried in their major demonstrations against this insane agriculture policy during the past weeks. On top of this came Künast's blatant and arrogant neglect, which provoked a lot of harsh criticism. The head of the aid organization "Cap Anamur," Rupert Neudeck, ridiculed the minister. "After years of hunger, there is no internal market to speak of in North Korea," he told the daily *Die Welt,* "so, aid programs cannot disrupt any." On the contrary, aid programs that are well planned and done in cooperation with the government could help to rebuild this country. "It is like with the raisin bombers," he reminded people, "they also 'disrupted the internal market,' then, but did a lot of good to the population." (The famous "raisin bombers," as Germans called them, were the American airplanes that flew into Berlin during the 1948 Soviet blockade, bringing everything the population needed.) Neudeck proposed to call the meat transport "beef bombers for North Korea."

Deutsche Welthungerhilfe (German World Hunger Aid), the biggest German aid organization, was also shocked at Künast's decision. Together with Cap Anamur, it has been working in North Korea since the beginning of the famine crisis. They know the country and its needs from within, and are ideal partners to work on such programs. Both organizations appealed to the minister to rethink her decision, and even offered to help finance shipping the meat and to distribute it through their networks.

At last report, Künast has declared herself willing to talk with North Korea about their requested beef aid. It had to guarantee that the meat would reach the population in need, and not the army, she said, trying to not lose more of her "moral" face while still insisting, that "rice, corn, and pulses would be the appropriate food to help the people in North Korea."

Other countries, which asked the EC bureaucrats in Brussels for some of the unwanted beef before it is burned, got the very same answer. The Serbian government, for instance, asked for beef to be included in the current aid program for South Serbia. This demand was turned down as well, with the stereotypical answer, that shipment would be "too difficult and too expensive. . . . We discussed the demand and rejected it, because it is not practical," the EC spokesman said. And "such considerations had no role to play" when the Commission planned the annihilation of 1.7 million cows. "Such considerations" to not just kill and burn, but to at least do some good in this terrible crisis, seem to be completely unreasonable for Western politicians, nowadays. There is only one exception: Moscow's Mayor asked Bavaria to sell 100,000 tons of beef, and Bavaria promised to deliver.

A Branch In the Road Of History

by Lyndon H. LaRouche, Jr.

Lyndon LaRouche presented the following keynote address on Feb. 17, to the annual Presidents' Day weekend conference of the Schiller Institute and International Caucus of Labor Committees, in Reston, Virginia. The theme of the conference was, "Is the United States Under Bush Doomed?" Subheads have been added.

I presume that most of you have read the statement, which I issued yesterday, on the matter of the United States and British resumption of Desert Storm, in effect, in Iraq.[1] The significance of that, I have underscored there, and you can read it. But let me just summarize the relevant points as they pertain to what I have to say, here, on this occasion, today.

What I knew, from the time of about Jan. 5, when it was certain that George W. Bush was going to be certified as the next President, I knew at that time, that a new aerial attack on Iraq was inevitable. That there was no reason, there was no provocation from Iraq, or anybody else, which would, or has caused this attack. Iraq was attacked, because George Bush, the President and his circle, intended to attack Iraq as soon as he could become President. And, that's the only reason it happened.

This happened in the context of a government which is desperate, a Bush government which is desperate; it's in the middle of a depression, which is onrushing; it's increasing in intensity day by day.

You'll see in this area, of Northern Virginia and so forth, you've seen a tide of tarpaper shacks, glorified tarpaper shacks, housing people, who have no skill whatsoever, except they went to a university, and got a starting salary, as recently as this summer, of $90,000 a year, for working in the so-called Internet and related fields. They're now losing their jobs in great packs; the housing which they bought into, with great mortgages, in this area—$400,000 mortgage and up—glorified

1. LaRouche's statement on the bombing of Baghdad was summarized in last week's *Editorial*.

Lyndon H. LaRouche, Jr. addresses the conference on Feb. 17.

tarpaper shacks, with Hollywood exteriors pasted on. They are going to be leaving these shacks, as the rate of mortgage foreclosures piles up, because they have no jobs, no employment, waiting for them, when they are mass-fired from the institution in which they work.

The Internet bubble is dead. That does not mean that all the computer firms and software firms are going to become extinct. What it means, is the bubble aspect of it will disappear, and we're going to have as much as an 80% collapse in employment in this area, particularly the soft area of employment. You're going to have a receding tide, as people who inhabited these hills around here, and these tarpaper shacks, leave the tarpaper shacks, to try to find out where they came from, and get back there quickly.

But, unfortunately, in outgoing tides, particularly in the case of a cesspool, the outgoing tide is less pleasant than the incoming tide.

Collapse of the Importer of Last Resort

So, this is the nature of the general situation. The economy of the United States is finished in its present form. The collapse of the U.S. economy, which you'll get more indications of, is unstoppable—day by day, has an impact on the world economy, because the U.S. economy has become an importer of last resort for much of the world. You're going to see a collapse in Asia, especially Japan and Korea, other parts of Asia. China is already preparing a program of expanding its internal infrastructure development, to compensate for the loss of employment, for exporting cheap-labor products into the United States. Canada is already feeling the pinch of the collapse of the importer of last resort next door—the United States. Europe is feeling the pinch.

The entire world is going into what can become the deepest depression in centuries, right now. And what you're seeing in Northern Virginia, with the mortgage foreclosure rate increasing among those who are receiving aggregate incomes of $90-100,000 a year or more for these Internet-related, bubble-related jobs, is simply part of the process.

Al Gore's dream is ended, in more ways than one. And, maybe he's ended, too.

But, in this process, we have a new President, who comes into a world which is desperate. He comes in, with a machine behind him, which, in its philosophy, its composition, and its habits, dreams of a world which will never be: They dream of a world, in which the Bush crowd—Enron and similar agencies—loot everything! The carpetbaggers of the South are looting the world as a whole. These are Enron.

You have a buildup in the United States, over the period of the past 35 years, since the budget change in the United States, in the year 1966-67. The first collapse of the aerospace industry, at that time, in which areas which had been concentrations of high-tech for the space program, were cut back, in very significant quantities.

And we've been going downhill ever since.

Nineteen sixty-six was also the time that Richard Nixon, then a candidate for nomination as the Republican President, went and met with the Ku Klux Klan, in places like Meredith, Mississippi. And also met with people like Trent Lott, the present Republican leader of the Senate, who practically was a Klan member, or should have been. (Maybe he couldn't wash his sheets regularly, at that time. Couldn't make it.)

But, at that time, you had a shift in the country. The areas of the United States, which used to produce most of its wealth—the family farms of 200 acres or 400 acres; the ranches of 1,000 or 2,000 acres; the industries of the urban centers, the steel industries, the machine-tool shops: These industries *have been turned into a rust belt*. And the people living in these areas have been suffering a disaster.

The wealth has moved out of the Northern states, and moved down into what was, at one time, the Confederacy. And, out of the Confederacy, the Southern Strategy, the racist policy of the Republican Party, augmented by the racist policy brought in with Jimmy Carter and his type, and the so-called Boll Weevils, in the late-1970s, has destroyed the United States. And it has created a new concentration of wealth, centered in the states which used to be the heart of the Confederacy. Racism reigns. A return to neo-Confederacy reigns. The rust belt rusts, and nothing good is built in the area of the new Confederacy—just things like these glorified tarpaper shacks, which burgeon on the hills around here, to house the people who came in like the incoming tide, and are going out like a stinking disaster.

This is the situation of the United States.

The End-Game Has Arrived

For 35 years, the United States has been destroyed. For 35 years, the economy of much of the world has been destroyed. This can't go on forever: We've now reached what I shall indicate to you today, is the end-game. And, the end-game is George Bush and his administration, an administration which has no future, which is on a short fuse to destruction—self-destruction. But it has a large explosive charge, and when it blows up—which will be soon—anything standing near it, in most parts of the world, can be severely injured.

And the question before us, therefore, is, what can we do, to prevent this disaster? Is this disaster inevitable? Is it in the cards? Is it irreversible?

Can we "put the toothpaste back in the tube"? I say, we can! As a matter of fact, if you knew anything about production, you'd know how to do that! People who can't put the toothpaste back in the tube, are not employable in skilled jobs in industry!

So, we're going to put the toothpaste back in the tube. That's essentially our program.

Why are we going to put the toothpaste back in the tube? Because, in a crisis, when you must suddenly mobilize a people, into a great adventure, which frightens them, you can not come up with something which seems to them, harebrained ideas. In a longer process, you can make great revolutions, for the future. But, in the short-term time of emergency, when people are terrified, when action must be rather immediate, *you must rely upon the examples from the past, and return to those things that did work, before the disaster struck, and put them back into operation,* as Franklin Roosevelt tried to do, with some degree of success, between 1933, when he was inaugurated—even before he was inaugurated—until the time he died, in 1945.

In times of crisis, you must look at history. You must look backwards, to find the good times, when problems and crises of the type you face today, occurred then. And, you look to a time, when somebody came up with solutions that worked—that worked as well as those things we did between 1933 and 1945, in getting out of the Depression, and getting through the war. The things that were done between the United States and Western Europe between 1945 and 1965, to rebuild prosperous economies, which generally benefitted all of the people in them (at least in those parts of the world), during that period. Incomes increased, the standard of living improved, employment increased, and so forth and so on. Life expectancy increased. Conditions of life improved.

So, we will have to go back, to things that we did, to the kinds of policies that worked in the past, especially between 1933 and 1965: those morals. Because, we can show the people that *these things worked*. Whereas the things that have been done, increasingly, since 1965, have not worked, have brought us to a disaster.

Therefore, put that toothpaste back in the tube! It can be done, and it must be done. And, in the meantime, we can go on to some of the great things, that we can do beyond that.

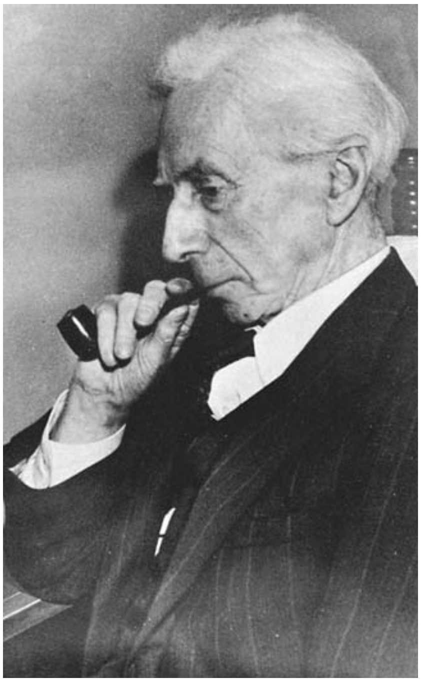
Now, this weekend, we shall be dealing with a number of highlights of this kind of problem. Shortly after my presentation, we'll have a presentation on how Kepler and others, including Gauss, determined what the nature of the Solar System was. It will be highly relevant, because it shows you the way that you have to think, to overcome problems, at times. It's a lesson which needs to be learned today, especially when there's no science, worth mentioning, being taught in the school system. You'll see one of the reasons why European culture has destroyed itself, how it's been destroyed from within. Why people today, coming out of schools, are less intelligent, less moral, with less moral strength, than they were, say, in my generation, or immediately afterward. You'll also find out some of the facts, as to what the nature of the crisis is, how bad it is, in a summary form.

And, we'll have some discussion, in the meantime.

Bertrand Russell's 'World Government' Project

So, let me just, then, situate what I've said, give you an historical picture of how this developed, and what we have to do about it. First, the crisis itself, and then, as to what *you,* and people like you, have to do to make the implementation of the technical solutions possible.

Now, let me go back—not all the way, to 1965-66—but, rather, go back to a point between February of 1982, and February of 1983. Now, what was important about that period, is that, from the middle of February 1982 through the middle of February 1983, I was involved in an important back-chan-



Bertrand Russell's plan was to use the threat of nuclear weapons to force nation-states to give up their sovereignty, and submit to world government.

nel discussion between the Reagan Presidency and the Soviet government. The discussion was an exploration of the feasibility of reaching an agreement between the two powers, and other nations, for what became called, briefly, by President Reagan, the "Strategic Defense Initiative."

This was not strictly a military program, although it had military aspects. We were then, at that time, as some of you recall, we were living under the threat of nuclear annihilation, a policy which had been introduced in 1945, with the bombing of Hiroshima and Nagasaki, by President Truman, at the urging of the British government—and at the insistence of Bertrand Russell, who is probably the most evil man who lived during the 20th Century in any part of the world.

It was Bertrand Russell, who proposed, together with his crony H.G. Wells—and H.G. Wells started this nuclear-weapons policy—to use a weapon so terrible, at that time, what Wells first proposed, in 1913, when he was an intelligence adviser to the British government, in a key position: At that time, he proposed, that what was known about nuclear fission—and he, at that time, was referring to radium fission, not uranium fission—that, we could use fission to develop weapons, which would be so terrible, that governments would agree to give up their sovereignty to world government, rather than go to war, with such weapons running loose.

This was the reason why Bertrand Russell, in 1939-1940, induced three of his stooges—Wigner, Szilard, and others—to induce Einstein to write a letter to Franklin Roosevelt, to set into motion what became known as the Manhattan Project. Now, the intent of Russell, was to get the United States, in cooperation with Britain, to build a nuclear-weapons arsenal. The purpose of that, as Russell made clear, in a paper he published in the United States in September of 1946, to create a weapon so terrible, in the hands of a world government, a joint world government of the British and the United States—the British, the Commonwealth, and the United States—to impose world government, by nuclear terror, upon the world.

What Russell also was involved in, was making sure that the Soviet government had such a nuclear arsenal. So, many of the leaks from the United States and Britain, into the Soviet Union—even though the Soviet government had its own, independent, and rather competent, nuclear program, including a nuclear weapons program; the Soviet government had been at this program since 1922, under the influence and leadership of a fellow called Vernadsky: Vladimir Vernadsky, a famous scientist. But, the idea of Russell, was to have the Soviet Union have a nuclear arsenal, with encouragement and provocation, so that you would have two powers, each with nuclear arsenals. And thus, you would have the danger of a conflict between two nuclear powers. And, you would therefore use this conflict *to terrify the world,* as was done in the Fall of 1962, with the [Cuban] missile crisis, to create the situation where governments—as they did!—in 1962-63, sign agreements, called détente agreements, to *submit* to an arrangement in the direction of world government, in order to avoid future nuclear-weapons confrontations.

So, that is the kind of world we've been living in.

Tory Attack on the American Intellectual Tradition

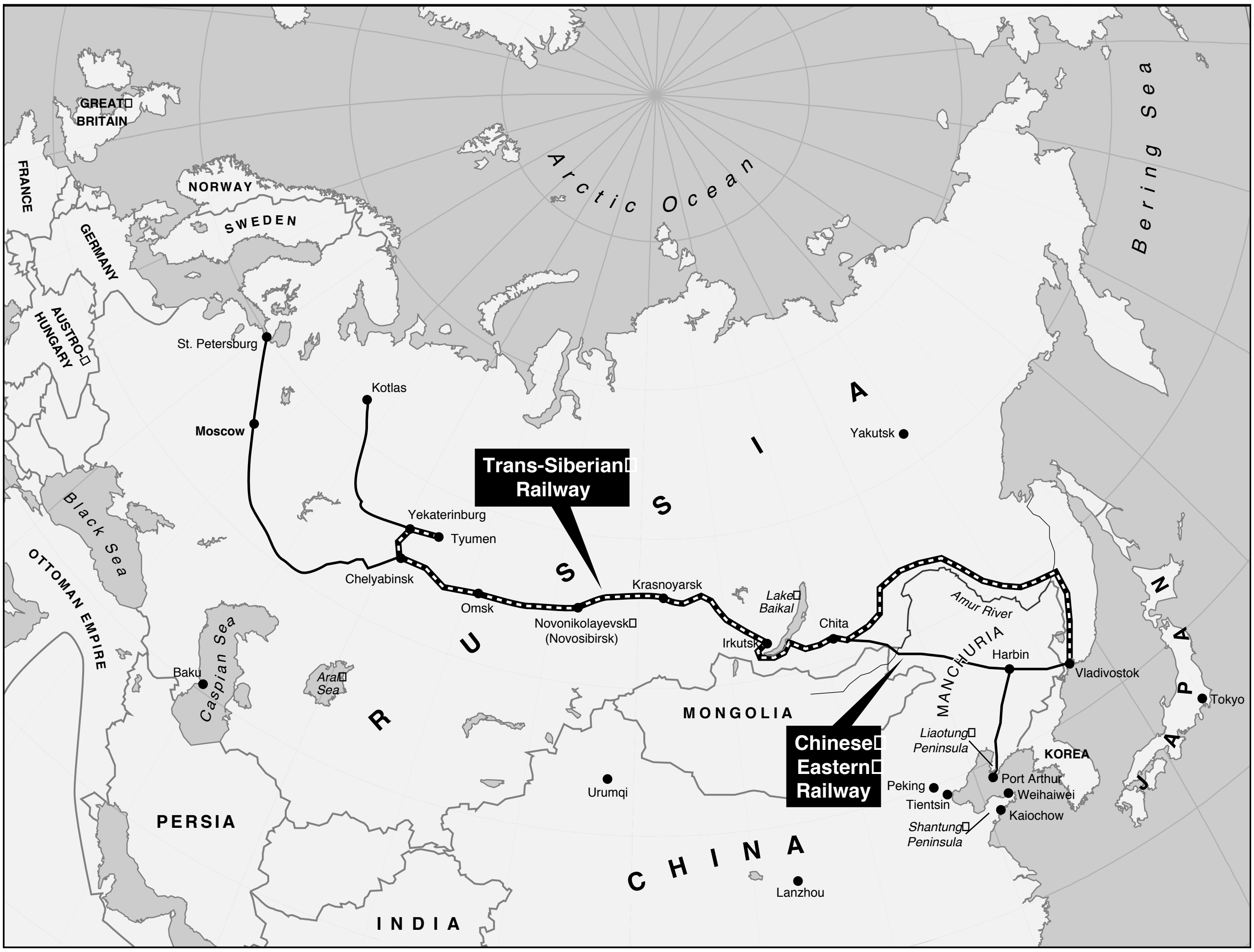
So, as a result of that, Russell and his crowd had another intention: *They hated the United States.* They hated the legacy of what's called the "American intellectual tradition": the tradition of Cotton Mather, and the Winthrops of Massachusetts, in the 17th and 18th Centuries. They *hated* Benjamin Franklin. They hated the American Revolution. They hated the Declaration of Independence. They hated the U.S. Constitution, and were determined to destroy us, as soon as possible.

Russell shared those views, which he expressed publicly, repeatedly. The idea, that the British Empire would give way to an American Century, was something that horrified Russell. And so, these people, who were behind this program, *were determined to destroy us, too.* But, to induce us to participate in our own self-destruction as a nation.

And what they did is, they went to an old enemy of the United States, within. And the United States has principally two internal enemies, since the time of the American Revolution. These enemies were called, in their time—and were also called by Franklin Roosevelt, by that name: "American Tories." The American Tories were the people who wanted to keep the American colonies under the British Crown, during the period of the struggle for U.S. independence. And, these consisted of two types: One type, were those tied to British financial interests, who are later what became Wall Street, and this crowd up in Boston, tied to Wall Street. The second group, was based initially in the states of Georgia and

FIGURE 1

Route of the Trans-Siberian Railway and the Chinese Eastern Railway



South Carolina: a slaveholder faction.

So, the alliance of the Wall Street bankers, who are close to the British, politically and otherwise, in alliance with the Southern planters, the founders of the Confederacy, was used by the British to try to destroy the United States from within. And that led into the process known as the Civil War.

Lincoln came out of the Civil War—not alive, just barely—but, his program was continued into the middle of 1870s. And, over the period from 1861 to 1876, the United States emerged as the most powerful nation-state, economically, on this planet. And the British were determined to destroy that.

But, at the same time, the success of the United States, in building up the world's leading economy, in technology and other respects, created admiration for the United States, in Japan, in Germany, in Russia, and other parts of the world. You had a great program, which was launched in that period, starting about 1876, for the building of trans-Eurasian railroads linking the Atlantic Ocean to the Pacific, across the land-area of Eurasia. These projects, which included the work of Count Witte—Sergei Witte—in Russia, and others; Mendeleyev, before Witte, the great chemist, the great scientist, who was the great railroad builder of Russia; working on the American model, the model of Henry C. Carey, the model of Friedrich List, together with forces in Germany, such as Emil Rathenau, and others. Forces in China, which came to include Sun Yat-sen, the founder of modern China. Which included forces in Japan, which worked closely with Henry C. Carey, and were, for a time, until the 1890s, the ally of the United States, and then switched and went over to become an ally of Britain, against the United States.

These forces were combined, in cooperation, through great transportation and trade, and technology projects, to build up Eurasia, as a group of nations, in the same way that the United States, with the aid of the Transcontinental Railway system, had built up the territory of the United States from the Atlantic to the Pacific, as an integrated, functioning economic territory.

The British feared this. It was a great threat. Because, if Eurasia were united with the United States in this kind of cooperation, and common interest, *then the days of Empire were over*. No empire could withstand the combined force of a united, or largely united Eurasia, and the United States.

So, [Queen] Victoria, at that point, had had her nervous breakdown, with the death of her husband. She was off in Scotland, taking drugs and fooling around with a strange gentleman, up there—wasn't paying much attention to business. She had a son, the Prince of Wales, who later became Edward VII. And, during the latter part of the 19th Century, this son (and I won't say of what) became known as the Prince of the Isles, the Lord of the Isles. And, he organized a force—or at least, under his leadership—to prepare to destroy Eurasia, by putting France, Germany, and Russia against each other's throats, putting Japan against China, and so forth and so on.

So, the real culprit, who made World War I, was the guy who died, before it happened: King Edward VII.

A Century of Treason

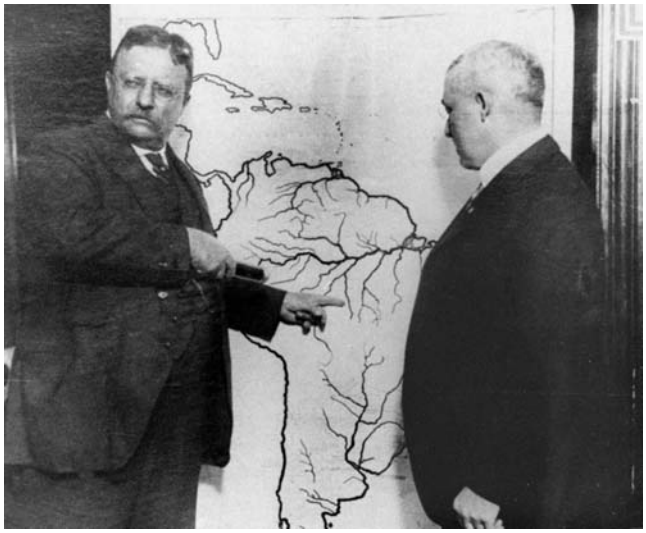
But, unfortunately, at this time, another thing happened: A President, who was a patriot, William McKinley, was assassinated. He was assassinated in New York, by the friends of Teddy Roosevelt, that is, from the Henry Street Settlement House in New York, which was a nest of the Teddy Roosevelt circles. This nest was headed, at that time, by a woman called Emma Goldman, who was a terrorist. Emma Goldman brought in a terrorist from Europe, a professional terrorist, brought him into the Henry Street Settlement House—and into her bed also! And, she took him with her—I suppose, bed and all—out to Cleveland, where she made an address, calling implicitly for the assassination of the President of the United States. This terrorist went up to Buffalo, and shot the President of the United States, who died a few days later.

And, Teddy Roosevelt, who was a son of the Confederacy (and I won't tell you what else), became President.

There was a sudden switch in United States alliances. Up to that time, the friends of the United States had been—except for this business with the Sino-Japanese War, which was a Japanese Emperor's alliance with Britain, against the United States—from China, Germany, Russia, some people in France, and so forth.

So, what had happened was, that Teddy Roosevelt's administration *reversed the alliances*. Up until 1901, the British Empire, the British monarchy, had *always been the enemy of the United States, from the founding, from the Revolutionary War*. From 1776 to 1901, the British Empire was the enemy of the United States, and every patriot so considered it.

In 1901, with the assassination of McKinley, the United States became allied with Britain and France, against its former friends in Eurasia. This alliance, of the United States with Britain and France, made possible the logistical efforts to support World War I against the continent of Europe—to support Britain. In other words, Britain could not possibly have won the war it started, World War I, unless it had, beforehand, the assurance of the economic, logistic, and military backing of the United States.



President Theodore Roosevelt (left). His administration reversed the alliances which the United States had had up to that time, shifting toward alliance with the British Empire instead.

So, the 20th Century was, from beginning to end, a century of treason, in effect, where, with the exception of President Franklin Roosevelt and to some degree the Harding Administration, and Kennedy, the United States was allied with its mortal foe, the British monarchy, against those nations, which had been, in the 19th Century, its friends.

Again, the process of trying to destroy us continued: Franklin Roosevelt, who referred to the Wall Street/Southern Confederacy types as the "American Tories," in his Second Inaugural as President, understood it. Roosevelt saved the United States, by using the crisis, the Depression crisis and the world financial crisis, to bring the United States into a program which is modelled upon the policies of Henry Carey, Hamilton, Friedrich List, and so forth.

So, Roosevelt, despite all the difficulties, and despite the Supreme Court, which at the time was pretty corrupt, managed to save the United States from what happened to Germany during the same period. So, the United States crawled out of the Depression, under Roosevelt's leadership, and reversed the policies of the Teddy Roosevelt, Woodrow Wilson, and Coolidge administrations, with some cooperation from Herbert Hoover, who cooperated with the incoming Roosevelt Administration, at the end of his own term.

So, the United States was saved. The United States was drawn into a war on the side of its enemy, Britain, because of

President Franklin D. Roosevelt (left) faces off against British Prime Minister Sir Winston Churchill, at Yalta in 1945. Roosevelt's intent was to use the power of the United States to eliminate all colonial power throughout the world, and to give freedom to all those who had been colonized.

the danger represented by the Hitler phenomenon. Roosevelt did not *intend* that the United States would remain the ally of Britain at the end of the war. The intent of Roosevelt was to use the power of the United States, the power the United States would have at the end of the war, to cause the instant elimination of all colonial power throughout the world: the dissolution of every remnant of the Portuguese, Dutch, British, and French empires and their colonies; to give freedom to all those peoples who had been colonized; and to assist in cooperating with them, in giving them access to assistance in developing modern economies, with which they could care for their people.

Roosevelt died. Truman, and the crowd around him, dumped Roosevelt's policy—a good deal of it. We went into a partial depression, in the late 1940s, which we need not have gone into, under Truman. A reign of terror was instituted in the United States, to try to break up, politically, the so-called "communist threat," to try to break up the Roosevelt coalition.

Nonetheless, the United States, in cooperation with Western Europe, continued policies, such as those of the [Jean] Monnet plan. And thus, the United States cooperated with Europe, and some other countries, in rebuilding the war-torn economies of Europe, to the great advantage of the United States, because we were the suppliers of much of the technology used to rebuild Europe.

So, Europe and the United States prospered, up until about 1965, under these recovery policies. So, 1933 to 1965, was a period in U.S. policy, in which our policies were, in net effect, positive. That is, personal, political freedom—except for Trumanism—tended to increase. The welfare of our citizens and those of Western Europe, improved—in many cases, significantly. Technology improved. Physical capital accumulations of great value, including infrastructure, improved. We made progress.

So, despite all of the things that were bad—and many were, during this period, especially 1945 to 1965—nonetheless, *the economic policy,* the policy of regulation, the policy of protectionism, *these policies made our nation strong, and the nations of Western Europe, strong.*

The Downward Descent

Since then, we've been going downhill, piece by piece. Beginning with the Southern Strategy launched by Nixon and his campaign, with the Ku Klux Klan, in 1966: organized a force to destroy the United States from within. Piece by piece, we were destroyed.

Nineteen seventy-one: The world monetary system was destroyed. We began to go down. The conditions of Africa, since 1971, have become impossible. The conditions in Central and South America, since 1971—but, especially since

1982—have become unspeakable. Brazil is the only nation still standing, which has any true sovereignty in South America, today. And it is *threatened* from Britain, and from sources here. Peru has been crushed. Colombia is destroyed. Mexico is under an iron heel. Central America is destroyed. Bolivia is crushed. Ecuador almost has no sovereignty. Argentina's destroyed. Chile is about to be destroyed. Venezuela is being destroyed from within. Colombia is being destroyed by terrorists, supported by the U.S. State Department! The situation in Central and South America is virtually helpless, if things go on, the way they're going. There's not the resources in this part of the hemisphere, *to resist* the terrible things that are happening to the population of Central and South America. The help will have to come from some other parts of the world, strategically.

Africa: What is being done to Africa, is just plain genocide. What is being conducted in Africa, with the participation of George Bush, Sr., in his participation in Barrick International, and Barrick Gold, is *organized genocide, using private mercenary armies, to seize raw materials and other assets, such as gold and minerals, and to destroy the population*—according to what? According to the Rhodes Plan! *The British plan for reducing the black population of Africa, which is now being carried out, jointly, by the United States and by Britain, the Commonwealth,* with the support of French gun-runners, such as the son of the late President Mitterrand.

Africa is being destroyed. The situation in Africa, in Sub-Saharan Africa, is now—for the long term, unless we change things—*absolutely hopeless*.

We're also in a situation, where the Middle East is about to be destroyed.

The Southern Strategy

Zbigniew Brzezinski, who is the twin brother, in a manner of speaking, of Henry Kissinger, is a racist, among his less-evil qualities. The two of them, Brzezinski and Kissinger, were creations of a peculiar kind of Pygmalion, called William Yandell Elliott—from Na-a-a-shville, Tennessee. Now, Elliott was a racist, Ah'll have ya know.

He was also a top British agent inside the United States in the 1920s. He was a leading figure of a group called the "Nashville Agrarians," who were these pro-Confederacy types—they wouldn't say openly they were racist, but they were. But, they said, they wanted the "gen'le ways of the ol' Confederacy." They said, they wanted "good gen'lemen," not these industries, and these other *nasty* things—Yankee-type things!

So, this treasonous creature became a professor at Harvard University, and became associated, as an agent, in the United States, of a top British intelligence organization. At Harvard, he recruited a number of people, as students, to become British agents! Among these, was a gentleman from Canada, of Polish extraction: Zbigniew Brzezinski, who was a darling of William Yandell Elliott, of Tennessee.

The second one, who eventually replaced Elliott in that position at Harvard, was Henry Kissinger, a racist.

These people are madmen. Their policies are the policies of H.G. Wells and Bertrand Russell. You can read the 1928 *The Open Conspiracy,* which Wells wrote, and which Russell endorsed, and which they've followed all their lives, their mortal lives, and their heirs are following to the present day.

Now, Brzezinski, who is the creator of the Southern Strategy organization inside the Democratic Party, under Carter; he was the man who picked Carter. Remember who Carter was: Jimmy Carter was a creation, in a sense, of a fellow, who used to have axe handles—remember? A very famous fellow [Lester Maddox], he was Governor of Georgia. And this character was the guy who was used to create Carter, as the Governor of Georgia. So, Brzezinski selected Carter, as Governor of Georgia, to become the next President of the United States. And, he got David Rockefeller to write the check. Therefore, the Trilateral Commission, which was then headed by Brzezinski, created a government, called the Carter Administration. And, they did more damage, and more destruction to the U.S. economy, than any other administration since 1966, in four years: the most destructive experience we've gone through. And, Carter was a racist of that type.

I knew these guys when I was in military service, back in the '40s; for part of the period, I was involved, as a non-com, in the training operation, taking in recruits that we'd scraped off the streets, I suppose, at the time, putting them into platoons in a company situation, and training them. At which point, I would declare, at the arrival of each new batch of recruits, "We just lost World War II." When I saw the way they lined up on the street.

But, I became acquainted in that period, very intimately—you know, when you're that sort of platoon group leader, training troops, you get to know what you're training. It's 24 hours a day, 16 weeks. So, I became acquainted with this Southern type, as from Georgia, Mississippi, and so forth, which is known as "the chameleon." Now, the chameleon is what is called in the South, "white trash." Like Carter: He smiles at you, he tries to seem polite—and he stabs you in the back. This is Carter.

So, under this, we had this administration, which did more to destroy the United States, than any Presidency, even more than George Bush was able to do, in the time he was there, on whatever drug he was taking: Halcyon drugs, or whatever. Especially with the economy.

This has been the policy. Under these guys, including Carter, under Kissinger's policies, the Kissinger policies in the Nixon Administration, we have destroyed the nation, we have destroyed our industrial capability, our agricultural potential; we destroyed our infrastructure; people are now working three jobs, instead of one and a half, per family, per person, in families, among adults. The lower 80% of the population

President Jimmy Carter, the archetype of a certain kind of "white trash" Southerner: He smiles at you, he tries to seem polite—and he stabs you in the back.

family-income brackets, has been *plunging* in its share of the total national income. And whole areas of the country are simply collapsing.

The situation in energy, since Carter introduced deregulation under his administration: We've had no significant increase in replacement of the energy supplies, electrical energy supplies, and so forth, in that period. We've been destroyed. So, we've now come to the point, where we're looted, destroyed, and our population has lost many of its productive potentials and capabilities it had, 35 years ago, or even 30 years ago.

LaRouche Intervenes

Now, let's go back to this discussion I was having between February 1982 and February of 1983: The discussion was my proposal, to the Soviets, as well as to the Reagan Administration—people I was dealing with—that both the Soviet system and the United States economy, were ultimately doomed if they continued on their present track. We had two problems: The first problem was, we had a system of nuclear deterrence, which was becoming increasingly unstable and increasingly dangerous. We had to do something to get rid of that nuclear deterrence, because, especially under conditions of great financial and related economic crisis, political conditions tend to become highly unstable. And chain-reactions and strategic implications can develop, which can lead to outbreaks of wars, which otherwise would be unlikely. And, therefore, we could not leave this nuclear deterrence policy sitting out there, waiting for an economic crisis to trigger global confrontations, which might put nuclear weapons into play.

That was point number one.

On this, my point was, we had the ability to develop the kind of systems which could neutralize the effectiveness of this kind of nuclear deterrence. That is, it was not necessary to sit back and die. There were things that could be done to deal with this threat.

Secondly, to do that, would mean you would have to organize a scientific crash program, of the type we did with the Manhattan Project, the type we did repeatedly during World War II, for a mobilization, and the type we had done under the Kennedy space program.

Now, if we were to take the frontier technologies, including fundamental scientific work, which could be done, which was on the boards, so to speak, and ready to go; and if we put the muscle behind that, to develop the technologies needed to deal with this threat, we would also develop, as spin-offs, the technological infusion into our economy, to rebuild our economy. We and the Russians (the Soviets, at the time) had the same problem. Europe had the same problem: Their economy was doomed. Our economy was doomed; theirs earlier than ours, but we were both doomed. Therefore, if we would agree, to cooperate in developing these technologies to eliminate the nuclear-weapons threat, this deterrence threat, we would have, as a benefit, the improvement of economies at a time that the economies desperately needed exactly that type of infusion of technology and growth, to keep them from collapsing.

That was the policy.

So, this was the policy, which I was discussing with the Soviet government and with the Reagan Administration people involved, during the period from mid-February 1982 through mid-February of 1983.

My last discussion with the Soviet representative, personally—others had discussions that occurred, but my own last discussion, occurred in the middle of February, in Washington, in 1983, at which I received a report from the highest level of the Soviet government, that Secretary Andropov—Yuri Andropov, then the chief honcho of the Soviet system—had decided they should turn down what I had proposed. Andropov was dead set against it. I said, "This is a mistake. You've got to get back the message to them, that, if the President of the United States offers what I've told you he should offer, publicly, and, if the Soviet government publicly rejects that offer, the Soviet economy will collapse within about five years."

Actually, it collapsed in six.

Now, the point was, that the U.S. economy was headed in the same direction! But, because of our global resources, and because of the power we represented, together with the Anglo-Americans generally, we had greater resilience and greater resources to draw down upon, to postpone our collapse. But, we were, too, headed for a collapse.

Then came, 1988—Oct. 12, 1988: I gave a press conference, which was televised, in Berlin, at which I forecast that, within the short period ahead, the Comecon system would begin to disintegrate economically, starting with Poland. And that this disintegration process would lead toward the reunification of Germany, with the prospect of Berlin being accepted, again, as the capital of a reunited Germany. In that connection, I proposed a program, initiated by the United States, with the support of those in Europe, and offered to the countries of Eastern Europe and the Soviet Union, for cooperation in rebuilding their economy and ours, along lines which we had used between 1945 and 1965, to rebuild both the U.S. and the Western European economies.

The following year, 1989, the head of Deutsche Bank, Alfred Herrhausen, was about to go to New York to give an address, and the content of that address was later made available to us: Herrhausen proposed—in German terms, essentially, in response to the crisis in Eastern Europe—essentially what I had proposed, or things in the same direction. Herrhausen was killed, probably by French intelligence; there was no Baader Meinhof Gang living at the time. Just the same way that Walther Rathenau had been killed by the French, because of his participation in the proposal for a Rapallo Agreement, back in the 1920s.

So, at that point, Thatcher, who was a Germany-hater, and Mitterrand, who was determined to destroy Germany, supported by George Bush, set into motion a program, which has, since that time, destroyed, systematically, the economies of Western Europe and the former Comecon countries. They've all been destroyed—looted by carpetbagging methods.

We've now come to the point, as a result of that policy, by the United States and Britain, which had advertised it and set up a one-world empire, an Anglo-American empire—and that its European allies didn't mean much, they would just do as they were told—we've now reached the point, that the entire shebang is coming down.

The 'Y2K' Bubble

We entered the last phase of this about 1995. In 1995, in order to try to postpone the collapse of the system, the relevant banking crowd created a bubble: What they told us, was, that the year 2000 is coming, and that the computers are going to break down. Because the computers, because of the way COBOL was designed, back at the end of the 1950s—and COBOL is lurking within all these programs—that when it comes to '99 and goes to '00, the programs will all quit. So, all your accounting systems, your financial systems, will blow out; all your packaging, all your sales systems, will blow out. So, on the basis of this so-called Y2K fear, the United States began pouring vast amounts of money, together with other countries, into a financial bubble, called "Save the World from Y2K."

They couldn't promise a Battle of Armageddon, so they gave you Y2K, instead!

So, what happened as a result, you see around here: A vast, financial bubble, a pure financial bubble, was set up in expanding the so-called Internet, telecom, etc. area, with these kinds of investments, which is all based on pyramiding financial gains—a purely speculative market. Last Summer, this financial bubble reached the point, that the financial situation of the U.S. economy, was similar to the threat which the German economy faced in the Summer of 1923. Remember, prior to the Summer of 1923, as a way of getting the French troops out of the Rhineland, Germany had agreed to print money, to pay the French war reparations demands. During the initial period, until the Spring and Summer of 1923, this printing-press-money issue of reichsmarks, did not cause a significant net inflation in commodity prices, for the reason that the world as a whole, at that point, was in a post-war recession, with strong deflationary pressures on commodity prices.

So, you had an inflation in financial values, which was not immediately reflected in the commodity prices. We had the same thing, from 1995, until about the year 2000, the phase of the Y2K bubble boost. At that point, what happened to the U.S. economy, the U.S. financial system, is exactly what happened to the German financial system, monetary system, in the Summer of 1923: The amount of new printing-press money you had to put into the system, to roll over the existing amount of threatened debt, exceeded the amount of debt you had to roll over. When that happens, under a condition of limited expansion of the real economy, the result is a hyperinflationary explosion. Germany went into a hyperinflationary explosion, suddenly, at the time that condition was reached, in the Summer of 1923. November 1923: *No more reichsmarks*. This was the famous wheelbarrows of billions of marks that weren't worth anything. Couldn't buy a loaf of bread with them.

We are now in a similar condition. What you're seeing in the energy prices, what you're seeing in the costs of supplies—manufacturers' supplies—combined with what you're seeing in the collapse of retail sales, what you're seeing in terms of the mass layoffs, in one industry after another, which is now building up into an international chain-reaction, is a process of a depression, caused, like that of Weimar Germany in 1923—worldwide—by the collapse of a financial bubble, which has gone into a hyperinflationary phase.

That's why Alan Greenspan has lost his marbles. He probably didn't have too many to begin with, but whatever he had, he's lost.

So, we are now, at this point, where it is impossible, by the present methods, to keep this system going. It is in the process of going into a deep depression. And nothing that these guys are proposing, or will accept, will work. The idea of more deregulation, the idea of tax reductions, all these kinds of things—cutting down the role of government, opposing re-regulation: All of these things ensure nothing but the greatest depression in world history. *Globally*.

Because, what happens is, the U.S. is the importer of last resort; nations all over the world have been depending on dumping cheap-labor products on the U.S. market, for the products we no longer produce. As our market declines, as you saw in the last-quarter retail sales, which is the big Christmas retail business, from the last quarter of the year: That collapse set into motion a chain-reaction collapse around the world, which, together with the financial collapse, caused by the hyperinflation, has sunk the world economy. We can no longer finance that kind of subsidy for imports, as we were doing before; therefore, we can't do that. Therefore, our suppliers, who have used us as a market, are now being shut down.

For example, Mexico can expect, 20, 30, 40% of its exports into the United States to be wiped out, very soon. One of the biggest. Canada is already suffering, as you've seen from some reports recently from there. This is a global process.

Yahoos, Satellites, and Crisis-Management

So, now you have an administration, which has an evil policy—the Bush Administration policy—*but the policy won't work*. Therefore, what does it do? As I said, what it would do. It would go into crisis-management. It would make wars, where none existed. It doesn't need any provocation: It just makes war, because it needs a war; needs a distraction. It will tend to go to dictatorial methods, inside the United States, in the same way that it launched an attack on Iraq. A Middle East war is now almost inevitable, not because the conditions for war exist, but because the present Israeli government, and the Bush Administration, *want that war!* It won't happen because there's a problem in the Middle East; it's not a Middle East war. It's a war which the Anglo-Americans want, together with the Israeli government, the Sharon government. It's a war cabinet; a war government.

This is the situation we face around the world.

Now, how do you change it? You have a government that's collapsing; it's incompetent—the most incompetent government we've had in this century, by far. George Bush is the kind of President, if he wants to discuss philosophy, he has to sit down in a chair, so he can gesticulate with his legs—his hind legs. This is the kind of President he is. And, what's behind him? Apart from those wiggling hind legs?

You've got three things behind him, apart from the old Bush. He couldn't make it up the tree, that's why they call him Bush. You have, on the lower level, you have the American Yahoos, typified by Ashcroft. These people are totally irrational; they're by and large racist; they're Ku Klux Klan material—real Ku Klux Klan potential; they're killers, they're stupid. They won't listen to reason. *But they want their way*. Theah lahk th' fella from Tennessee, y'know? The typical Southe'n boy? Who says, "Ya know how Ah git, when Ah don' git mah way." That's what you've got; that's what you've got to deal with.

Now, you have at the top: You have the Cheneys, the O'Neills, the Rumsfelds, and so forth. These are old hands—they're not stupid. But they're part of a machine. They're in there, to run crisis-management, which is what they did before; that's their career. Since Rumsfeld worked for Nixon. That's what he did. That's what Cheney does: crisis-management. Oh, they're smart, yeah. But also, they're dumb. Because they're riding a dead horse, and that's not a smart way to get across the desert. That's part of the problem.

Then, in the middle, you have what we call in the intelligence trade, the "satellite" elements: like Richard Perle, like Wolfowitz, like Armitage, like Oliver North. These are the scum of the earth: They're killers. These are the special-warfare creeps, who like to kill people. These are the people who think like some people in the military—the special-warfare types. They don't think in terms of winning wars; they think of makin' people heah, by: "Ya know how Ah git, when Ah don' git mah way!" They kill!

What did they do in the Balkans? They got a war, because they wanted a war: Blair, Gore, Madeleine Half-bright, wanted a war! They made a war. They lost it. They said, they won it. They bombed everything in sight, including the Chinese Embassy in Belgrade, which *they did on purpose—just to teach them a lesson!* And they lost it.

They go in to *kill*. The idea that, if you kill enough people, as we're doing in Iraq; *if you kill enough people, you'll make them submit! Kill 'em! Kill 'em, until they quit!* This is Oliver North. This is Armitage. This is Wolfowitz. These are these creeps; they're killers.

So, you have a combination of a President, who's stupid: frankly, honestly stupid. We've finally got a President, who is sincerely stupid! That's the only kind of sincerity he can have! But, what does that mean for the country? It means, that you have these elements, combined with something else. You say, "What's the Bush policy?" Ha, ha! "Why do you ask such a question?" They really don't have a policy: They have a special kind of interest.

If you look at the financial structure of the United States, the banking, where all the big swindles are, you'll find that, over a period—we documented this; John Hoefle documented it in *EIR*[2] (you'll get some more of this tomorrow)—a national network of leading banks was built up, by mergers and acquisitions, and other means, to build up a great concentration of power, which is international in character, tied to interests like Schlumberger in France; but, essentially a *Southern financial empire*.

So, what you have now, in the form of Enron, and similar firms, you have carpetbaggers coming out of the Confederacy, to loot Yanklee-land, through Enron. This power, which is created *politically,* by political laws, by laws passed in the Congress and other measures—this power is what the Bush machine represents. This kind of parasite.

Its power, its interest, is to defend and maintain, and try to increase, that power!

The California Energy Crisis

For example: Take the California energy crisis. We have a worldwide energy crisis, and especially a West Coast energy crisis. There's only one way you can deal with that energy crisis: You've got to go back to regulation. Use what we prepared in the 1930s—Chapter 11 bankruptcy protection for the entire industry. You see, in this kind of Chapter 11 bankruptcy, you protect not only the creditors and debtors; *you protect the general public*. You see, because the people of California, for example, have to be defended. The interests of the firms of California, the farms, have to be defended. Whether or not they're involved in the relationship between the creditors and debtors, is irrelevant. The fundamental interest of the United States, is that our people have electricity! That our firms have the power to operate on. That our hospitals function. That our farms function. When we go into court with a Chapter 11 bankruptcy, these interests come on the table, and actually have the greatest say, in how the bankruptcy will be renegotiated. The creditors and the debtors go into a second tier. What comes up front, is the interest of the nation; the interest of the people; the interest of the economy.

So, we need Chapter 11 protection, for all the imperilled sections of vital infrastructure for our national economy.

Secondly, we can not do this, without both a combination of Federal and state *re-regulation*.

If we do that, we have enough energy available to manage this crisis, and can manage this at prices, at charges to people who are using electricity, to ensure the electricity they require, and to ensure that it's delivered to them, regularly, at a decent price. We can guarantee that.

If we do that, the energy crisis, is brought under control.

But, what does that mean? That's in the interest of the nation. How can any patriot oppose that? George Bush has to be opposed to it. If you look at the combination of financial interests, which is represented by the people that gave the money to make Bush President: *These guys would be wiped out, by an honest deal*. Because they make their money by looting; they bid up the price. The reason that the prices go up, is purely that these fellows are looting the United States, as well as other countries. Therefore, the interest, the reaction, the response of these people, is *against* the interest of the people of the United States; *against the national security interests*.

Take the case of the military business. The U.S. military is in a mess. George Bush wants to get us into wars all over the place. (He doesn't do too well in the submarines, recently, does he? That management department's broken down.) But, how are they going to do it? The U.S. military is decaying! The troops are decaying! They're not being cared for! Sergeants on welfare! Who's he kidding? *We don't have a competent military. But Bush wants to have a war, or wants a policy, which is a war policy!* But, he won't pay for it.

Why? *Because that conflicts with the interests of—his interests!*—of the interests that own him! Including the Yahoo machine, typified by Ashcroft; the Wolfowitzes; the Ollie Norths. And people like O'Neill, in the middle of this. Cheney's in the middle of this; Rumsfeld's in the middle of this. How are they going to have a defense policy? How are they going to defend the United States? They can't.

So, therefore, you're in a situation, like an emperor of a doomed empire. You're dealing with King Lear. You're dealing with that kind of situation. *It's finished. It's over*. Ah! So, the question is, they're doomed! Well, you've got two problems: How do we keep them from taking us down with 'em?

A Fundamental Conflict

There are two answers to that. Number one: We have to have a strategic policy, because I must, in my capacity, give you and other people in the United States, and elsewhere, a sense that there's a strategic correlation of forces—not necessarily military forces, but a correlation of forces—on this planet, which can change this.

Now, where is it? Right now, there's a conflict, a fundamental conflict, between the Bush Administration and Western Europe, Western continental Europe—despite the French complication—typified by Germany: Western continental Europe, as typified by Germany, wants arrangements with Russia, long-term arrangements, with Russia, with China, with India, and generally throughout Eurasia. That's the fu-

2. John Hoefle, "Southern Strategy, Inc.: Where Wall Street Met Tobacco Road," *EIR,* Jan. 1, 2001.

ture of Germany. That's the future of Western Europe: To secure long-term—that's 25-year kind of long-term—agreements, on trade; long-term capital investment. *That is all that will keep Europe from going down you-know-what.* That's Europe's interest.

It happens to be also our interest, that this thing can be done. So, therefore, the idea of a Russia-China-India combination, including the nations of Southeast Asia, Korea, Japan, India, nations of Central Asia, Western Europe, and so forth; this combination, if held together, in order to deal with a crisis, which is otherwise uncontrollable, is one of the most powerful forces, politically, on this planet.

One of the reasons that people don't know that they're people, and think they're human cattle, is because the quality of the individual, which sets man apart from and above the cow, is the ability to either discover a valid, universal physical principle, or to at least re-experience that discovery, that was made by somebody else.

If the United States is a partner with that combination, in Eurasia, then this planet has a chance. If we have that, that kind of United States, *then,* the problem with the people of Mexico, the problem with the people of South America, can be addressed and dealt with. The problems of the people of Africa, particularly Sub-Saharan Africa, can be addressed.

Without that, they can not be addressed. Don't say you have a policy for Mexico: If you don't have a policy for Eurasia, you don't have a policy for Mexico. You're just chomping your lips. If you don't have a policy for Eurasia, you don't have a policy for Africa; you're just chomping your lips. If you don't an orientation of the United States, to cooperate with Eurasia, rather than fighting against it, you don't have a chance for the United States. You're just chomping your lips.

So therefore, the first thing we have to do, is, to give the American people, in particular, a sense that, out there, in the world at-large, the greatest part of the human population, is desperately needing the kind of cooperation which we need to have existing on this planet.

Therefore, let's go out and make the deal.

That, an American can understand, if it's made clear to them. That's our alternative.

Secondly, the American has to understand, that we once had a policy, as from 1933 to 1965, which worked, with all the faults in it. Therefore, we have to return to that policy immediately, as opposed to what was done since 1966, to send us down the Southern Strategy road to Hell, and the collapse of the economy.

Change the American People!

Now, thirdly, there's something else, which is also extremely important: We have to change the American people! What's wrong with the American people? You see it, in this outburst of this wild-eyed fundamentalism, by these loonies, Pat Robertson, Jerry Falwell, and so forth. What's wrong with the Americans? They're crazy! You can't believe that! That has nothing to do with God! That has to do with putting money in Jerry Falwell and Pat Robertson's pocket! This is an Elmer Gantry phenomenon! They should go back to selling used cars, and stop peddling this fake religion, that they have.

Why is it spreading? Well, partly, it's like the Southern white-trash phenomenon: People who are white, who are oppressed by the Confederate system, or its Confederate-like system, lived in great poverty, with no optimism, no education, brutalized; and, they express that brutality in their lunacy. They're crazy. Family trees, with no branches. That sort of thing.

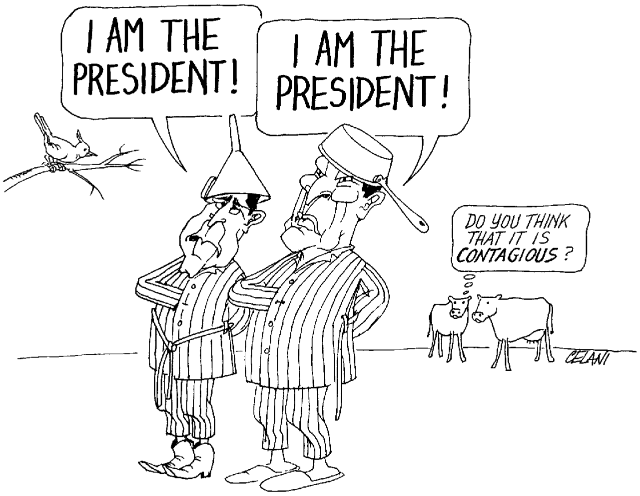
So, what's happened is that something similar, analogous, has happened to the people of the United States: stripped of a purpose in life; stripped of an industry that you're proud of in the community; stripped of a kind of work, which you enjoy; stripped of the family life, where the family is together, involved in a productive relationship. Denied the schools, in which children are protected, and developed. Denied a kind of cultural life, which is meaningful. Living desperate lives, with nothing in sight to make it better. People go crazy.

The word is now, that 20% of the U.S. population are insane—this is the press report. I think they're underestimating it. Otherwise, how did Bush or Gore get to be the Presidential candidates? There has to be something wrong out there, with the people.

The problem is, is that you've developed in the United States, a slave mentality among about 80% of the U.S. population. By slave mentality, I mean the slave, who'd go up and knock at the back door of the slave-master's white house, and beg for handouts. Or, go back and say, "Give us some reparations. Don't bother freeing us from slavery, just give us some money." You know this kind of thing; you've seen it all over the place.

What you have is a population, which believes that it is *human cattle.* Just the way the slave was treated as human cattle. The way that the poor, in many parts of the country, even who were not enslaved, were treated *as human cattle.* When people think they're human cattle, they begin to think, religiously, like John Ashcroft. They become bestialized: crazy beliefs, savage, brutal.

And, thus, the problem is, that the American people—



How did Bush or Gore get to be the Presidential candidates in the first place? There has to be something wrong out there, with the American people.

why did they vote for Gore or Bush? Most people despise both of them. Why did they vote for them? "Well, we're nuthin' but human cattle. Don'tcha know, if we don't vote for Gore, we're gonna get Bush." "If we don't vote for Bush, we're gonna get Gore."

That is the human cattle, lowing in the pens! Because they think of themselves as human cattle. They're begging, knocking at back door of the master's house, waiting for some reparations, or some handouts. They're not saying, "We are the people. We have rights. This is our country. This is our government. We're citizens. The country is run for us, not as individuals, but as a people. We have to stand up on our hind legs, and act as people, not human cattle."

There's a key part to that: One of the reasons that people don't know that they're people, and think they're human cattle, is because the quality of the individual, which sets man apart from and above the cow, or above the hard-core Gore voter, is the ability to either discover a valid, universal physical principle, or something similar, or to at least re-experience that discovery, that was made by somebody else.

Now, to make these kinds of discoveries, and to use them, requires the use of a faculty, called "reason," called "cognition," within each sovereign mind; a quality which sets the individual human being apart from and above, the monkey—the ones that did, or did not, make it up the trees. Therefore, you need the kind of cultural activity, and the kind of life, the kind of educational process, the kind of cultural activities, in which, you become conscious, as a conscious participant in that kind of activity, which says, *"I am made in the image of God."*

When you believe that, you no longer think of yourself as just another animal; but you think of yourself as a human being. You think of your character, your rights, *and your obligations as a human being,* your right to do, with the life you have, something good, that makes your having lived worthwhile to those who come after you. That right. When you are energized to see yourself as a citizen, in that sense, then a people, which happens to be the overwhelming majority of our people in this country, today, will have the courage to stand up, as long as they have a sense of a strategic perspective.

How can we win? We can win on the home front, and otherwise, by returning to economic policies that once worked for us. Two: We can deal with the world at large, by making partnerships, especially with people in Eurasia, who are our most likely large-scale partners, which will then enable us, at the same time, to bring justice to Central and South America, and Africa.

We need a movement, a moral movement in this country, which looks at itself, at the nation, at the world, in those ways. We need a movement in this country, which becomes a voice heard around the world, saying, "In the United States, there are people who think like this." You get that voice going out, from the United States, into China, into Korea, into Japan, into Southeast Asia, into India, Central Asia, Europe, Africa, South and Central America. Then you will get a response, a lifting up of eyes and hopes among people who are desperately oppressed now, who will say, "We have a friend, inside the United States. Let's hope he takes over."

Thank you.

Globalization in Africa: A New Form of Slavery

by Muriel Mirak-Weissbach

Africa can develop its immense resources, to become a continent of modern, industrial nation-states. That was the subject of a seminar held in Khartoum, Sudan, on Jan. 14-17, 2001. Co-sponsored by the Sudanese Centre for Strategic Studies and Ministry of Information and Culture, with *EIR* and the Schiller Institute, it laid out a series of detailed studies, showing how advanced infrastructure development, in water management and transportation, in particular, can vastly increase agricultural output, and integrate the economies of the region, as well as to link Africa to the Eurasian continent.

EIR has published two previous reports on this unique conference. Our issue of Feb. 9 featured a paper by Lyndon H. LaRouche, Jr., submitted to the conference panel on "Peace Through Development, Foundation for a Dialogue Among Civilizations," as well as speeches by Helga Zepp-LaRouche and distinguished panelists from Sudan and Nigeria. Our Feb. 23 issue included Mr. LaRouche's keynote address, "The New Bretton Woods System: Framework for a New, Just World Economic Order," and speeches by specialists from the region, on elaborated proposals for the economic development of the Nile Valley.

Why these ambitious, and eminently feasible plans have not long since been implemented, is the obvious question raised. And the answer, which should be just as obvious, is, that the leading financial and political-economic institutions of the current order, the International Monetary Fund (IMF) at the top, have pursued a ruthless policy of usury and non-development for decades. They have been committed to preventing any meaningful development, in favor of looting the continent's raw materials and minerals resources, to the bone.

The name of the policy, is globalization, presented as an advance in international relations, to enhance trade relations and cooperation. In reality, globalization has proven to be, as Prof. Sam Aluko of Nigeria put it, another form of slavery. In contrast to "internationalization," which seeks to promote cooperation among sovereign, national governments, Professor Aluko said, globalization "seeks to undermine the very concept of nation-states." Through its economic policies, of the free market, combined with the conditionalities of the IMF, known as structural adjustment programs, globalization has devalued national currencies, destroyed viable state-sector enterprises through privatization, drastically lowered the standard of living, and thus encouraged the spread of poverty and epidemic diseases.

This has been the "success story" of globalization, Professor Aluko demonstrated, in Eastern Europe following the collapse of communism, as well as in Asia and Ibero-America.

But most dramatic, has been the ravaging of the African continent. The Khartoum seminar dedicated one session to this theme, "The Economic and Political Failure of Globalization in Africa." Joining Uwe Friesecke from *EIR*'s Africa Desk, were two leading intellectuals from Nigeria, Prof. Sam Aluko and Prof. Ode Ojuwo, whose first-hand reports on the IMF's impact on their country, provide chilling proof of the accuracy of the charge that globalization is another form of slavery.

The task assumed by the sponsors and participants of the Khartoum seminar, as stated by LaRouche, was to accept the responsibility of leadership, to bring Africa out of this bondage, and into a future of true freedom, and peace, through development.

Sam Aluko

World Bank/IMF Policy Lays Waste to Africa

Nigeria's Professor Aluko, M.Sc., Ph.D., is a professor of economics, and former chairman of the National Economic Intelligence Committee (1994-99). We publish here excerpts of the paper submitted by him to the Khartoum conference, under the title "The Economic and Political Failure of Globalization in Africa." The full text is scheduled for publication in a forthcoming pamphlet of the conference proceedings.

Professor Sam Aluko: America should adopt the approach that President Franklin D. Roosevelt used during the New Deal, to encourage the development of Africa today.

Globalization and Africa

The Exploited Continent

26. An examination of the nature, scope, and effects of globalization on the world economy, shows that globalization has violated, and that it continues to violate, the principles of free and fair world trade and just distribution of world income. Globalization has failed and it continues to fail to reconcile the interests of the economically rich and strong and the economically poor and weak peoples and nations of the world. In fact, globalization is diminishing the economic competitiveness of an increasing number of peoples and countries outside the Triad [the European Union, North America, and the Pacific Rim countries, notably Japan], because the countries are finding it increasingly difficult to be fully integrated into the global economy. On the other hand, many of the weaker countries are being once again recolonized, economically and politically. Africa is obviously the hardest hit by the globalization process and the financial and economic institutions that promote and sustain the globalization paradigm.

27. The African continent has suffered and it is still suffering from the problems of delayed development. The continent and its peoples have been the victim of exploitation, whether in the form of slavery, colonization, neo-colonization, structural adjustment, international money-lending and money-changing, or of the ongoing globalization or Triadization. Any attempt by Africa to catch up or bridge the gap between it and the other continents had been frustrated by Africa's technological and organizational inferiority vis-à-vis the more dominant economies. Globalization is daily increasing the competence gap and reducing the propensity to perform and to innovate on the part of the African stragglers. Africa's competence seems to be fizzling out from year to year, since the "vanguard economies" use their technological and economic superiority to the disadvantage of Africa. The continent continues to be marginalized or peripheralized, as it continues to succumb to the dictates of the IMF, and the World Bank, which are controlled and manipulated by the Triad. The result is that the Africans, in almost all cases, continue to undergo a disintegration of their traditional lifestyles and suffer social, political, and economic regression and instability. The African governments and people are becoming increasingly overwhelmed and are becoming mere appendages and outposts of the more developed economies of the world.

28. Since African governments have not been able to protect themselves, or have refused to protect themselves, against the onslaught of globalization because of their deference to free enterprise, free trade, deregulation, and privatization, the level of development in a majority of the countries in Africa has deteriorated since the 1980s, and it continues to deteriorate. The main indices to exemplify the deterioration can be seen in the behavior of the currencies of the African countries, their per-capita income, and their external public debts over time.

29. If one considers the official exchange rates in terms of the U.S.A. dollar between 1980 and 1997 in each of the 54 independent African countries, one sees that, apart from Libya, there was a drastic devaluation of each and every one of the currencies. The fact that every one of the countries of Africa now dollarizes its currency and has a black market in dollars, which black market determines, and is used to further devalue, its currency, is symptomatic of the dominance of the U.S.A. as the leading country of the Triad. Black markets in currencies in Europe, North America, and Japan are not tolerated, but it is used by the IMF/World Bank as the benchmark for the determination of the value of the currency of each country in Africa. During year 2000, for instance, the

value of Nigeria's naira fell from about N85 to $1 to N110 to $1. Between 1998 and 2000, Ghana's cedi fell in value from 2,600 cedis to 6,400 cedis to the dollar. Sudan's dinar fell from 165 dinars in 1999 to 256 dinars to $1 between 1999 and 2000. All the African currencies continue to be devalued from month to month, in response to the IMF/World Bank claim that the currencies are overvalued for global trade.

30. The consequences of the devaluation of the African currencies on the per-capita income of each of the countries in 1997 compared with 1980, were a deterioration which has considerably reduced the productive and competitive capacity of most of the African countries since the 1980s. While almost all of the other countries improved their per-capita income, in this timeframe, in spite of globalization, almost all of the African countries suffered reduction in their per-capita income between 1980 and 1997. . . .

32. The African continent, with a population of about 745 million in 1997 or about 12.5% of the world population, carried only 1.5% of world trade and controlled only 1.3% of world income. Africa's per-capita annual Gross Domestic Product (GDP) of about $530, or a continental total annual gross income of about $392 billion, in 1997, was less than the annual GDP of the states of Texas or New York in the U.S.A., or about half of the annual GDP of Canada in 1997.

33. Africa's contacts with the world have caused a collapse of the external purchasing power of the currencies of its governments and weakened its international and global economic competitiveness, particularly since the early 1980s. The result is that famine has erupted in large parts of Africa. Health facilities have declined. Schools, colleges, and universities have either been closed down, or poorly maintained or sustained. Many African children have been denied the right to primary education. This is why the rate of illiteracy in Africa is the highest in the whole world.

34. In almost all of the African countries, the "economic reforms" imposed on them by globalization, deregulation, privatization, and minimal governmental intervention in their economies have given rise to a resurgence of diseases like tuberculosis, typhoid, malaria, and cholera, that were almost wiped out from the continent in the late 1970s. Today, because of poverty, the emergence of AIDS has made Africans the highest victims. A policy that weakens investment in people also weakens the capacity of the same people to achieve rapid economic growth or development and to resist diseases and pestilence. Thus, at the heart of the global economic system lies an unequal structure of trade, production, and credit which is increasingly impoverishing Africa as a member continent of the global economy.

35. If we consider the external debts of each of the African countries between 1980 and 1997, we note an increase in the annual and total African indebtedness, compared with the individual country's annual per-capita incomes. Almost all the debts of the African governments are owed to the member governments of the Triad and their financial institutions, including the World Bank and its tributary financial agencies, all of which are under the control and direction of the rich countries of the Triad. Even though most of the African countries had repaid much more than they borrowed from the globalizers, each of the African countries is still owing much more than it originally borrowed.

36. The example of Nigeria is a classic one. The total externally borrowed money by Nigeria was about $17.5 billion between 1978 and 2000. Although $32.5 billion had been repaid to the external creditors between 1978 and 2000, Nigeria was still owing the external creditors $28.5 billion as at the end of year 2000. However, the IMF/World Bank had been contending that at the beginning of year 2001, Nigeria was still owing $34.5 billion and not $28.5 billion, and that Nigeria must reach an accord with the London Club and the Paris Club of creditors on the debt issue, before any debt rescheduling or relief to her would be considered.

37. The fact of the matter, however, is that neither Nigeria nor any other African country borrowed any money from either the London Club or the Paris Club of creditors. African countries borrowed money from individual banks, individual financial institutions, or from individual governmental agencies. Later, a group of these countries that deny any significant role to government in the economy, constituted themselves into clubs, in order to collect debts on behalf of their respective countries' banks, financial institutions, and agencies. The double face of the globalizers is thus obvious. While these creditor countries are ever ready to use their governments to protect the financial and economic interests of their respective countries, they preach non-governmental interference in the main planks of the African economies. It is, possibly, time that the African debtor-countries formed debtor clubs to confront the creditor clubs.

The Laggard Continent

38. Following from our analysis above, the African continent harbors 33-35 of the world's 50 poorest countries and 51 out of the 87 countries under the control of the IMF/World Bank. Africa is perhaps the only continent in the world which, if the ongoing globalization should continue, will surely experience an increase in absolute poverty during this decade. The retrogression will occur as long as the existing payments for debt servicing, continue to be in excess of the possible inflow of foreign capital, in the form of foreign investment and foreign aid, and the creditor countries, through their instrumentalities of the IMF/World Bank, prevent the African debtor-countries from embarking upon independent economic, social, and political policies. The African economic situation will worsen as long as a majority of the African governments continue the privatization of public enterprises in a weak, private-sector environment, and which is dominated by foreigners. As long as the African governments, in response to the "market," embark upon the dismissal of public-sector employees, drastic cuts in social-sector programs, and make wages of their employees continue to lag much behind inflation and devaluation, the continent will continue to lag behind

the other continents

39. In British and French West African countries, for instance, the devaluation of their currencies by about 25-30% in the late 1980s and early 1990s, reduced immediately the real value of wages and government expenditure by up to 50-60%, and has since continued a downward process. The consequence is that even though average wages in Nigeria had recently increased by about 10-20 times of what they were pre-devaluation in 1986, since the currency is now worth only about 1/200th (0.005%) of its pre-devaluation value, the wage earners' purchasing power and their general standard of living had considerably fallen, and, so their demand for goods and services. Even though the productive capacity of most Nigerian industries had considerably fallen from about 75% pre-devaluation in 1986 to only about 30% today, there are unsold stocks in the warehouses of the industries. The effects on government finance have also been deleterious. For instance, even though the 2000 budget of the Federal Government of Nigeria was only about one-third in dollar value of the 1980 budget, yet the year 2000 budget in naira terms was about 74 times that of 1980. Since about 50% of every naira collected by the Nigerian government finds its way abroad, the exchange rate of the naira has always had a direct impact not only on the capacity of the government to provide goods and services for the population, but also on the ability of the Nigerian elite to purchase goods and services, particularly imported goods and services which are so much in demand in Nigeria.

40. One direct effect of the devaluation of the Nigerian naira is the influx of second-hand goods into Nigeria since after the devaluation of the naira in September 1986. Today, second-hand clothes, second-hand footwear, second-hand vehicles, and vehicle spare parts are the only goods that Nigerian wage-earners can readily buy. Also, because of the increased costs of production at home and the dumping of inferior or second-hand goods from abroad, Nigerian industries have been collapsing one by one, in rapid succession. Even public-sector parastatals and institutions cannot be maintained at their pre-devaluation standards, because of the increased costs of imported and local inputs: hence, the present urge to privatize them. Devaluation has also adversely affected agricultural production. For instance, in 1985, Nigeria produced and exported 300,000 tons of high-grade cocoa, but by 1998, the total annual cocoa export fell to only 152,000 tons of poor-quality cocoa. This was partly because, in 1986, the Cocoa Marketing Board, like the other agricultural Commodity Marketing Boards, was scrapped, cocoa export trade was privatized, and government assistance, regulation, and promotion ceased. The production and the export of cotton, groundnuts, palm produce, and rubber have similarly been adversely affected. The experiences of most other African countries in their industrial and agricultural sectors have been similar to Nigeria's.

41. It means that increasing globalization is leading to the disintegration of African economies in the global economy. Consequently, the experience of most of the African countries is the dumping into their markets of goods and services from the advanced industrialized economies, and the raping of their industrial environment. The use of African countries as dustbins for second-hand and inferior goods and for untouchable rubbish, such as radioactive wastes, which richer and industrial countries are increasingly unwilling to keep in their countries, is a particularly destructive aspect of globalization. The rich countries of the Triad are increasingly taking advantage of the economic weakness of African countries to produce and dump toxic or dangerous goods that are no longer acceptable in their countries. Such toxic wastes had been occasionally deposited into Nigeria and had been the subject of controversies.

42. The African continent as the laggard and the dustbin continent is not a new phenomenon. The London weekly *Economist* of the 8th February, 1992, reported that, in a memorandum written by a Chief Economist of the World Bank, it was suggested that the Bank should encourage the migration of dirty industries into the least developed countries of Africa and Asia, which are vastly under-polluted, and that health-impairing pollutants be concentrated in countries where wages were low, as the lives of poor people are worth less than those of the rich. The economist concluded that the economic dumping of toxic wastes in the poorest countries is highly defensible. Also, an OECD study in 1995 calculated that while a human life was valued at about $1.5 million in the West European countries, it was worth only about $100,000, that is 1/15th, in the poorest countries.

Globalization and Social Conflicts in Africa

43. Finally, globalization is increasingly polarizing the African societies, in the same way that the unequal gains of the 19th-Century industrial revolution gave rise to social discontent and to communism or socialism in many countries. In many African countries, today, an increasing number of urban professionals, upper-class, and upper-middle-class elites go about with pagers, cellular mobile telephones, and watch CNN, BBC, and other foreign satellite-dish programs in countries where more than three-quarters of the population does not have access to potable water, electricity, or fuels, and where an increasing number of high school, college, and university graduates are unemployed. The uneven spread of economic opportunities within African countries, brought about by globalization, is increasing discontent and marginalization, especially among the youths, the urban poor, or among other disadvantaged groups. The result is increased crime rates, social upheavals, which, at times, have led to rebellion against the governments or to inter-ethnic rivalries and wars. The rise of inter-ethnic violence in Africa has been frightening. In Nigeria, for instance, many ethnic groups, in a country of about 250 different ethnic groups (each of which now calls itself a nationality) are, today, individually complaining of being marginalized by either the Federal Government or by the state governments or by both, and are calling

Rwandan refugees in Zaire during the genocide of 1994. The youngsters are wearing second-hand American clothing (notice the "Barbie" sweatshirt on the right)—as domestic African textile production has been shut down.

for either the dissolution of the country or for a national conference to discuss and determine the basis of continued association in a loosely governed Nigeria, and to settle the mode of sharing the wealth (or the poverty) of Nigeria. Globalization is thus threatening the very existence of many African countries.

Globalization and the Destruction Of African Economies

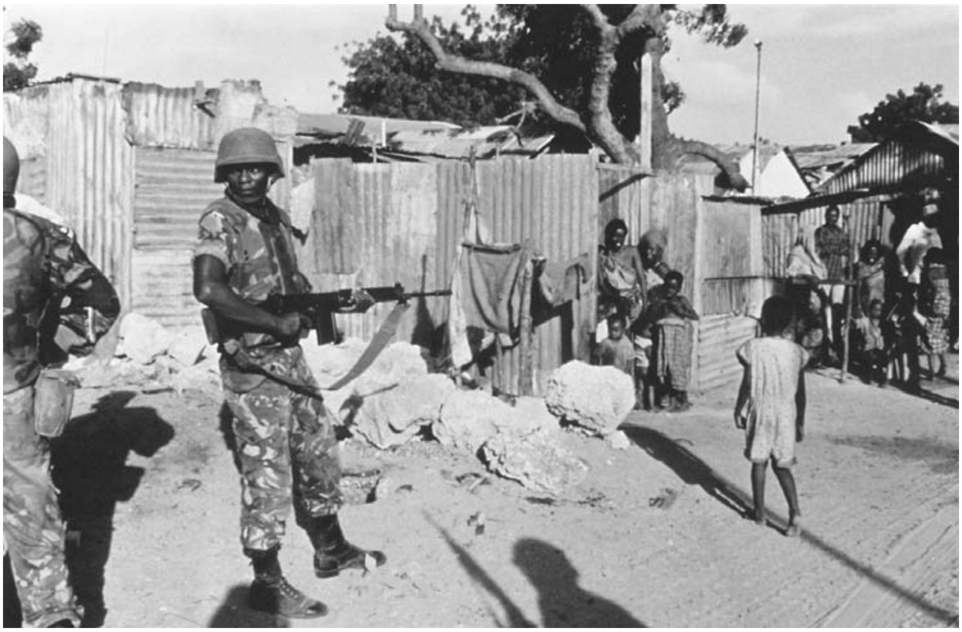
44. The threatening and the destructive effects of globalization in Africa can best be exemplified in Somalia and Rwanda, where, because of failed states, the component ethnic groups decided to go their separate ways in their intenecine struggles for existence.

Somalia

45. Somalia became an independent country in 1960. Up till 1975, in spite of occasional droughts and floods, Somalia was self-sufficient in food and was reasonably politically stable. A military coup d'état, engineered from outside, in 1967, disturbed the political and economic equipoise, yet Somalia continued relative prosperity under President Gen. Siad Barre. But Somalia as a sovereign and united country collapsed under Gen. Siad Barre in January 1991, at the height of a civil war largely fuelled by economic hardship.

46. Somalia's economy was largely a pastoral economy, supported by small-holding, peasant agriculture. Nomads constituted about 50% of its population, with livestock contributing about 80% of Somali's export earnings up till 1975. Despite recurrent droughts and floods, Somalia remained self-sufficient in food until 1975. The Somali economy was struck by a serious drought for the first time in 1974-75. The drought frustrated the economic policies of the government. In the attempt to stem the tide, Somalia resorted to external borrowing. Thus Somalia's economic and financial situation, which had been tolerable up till 1981, became increasingly difficult from 1984, mainly because Saudi Arabia, which was the main importer of Somalia's livestock, got cheaper beef and cattle products from Australia, New Zealand, and the European Union, which began to dump inferior beef into Saudi Arabia. Consequently, foreign trade and payments worsened, Somalia's Central Bank's external reserves dried up, and the Somali government was unable to service its foreign debts. External debts, including from the IMF, the Arab Monetary Fund, the OPEC Special Fund, the Islamic Development Bank, the African Development Fund, and the government of Saudi Arabia, Iraq, the People's Republic of China, the Soviet Union, the United States, the United Arab Emirates, and Italy, which amounted to about $1.5 billion in 1984, put financial strain on Somalia.

47. Even though some friendly governments agreed to cancel some or all of Somalia's debts and reschedule others, in order to overcome her economic problems, Somalia's government turned to the IMF in 1984 for the IMF stand-by credit, with its harsh conditionalities. These conditionalities included the liberalization of Somalia's foreign trade and the devaluation of the Somali shilling, from 6.35 per U.S.A. dollar in 1984 to 85 shillings to a dollar in 1987, and to 2,616 to the dollar in 1991, in the mischievous attempt to reintegrate Somalia's economy into the global economy, increase the inflow of foreign exchange from export transactions, and make the country more attractive to foreign investors and lenders. None of this was achieved in Somalia, as the outflow of capital from Somalia was not compensated by foreign direct investment or by new stand-by loan arrangements. Further, the IMF compelled a cutback in the public-sector expen-



A soldier from the Botswani Defense Force raids the Bakara arms market in Mogadishu, Somalia, in search of illegal weapons, during the war in Somalia. IMF/World Bank policies led to the disintegration of Somalia into warring factions, until today.

diture as well as less state influence in the economy of Somalia. Subsidies on basic needs, the schools, colleges, universities, hospitals, transport, and other public utilities were removed or considerably reduced. Somalia was advised and compelled to cut back on publicly owned companies and to raise taxes and charges on public services. Thirty to forty percent of civil servants were retrenched, retired, or dismissed, and many state enterprises were privatized. The privatization of state companies ran into difficulties, because of inadequate local private capital to purchase them and inadequate local entrepreneurial capability to manage them, apart from the fear that the process of privatization could be reversed by a future government.

48. The IMF programs in Somalia led to increased dependence of the economy on the import of grains. The influx of cheap, surplus wheat and rice sold in the local market led to the displacement of local Somali producers, as well as to a major shift in food consumption pattern to the detriment of local crops of maize and sorghum. The recurring devaluation of the Somali shilling led to hikes in the prices of fuel, fertilizers, and farm inputs. Urban purchasing power declined drastically, government extension programs were curtailed, infrastructures collapsed, and the domestic population became increasingly impoverished. The large population of Somalia cattle was decimated, and the pastoralists, who constituted 50% of the population, were ruined. The economic reforms imposed on Somalia marked the disintegration of health and educational programs. School enrollment declined by almost 42% within five years, textbooks and other teaching materials disappeared from the classrooms, school buildings deteriorated, and nearly a quarter of the schools were closed down, while teachers' salaries declined to abysmally low levels. Small farmers were displaced as a result of the dumping of subsidized U.S.A. grains being sold on the Somali market. In addition to the hike in the price of farm inputs, state support for irrigation agriculture stopped, production in the state farms declined, and the firms were eventually closed down or privatized under the supervision of the World Bank. By 1990, public-sector wages had declined by about 90% of what they were in 1974, leading to the inevitable disintegration of the Civil Service, which had dismissed up to 40% of its employees and eliminated salary supplements. All these, combined with the restructuring of Somalia's Central Bank, the liberalization of credit, and the liquidation and privatization of most of the state enterprises, led to the collapse of the government of Gen. Siad Barre in January 1991, and the disintegration of Somalia into warring factions until today.

Rwanda

49. Rwanda became independent in 1962. The 1990 Rwanda ethnic strife between the Tutsis and the Hutus was largely fuelled by the collapse of the Rwandan economy under the tutelage of the IMF. The Civil War that led to the massacre of the Hutus by the Tutsis was preceded by deep-seated economic inequalities between aristocratic Tutsis and the largely peasant Hutus. The colonial structure of the Rwandan economy played a decisive role in the development of the Rwandan crisis. The economy depended largely on the export of coffee, which used to provide Rwanda with about 80% of its foreign exchange earnings. The Tutsis constituted a rentier class that profited from coffee export, which coffee was grown mainly by the Hutus. However, local self-sufficiency in food was achieved, and protection for local production existed up till 1990, when it was lifted with the adoption of an IMF structural adjustment program.

50. Since the rural economy, based largely on the export

of coffee, provided the largest share of government revenue, a collapse in the price of coffee precipitated a financial crisis in Rwanda public finances. The Rwanda debt crisis increased, following the collapse of the export price of coffee between 1987 and 1991, when export earnings declined by 50%. Consequently, famine erupted throughout Rwanda's countryside. The World Bank and the IMF intervened and imposed trade liberalization and currency devaluation on Rwanda, alongside the removal of subsidies to agriculture, the phasing out of state protection, the privatization of state enterprises, and the dismissal of civil servants. A 50% devaluation of the Rwandan franc was carried out in November 1990, a little over a month after the invasion of Rwanda from Uganda, which was supporting the rebel army of the Rwandan Patriotic Front, manned by Rwandans that had felt sidelined by the worsening economic situation. The economic crisis and thus the political and military crisis reached its climax in 1992, when Rwandan farmers, that is the Hutus, in anger destroyed over 30,000 of their coffee trees, so as to further strangulate the finances of the Rwandan government. In 1992, at the height of the Civil War, a further devaluation of the franc and the deregulation of the economy were ordered by the IMF.

51. Under the free-market system imposed by the IMF/World Bank, heavily subsidized and cheap food imports and food aid from Europe and America entered Rwanda and further impoverished the local producers. Under the free-market system imposed on Rwanda, neither cash crops nor food crops production at home was any longer economically viable. The state administrative system crumbled; civil war escalated as a result of the increasing austerity measures, diminishing civil service salaries, and an increasing insecurity of life and property, which fuelled the outbreak of hostilities in October 1990. The various austerity measures of the Somalia type, imposed on Rwanda, further polarized the Tutsis from the Hutus and exacerbated the ethnic genocide. The deliberate manipulation of market forces destroyed the economic base of Rwanda, increased unemployment and created the situation of widespread famine and social discontent. An idle hand is the devil's workshop. Although the ethnic hatred between the Hutus and the Tutsis had long existed, there is no doubt that the disintegration of economic, social, and political relationships fuelled the crisis in Rwanda.

52. The 2 million Rwandan refugees abroad, mainly in Zaire [Congo] and Tanzania, now have nothing to return to, even after the cessation of hostilities. Their agriculture has been destroyed, local food production and their coffee economy have been shattered, and the government of Rwanda is now laid prostrate. The reconstruction of the country will require more than a government that obeys the market. The government of Rwanda will have to have a blueprint and an economic program designed and implemented by a socially oriented and purposeful government, free from the shackles of the IMF/World Bank and of the globalizers of the West, and from the donor interventionists. Any assistance to Rwanda worth its salt, must be without strings.

Conclusion

53. The examples of Somalia and Rwanda have been cited to demonstrate the failure of globalization of the Triad and of the IMF and the World Bank and their local collaborators in Africa. There are many Somalias and Rwandas in Africa and in the developing poor countries where, as was indicated earlier, about 87 countries are, today, implementing similar reform programs. Throughout Africa, nomadic and commercial livestock, infant industries, commercial enterprises, governments, and states are being destroyed by globalization and by the activities of the IMF/World Bank programs in much the same way as in Somalia and Rwanda. The subsidized beef and dairy products (in spite of the "mad cow" disease) imported at times duty-free from the European Union and from the U.S.A., have led to the demise of Africa's economies. Also, even the expanding famine in Africa is not a result of shortage of food, but is fuelled by the global oversupply of imported grains, which are used systematically to destroy the peasantry and destabilize the national agricultural industrial and commercial systems. For instance, grain imports into African countries increased from 4.5 million tons in 1975 to about 9.5 million tons in 1995 and to 12.5 million tons in 1999. Food aid increased from about 100,000 tons in 1975 to about 9 million tons in 1999. Much of the food aid is now channelled to countries like Zimbabwe, Malawi, Tanzania, Sierra Leone, and the Republic of Congo, which were once regarded as the food baskets of Africa. This is because, during the 1980s, the IMF/World Bank, acting under the influence of the rich countries, imposed severe austerity measures on African governments, almost all of which consequently reduced government assistance to the promotion of rural development, which led to the collapse of agricultural infrastructure, social discontent, and civil strife and wars. A hungry man, is an angry man.

54. It can thus be said that famine in the age of globalization is man-made, and is not the consequence of a scarcity of food due to inability to produce it, other things being equal, but of a structure of global misdirection of policies which undermine food security and destroy national food production, particularly in Africa. The impoverishment of the countries in Africa in the era of globalization is caused by the systematic undermining of all the categories of economic activities in both urban and rural areas, for the interests of the richer countries in the global market.

55. The dominant problems of globalization since the early 1980s have not received enough critical academic discourse and research, because of the dominance of the Triad, not only in the governments of the poor countries, but also in their academic and intellectual institutions and groups. Critical analysis is strongly discouraged; social and economic realities are seen through the single set of fictitious economic relations which seek to conceal the real global economic agenda. Ruling economic and political leaders produce facts without theory, and theories and policies without facts to back

them up. In most cases, the rulers in Africa admit neither dissent from, nor discussion of their actions. The universities and the workers in most African countries are regularly in conflict with their governments. Strikes and riots are common in the universities and among the workers who are underfunded, underpaid, and who see their standard of living continually being eroded. The universities in most African countries today, produce teachers and students who hardly have the competence or the facility to unravel the causes and the consequences of the globalized economy. The internationalizing and the globalizing of the economics of African countries continue to criminalize, pauperize, and degrade their peoples in world economic relations. As long as the African leaders acquiesce and venerate the existing world economic system, they and not the globalizers will be the losers.

56. Africa will not be able to wish away the pull of globalization in this age of technological advances. However, there is the need for Africa to be a participant on its own terms and as a subject, rather than as the object and the victim of globalization. Cooperative globalization must be based on the recognition that global citizenship can exist only if it is based on justice to all. If the world is now a "global village," we all know the norms in the village square. Such norms include solidarity, participation in the decision-making process, justice, mutual support, and communal sharing of the [pleasures] and the pains of the village. The village is not the theater for ruthless competition, destruction, and graft. The village is an example of an inclusive community for all, rather than an exclusive body for a select few. The present globalized economic world has become an important arena for emphasizing the conflicting tensions of our time. It has put an unfair burden on the countries of Africa.

57. If Africa is to participate effectively as a member-continent of the "global village," its people and its governments must first undertake two tasks. The first is to borrow a leaf from Friedrich List, the 19th-Century German-American economist who was faced with how a left-behind economy could catch up. In 1825, he wrote that when a gap in know-how and organizational capacities exists between economies carrying on frequent exchanges with each other, or when such a gulf is a consequence of unequal technological and organizational innovations, the more advanced economy is in the position to sell its goods (and services), which it turns out with greater productivity and efficiency, more cheaply, in national and international markets. If no protective measures are put in place, the goods (and services) turned out with lesser productivity will lose out in the competition, and the propensity to perform and innovate on the part of the stragglers will fizzle out completely, since the more competent and leading economy can use its superiority to good advantage in every respect. Thus, any society subject to a competence gap is easily pushed aside. It is marginalized and peripheralized. If it succumbs to peripheralization, then it either undergoes a disintegration of its traditional lifestyles or social regression and is overwhelmed, or is converted into an appendage or outpost of the more highly developed economy. In order to catch up, the straggler-economy should view the gap between it and the vanguard economy as an opportunity to take suitable protectionist precautions and embark on purposive development projects which are designed to reduce or eliminate the gap. The motto then should be, "catch up," or indeed, "overtake," through the activities of a far-sighted and efficient government that ensures the cohesion of a nation in the process of development.

58. In deference to Friedrich List's advice, the African governments, today, should not only take reasonable measures to protect their respective economies, but they should also ensure the integrity of their respective countries as sovereign and viable members of the international community. The philosophy of minimal government should give way to the philosophy of effective and dominant national governments in the African national economies.

59. The second and more important task is, that within the protected economies, the African governments should adopt the economic policies similar to those pursued by President Franklin Delano Roosevelt of the United States, during 1933-36, when, faced with a depressed and oppressed economy, he used the powers of the American government to upstart and reinvigorate the tottering economy of the U.S.A.

60. When President Roosevelt became the President of the United States in March 1933, the economy of the U.S.A. was in shambles; the financial system was disintegrating; industrial and agricultural production had collapsed, about 13 million unemployed U.S. workers (constituting about 25% of the labor force) were wandering around, homeless, hungry and starving (in Africa, today, such armies of the unemployed are either fighting, rebelling, terrorizing, or starving). In a program which he labelled the "New Deal," Roosevelt put in place measures to improve agriculture and industry, grant debt relief to farmers and private households and the needy and, in a planned manner, ensure that the government strictly supervise banking, credits, and investments by ending speculation with people's money. That is, under government control, he ensured a disciplined attack on the economic problems of the U.S.A.

61. In the "New Deal," the U.S. government issued credit to finance public works and large-scale infrastructural projects. The rural areas were electrified, canals, tunnels, bridges, highways, streets, sewage systems, houses, hospitals, schools, universities, multi-purpose dams, power plants, fertilizer factories, and flood control locks were built. Farmers were given fertilizers at heavily subsidized cost. Wages were increased and minimum wage legislation was enacted. Insurance for the unemployed, the sick, and the old, and a decent health-care system were introduced. Child labor was abolished and a "Bill of Rights" for the American workers was introduced. The American government was not indifferent to the plight of the American people, nor did the government leave the economy to "market forces." Rather, the organic power of the state was used to uplift the American citizens

from economic morass. It was the "New Deal" that took America out of depression and put it on the path of economic growth which today has made her the most economically powerful country in the world.

62. The African governments may not be as powerful and as efficient as the U.S.A. government was in 1933-36, but one thing is clear: America, which today is the leading champion of the market, did not rely on the market when it was faced with economic problems which were much less than are facing the African countries today. Rather, America accepted that one of the duties of the state in such circumstances was to care for its citizens who found themselves the victims of adverse economic circumstances which denied them the necessities for existence.

63. The African governments, or those of them that have the will, must use state powers to stop the recurrent devaluation of their currencies by returning to fixed exchange rates. They should control the escalating rates of interest, assist agriculture, industry, and commerce, and pursue a policy of full employment, alongside mass literacy and good public school education. The national resources of Africa are second to none in the world. The African countries must rapidly develop the physical resources as well as the equally large human resources for the benefit of its people, rather than for the benefit of those countries and people that already have an unfair share of the wealth of the world.

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Uwe Friesecke

Globalization Left A Suffering Africa

EIR*'s Uwe Friesecke spoke to the Jan. 14-17 conference on "Peace through Development along the Nile Valley," in Khartoum, Sudan. His address was entitled, "The Economic and Political Failure of Globalization in Africa." Subheads are the author's.*

The state of affairs on the African continent clearly shows the utter failure of those economic policy prescriptions, that were implemented by the old Bretton Woods institutions, more than 20 years ago, as so-called market reforms and structural adjustment programs. The process of globalization has ruined one African economy after another. The resulting suffering of the vast majority of the African people is the clearest indictment of the incompetence and injustice, which is inherent in the post-1971 world economic system and which the governments of the G-7 group fanatically insist must be continued, at all costs.

According to the "Least Developed Countries 2000 Report" of UNCTAD [UN Conference on Trade and Development], the number of really poor countries, LDCs, has almost doubled between 1974 and 1998, from 25 to 48. Today, of these 48 LDCs, 33 are situated in Africa. On a list of countries ranked in descending order of their estimated 1998 under-five mortality rate, UNICEF's "State of the World's Children 2000" report ranks 41 African countries among the first 60.

If these figures reflect some of the results of the development of the world economy in respect to Africa, then who must take responsibility for it?

Was the direction of the world economy during the last 25 years decided in Lagos, Nairobi, Khartoum, or Addis Abeba? Where was the power situated that determined interest rates, borrowing conditions, or the prices of raw materials on the world market?—clearly not in Africa, but in London, Washington, and Paris, with the other G-7 governments always getting in line.

The lack of development, the abysmal and, in most countries, deteriorating standard of living for the overwhelming majority of the people, the rampant poverty, the widespread breakdown of health and education systems, and the seemingly unrestrained spreading of old and new diseases, such as malaria and AIDS, are the result of the brutal austerity that the IMF/World Bank policy has forced upon African countries, since the middle of the '70s.

Today, we must realize that African countries gained formal independence starting during the 1950s, but never accomplished true economic independence and sovereignty. The old colonial system, of condemning Africa to export raw materials at the lowest possible world market price, and preventing the substantial development of infrastructure, agriculture, and industry inside Africa, was continued under the reign of the IMF [International Monetary Fund] and the World Bank to this day. The decade of the '80s was rightly called the "lost decade."

But whoever hoped, at the beginning of the '90s, that the end of the Cold War and the end of apartheid in South Africa would finally create more favorable conditions for Africa's development, was thoroughly mistaken. Not only did the economic exploitation of Africa continue unrestrained, but additionally, another aspect of Western strategic policy started creating havoc within and among African countries: geopolitics as strategy of tension. Unresolved political conflicts, often with an ethnical dimension, were fomented, to set Africans against fellow Africans. This has engulfed the Congo and most of its neighbors, in what the *Financial Times* and the outgoing U.S. Secretary of State gloatingly called "Africa's first world war."

It can be shown in detail, that the purpose of this strategy of tension is to guarantee the continuous looting of Africa's strategic raw materials, while preventing African governments from using them for their own development needs. This is the policy of globalization driven to its ultimate extreme: Governments and states disappear, and power is exerted through warlords or mercenaries, while the petroleum, diamonds, gold, timber, and strategic metals continue to flow freely into the world market.

Being aware of these strategic processes, we think a new Pan-African approach to sovereign economic and security policy for the continent must be formulated. Strategies for internal national and regional development must be combined with initiatives that can take advantage of the disintegrating world financial system, and remove the economic and political strangulation of Africa. The concept of a new, just world economic order, so intensely debated during the years of the Non-Aligned Movement, must be put on the table again.

Economic Policy Failure in Africa

Data published by the World Bank in its recent report, "Can Africa Claim the 21st Century?" show the full extent of the misery that has affected the continent after following the IMF/World Bank prescriptions for the last 25 years.

In Sub-Saharan Africa, more than 40% of its 630 million people, more than 250 million, live below the internationally recognized poverty line of $1 a day. As the report says, "The number of poor people has grown relentlessly, causing Africa's share of the world's absolute poor to increase from 25 to 30% in the '90s."

More than 250 million people lack access to safe water. More than 200 million are without health services. More than

Uwe Friesecke: The international financial institutions are deliberately perpetrating genocide in Africa, but there is an alternative: peace through economic development.

2 million children die every year before their first birthday. In 39 African countries—of 53—the under-five mortality rate is more than 100. Some 1.1 million people, three out of four of them children, die from malaria; 1.5 million people die from tuberculosis, and another 8 million are newly infected every year.

Malaria is one of the diseases which, after reduction during the '60s, has now come back with increased death rates. At the beginning of the century, the rate was 223 deaths per 100,000. By 1970, that rate had dropped to 107. Today, the rate is back up to 165 deaths per 100,000.

In Africa, about 23 million people are infected with AIDS. More than 11 million have already died of it. It is estimated that this only constitutes 10% of the illness and death this disease will bring to the continent. There are already 21 countries in Africa in which more than 7% of the adult population lives with AIDS. AIDS has created more than 8 million orphans. Especially in some countries of Southern Africa, AIDS will reduce life expectancy by up to 20 years. But also in countries in the west and east of the continent, like Nigeria and Ethiopia, the AIDS problem constitutes a deadly threat. AIDS in Africa has developed into a pandemic. Its effects are comparable to the Black Death in medieval Europe.

How was this economic and social disaster in Africa brought about?

The structural adjustment policies, which under pressure from the IMF/World Bank were adopted by most African countries beginning in the 1980s, and intensified during the '90s, forced African governments to pay the debt instead of fund health and education services; to destroy the values of the national currencies in favor of more exports of raw materials and to the detriment of needed capital-goods imports; to retrench the civil service, thereby increasing unemployment; to privatize national assets at rock-bottom prices and to deregulate trade, which left local industry increasingly defenseless. This policy of so-called free-market reforms has worsened the debt crisis, made large-scale investments in hard infrastructure impossible, and produced the abject poverty we see around the continent.

Especially those countries, which have been praised as success stories by the Bretton Woods institutions, show most clearly the failure of the policy.

In Zambia, after nine years of democracy and economic reforms, 80% of its 9.7 million people live below the poverty line. Average life expectancy has fallen from 49 years in 1992 to 37 years today, while child mortality per 1,000 births has risen from 97 in 1980, to 202 in 1998. Zambia is paying more than $250 million in debt service every year on its $7 billion foreign debt.

Mozambique, after eight years of reforms, still has 70% of its 18 million people living below the $1-a-day level. The statutory minimum wage for industrial and office workers is only equivalent to $30 a month, and is only rarely met. According to the UN publication "Africa Recovery," a rural Mozambican must walk an average of 46 kilometers to reach the nearest doctor, and 66 kilometers to the nearest secondary school. The reforms have withdrawn all social safety nets in the towns, and destroyed tens of thousands of formal jobs, especially in the important cashew sector. Mozambique owes $6 billion foreign debt, and pays approximately $125 million a year. But, according to the macroeconomic indicators of 10-12% annual GDP growth since 1997, the country should be booming. The World Bank cynically calls this "growth with poverty."

Governments that followed the IMF reforms were also forced to give up free education and health service, and to charge fees instead. Naturally, school enrollment and the number of patients treated, dropped markedly.

One wonders how, after all those years, IMF and World Bank officials can have the nerve to declare, that now, their priority is to reduce poverty and invest in people. First, they set the house on fire, and when the house is already burnt down, they call the fire brigade.

The Case of Ghana

The history of Ghana over the last 20 years, shows most clearly that it is not only the increase of poverty which becomes the problem, after the neo-liberal doctrine is applied; the long-term structural changes in the economy are of even greater consequence.

If one analyzes the changes in the sectoral distribution of the Ghanan economy between 1970-75 and 1991-95, one finds a shrinking of industry, from 19% to 14%, and agriculture, from 52% to 42%, in favor of services from 29% to 44%. The economy of Ghana has lost its physical capability to produce. On the other hand, the collapse of the currency—2.75 cedi to the dollar in 1983, when the Rawlings government came to power by a not-so-democratic coup, to 6,856 cedi to the dollar at the end of last year—makes it prohibitively expensive to import needed capital goods. In this way, Ghana depends absolutely on the export of gold, timber, and cocoa, without ever having the chance of producing itself out of the crisis, and developing the internal market of the economy, especially if the world market prices collapse, as they have over the last years. As in other African countries, exports of raw materials have increased significantly by volume, without bringing back more earnings to the country. In other words, the looting has increased exorbitantly.

The Debt Trap

Sub-Saharan Africa's debt totals more than $220 billion today. If we add North Africa, it is more than $300 billion. In 1980, it was $60 billion and $112 billion, respectively. During the 1990s alone, Sub-Saharan countries paid an average of $11 billion, and North Africa another $13.4 billion a year in debt service. In one decade, Africa paid almost $250 billion on its foreign debt, only to owe more at the end, than it had at the beginning. This debt burden constitutes the worst form of slavery, and is, in itself, a crime against humanity, because, as the examples have shown, African countries are forced to pay it with the lives of their people.

Now the financial institutions are talking about the urgent need for debt relief and reduction. It is called the HIPC [for "Highly Indebted Poor Countries"] initiative. But what good is this, if the country which receives the relief, pays more after the relief, than before? As is the case with Zambia: It paid $136 million in 1999, and is supposed to pay $225 million this year, and $235 million next year, after receiving the relief. So, why don't we call it what it is, a gigantic fraud? They are not serious at all, if they now declare their intention to do something about poverty reduction.

Africa's economic disaster is euphemistically called "marginalization." The effects of the debt burden, structural adjustment programs, and deteriorating terms of trade for major export commodities have destroyed all hopes, with which the leaders of Africa's independence struggle started building their nations in the 1950s and '60s. Instead of lifting Africa up to becoming an equal partner in world trade and production with Europe, North America, or Asia, the tiny share of 3% that Africa held in world trade in the '50s, shrank even further to less than 2% during the '90s, and, if one excludes South Africa, to only 1.2% today.

After presenting these data on Africa's plight, the World Bank in its cited report, "Can Africa Claim the 21st Century?" reaches the amazing conclusion that, "without action, Africa's problems will worsen," and discovers that "investing in people is also essential for accelerated poverty reduction."

If the economists at the World Bank needed more than 50 years to discover such a simple truth—having over the last 25 years clearly followed a policy of disinvesting in people—how seriously can we take them, if they declare their aim, by the year 2015, to be reducing the number of absolutely poor people in Africa by half? According to their own statistics, annual growth rates in excess of 5% all over Africa would be needed, just to prevent an increase in the absolutely poor; and 7% annual growth rate would be needed to halve the number. This is three times the average growth rates since 1973. The World Bank proposes to follow exactly the same neo-liberal economic policy measures which have caused the disaster in the past two decades—just more radically.

One can only conclude, without World Bank/IMF action, Africa's problems can only become better!

The West's Strategy of Tension in Africa

The economic collapse and the disintegration of the social fabric in many African countries during the 1980s alone, would have been enough to cause violent conflicts within and between states. But to make matters worse, Western geopolitics intervened. While world attention in the Summer and Fall of 1990 was concentrated on the buildup for the coming Gulf War, the unfortunate President of Britain's former colony, Uganda, with outside help and guidance, attacked Uganda's neighbor Rwanda, disguising the attack as a "rebellion." This engulfed Rwanda and Burundi in a cycle of violence, which led to the tragic events of 1993 and 1994. Two more "rebellions," in 1996 and 1998 in Congo, threw all of Congo into a war. This destroyed the prospects for peace in Angola, and destabilized all of southern Africa.

How many people lost their lives in this carnage? We don't even know.

Probably up to 5 million directly through the wars, and some millions more indirectly, through diseases and starvation.

This war scenario in the Great Lakes and in Congo overlapped the crisis and conflict in southern Sudan, which outside manipulators tried to organize more intensely, during the 1990s, as a "clash of civilizations."

The heart of Africa is being plundered by warlords, who make themselves willing tools of the new colonialists. How does it come to be, that capitals of countries that have neither diamonds nor gold, nor timber, have emerged as major exporters of those goods?

If states, governments, and borders disappear, and authority over territory is exerted by the power of military force, including mercenaries, the ultimate deregulation and liberalization of market forces has been accomplished. Thus, whoever has the power, can either dictate the cheapest price for the product, or simply steal it, and deliver it to his foreign backers.

This is the process of looting, by which Africa loses its raw materials, such as minerals, petroleum, diamonds, and agricultural products, while Africa's people starve or die of diseases. At the same time, the strategy of tension provokes the continuation of conflicts, so that African nations and governments never have the chance to use their natural wealth for their own development.

Let us look at a very interesting document, which was formulated under the title "Global Trends 2015: A Dialogue about the Future with Non-Government Experts," by the National Foreign Intelligence Board under the authority of the Director of Central Intelligence of the United States government, last November in Washington. This refers directly to what Lyndon LaRouche described this morning as the Kissinger-Brzezinski policy of controlled disintegration and neo-Malthusianism, which started at the beginning of the 1970s and is still the policy-outlook of the dominant power group of Anglo-Americans today, especially among the incoming Bush Administration. Some of his Cabinet ministers, such as Donald Rumsfeld, were already in leading government positions. This document shows, how brutal the policy discussions are in Washington, about the future of Africa.

Meanwhile, the public is being fooled by the sweet words of the World Bank about reducing poverty. The IMF, including its new Managing Director, Horst Köhler, and other officials, and the World Bank, under the pressure of international criticism, are simply lying about their concern for the poor. They have no intention to follow their own promises.

The following quotes from the document, which is public, and which you can find on the webpage of the CIA, make this clear. Under the subtitle "Sub-Saharan Africa, Regional Trends," they present this future of Africa:

> **Sub-Saharan Africa.**
>
> Regional Trends. The interplay of demographics and disease—as well as poor governance—will be the major determinants of Africa's increasing international marginalization in 2015. Most African states will miss out on the economic growth engendered elsewhere by globalization and by scientific and technological advances. Only a few countries will do better, while a handful of states will have hardly any relevance to the lives of their citizens. As Sub-Saharan Africa's multiple and interconnected problems are compounded, ethnic and communal tensions will intensify, periodically escalating into open conflict, often spreading across borders and sometimes spawning secessionist states.
>
> **Current HIV Prevalence Rates.**
>
> In the absence of a major medical breakthrough, the relentless progression of AIDS and other diseases will decimate the economically productive adult population, sharply accentuate the continent's youth bulge, and generate a huge cohort of orphaned children. This condition will strain the ability of the extended family system to cope and will contribute to higher levels of dissatisfaction, crime, and political volatility. Poverty and poor governance will further deplete natural re-

sources and drive rapid urbanization. As impoverished people flee unproductive rural areas, many cities will double in population by 2015, but resources will be inadequate to provide the needed expansion of water systems, sewers, and health facilities. Cities will be sources of crime and instability as ethnic and religious differences exacerbate the competition for ever scarcer jobs and resources. The number of malnourished people will increase by more than 20% and the potential for famine will persist where the combination of internal conflict and recurring natural disasters prevents or limits relief efforts.

Economic Prospects.

Conditions for economic development in Sub-Saharan Africa are limited by the persistence of conflicts, poor political leadership and endemic corruption, and uncertain weather conditions. Africa's most talented individuals will shun the public sector or be lured abroad by greater income and security. Effective and conscientious leaders are unlikely to emerge from undemocratic and corrupt societies. Most technological advances in the next 15 years—with the possible exception of genetically modified crops—will not have substantial positive impact on the African economies. Although West Africa will play an increasing role in global energy markets, providing 25% of North American oil imports in 2015, the pattern of oil wealth fostering corruption rather than economic development will continue. There will be exceptions to this bleak overall outlook. The quality of governance, rather than resource endowments, will be the key determinant of development and differentiation among African states. South Africa and Nigeria, the continent's largest economies, will remain the dominant powers in the region through 2015. But their ability to function as economic locomotives and stabilizers in their regions will be constrained by large unmet domestic demands for resources to stimulate employment, growth, and social services, including dealing with AIDS. Even a robust South Africa will not exert a strong pull on its partners in the Southern African Development Community (SADC). The success of the South African economy will be more closely tied to its relationship with the larger global economy than with Sub-Saharan Africa.

Ethnic, Political, and Religious Conflicts.

Role of Non-State Actors. The atrophy of special relationships between European powers and their former colonies in Africa will be virtually complete by 2015. Filling the void will be international organizations and non-state actors of all types: transnational religious institutions; international non-profit organizations, international crime syndicates and drug traffickers; foreign mercenaries; and international terrorists seeking safe-havens. Fundamentalist movements, especially proselytizing Islamic groups, will plow fertile ground as Africans seek alternative ways to meet their basic needs. Internal conflicts will attract—and leaders will in some cases welcome—foreign criminal organizations or mercenaries to assist in the plundering of national assets, while faltering regimes will willingly trade their sovereignty for cash.

After reading this, nobody should have any illusions about the policy outlooks of the incoming Bush Administration and the Anglo-American elite vis-à-vis Africa.

The Alternative: Peace through Development

But there is an alternative.

At the end of the 1980s, the Italian engineering firm Bonifica worked out a study, "Transaqua: An Idea for the Sahel" (**Figure 1**). The basic idea of this project, is to transfer 100 billion cubic meters a year of fresh water, from the basins of the River Congo to the Sahelian area in Chad and Niger. This amounts to about 5% of the river's discharge into the Atlantic, and is more than the annual flow of the Nile into Lake Aswan. A navigable canal of 2,400 km length, running from Kivu along the eastern and northern crest of the Congo catchment, would reach the Congo-Chad watershed in the Central African Republic, and discharge its entire flow at the head of the River Chari, a tributary of Lake Chad.

The potential benefits for irrigation, energy production, and transportation, for all the countries involved, including landlocked Rwanda, Burundi, and Uganda, are obvious. The useful projects already envisaged by the study are numerous. The countries and people of Central Africa and the Great Lakes region could concentrate on realizing Transaqua, for their mutual and common benefit.

If the West had had a responsible strategy for peace and development after 1989, African leaders would have been encouraged to search for solutions along that path.

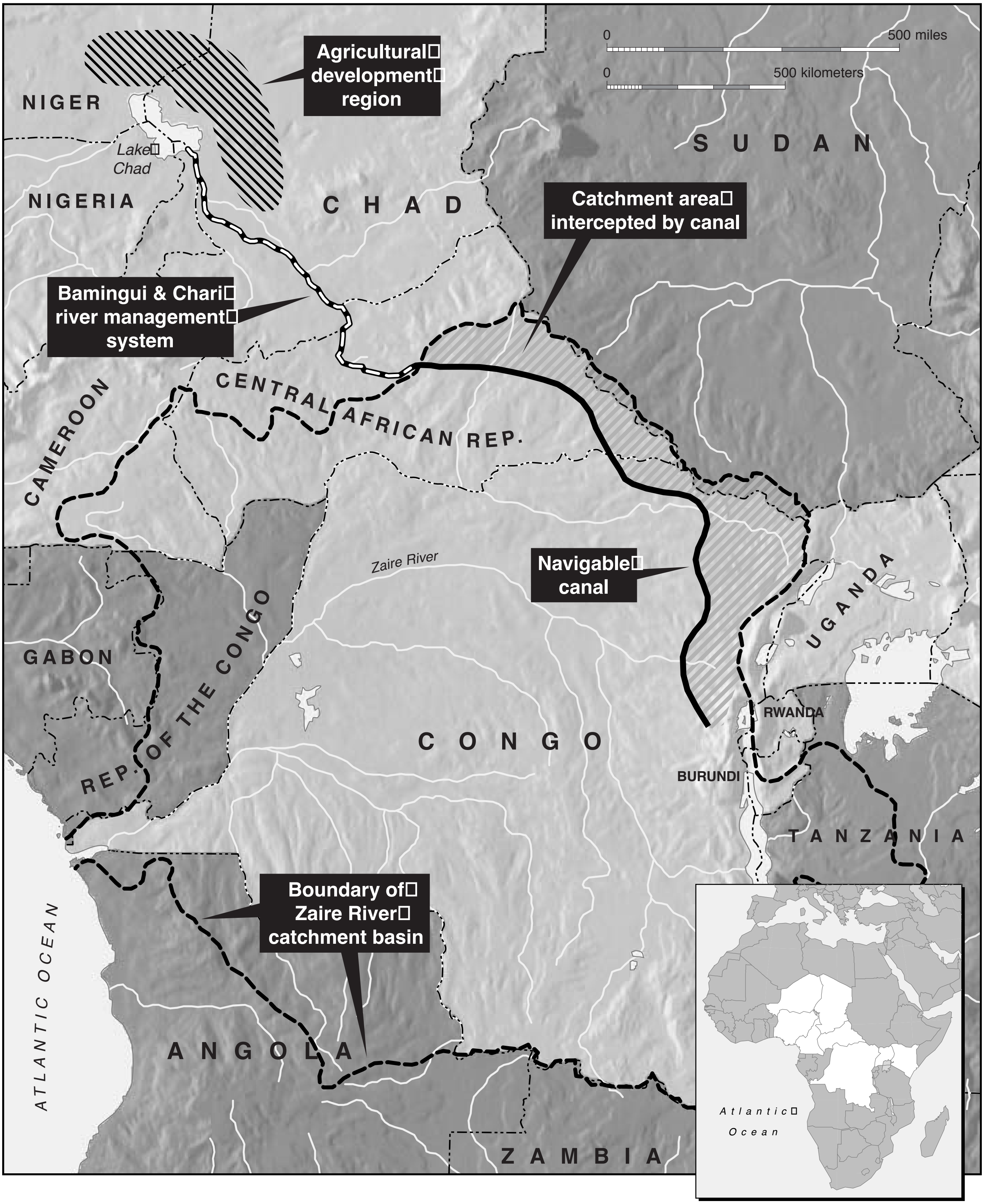
But instead, Transaqua was rejected, and Western geopolitics opted for war in Central Africa.

There should be no illusions.

Behind the crocodile tears that some of our leaders in the West are shedding for Africa, and the nice words they are uttering for the future of Africa's people at the United Nations and elsewhere, lies the stark reality, that strategic policy-planning in key Western power-centers for Africa, insists on continuing such a colonial strategy of tension—or,they have simply written off the continent.

It is therefore urgent, that a new Pan-African call for political battle be issued. This call has to take its authority from the inalieniable rights of men. The right for development of each and all people, regardless of color or creed, is one of them. Pan-Africanism today has to reformulate a strategy of peace through development, which must claim equal economic rights for Africa among the community of nations from other continents.[]

FIGURE 1
The Transaqua Project, as Proposed by Bonifica



What Africa's founding fathers envisaged 50 years ago, is again the historical task of the new century: Within one or two generations, build African nations to enjoy peace, and a standard of economic well-being, which is worthy of the dignity of man, and equal to that enjoyed by the so-called advanced sector.

For discussion, let me now submit the following five points of concrete measures:

1. Cancel Africa's foreign debt.

In my opinion, the entirety of Africa's foreign debt should be cancelled altogether. Africa has not only paid many times over what it originally owed, but everybody also knows, that this debt never will and never can be collected by the creditors, even if they found enough African leaders, who would be willing to sell their entire nations. So, why not simply eliminate the problem? But this is only a tertiary problem for the development of Africa.

2. Re-regulate world trade and re-introduce protectionist measures into national economies.

The two most important measures must reverse the destructive effects of deregulation of world trade under the so-called GATT and WTO reforms, and be directed to develop the internal markets of Africa's national economies.

Re-regulation of world trade has to introduce a parity price for raw materials and agricultural products. In this way, African economies must be allowed to earn a fair price for their exports, which corresponds to the real value of the product, rather than being forced to sell below production costs. The ever-increasing, downward pressure of multinational corporations on world market prices for Africa's raw materials must be stopped. If pineapples from Ghana are sold for $1.50 to the consumer in Europe, one can imagine how much the peasant in Ghana receives. In this way, under the excuse of the free market, African peasants and workers are condemned to continue to work as slaves for the world market.

The campaign to demand reparations for the injustices Africa has suffered from the slave trade, should address this problem.

The best "reparations" the West could pay for the injustices of colonialism, would be to finally eliminate the injustices in the world economic system against Africa and the developing sector, and, through parity prices, treat Africa as an equal partner in world trade. In this way, Africa would earn the money needed for its own development, and much of today's development aid would become unnecessary.

To re-regulate world trade with parity prices for raw materials and agricultural products is essential and the cornerstone of a new, just world economic order. This must be combined with protectionist measures to protect industry. It is completely ridiculous, that in Kenya, Nigeria, Ghana, Zambia, Zimbabwe—everywhere in Africa—the textile industry has collapsed and has been replaced by imports of second-hand clothing from Europe and the United States. This is another fraud of the deregulated system. We need protectionist measures to be able to build up the internal strength of the markets. If the internal markets of African nations function, the buying power of the African population increases, and they will become much better customers for international trade, including Africa's regional trade.

3. Issue new, long-term international credit for large-scale infrastructure projects.

We need to realize the big water projects of the continent, such as the Nile, Kagera, and Congo projects. We need a transcontinental rail system at international gauge standard, coordinated with the completion of a transcontinental highway system. We need all the elements of hard infrastructure that are necessary for a functioning economy. Local engineers and producers must be involved in building these projects. In this way, buildup of infrastructure functions as the engine to drive real physical goods production, as the essence of the development of the internal economy of countries.

We should revisit the existing plans for continentwide infrastructure development. In follow-up discussions to this seminar, we should design a plan with the most important regional infrastructure projects, from the standpoint of what is best suited for the development of the continent as a whole. And we have to counter those plans for infrastructure which are still designed from a colonial point of view, to increase the looting of the continent, rather than its development.

For example: There exists a plan to steal the water of the Congo. It is called the Solomon pipeline project. A U.S. firm is proposing to take the water out through a pipeline to the Middle East, and, unfortunately, the current government in Kinshasa is already in negotiation for this. This would destroy the Transaqua plan and lose a unique possibility to reverse the ecological and economic disaster of all of Central Africa. With Transaqua, millions of hectares of new farmland would be developed for the Central African Republic, Chad, and other countries of the region, which are now suffering from famine. Transaqua would change the development dynamic of all of Central Africa in such a way that neighboring countries like Sudan, Uganda, and, especially, population-dense Rwanda and Burundi could benefit tremendously.

4. Unleash Africa's agricultural potential.

Africa in large part has much better climatic conditions for agriculture than Europe or the United States. Africa should be put into the position to produce not just agricultural raw materials, such as cocoa, but value-added products, to feed its own people and to deliver food to the food-deficit areas of the world, such as the Middle East and parts of Asia. In this way Africa could earn the revenue to invest in its development.

5. Unite African countries in cooperation around such a vision of Peace Through Development.

Conclusion

In my opinion, if we try to solve conflicts in Africa, without giving people the most ambitious vision for development of the continent, we will not succeed. Because the biggest problem we have—and you can look at every attempt for conflict resolution, be it in southern Sudan, in the Arusha negotiations for Burundi, or the Lusaka Accords for the Congo—is to confront the demoralization and the sense of hopelessness of the people involved. To overcome this, such an ambitious vision for the development of Africa is needed, which will guarantee that Africa reaches an equal place in the community of nations within the first part of the 21st Century, and that its people, 40 years after the end of colonialism, can live in peace, justice, and prosperity.

Ode Ojuwo

Nigeria's Struggle To Survive Globalization

Professor Ojuwo is from the Centre of Developmental Studies at Jus University, Nigeria. He addressed the conference on Jan. 15, following Lyndon LaRouche's keynote presentation on "The New Bretton Woods System as the Framework for a New, Just World Economic Order." Mr. LaRouche's speech was published in EIR *on Feb. 23.*

Chairman, and presenter, ladies and gentlemen, I do hope that I'm not going to produce an anticlimax after such an eloquent presentation. We read, we heard from Mr. LaRouche several times, and I'm not really sure whether I'm in a position to comment directly on the presentation he has made. But let me make a few comments, one by way of a joke; I hope it will make you laugh.

This Y2K scare: In Nigeria, the government spent $10 million to prevent a collapse of the computer system, even though we have no electricity. On one of those committees, I met a friend who was chairman of the committee, a graduate of MIT in the U.S., preparing his report on the Y2K crisis, using a kerosene lamp. And I asked him, "Why are you writing this report, using a kerosene lamp? You know that you don't have electricity in this part of the state!" He said to me that his state government appointed him to write it, because it's a directive from the federal government to do so, and he was to going to get his allowance writing it. In the new year, most of the country was in darkness, because there was no electricity. So, the absence of electricity solved the problem of Y2K in Nigeria.

A number of colleagues put forward this doom scenario yesterday, and I think there was a reaction to it, which was that we should also blame the internal structures for the crisis that we face. But sometimes we have to identify primary problems, as distinct from secondary problems, which are derivative of the primary ones. And, as I got a good expression from a colleague yesterday, if you want to kill an octopus, you hit it on the head, not once but ten times.

You will recall that Nigeria is a big country in Africa. Nigeria is the largest borrower of World Bank funds in Africa. Nigeria is also the largest producer of crude oil in Africa, the sixth in the world. In the last two years, Nigeria has been earning, from about 2 million barrels of crude every day, about $30 to $35 a barrel, which gives it an income of between $60 and $70 million a day, gross.

In 1985 there was General Gowon's administration, and the government launched the structural adjustment program, after a debate in which Nigeria overwhelmingly rejected the International Monetary Fund loan. The government at the time said that since the IMF loan was rejected, the alternative was the World Bank structural adjustment program, without a debate. And so, we launched the structural adjustment program, under the military regime. I'm making this point because of the series of steps that were outlined by the presenter, and the crisis that it represents.

We have a similar process in Nigeria; that's why I'm trying to outline what is going on there for you, to link it up with the overall global process that has been presented to us today.

The Structural Adjustment Program

The immediate intention of the structural adjustment program [SAP] was to determine the exchange rate of the naira [Nigerian currency], according to the market forces. Before the program was launched, the naira, between 1980 and '81, was exchanging for about 50 kobo—that's just half a naira—to one dollar. On the launching of the program in July 1986, the naira immediately dropped to 4 naira to the dollar; and then to 7 naira to the dollar; 10 naira to the dollar; 11 naira to the dollar. Today, it is 100-105 naira to a dollar.

We're told that the principal reason for allowing the depreciation of the exchange rate, was so as to expand our exports. From the time that the naira depreciated, until today, all exports have virtually ceased, except crude oil. We advised the government at the time, that you don't export because you depreciate your currency; you export because you have the technology to produce, and once you are in the export market, the relative values of your currencies can determine the volume of sales. But depreciation itself cannot put you on the export market. We were told that that was wrong. And it looks like the more the naira depreciates, the greater the volume of *imports* to Nigeria.

Today we are importing chicken, fried frozen chicken from the U.S., frozen turkeys from the U.S., orange drink from Britain, just as our own oranges lie and get rotten by roadside, because the infrastructure has collapsed.

Now, we have, during this period, expanded our financial sector tremendously. By 1985, when the SAP was introduced, and into 1986, we had only two merchant banks, only in Lagos. By 1992, we had over 52 merchant banks, and the number of commercial banks rose from under 40 to over 130,

Ode Ojuwo: We are importing orange drink from Britain, while our own oranges lie rotten by the roadside, because the infrastructure has collapsed.

between 1986 and 1992.

The World Bank held this up as an expansion of the Nigerian economy, and an improvement. Alongside it, however, all the present infrastructure, including electricity, collapsed.

During the structural adjustment program, the rate of interest, which was about 5% in 1985, rose to about 120% in 1992. And the foreign exchange speculation increased—we call it "round-trippping." People would buy the foreign exchange at an official rate, round-trip it, and sell it at a higher rate. So, all the banks expanded, precisely because they were in debt in order to trade in foreign exchange, and as a result, all sorts of production ceased.

So by 1993, the bubble had burst. The banks collapsed. Many banks simply went out of existence by 1993, 1994. Industries had collapsed. The capacity utilization of industry dropped from about 70% in 1985, to 34% in 1992. And funnily enough, in spite of the drop in capacity utilization, the remaining industries could not sell what they produced. So by 1994, 1995, the industrial sector claimed that it had $60 million of goods produced locally that it could not sell—$60 million worth.

At the same time, massive importation was on the increase.

So, we had this side by side: expansion of the financial sector, and decline of the real, productive sectors, because finance was no longer funding production. So, the economy of the financial sector collapsed.

The World Bank did a study, and showed that the poverty level had increased tremendously, and tried to show that poverty was higher before the SAP, decreased starting with the SAP period, and rose immediately after the SAP ended. So, presenting it as if it's a stop-watch: You click on the program, something stops; you click it off, it comes on. So, poverty decreased from 1985 to 1992, and rose tremendously in 1993, because the SAP was suspended. That's the kind of picture that the World Bank presented.

And funnily enough, it also segmented poverty, showed various areas of the continent that are poor. In 1994, the northern states were said to be the area that was poorest, in order to attract World Bank funding. And recently, we heard from the World Bank that the poverty distribution has changed. The poorest part of the country now is where [President Olusegun] Obasanjo comes from!

So, apparently, the area moves with the leadership.

Now, a number of things really, on a serious note.

World Bank Calls the Shots

When Obasanjo came into power, he identified unemployment, poverty, and armed robbery as critical problems, and as a sickness. And in every attempt made by the government, the World Bank takes the initiative—I think is important to note. The government is trying a poverty alleviation program, it's called PAP in Nigeria. Government set aside 10 billion naira to solve the problem in the first year, and has agreed to borrow $16 million from the World Bank, for this poverty alleviation program.

Many segments of Nigerian society, including at the university level, are opposed to the borrowing of this money. Sixteen million dollars to be disposed of, over four or five years, is not money that is worth borrowing, by a government that has between $60 and $70 million a day gross. But the government is going ahead with the borrowing of the funds, precisely because the World Bank says so, and it is believed that unless Nigeria concedes to the World Bank, it will not get the appropriate clean bill of health that's necessary for foreign investment.

Online, too, is a billion-dollar standby facility, provided by the IMF. Each segment of Nigerian society will bitterly resist, except perhaps the financial sector, that's supposed to benefit from the deposits arising from these loans. So government, although elected by the people, usually listens more to the World Bank/IMF in matters like this. From the university that I come from, the academic staff outlined a program to rehabilitate universities after the crisis between 1985 and 1993. And they had several negotiations with government. The World Bank/IMF have promised a loan of about $120 million to support the program. The universities feel that they don't need a World Bank loan to support an area like education, and that there are enough resources to fund the program locally.

I want to say that people are not just sentimentally objecting to IMF or World Bank loans. Our position in the university is that the level of corruption in the country is so much, that if we can reduce corruption by as much as 10%, the resulting revenue is not enough to fund a lot of the programs in Nigeria. So, we really don't need to add more money that will enter the corruption mechanism, that cannot be put right. That is one reason for resisting.

The other is that we think that we must be able to define our priorities, our projects, as established clearly, as the resource comes, for which we need a loan. That has not been established. And the World Bank has put in place a project, that Nigerians themselves feel is wrong; the poverty alleviation program is taking so much money. We don't have enough time to go into it, but I will just give you a brief on what the government is doing with the poverty alleviation program.

The government supposedly identifies people who are poor, and have no jobs. And then, on a monthly basis, gives each one of them about $35 to add, to earn a living, just to pay them. And the government at the state and local level is now supposed to identify these people, and get them to clean the streets, clean the schools, clean the roads, and collect this money.

What you know, is that our problem in Nigeria is that there is no clear documentation of people and individuals. So it is possible, and it's true, that many governments at the local and state level, are collecting this money, and not really paying it to anybody, but identifying ghost workers, and paying them in their offices. This is the kind of program that the World Bank wants to support! And yet the World Bank is supposed to be against corruption in the system.

The other areas of government attention is in respect of the key institutions of government, like the Central Bank of Nigeria, the Ministry of Finance, and National Planning Commission. We, when we were working with the previous administration [see speech, in this section], identified that if Nigeria could handle the National Planning Commission, the Central Bank of Nigeria, the Ministry of Finance, and the National Oil Company, called NNPC—if we could get hold of those four or five institutions and clean them up, Nigeria could develop, almost instantaneously.

These five areas that have been identified, have now been taken over by the IMF/World Bank. They now have their staff to run those places, and guide them as to what to do, or what not to do. And their staff has managed the program.

The Central Bank—the World Bank insists that the staff strength in the federal establishment is too large, and that is why too much money is wasted on labor. And it wants rationalization of the labor force.

Our plan then was, that if we're going to identify, at the redundant level, we must first of all specify the job description for each person, and see whether, in fact, there's no need for more labor. There was a particular case in immigration, customs, where the government was going to retrench about 600 employees, who were deemed to be unnecessary. We identified all the customs personnel in Nigeria . . . and found that there was need for more employment, rather than a reduction in the labor force.

So, each time, the government, along with the World Bank, was confusing concentration of people in particular locations, as different from the need to employ functionally. Because, you see, what happens in Nigeria is that everybody wants to be in and around areas that generate a lot of money: Lagos, Port Harcourt, Calabar, all the coastal areas where there's a lot of competition. That's where everybody wants to be employed. So, the World Bank comes in, and sees a lot of concentration of employees in Lagos, and concludes that the customs is overemployed, and we should remove people.

Incidentally, the attention that the government pays to the IMF/World Bank, is the result of the long isolation that the government has had, and its eagerness to try and get linked up to the world again, and its attempt to get a clean bill of health. So, it tends to listen and pay more attention to what the World Bank says, than to what is said in Nigeria.

There are a lot of skilled people within, but they are used very little, if at all.

The Privatization of Infrastructure

Now, the Nigerian budget, federal government budget, is concentrated, mainly, in areas wanting to privatize infrastructure. And as a result, over many years, as I said before, various infrastructures have collapsed. And because infrastructures have collapsed, the economy has collapsed around them. And because the economy has collapsed, there's over-concentration of people in areas which are minimally functioning. That is why, if you come to Nigeria through the airport, you'll be shocked at the number of touts who will greet you, wanting to be "assistants" to you.

I was surprised when I came to the airport here [in Khartoum], and found it quiet, and empty. In Nigeria, it's not like that. The number of people who are not working at the airport, but hovering around the airport, is about three to four times the number of employees at the airport, attempting to extract what little funds they can from unsuspecting travellers.

And that is true of the customs as well. It's true of everything, down to private motorists, and motorparks. Anything that works is like a honeypot: That's where everybody goes.

So, talking about collapse, it is also with us, even in Nigeria, and Nigeria should play a very dominant role in Africa, because we have resources. But the problem is that of management. And I think that these issues need more than just one country, as I've been saying. We need a collective. African countries will need to come together to work on these issues. Otherwise, Nigeria is almost losing its fight. There is need for cooperation to coordinate the activities of African countries. I would have said more on the IMF/World Bank, but I think that, as time goes on, I will make more points on these issues.

Thank you very much.

Turkish Crisis Could Trigger Global Financial Chaos

by Jeffrey Steinberg

While, last month, all eyes were on the United States and the dangers of the world's largest economy plunging into deep recession, Turkey's currency and financial markets imploded on Feb. 19. With panic selling in Turkish bond and currency markets, and the central bank forced to spend $10 billion of its scarce dollar reserves in two days, in a vain effort to hold the lira firm, overnight interest rates briefly hit 6,200% on an annualized rate, as the political crisis deepened. A week earlier, rates were 40%.

The ostensible trigger for the latest Turkish banking crisis—the second in four months—was an open political rupture between Prime Minister Bulent Ecevit and President Ahmet Necdet Sezer, which threatened the December $11.4 billion International Monetary Fund (IMF) bailout package. As usual, to get that money, Turkey was forced to agree to savage budget cuts, economic austerity, privatization of public infrastructure—including the national telecommunications system and the national airlines—and other IMF conditionalities, which all push the economy deeper into the abyss.

Because of the fragility of the global financial and monetary system, and the fear of a full-scale worldwide crash, IMF Managing Director Hoerst Köhler rushed to reassure that Turkey's IMF emergency package was in "no danger." A week into the crisis, Turkish officials concluded that they would need to more than double the IMF bailout package to $25 billion, to avert defaults on more than $7 billion in foreign loans that come due by May, and meet the other conditionalities. The panic currency drain in Turkey is, furthermore, endangering Turkish banks, and with it, some $54 billion in mainly European bank loans to Turkey. Most of those Turkish loans come from German banks. We shall address this crucial feature of the "Turkey" crisis later.

O'Neill's Baptism in Fire

Further complicating the dimensions of the Turkey crisis was the declared policy of U.S. Treasury Secretary Paul O'Neill, who announced in the London *Financial Times* on Feb. 15, that he opposes the kind of IMF bailouts which dominated the 1997-98 Asian and emerging market crises, as a "moral hazard," which only encourages reckless bank lending. As one European banker, a seasoned veteran of the financial crises of the past 15 years, put it, "By claiming he opposes IMF rescues, O'Neill all but assured the next financial crisis," as international investors, fearing the worst, pull the plug on any high-risk investments, fearing they won't get bailed out this time.

Within days of the blowout of Turkey's "crawling peg" (to a currency basket of the dollar and the euro), O'Neill reversed his published statements, and threw his support behind an IMF bailout of America's staunch NATO ally. When push came to shove, O'Neill, as well as the gaggle of free-market ideologues behind the Bush Presidency, had to weigh in for the bailout, or face the imminent blowout of the global monetary system—an event they are in no way prepared to handle.

The Turkish crisis, despite O'Neill's about-face, rapidly spread to other parts of the globe. Turkish and other international investors panic-dumped shares in Russian stocks to cover Turkish losses, plunging the Moscow stock index by almost 9% in one day. Across fragile economies of Asia, from Thailand to Korea, the Philippines to Indonesia, currencies began plunging, as foreign investors ran for the exit doors (see coverage in this issue of currency crises in Indonesia, the Philippines, and Pakistan). One of the largest developing economies, Brazil, is a focus of special nervousness as investors fear a political crisis similar to Turkey's, endangering

Brazil's $40 billion IMF bailout of February 1999. Similarly, in December last year, the IMF was forced to throw $39.7 billion at Argentina to try to contain that country's economic and financial crisis.

One factor, tying all these "emerging market" crises together and accelerating the spread of the infection, was the skyrocketing of J.P. Morgan's Emerging Bond Index Plus, which sets the parameters for government bond yields throughout the developing sector. By Feb. 23, four days into the Turkey crisis, the index had jumped by 2 points, to nearly 7.5%. (The index is the margin above U.S. ten-year Treasury yields that investors expect to receive for buying risky developing-sector government paper. The 7.5% index put most emerging market bond yields well over 12%—another crippling factor.)

By Feb. 26, J.P. Morgan was publicly urging its clients to sell off all of their Argentine government bonds, a clear indication that the currency panic was spreading around the globe—even as word was coming out that the U.S. Nasdaq index had crashed by 22% in February—the largest one-month collapse of American high-tech stocks in 15 years—and that Japan's Nikkei index had also plunged to a several-decade low.

The Brits Yelled 'Fire'

High-level financial industry sources in the United States and continental Europe have confirmed to *EIR* that, within moments of the Feb. 19 public spat between Turkey's President and Prime Minister, two of the biggest City of London financial institutions, HSBC (formerly Hongkong and Shanghai Bank) and Standard-Chartered, began dumping Turkish lira, and simultaneously pulling out of the Turkish stock market. This double-whammy attack, launched before anyone had a chance to assess the seriousness of the political crisis, created a snowball effect, with other international creditors soon joining the flight. Within days, $8 billion in capital had fled Turkey, the currency had crashed by a third, and the lira "crawling peg" had been busted.

Turkey's currency and banking system, already weakened by the effects on the real economy of the 1999 earthquake, and even more devastated by the IMF program imposed as the "solution" to the post-earthquake disaster, was ripe for the picking. But the targetting of Turkey also had geopolitical implications that the banking mavens of the London Club of the Isles were perfectly aware of, and anxious to exploit.

With the French political institutions torn apart by several high-profile corruption scandals, a targetted hit on the weak underbelly of Germany's banking system—its heavy exposure in Turkey—would create severe problems for the "core" of Euroland. Seventy percent of Europe's $54 billion in bank exposure in Turkey is held by German banks, led by Deutsche Bank, Dresdner Bank, Commerzbank, and HypoVereinsbank. What's more, there are an estimated 3 million Turkish guest workers and residents in Germany. Any social explosion inside Turkey has immediate, severe ramifications for Germany's political and social stability.

Britain must decide over the next six months whether to join the European single-currency system, which goes fully into operation on Jan. 1, 2002. The Brits do not wish to enter Euroland as late-comers and second-class players. By destabilizing the Franco-German power center of the continent, Britain retains the prospect of joining the European Monetary Union (EMU) as a "white knight" commanding a large share of power. Furthermore, if Britain decides to pass on euro-club membership, it will have even greater interest in seeing the continent weakened financially, economically, and politically.

The City of London geostrategists were deeply disturbed by the emerging "strategic partnership" between Germany and Russia, that was highlighted by last year's series of meetings between Russian President Vladimir Putin and German Chancellor Gerhard Schröder, where long-term energy-for-technology agreements were signed. Given President Putin's recent Eurasian diplomatic outreach to India, China, and the Koreas, the Russian moves to simultaneously integrate with continental Europe, via the traditional German partnership, pose an existential threat to Britain's global power games. It was precisely because of the emerging Eurasian Land-Bridge of the late-19th Century, which enjoyed American backing as well, that Britain's King Edward VII (formerly Prince Edward Albert) launched a series of destabilizations, that ultimately triggered World War I. The parallels to the current situation could not be more evident.

The fear of a new continental Eurasian alliance was acknowledged explicitly on July 31, 1999, when the prestigious London *Economist* magazine, in a special feature on "The New Geopolitics," wrote that "the part of the globe to keep your eye on is Eurasia. The great stretch of land between Brest and Vladivostock is where the interests of all the big powers will chiefly rub up against each other. Here is where the front line will run, not in Africa, or the Americas, or the South Pacific." A year later, in June 2000, Oxford University sponsored a closed-door event, co-sponsored by the Britannia Naval War College, to revive the "Great Game" Central Asian geopolitical doctrines of Sir Halford Mackinder.

From this British geopolitical standpoint, the attack on Turkey's currency and markets also had the added benefit of spreading crisis into Russia and Central Asia. The impact on Russia's stock market was already noted. Turkey and Russia are months away from opening a major natural gas pipeline, Blue Stream, which will establish a new level of energy cooperation and integration between the two 19th-Century rivals. In January, Turkey entered a joint naval agreement with Russia, Ukraine, Georgia, Romania, and Bulgaria, to protect tanker traffic on the Black Sea and to ensure the security of the Blue Stream pipeline. The treaty is scheduled to be formally signed this month in Ankara.

Sunshine Is Not Free: Korea, Asia Need 'Iron Silk Road' Now

by Kathy Wolfe

The attack on South Korean President Kim Dae-jung's Sunshine Policy toward North Korea, by Richard Armitage on Jan. 29, on the eve of Kim's March 6 trip to Washington, is not an isolated Bush-league insult. Armitage, nominated to be Deputy Secretary of State, told leaders of Kim's ruling party that the term "Sunshine Policy" should be dropped, as North Korea might "abuse" it. This is a page from his "Armitage Report," published last October at Washington's National Defense University, and identical to new Pentagon and CIA reports. All of these label North Korea and China as "strategic threats" to the United States, ostensibly to justify Bush's unworkable National Missile Defense (NMD) scheme.

"China and Russia are the ones being threatened, in fact," an Asian diplomat told *EIR*. He agreed with *EIR*'s analysis that the NMD can't be built because of the U.S. economic crisis. "But even if Bush has no resources to build the NMD," he said, "his advisers seek to use the mere threat to push Beijing, Moscow, and Pyongyang into an arms race big enough to bring down those regimes. They believe the mere threat of 'Star Wars' caused the arms buildup which brought down the Soviet Union."

As they bomb Baghdad, Armitage, Deputy Defense Secretary nominee Paul Wolfowitz, and others who demanded preemptive strikes against North Korea in 1993, appear ready for war in Asia now. War can't be stopped by throwing threats back at these characters, or by appeasing them; alternating threats and promises are their favorite playing field.

In such times, even Sunshine is not free. It must be fought for, as a strategic war is fought: by large-scale surprise flanking maneuvers, by moving to new ground where the enemy cannot function. As *EIR* Founding Editor Lyndon H. LaRouche, Jr. said in a Feb. 17 speech (see *Feature*), the Bush crowd will "get nastier and nastier," but it is best to "not worry about it," and to forget influencing them, because their minds are fixed on conflict. Meanwhile, they are stupidly ignoring the global financial crash, and Asia can turn this to decisive advantage.

The way to win is to change the game fundamentally, LaRouche said. Both Koreas, Japan, and China must redouble efforts for a giant Marshall Plan for Asia, and build the "Iron Silk Road," a term coined by Helga Zepp-LaRouche, LaRouche's wife, in the early 1990s. Major pan-Asian rail, water, energy, and industrial projects are urgently needed, with a "long-term cooperation perspective" among the ten members of the Association of Southeast Asian Nations (ASEAN), South Korea, China, and Japan (the ASEAN-Plus-3), with Russia and other neighbors. South Korea is ready to sponsor North Korea's participation.

Win, or Lose with the IMF

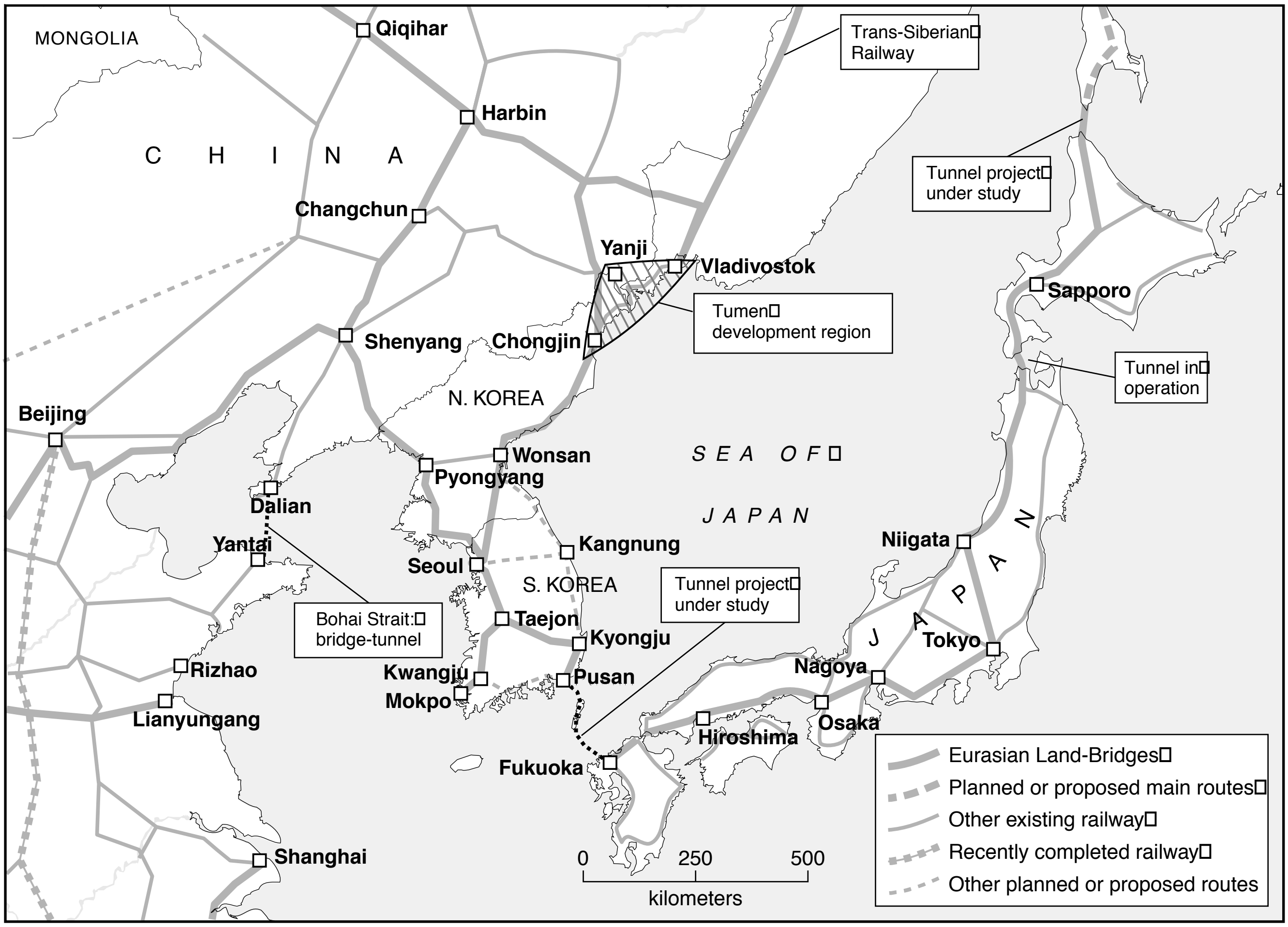
To finance this, Asia requires a new monetary system, based on the 13-nation ASEAN-Plus-3 regional alliance. "What will work," LaRouche said, is "the ASEAN-Plus-3 agreements reached in the recent conference in Chiang Mai," Thailand, which will soon have some \$50 billion in "swap" agreements to support each other's currencies. A new monetary system based on this must be set up rapidly as "a source of strength," LaRouche said. "As [today's] financial system collapses . . . you're going to see a phase-shift in world politics, as well as economics, and strategically, which might seem unimaginable today," and Asia will have the chance to start a new system.

To fight, however, one must be in the game. The tragedy is that Kim Dae-jung, at center stage for bringing together North and South Korea, and forging the Plus-3 group of China, Korea, and Japan, could be thrown from office by popular anger over the economic devastation caused by the International Monetary Fund (IMF).

Kim, who took office in 1997 as the IMF crushed Korea in the "Asia crisis," has chosen the medium-term road of selling half the South's economy to the IMF and Wall Street, for the "greater goal" of re-uniting his fatherland in the long run. But the collapse of Korean exports to America, the new oil price shock, and the crash of Korean computer sales have brought unemployment back up to nearly 5%, the government announced on Feb. 20, and workers are in the streets blaming Kim.

The IMF is going in for the kill, eager to replace Kim with a pure Wall Street puppet-regime which will smash the rest of the South's industrial potential, and support war with the North, too. On both Feb. 2 and Feb. 7, the IMF publicly criti-

FIGURE 1
High-Speed Rail Projects Proposed by EIR, 1996



cized Kim for being "too slow" to shut down Korean industry, which caused stock and currency markets to plummet. On Feb. 2, after a "consultation" in Seoul, the IMF issued a release saying that "both domestic and foreign sentiment about Korea have deteriorated in recent months" because of "the perception of a lack of tangible results in corporate and financial sector restructuring. . . Banks should press for liquidation of non-viable companies" now.

In a Feb. 7 speech in Seoul, IMF representative David Coe demanded closure of the Daewoo companies in particular, in the name of "shareholder value." "Creditors and the government need to seek a quick resolution for Daewoo, whose affiliates have been under workout for a year without any significant asset sales, to prevent further erosion of stock value," said Coe. "To improve profits and shareholder value, corporations need to further reduce debt, deepen restructuring through cost cutting, and speed up the sale of non-core assets."

Russia Enters the Picture

To save his Sunshine Policy, Kim now must break with the IMF, and he must have the full support of the ASEAN-Plus-3 alliance, especially Japan and China, if a regional war is to be avoided. The help of nuclear power Russia, is also a new strategic asset in the game.

Russian President Vladimir Putin and President Kim held a summit in Seoul on Feb. 27. Their communiqué emphasized Kim's Sunshine Policy as "central." It also announced a new "trilateral cooperation" of North and South Korea and Russia, and called the 1972 Anti-Ballistic Missile Treaty "a cornerstone of strategic stability and an important foundation for international efforts on nuclear disarmament," an unspoken dig against the NMD.

Putin has been increasingly involved in Korean affairs since visiting Pyongyang last July. Russia needs major Korean trade and investment; but Putin also sees engagement as a way to prevent a Korean war on Russia's border, by upping the danger to the United States of a Russian reaction.

Kim and Putin put the "Iron Silk Road" up front. "The two leaders also saw eye to eye on the need to add an impetus to their economic and trade relationships covering energy, science, and technology," the communiqué said. Seoul and Moscow have agreed "to press ahead with a tripartite economic endeavor involving the two Koreas and Russia, to establish a transportation cooperation committee to promote freight traffic in Northeast Asia, and to actively seek trilateral economic cooperation among South and North Korea and Russia regarding the joining of Trans-Korean Peninsula Railroad and Trans-Siberian Railroad."

If connected by rail, "Russia, South Korea, and North Korea would be in the center of the 'Iron Silk Road' linking the European and Asian continents," President Kim said, at a press conference with Putin. "It is my dream to have an 'Iron Silk Road' linking Korea with Europe." Putin added that North Korean leader Kim Jong-il had expressed interest in this during their talks in Pyongyang. "The project would make the policies of countries in this region more predictable because they will be inter-linked," Putin said. He also stressed that it would increase freight from East Asia to Europe from the present 25,000 containers a year to up to 600,000 containers within five years. Such large multinational projects, he said, make "all in the region winners."

Putin, whose country's economy has been decimated by the IMF, showed such strong support that he offered several hundred million dollars to improve North Korea's rail system.

Also discussed was the Irkutsk gas pipeline, which would extend hundreds of miles from Russia's Mongolian border and run the length of North Korea into the South; related Siberian energy projects; and a joint industrial development zone in Nakhodka, Siberia. These would bring both Koreas, and Japan, a new energy independence from the Western oil cartel, and jumpstart Russia's economy.

None of it can be done under today's IMF system.

Koreans Decide Their Own Fate

With the North-South Summit last June, Korea's two leaders have put themselves on the stage of world history. Korea is now positioned to decide its own fate, It is this collaboration, and its potential as part of the ASEAN-Plus-3 alliance, which is causing the Bush league to attack China and North Korea, while the IMF tries to bring down Kim Dae-jung. Pyongyang's missiles are irrelevant.

As Princeton Prof. Kent Calder wrote in the New York Council on Foreign Relations (CFR) magazine *Foreign Affairs* in January, "For the first time since World War II, Seoul and Pyongyang—rather than Washington, Moscow, or Beijing—are driving events. The two Koreas sense they were on center stage. . . . Washington was left behind, after dominating Korean diplomacy for decades."

Worse for the CFR, "A glance at the map, suggests the power of the forces being unleashed. . . . Peninsular cooperation could transform North Korea from a barrier into a bridge—to Russia, China, and the world beyond. A lack of domestic energy resources, coupled with rapidly rising demand for energy, gives North and South Korea a shared economic motive to develop common railways and pipelines northward to exploit Siberian gas and trans-Siberian shipment opportunities."

In the March *Foreign Affairs,* the CFR is more desperate. "The problem now is that East Asia, for the first time in history, is creating an economic bloc," C. Fred Bergsten wrote, and nations in the region are "clearly headed toward creating their own monetary arrangement."

CFR types are so panicked, that Selig Harrison, the U.S. Establishment's lead Korea analyst, urged in the same *Foreign Affairs* issue, that Washington dump the Armitage policy and offer to start armed withdrawal from Korea—anything to put the United States back in the game. "Kim Dae-jung and Kim Jong-il are trapped in a cycle . . . facing domestic opposition," he wrote. "Only the United States can break the cycle." Harrison's offer "is nonsense," an Asian expert told *EIR*. "There is no chance of Washington adopting any of the policies he recommends, and he knows it. He only wants to get the Americans back in control."

Shock Waves on Foreign Debt, Energy Rock Moscow

by Rachel Douglas

If the mid-February financial earthquake in Turkey could pull the Russian stock market down by 10% in one day, as investors liquidated assets in their Russian portfolios to cover losses in Turkey, what will happen in the heavily dollarized Russian economy when the United States makes its hard landing and the dollar collapses? In the words of one well-placed economist, that will unleash the proverbial "ninth wave," the one the sinks the ship, onto Russia.

The Russian government and Parliament are already in an uproar over debt and revenues. On Feb. 13, a few days before the tremors at the Turkish epicenter of the world financial crisis touched off vivid recollections of Russia's default in 1998, the Russian government had announced the end of expectations of reaching agreement on rescheduling its Soviet-era "Paris Club" debt to Western governments, during this year. Therefore, Minister for Economic Development and Trade German Gref said that day in Berlin, Russia will service its foreign debt in full during 2001, paying *$7 billion in Paris Club debt service alone, out of total budget spending that is equivalent to $40 billion.* (The Soviet-era London Club and Paris Club foreign debts of Russia total to $105 billion, out of a total official foreign debt of $149 billion.)

Gref was in Germany, according to *Kommersant-daily,* to hand German negotiators a list of seven projects in which German investors could participate, in exchange for writing off Paris Club debts (of which Germany holds 40%). The next week, Prime Minister Mikhail Kasyanov sought similar arrangements in Italy. These negotiations are far from complete. In the meantime, talks with the International Monetary Fund, which has, once again, dangled a $1.7 billion so-called "precautionary" credit for Russia—a loan that Russia would not have the right to draw upon, unless a financial emergency occurred, but for which it would have to meet conditionalities—ended inconclusively on March 1.

It emerged, in a *Wall Street Journal* article of Feb. 16, that the Russian government's will-pay announcement came two days after U.S. Treasury Secretary Paul O'Neill sent a nasty letter to Finance Minister Aleksei Kudrin, in which he said that Russia "clearly has the resources" to make payments due this year, "in full and on time." O'Neill added, "Nations of the good-faith club do what they said they would do. . . . For us, this is a financial and economic issue, not a political issue."

In Moscow, however, it is a very hot political issue, in the setting of a high level of hostility toward the United States. State Duma (lower house) Budget Committee Chairman Aleksandr Zhukov said Feb. 14, that Russia could end up in technical default (for the first time, on *foreign* debt payments; the 1998 default was on ruble-denominated government bonds), if the Duma refused to adjust the 2001 budget to cover the payments. The original budget assumed the Paris Club debt would be restructured. Without Duma approval, Zhukov said, "the government will have no legal right to pay the Paris Club."

On Feb. 13, Prime Minister Kasyanov formally sent budget amendments to the Duma, defining the sources for extra revenues, to be used for debt service. He warned that otherwise, "inflation may go out of control, bank lending rates spiral upwards, industry will have no chance to receive credit, and wage increases will have no impact."

In talks with Kudrin on Feb. 15, only the Yedinstvo (Unity) bloc in the Duma was ready to back the allocation of surplus budget revenues, for purposes of debt service. The National Patriotic Union, of which the Communist Party is a member, declared on Feb. 13 that it would be "immoral and unacceptable" to pay, while Vladimir Lukin of the Yabloko party said that there was still political leverage with which to achieve restructuring. On Feb. 22, the Duma approved the intended allocation of new revenues to debt service, but deep-sixed Kasyanov's main proposed means of obtaining those revenues—privatization of more state-owned companies—thus leaving the whole proposition in limbo.

Serious Mistakes

In an interview with *Nezavisimaya Gazeta,* dated Feb. 13, former Prime Minister Yevgeni Primakov suggested that skipping the January Paris Club payment had been "a serious mistake," especially "in light of the shock of August 1998, when confidence in our country was destroyed. We have barely recovered from that shock, and we are having a hard time restoring trust, step by step." Primakov went on to list "food procurement" and "the energy sector" as problems just as severe as the foreign debt crunch, if not more so. He endorsed President Putin's recent acknowledgment that, as the interviewer put it, "the life-support crisis, provoked by the cold throughout half of Russia's regions, gave us a warning of a systemic crisis." Primakov drew attention to a pressing debt crisis of a different sort, namely, the failure to "upgrade our fixed assets" (plant and equipment, and infrastructure) during the past decade.

After the Duma vote on Feb. 22, Primakov welcomed the exclusion of new privatization auctions from the revenue-raising plan. "Common sense has prevailed," he said, as the troubled energy sector will remain in government hands.

Brutal Winter weather in Siberia and the Far East, with which the country's under-maintained infrastructure could not cope, has already occasioned serious government shake-ups in Russia. It is evident that the firing of V. Nazdratenko as Governor of the Maritime Territory, Russia's Far East, did not, in and of itself, mark a watershed in economic policy, but was an urgent move to discipline at least somebody, for the freezing Winter the residents of Vladivostok have endured.

Nazdratenko, summoned to Moscow, conferred with President Putin in mid-February, and then was named Minister of Fisheries. Just before meeting Putin, he gave a polemical interview to *Kommersant-daily,* published on Feb. 15. The ex-governor laid the blame for the Far East's horrible fuel shortages, squarely on the International Monetary Fund. "The problem is not in the personalities of today," he said, "but in the serious economic management mistakes during the period of 'democratic romanticism.' There were legends about us: that we steal coal, we have no emergency coal reserves, we have plenty of coal but don't send it to the power plants, etc. . . ." Yes, coal is mined in the Far East, Nazdratenko explained, but "it is destined for export." So, "organized crime lives well, because all forces are mobilized to combat Nazdratenko, who says: 'Don't close the coal mines on orders from the IMF!' "

Nazdratenko said that he was the one who had warned, seven years ago, that if Russia stopped fishing the Sea of Okhotsk, it would be invaded by foreign fisheries, and it was. "Now this sea is empty as a drum."

On Feb. 16, President Putin did fire more energy and financial officials: Andrei Zadernyuk from the post of director of the Federal Energy Commission (FEK), and Georgi Tal, head of the State Committee for Financial Bankruptcy Proceedings. The new head of FEK, Georgi Kutovoy, is a deputy of Nuclear Energy Minister Yevgeni Adamov, and a strong opponent of the plan to break up the national electricity grid, UES, promoted by its CEO Anatoli Chubais.

In his Feb. 13 interview, Primakov praised Putin for having backed off from Chubais's British Commonwealth-modelled plan for the sale of chunks of UES, calling the plan "counterproductive." According to Primakov, "The power grid must cover the entire country; splitting it into several parts would be fatal. As for its condition, its fixed assets are obsolete."

Presidential adviser Andrei Illarionov said on Feb. 14 that a three-day meeting of the working group on reform of the Russian power industry had just received nine different blueprints for this critical policy matter. The group is chaired by Tomsk Province Governor Viktor Kress. On Feb. 16-17, Putin took the train to the freezing cities of Tomsk and Omsk, in West and Central Siberia, visiting apartment buildings without heat, gas, or water.

Back in Moscow, rumors sweep the press and Parliament every other day, that the next head to roll, will be Kasyanov's. The liberal paper *Segodnya* published a scenario, under which ex-Prime Minister Gen. Sergei Stepashin would resume that role.

A Policy Shake-Up?

The more interesting question, is whether there will be a shake-up of *economic policy* in Russia, not merely personnel. Several leading analysts seized the occasion of the Paris Club debt debate in the Duma, to publish bold proposals for a global shift.

Dr. Leonid Fituni, writing in *Nezavisimaya Gazeta* on Feb. 22, argued that "Russia has nothing to lose," by defaulting on Soviet debts. Fituni, now director of the Center for Strategic and Global Studies of the Russian Academy of Sciences, titled his commentary "Default as a National Idea." He proposed to consider the $1,100, which each Russian man, woman, and child would have to pay on the foreign debt, as illegitimate. That debt ballooned from $48 billion in 1988 to $68 billion in 1991, then $122 billion by 1994, but those credits were not issued for economic development. They were tied to dismantling the Soviet military machine, privatizing industry, and splitting up the former U.S.S.R. Since the Russian Orthodox and Islamic faithful, who constitute the main segments of the Russian population, are morally opposed to usury, the legitimacy of the debts should be open to question in the minds of a majority of the population.

People who argue that Russia should pay the debt, warn that a default would scare away investors, Fituni pointed out, but there are no significant foreign investors to scare away. Therefore, he concluded, Russia should prioritize its debts to the Russian population—which take the form of unpaid salaries and pensions, stolen bank deposits, and unfulfilled state obligations for free education and medical care.

Nikolai Baibakov, Chairman of the Soviet State Planning Commission (Gosplan) from 1965 to 1985, marked the 80th anniversary of that agency with an interview in *Nezavisimaya Gazeta,* in which he emphasized the failure of "the market" to shape the Russian economy in any productive direction. Noting that a group of regional governors has recently appealed to President Putin to study the successes of Gosplan, Baibakov reviewed the agency's productive allocation of funds and physical resources, which made it possible to build up Soviet industry, create a vast cadre of engineers and technicians, and prevail during World War II. A new state agency, he proposed, could combine the workable elements of Gosplan's experience, with successful approaches tested in the economic reform process in China, which has combined state planning with the development of markets, and has realized an average real growth of 8% per annum for the last 20 years.

Economics Minister Gref has just made a visit to China, to study that experience of reform.

Academician Aleksandr Nekipelov, Director of the Institute of International Economic and Political Research at the Russian Academy of Sciences, published in the Feb. 23 *Izvestia,* his analysis of the "mutant and ugly" economic relations, resulting from "the illusion that Russia's progress toward democracy and a market economy would bring about idyllic relations with the West." The Western officials who promoted reforms, he charged, actually launched the corruption and money-laundering, for which they subsequently tried to ostracize Russia.

Nekipelov wrote that Russia should "derive appropriate lessons from this experience . . . [and] get rid of the specific inferiority complex, which is expressed in the assessment of any economic decision, not approved by the West, as *a priori* erroneous. Russia has too often faced recommendations from Western authorities which brought nothing but damage."

Specifically on the banking system, Nekipelov echoed arguments of the Ishayev Report (excerpted in *EIR* of March 2, 2001), of which he was one of the co-authors: "An idea is being promoted now that Russia's banking system is good for nothing, and therefore, we should leave the doors for foreign banks wide open. There is no doubt that capitalization of Chase Manhattan alone is larger than that of all our banks together. But is it true that Russian banks have no resources for financing economy? On the contrary, specialists are aware of the fact that they can't efficiently invest their assets, and keep part of them on the accounts of the Central Bank." The Ishayev Report elaborates, how such resources can be harnessed for purposes of investment in the real sector.

The IMF Goes In For the Kill in Destabilized Indonesia, Philippines

by Michael Billington

The domestic political crisis in Indonesia has reached its most intense pitch since the October 1999 election of President Abdurrahman Wahid, the first democratically elected President in nearly four decades.

On Feb. 1, all but five members of the House of Representatives voted for censure of the President, the first step in the legal process to impeach him. The President has three months "to clean up his act," before the House convenes again to consider a second censure, or to reconcile with him. But the political dynamic has spilled over into the streets, with Wahid's historical base in the largest Muslim organization, the 35 million-member Nahdlatul Ulama, engaged in thousands-strong rallies in East Java, torching offices of former President Suharto's Golkar party, and attacking schools, from kindergartens to high schools, of the rival Muhammadiyah movement, formerly headed by Wahid's nemesis in Parliament, Amien Rais, the politically ambitious chairman of the People's Consultative Assembly which, in the end, will decide whether Wahid stays or goes.

In addition, there has been no let-up in violent separatist movements, guided by the former colonial powers, threatening the integrity of the Republic. The outbreak of ethnic barbarism in Central Kalimantan, Borneo, by indigenous Dayaks against migrant Madurese, fuelled by the economic devastation of the past years, has led to accusations by Western governments and press that Indonesia is incapable of maintaining order—a rather hypocritical judgment, because many of these same Western institutions have been in the forefront of the campaign to dismantle the Indonesian military.

At such a moment, the International Monetary Fund (IMF) and its lackies have escalated their brutal campaign to take control of the nation's economic structure. With their targetted prey weakened by the past four years of economic and political subversion, the IMF is going in for the kill. Although battered and surrounded, the nation has mounted a resistance.

The most outrageous expression of the IMF's overtly colonial demands, appeared in an aide-mémoire prepared by a group of foreign "experts" called upon by President Wahid for their advice on economic policy. The team, headed by former U.S. Federal Reserve Board Chairman Paul Adolph Volcker, included Singapore's Senior Minister Lee Kuan Yew, known affectionately in London as "the best bloody Englishman East of the Suez," as well as Japanese diplomat Nobuo Matsunaga, vice chairman of the Japan Institute of International Affairs, and former German central bank official and treasurer of Germany's Christian Democrats, Ulrich Cartellieri.

The team's report threatened dire results if the government failed to follow every detail of the IMF program as imposed last year—despite the fact that the IMF has refused to turn over the funds promised under that agreement. Making clear that the IMF demands are *political* in nature, the report says: "Close IMF surveillance of those programs should be welcomed as a counter-weight to political or special interests that tend to impede or frustrate even-handed treatment of investors and rapid recovery of asset values."

California-Style Looting

An example of what is meant by "even-handed treatment of investors" was revealed in the release of figures on the losses incurred by the State Electricity Company, PT PLN. In the year 2000 alone, the company lost $2.2 billion, entirely due to the fact that foreign energy producers (many of the same interests currently looting the State of California and others in the United States) signed sweetheart contracts with the now-deposed Suharto government, which committed the government to purchase fixed amounts of electricity from the power companies *in prices quoted in U.S. dollars*. When the speculative raid on the Asian currencies in 1997 and 1998 left the Indonesian currency, the rupiah, devalued to one-quarter of its previous value, the foreign companies, *and their governments,* self-righteously refused to renegotiate the prices, sternly invoking the inviolability of the contracts. Thus, the government has been forced to buy billions of dollars of electricity at hugely inflated prices, and sell it to consumers at a fraction of their cost. (In other words, the energy cartels were warming up for California!)

The thug-like nature of the Volcker report is reflected in the following: "We recognize, Mr. President, that some might suggest that Indonesia deal with these and other concerns without the frustrations inherent in IMF agreements and surveillance. We would urge that you consider very carefully the clear risks of such an approach, risks that range far beyond the loss of immediate financial and budgetary assistance. The symbolism of such a decision 'to go it alone' would be powerful." The example provided by neighboring Malaysia, which demonstrated that a nation can successfully defend the general welfare of its population only by "going it alone" from such IMF dictates, gives the lie to Volcker's threats.

It would be well for Indonesians to remember that it was the same Paul Adolph Volcker who, as President Jimmy Carter's Federal Reserve Board chairman, implemented the policy prescribed by the New York Council on Foreign Relations as "controlled disintegration of the U.S. economy," when he raised interest rates above 20%, thus triggering the descent into the "post-industrial society" which has brought the U.S. economy, and U.S. infrastructure, to ruin.

Simultaneously, the World Bank has demanded that the government intervene in the courts of the Republic to fix the results of several bankruptcy trials in favor of the World Bank's interests (apparently this is the meaning of the World Bank's call for "transparency"). If they fail, the Bank threatened to cut off $250 million in previously arranged investments.

However, Indonesia has taken at least preliminary measures to defend itself against this new colonial onslaught. In December, the government banned the sale of the Indonesian currency to offshore speculators, reportedly having some success in cutting off the speculative attacks on the currency by speculators in Singapore. In mid-February, Coordinating Minister for Economics Rizal Ramli openly challenged the IMF for attempting to squeeze the country at a moment of political turmoil. When the government delayed the privatization of two commercial banks because of the fire-sale prices being offered, the IMF country director, John Dodsworth, threatened to sabotage the rescheduling of Indonesia's foreign debt by the donor countries. Trade and Industry Minister Luhut B. Panjaitan responded to such micro-management by telling the IMF: "We know what should be prioritized and we will prioritize what we need." On Feb. 21, Ramli met with IMF officials in Washington, but thus far no agreement has been reached, other than to continue discussions.

The Philippines

Similar pressures by the international financial institutions are being intensified against the Philippines, even while the legitimacy of the new government is being challenged. The Supreme Court, which had originally given the green light to the swearing in of Vice President Gloria Macapagal-Arroyo as President on Jan. 20—the day of the military action which brought down the elected government of Joseph Estrada—may now rule that Estrada is correct in insisting that Macapagal-Arroyo is constitutionally only Acting-President. Macapagal-Arroyo, who originally appealed to "the markets" for her government's legitimacy ("I think the bottom line is how the markets accepted it"), is now caught between the mounting anger over the military nature of the Jan. 20 takeover, and dictates from the international financial institutions.

When the new President indicated that she may try to slow down the controversial legislation to deregulate and privatize the National Power Corp. (Napocor), perhaps with a glance toward the disaster brought on by deregulation in California, the IMF instructed her, in no uncertain terms, that the bill must be rammed through, even if it requires a special session of the Congress. IMF spokesmen went further, demanding that the country "enter into a new economic arrangement," facilitating IMF surveillance over its economy, even though the IMF is offering no financial support!

The Asian Development Bank used similar thug tactics, declaring that it will extend no more loans to Napocor until Congress passes the bill to deregulate, break up, and privatize the state power company. As in Indonesia, the devaluation of the currency left the company straddled with huge foreign debts, but unable to raise prices without bringing more destruction to the nation's industry, and more suffering to the nation's poor. Of course, this is described as "mismanagement" by the globalizers. The Hongkong and Shanghai Banking Corp. recently issued a report discouraging investors from placing money in bonds issued by Napocor. The result is that J.P. Morgan Chase, Lehman Brothers, and Citibank have stepped in to arrange a $40 million bond sale—at usurious interest rates of 15% or more.

At the same time, U.S. Rep. Dana Rohrabacher (R-Calif.), a radical yahoo who is still fighting the Vietnam War, roared through Manila, meeting with President Macapagal-Arroyo and others, haranguing the new government to confront China over the contested Spratly Islands and a host of other issues. Rohrabacher's long-standing cohort within the Philippines in this China-bashing, former Congressman Roilo Golez, has just been appointed National Security Adviser to President Macapagal-Arroyo. Rohrabacher railed, "What you have is the communists in China. These gangsters who run the mainland corrupted your President [Estrada] and threatened to use military force to steal your oil and gas reserves, and are selling drugs to your people." While such clownish antics should be a laughing matter, the saber rattling of the new Bush Administration throughout the world, makes such efforts to provoke a confrontation with China deadly serious.

The destabilization of Indonesia, the Philippines, and other Asian nations is primarily aimed at cutting off the dialogue among the Southeast, East, and South Asian nations, toward creating political and economic cooperation and a new Asian monetary structure, independent of the bankrupt IMF system. It is only in creating such a new structure that the escalating destruction of these nations can be reversed.

IMF Pushes Pakistan Toward Chaos

by Ramtanu Maitra

In late February, as the Turkish currency plunged under external attack, the value of Pakistan's rupee moved downward at an alarming speed. For the first time, the rupee was traded above 60 to the U.S. dollar in the official interbank rate. In the open market, the dollar fetched 63 rupees; the rupee has lost 16% of its value since Dec. 1.

The rapid depreciation was triggered by a tight monetary policy imposed on Pakistan by the International Monetary Fund (IMF) over the last six months. The policy has dried up domestic investment in the core sectors, and as a result, Pakistan's large-scale manufacturing sector has remained stagnant, registering zero growth during the same period.

Rampant illiteracy, poor infrastructure, and massive unemployment have made Pakistan a hotbed for breeding militant Islam. In a situation where a resolute and immediate internal developmental expenditure could prevent Pakistan from falling into anarchy, the IMF, the enforcer of last resort, has told the State Bank of Pakistan to further squeeze bank liquidity and cut off budgetary expenditures. The State Bank of Pakistan has made it known that such a policy will further shrink the revenue base, which would only exacerbate the tight-money situation. But the IMF's muscle, backed by Pakistan's Finance Minister, Shaukat Aziz (who is a Citibank official on leave), and his gang of bureaucrats trained by the IMF-World Bank, will have its way.

The Crisis Comes into Focus

Pakistan's economic and financial problems have a long history, not all of the IMF's doing. Although the IMF had been overseeing Pakistan's economy for years, and prescribing the lethal dose as curative medicine all these years, Pakistan's elites have played the most traitorous role. Rampant looting of the treasury by one group of politicians or the other, such as Prime Ministers Benazir Bhutto and Nawaz Sharif, and willful complacency by bureaucrats eager to serve the corrupt politicians and line their pockets, left the country in deep economic and financial turmoil. Add to that, Pakistan's defense expenditures and its aid to the extremists in Afghanistan and Kashmir, and one gets a fair picture why this country's economy can be pushed to disintegrate.

Once a distant picture (much as Afghanistan's disintegrated social fabric remains blurred and insignificant to outsiders today), Pakistan's economic shortcomings were brought into sharp focus in 1999 when it rescheduled its debt repayment with the Paris Club, which provides soft loans to the tune of $1.7 billion annually to Pakistan. Islamabad has since rescheduled the debt repayment again, and will not be paying back the Paris Club till September of this year.

It is the Paris Club which has unleashed the IMF on Pakistan recently, and has asked the international financial institution to look into every accounting book to make sure that Pakistan "saves" money to repay its debt. The IMF scrutinized Pakistan's financial accounting for almost a year, threatening and arm-twisting along the way, and at the end of last year, agreed to issue a Standby Arrangement (SBA) loan of $596 million. The first tranche of $196 million was released, but the IMF has refused to release the second tranche of $135 million without going through the books again.

Pakistan's currency and economy are now being destroyed by its debt. Pakistan has acquired a foreign debt to the tune of $35.5 billion (this goes on increasing fast in rupee terms, as the local currency travels southward). Debt service on external debt stock is $8.2 billion annually. Pakistan's present foreign reserves are only $1.1 billion, and this includes $500 million of *private* foreign currency deposits. Pakistan's central bank purchased $750 million during the first six months of the fiscal year (July-December) through offshore moneychangers, at a premium of 2-2.5 rupees above the interbank rate, to maintain the $1 billion-plus level of reserves.

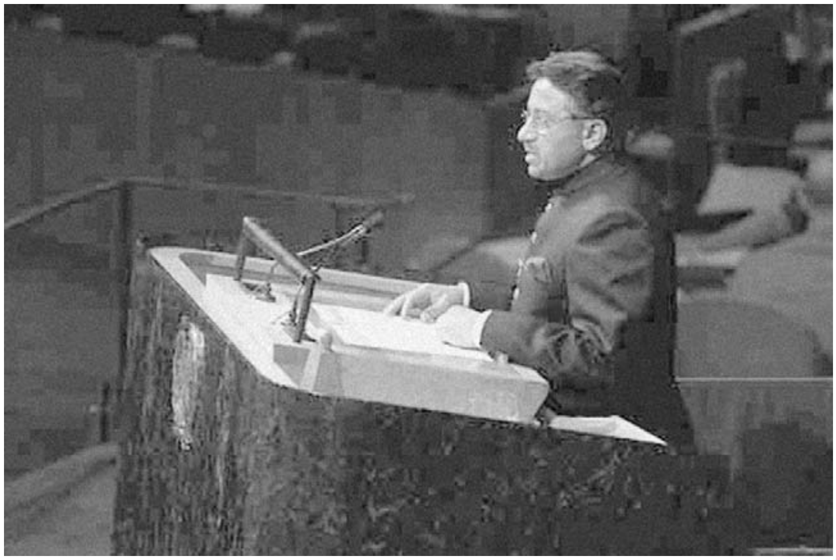
But the IMF has demanded that Pakistan's foreign reserves should not be allowed to go down below $1.74 billion. In order to maintain this level, and because Pakistan no longer has the capability to generate foreign exchange surpluses through economic activities, the central bank has no other choice but to buy more dollars. This will inevitably lead to further erosion of the Pakistani rupee in the near future.

The IMF promised a "recovery" in foreign investment in Pakistan. But, according to official statistics, the country received net foreign direct investment of $142 million during July-December 2000, compared to $306 million during the same period of 1999; portfolio investment was a *negative* $67.4 million in July-December 2000, compared to an outflow of $29.4 million last year. So, the IMF policy led to the shrinkage in direct investment by almost 55% and increase in portfolio outflow by more than 100%!

The IMF now again demands that Pakistan stabilize its external account, so that debt can be paid. In order to achieve that, it suggests that Pakistan adopt a tight monetary policy, reduce fiscal deficits, cut down on budgetary outlays, etc. This is the same old economy policy of cannibalization which has rendered many a nation bankrupt.

What Is at Stake?

Beside the 140 million Pakistanis, most of whom are extremely poor, a few other important matters are at stake. This may even include the sovereign nation status of Pakistan. For instance, well-trained and well-armed militants, who espouse the cause of Islam in order to seek political power, now surround Pakistan. Terrorists have been trained in Afghanistan, with the help of narco-money, and they were unleashed first in Kashmir, and later in Tajikistan, Uzbekistan, and Kyrgyzstan. The Pakistani elite, which also includes a section of Pakistan's military, helped the Western powers to build up this force. But now, the tables are turning, and turning rapidly. Pakistan is becoming the seat of extremism. It is yet another classic case of Dr. Frankenstein and the monster.



Pakistan's military leader, Gen. Pervez Musharraf, is an opponent of the fundamentalists, and would prefer peace in Kashmir. But the IMF is pushing the country toward the control of the extremists.

Pakistan's Chief Executive, Gen. Pervez Musharraf, on his ascendancy to power through a bloodless coup that ousted the duly-elected government of Nawaz Sharif in October 1999, was widely welcomed by the people of Pakistan. General Musharraf was "chosen" by the powers-that-be for three basic reasons. First, he is a military man, and Pakistan's military, as an institution, is perhaps the only cohesive force that exists in the country. Second, he is a Mohajir, which means one who migrated from the Indian part of the subcontinent with the formation of Pakistan in 1947. This means that General Musharraf is not part of a clique that has created the mess, and is definitely opposed to the fundamentalists. Third, General Musharraf told his countrymen that his priority would be to get rid of the corrupt political practices and put the country's economy on the right track. He indeed got rid of Nawaz Sharif, who is now languishing in Saudi Arabia, while Benazir Bhutto is waiting for someone to bring her back to Pakistan from the self-imposed political wilderness in Britain. At the same time though, General Musharraf has embraced greater corruption—the IMF! By its acts of omission and commission, the IMF has cut off both the General's feet. Pakistan's strongman is now completely under its control.

What To Expect

What to expect in the coming days depends heavily on what General Musharraf, and others who understand what the IMF policy will lead to, are willing to do to buck the tide. General Musharraf, in his address at the Feb. 24-25 conference of Developing Eight countries (the D8 is comprised of Pakistan, Egypt, Nigeria, Malaysia, Turkey, Bangladesh, Iran, and Indonesia) in Cairo, called for debt relief—in fact, for all the developing nations. The IMF's position is that Pakistan will get no debt relief, but its debt will get rescheduled and interest payments will grow.

So, it is likely that the crisis will grow. The overall growth registered by the Pakistani economy last year, despite industrial collapse, was 4.5%. All of this growth came from its large agricultural sector, which grew by 6% because of a very favorable climate, with bumper cotton, wheat, and rice crops. This helped to increase exports, reduce the trade deficit, and conserve the tiny foreign exchange reserves. Pakistan may not be so lucky this year. The long dry spell has begun to take its toll. Pakistan's central bank on Feb. 26 warned that an acute shortage of water has badly hit the agriculture sector already. Cotton production is estimated to be down 20%. Water-intensive paddy crop and sugarcane will not meet expectations, and all other agricultural products are expected to be affected adversely.

With the IMF on its shoulders asking it to cut down on its budgetary outlays, reduce its fiscal deficits, and mobilize its internal and external economy to generate foreign exchanges which can be then used for repayment of debt, General Musharraf has few options to fall back upon.

To add to the economic woes, General Musharraf cannot but notice the gathering of other dark clouds over Pakistan. In its west, hundreds of thousands of Afghans, hungry and pauperized by a brutal drought, a severe Winter, a never-ending civil war, and the United Nations-imposed economic sanctions, are trying to move into Pakistan en masse. It is a desperate crowd that can be organized by any zealot to pick up arms against all that is perceived by them as evil.

In its east, Kashmir remains a potential war zone, although neither India nor Pakistan wants to go to another war over it. But with a weak Pakistan, reeling under pressure of illiteracy, joblessness, zero industrial growth, and a growing army of militant zealots, resolving the Kahsmir issue may turn out to be close to impossible.

Argentina Dies With Its IMF 'Armor' On

by Cynthia R. Rush

The $39.7 billion bailout package for Argentina, announced by the International Monetary Fund (IMF) on Dec. 18, 2000, was supposed to be the turning point for this crisis-wracked country. The aid package, only $12 billion of which comes from the Fund directly, would boost "investor confidence," bring down interest rates, lower the country risk assessment, and set the nation on the road to recovery—or so the story went.

Two months later, Ibero-America's largest borrower is sinking, along with its mythical "financial armor," as the IMF-led bailout is called. The fragility of the economy is such, that Germany's *Der Spiegel* warned in its Feb. 1 edition, that, bailout package notwithstanding, Argentina could become the "detonator for the next international financial crisis." When Turkey's financial and debt crisis exploded in mid-February, resulting in the devaluation of the Turkish lira, it immediately unleashed fears that Argentina would be the next to blow. Arguing that an IMF bailout of Turkey hadn't prevented another crisis there, investors started dumping Argentine debt paper and stocks. In response, the government has had to sharply increase the yields on new bonds issued.

After having dropped briefly following the bailout announcement, the "country risk" rate, which is measured as the spread between U.S. Treasury notes and Argentine bonds, rose sharply, and is now back at the same 8% that existed prior to Dec. 18. In the second half of February, the situation has rapidly worsened, leading three Wall Street investment banks to downgrade Argentina's debt, and recommend that their clients sell off their bonds. Plagued by internal infighting, the government of President Fernando De la Rúa is desperate, trying to reassure investors and creditors that the austerity conditionalities attached to the bailout package, will be applied without fail.

'Defend the General Welfare'

Reality says otherwise. More than a decade of IMF-dictated austerity in Argentina has wrought unprecedented economic and human devastation. Real unemployment tops 18%, and the fastest-growing category of the population, in a country which once had the highest living standards in Ibero-America, is now the "new poor." These are formerly middle-class families, whose monthly income was once above the average for Ibero-America, but now hovers around $500, barely enough to rent a one-room apartment in Greater Buenos Aires. Living standards in the latter region have generally been higher than the rest of the country, but now the "new poor" constitute 28.7% of its 14 million population. In this situation, the "social peace" necessary to attract foreign investors, can hardly be guaranteed.

As the international financial system disintegrates, there can be no economic recovery built in Argentina by imposing even deeper austerity on top of existing economic wreckage and human despair. Popular resistance is so great that De la Rúa has had to ram through IMF policies by decree—as many as 31 of them—because Congress won't pass them otherwise.

Economic statistics released for January and February belie the government's claim that the domestic situation has "shifted" for the better since the announced bailout. Industrial production dropped by 4.2% in January 2001, compared to January 2000, and dropped by 6.4% compared to December. The decline in auto production, one of the country's most important economic sectors, was a whopping 37%. January's fiscal deficit rose 75% above the January 2000 figure, and there are now fears that the deficit for the first quarter could go at least $300 million above the $2.1 billion promised the IMF. Supermarket sales dropped by 1.8% in January, compared to the same month last year, and are expected to drop another 1% in February. In February, purchases of durable goods plunged to their lowest level ever, while consumer confidence and tax revenues continued to decline.

As the daily *Clarín*'s respected economist Daniel Muchnik put it in his Feb. 4 column, "there is no concrete evidence" to back up the goverment's claim of an improvement since December. Consultants' optimistic reports on the economy "appear to come from another planet," Muchnick said, adding that the government's job should be to "defend the general welfare" instead of putting out propaganda which "does not show the real state of the economy." Martín Redrado of the Fundación Capital think-tank bluntly stated that the "positive effects of the financial armor, which only guaranteed [$20 billion in] financing needs, were oversold," warning that a new crisis would ensue should the government fail to implement the austerity conditionalities attached to the bailout.

Instability within the ruling Alianza coalition is aggravating the crisis. A money-laundering scandal implicating Central Bank President Pedro Pou, and calls for his removal by legislators close to the São Paulo Forum-linked Frepaso wing of the government, have rattled Wall Street. In this context, there are renewed rumors that Finance Minister José Luis Machinea might resign, and be replaced by global speculator George Soros's ally, former Finance Minister Domingo Cavallo. On Feb. 27, citing the government's inability to control the fiscal deficit, one of Cavallo's former underlings, Lehman Brothers' executive Joaquín Cottani, provoked an uproar when he suggested that now might be the time to dump the currency board system in effect since 1991, and effectively devalue by pegging the peso to a basket of currencies. This immediately set off jitters in neighboring markets.

 by Robert Barwick and Allen Douglas

An Electoral Uproar

The chess board of Australian politics has been overturned, in a mad attempt to keep Lyndon LaRouche out of the game.

Prime Minister John Howard's Liberal/National Party Coalition was crushed in a state election in Queensland on Feb. 17, following its near-obliteration the weekend before in Western Australia (*EIR,* Feb. 23, 2001). In the latest election, Howard's Liberals were reduced from nine seats to three, while the National Party plunged from 23 seats to 11. Australian Labor Party state Premier Peter Beattie was returned to office with a massive 49.4% of the primary vote, increasing his majority from one seat to almost 50. Pauline Hanson's populist/nationalist One Nation party, which had sharply attacked the Coalition, played a key role in its destruction, receiving 9% of the vote, and winning three seats, maintaining its momentum from the Western Australia election, in which it won several seats.

Howard faces a federal election by the end of this year, and these state elections reflect voters' profound disgust with his globalist policies. On Feb. 19, Deputy Prime Minister and National Party leader John Anderson, a fanatical free-trade ideologue, conceded for the first time that "certain elements of competition policy [the deregulation and privatization 'reforms'] had gone too far." National Party Senate Leader Ron Boswell was even tougher: "Competition policy is a huge problem," he told the Feb. 19 *Australian Financial Review*. On the same day, a senior Liberal Party official proclaimed to the *Review:* "Economic rationalism [deregulation] is dead, dead, dead."

That a British Commonwealth government dominated by members of the Mont Pelerin Society, the British Crown's economic warfare unit, would begin backpedalling from globalism, is remarkable; even more remarkable, is how this came about.

To paraphrase Karl Marx: A specter is stalking Australia—the specter of Lyndon LaRouche. As *EIR* has documented (see the Feb. 16, 2001 issue), beginning in 1997, Australia's establishment, which had been hysterical about LaRouche's influence in the country since at least the previous year, began to promote a little-known federal Member of Parliament from rural Queensland, Pauline Hanson, and her One Nation party, to derail LaRouche's growing influence, particularly in rural Australia. Having built Hanson up, the establishment later crushed her, and One Nation bumped along at around 1-2% in the polls until December 2000. At that time, it became clear that at least one candidate of the LaRouche-affiliated Curtin Labor Alliance (CLA) in Western Australia, Jean Robinson, could well win a seat in state parliament.

LaRouche's associates in the CLA and the Citizens Electoral Council (CEC) had the best-developed grassroots organization of any party, as reflected in the fundraising figures for federal political parties released by the Australian Electoral Commission in January 2001. The figures showed the CEC fourth in total contributions (behind the Liberal, National, and Labor parties), and well ahead of One Nation. With the specter of LaRouche looming, Hanson received a sudden blaze of publicity, and her party miraculously rose from the dead in the Western Australia elections, a process which continued in Queensland. Now, media monitor companies report that Hanson's federal electoral prospects are the single most-discussed issue in the national media, being mentioned seven times more than the next issue.

Hanson has complained about globalism, but she, unlike LaRouche, has no plans to overturn the free-trade financial system. Thus, the Mont Pelerin Society (MPS), bastion of free-trade lunacy, is participating in her resurrection. Mike Nahan, the executive director of the Institute for Public Affairs, an MPS front, wrote in the Feb. 26 *Australian Financial Review,* that One Nation and the Coalition have much in common, and that they should strike an electoral deal. Also, Hanson has been rejoined by a former adviser, John Pasquerelli, who introduced her to MPS networks in 1996 (then, she employed the Adam Smith Club's Jeff Babb as an adviser).

Hanson has been most strongly attacked by the media, whenever she sounds most like LaRouche. Thus, despite the new court-and-contain policy, she was savaged over her Feb. 21 claim, that the 1996 investigation into the Port Arthur massacre, in which 35 people were shot dead, was a cover-up. As CEC investigations documented, the "lone assassin," Martin Bryant, had been brainwashed by psychiatrists from Britain's Tavistock Institute (see *Australia Dossier,* May 17, 1996). The CEC's exposé circulated widely, even on the BBC, and led to the Howard government's first hysterical outburst against LaRouche: When 150,000 angry gun owners protested in Melbourne in mid-1996 against having their guns confiscated, by laws rammed through as a direct result of Port Arthur, then-Deputy Prime Minister Tim Fischer charged, "LaRouche is running the gun lobby." From that time on, the media blacked out LaRouche, and began promoting the previously unknown Hanson.

General Welfare, or Genocide? Battle for D.C. Gen. Hospital

by Dennis Speed[1]

> From the state's standpoint, from the standpoint of governments and institutions, medical care is a responsibility to the whole population. It is not to one patient at a time. Even though the delivery of care may be, in the sense of a patient-doctor relationship, the actual effect is on the total population. . . . First of all, health care is Constitutional in the general sense, in the sense of the General Welfare. . . . The fundamental principle of a republican form of government, as opposed to a government which is owned by some person or class of people, is that the only legitimate authority of government to exist, [is] its authority and responsibility for promotion of the General Welfare of all living persons and their posterity.
>
> —Lyndon H. LaRouche, Jr., Jan. 3, 2001

There are two possible policy directions for our nation, and its citizens, in the aftermath of the recent usurpation of the Presidential election by the United States Supreme Court, and the installation of the Confederate, John Ashcroft, as U.S. Attorney General. We are at a crossroads, and there is no middle ground. Either our nation will go the way of Germany 1933, under the Nazis, or it will re-adopt the commitment to the General Welfare clause of the Constitution that was the content of Franklin Roosevelt's New Deal, and Martin Luther King's Civil Rights movement. Today, the battle to put new life into that clause is being led by Democrat Lyndon LaRouche, who alone has identified the stakes and the solution.

Washington, D.C. citizens, particularly the poor, have yet to wake up to the realization that D.C. General Hospital is about to be destroyed. Why? Because they have yet to realize, that the nation is about to disappear, and with it, D.C. General.

As LaRouche has said, the world has entered the greatest financial, monetary, and economic crisis in centuries. Nothing can save the present, hopelessly bankrupt system. Whether the United States survives its own folly of the past 30 years, or instead self-destructs by implementing "emergency decrees" to subjugate a population in revolt against its own elimination, through the abolishing of health care, electricity, schools, and transportation, depends on our reassertion of the idea of the General Welfare. The fight to save D.C. General Hospital gives the nation—not only District citizens—the opportunity to revive that commitment.

The Issue Is Not Money

The D.C. Financial Control board, Mayor Anthony Williams, and various members of Congress claim that whether D.C. General is kept open or not, is a "money issue," a "fiscal management" issue. *That is a lie*. The issue is, that they are closing D.C. General because they *intend* to do so. It is a social policy, a political decision, that the poor should die.

Many years ago, Thomas Malthus made a clear statement of this policy. "Instead of recommending cleanliness to the poor, we should encourage contrary habits. In our towns we should make the streets narrower, crowd more people into the houses, and court the return of the plague. In the country,

1. The author is a leader of the Schiller Institute and leader of the Washington, D.C. mobilization, backed by forces of the LaRouche movement nationally, to stop the sale/shutdown of D.C. General Hospital, which was ordered by the Republican-controlled House Committee on Appropriations.

At the Feb. 28 town meeting attended by more than 1,000 residents of the Capitol district, Dr. Alim Muhammed (left), Minister of Health of the Nation of Islam and a leader of the D.C. General protests, directs a question to Mayor Anthony Williams (right).

we should build our villages near stagnant pools. . . . *But above all we should reprobate specific measures for ravaging diseases; and restrain those benevolent, but much mistaken men, who have thought they are doing a service to mankind by projecting schemes for the total extirpation of particular disorders*." He wanted to kill people.

Since 1973, a Malthusian policy has been in effect globally. More than 29 new diseases have emerged worldwide, due in large part to the abrogation of the commitment of the 1960s to the eradication of poverty, hunger, and disease throughout the world. Instead, we "globalized" disease through the globalization policies of the Margaret Thatcher and Sir George Bush administrations. Public health budgets have been cut or disappeared outright in nations in both the Third World, and the industrialized nations. The spread of AIDS, BSE ("Mad Cow" disease), and the re-emergence of diseases once controlled, including antibiotic-resistant tuberculosis, now put all mankind into jeopardy. This is a willful, deliberate consequence of these monetary and speculative policies.

The battle for the preservation of D.C. General Hospital occurs in that national, and international, context.

The 'Southern Strategy'

Closing D.C. General Hospital is a crucial step toward the Nazification of American medicine, first begun with the passage of the Health Maintenance Organization Act in December 1973. The denial of medical care to the 135,000 poor of the District is intentional. It is not due to fiscal mismanagement. Just like Henry Kissinger's National Security Study Memorandum 200, which called for population reduction of nations with coveted natural resources, it is a policy decision to wipe out the black "underclass," through denial of medical care (see box).

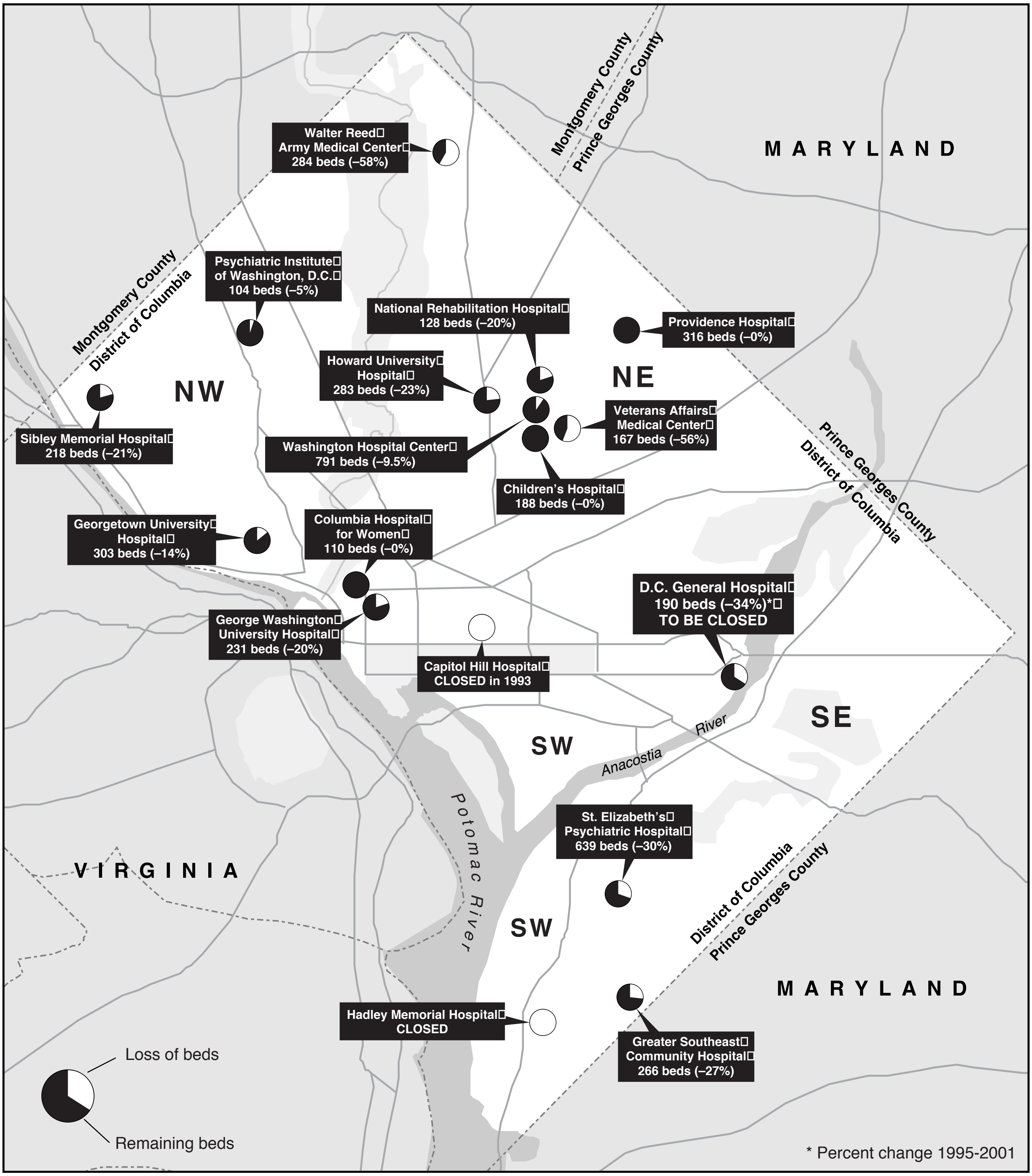
In his infamous memo of Jan. 3, 1969, Daniel Patrick Moynihan wrote, "The Negro lower class must be dissolved. . . . It is the existence of this lower class, with its high rates of crime, dependency, and general disorderliness, that causes nearby whites to fear Negroes and to seek by various ways to avoid and constrain them." The same Moynihan, notorious for the 1970 statement that the black population should be treated with "benign neglect" by the Nixon Administration, was the earliest critic of medical benefits to the poor, established through the 1965 Medicaid and Medicare programs: "The man whom Nixon appointed to head up his newly created Council on Urban Affairs, Daniel P. Moynihan, believes that the cities cannot be saved by the Washington government. . . . Moynihan's decentralism will probably work out in practice to mean that more essential social services will be turned over to business, and operated on a profit-making basis," wrote one commentator in 1970.

That is precisely what happened to health care—thanks to Moynihan, and Nixon Health, Education and Welfare (HEW) Secretaries Elliot Richardson and Caspar Weinberger (known in 1973 as "Cap the Knife" for his draconian cuts in services), and those who followed them. It is wishful thinking, however, to believe that the *purpose* of privatizing health care was "to make a killing on the health-care industry." The purpose of privatizing health care was, and is, to "make many killings," and to thus "dissolve" the poor black underclass that is ser-

FIGURE 1

Remaining Hospitals in Washington, D.C.

(Percent Change in Beds Available, 1995-99)



The map depicts the dramatic overall loss of 1,268 operating beds (22.2% of bed capacity in Washington, D.C.) during 1995-99. The loss is even higher today, because of the continued budget-driven erosion of D.C. General Hospital's operating capacity, which is now at just 190 beds. These are considerable losses: two District hospitals, and D.C. General itself—given that the 11 remaining District hospitals serve nearly 2 million people throughout the Greater Washington area, including the District of Columbia and parts of Maryland and Virginia.

viced by D.C. General Hospital.

And should this create chaos, they are prepared. Animosity and prejudice against the District population has already placed emergency measures into law, that would certainly be defended by the likes of a Thomas/Scalia/Rehnquist Supreme Court, or an Ashcroft. For example, on May 6, 1968, following the upheaval that had occurred in Washington (and elsewhere) immediately after the April 4 assassination of Dr. Martin Luther King, the House Un-American Activities Committee issued a memo, entitled "Guerrilla Warfare Advocates in the United States." It detailed numerous police-state measures, including sealing off the ghetto, and suspending civil liberties. We quote two sections:

"3) During a guerrilla uprising, most civil liberties would have to be suspended, search and seizure operations would be instituted during the daylight hours, and anyone found armed or without proper identification would immediately be arrested. . . .

"5) The population within the ghetto would be exhorted to work with the authorities, and to report, both on guerrillas, and any suspicious activity they might note. The police agencies would be in a position to make immediate arrests, without warrants, under suspension of guarantees usually provided by the Constitution."

Would these, or more extreme measures, be implemented against a District population that refused to accept, as the economic crisis deepens, the intentional destruction of health care, education, and other city services? That is one policy option.

The Alternative Is the General Welfare

Contrasted to this, is the idea of the General Welfare. In a Jan. 3, 2001 webcast, Democratic Presidential pre-candidate LaRouche pointed out that "the right to health care *is implicitly, under U.S. Constitutional law, a Constitutional right*. Now Franklin Roosevelt, for example, was the last President who made that very clear in his fight against the Supreme Court, and against Wall Street, where he said, the General Welfare is the fundamental law of the United States, the Constitutional law, and [he] adopted emergency measures *intended to provide for the general welfare*."

This is what must be done in the case of D.C. General Hospital. It is dishonest to merely demand that the hospital be kept open. The hospital must be restored to 100% operating capacity, including beds, equipment, and personnel. There must also be a new facility constructed next to the present hospital, which dates back to 1806. This must be done in the context of returning the nation to the 1946 Hill-Burton policy, abandoned in 1973, which mandates a ratio of 4.5-5.5 general-use hospital beds for every 1,000 Americans—a massive expansion of the nation's health-care facilities.

Some of the District's leading health-care practitioners have their own proposal, for an "Urban Health Campus on Capitol Hill," which includes development of a fully integrated medical campus on the grounds of D.C. General Hospital, with a new full-service hospital, mental-health facilities, long-term acute care, and other services. They propose a "strategic partnership" with other hospitals such as Howard University College of Medicine. The plan has the backing of the

What Congress Decided

This statement, reprinted from the Congressional Record, *was adopted as part of the District of Columbia Appropriations Bill for 2001. It was presented to the House Committee on Appropriations on July 25, 2000, by Committee Chairman Rep. Ernest Istook (R-Okla.), speaking for the Republican majority.*

The Committee is deeply concerned that the District must act immediately to stop the fiscal hemorrhaging that is occurring at the Public Benefit Corporation (PBC), which operates D.C. General Hospital. For the past 30 months the PBC has run a monthly deficit, now reaching $2.5 million per month. . . .

By failing to address the problem of the PBC and the associated hospital, the District and Control Board have made matters worse. They have lost the opportunity to correct the underlying mismanagement, cost taxpayers many millions of dollars, and destroyed any confidence that any new proposed solution would be better than past proposals. *The greater threat to public health in the District is not the potential closing of D.C. General Hospital, but in letting it continue to siphon off precious health-care dollars without providing an equal value of benefit to the public. . . .*

Just as bad as the financial failure, is the failure of political will to address this problem. The Committee is disappointed that officials have preferred to procrastinate and spend, rather than risk the unhappiness of the political constituencies involved in the PBC and D.C. General Hospital.

No matter how good any current proposals may sound in this area, the Committee has no faith in the political will power of District officials to follow through with them. . . . [Emphasis added.]

physicians, union members, and community residents fighting to keep the hospital open.

None of this can be accomplished in the context of the murderous HMO policies of today. The HMOs should simply be abolished. We should return to a General Welfare form of health care, which we had an approximation of up until the 1970s in parts of the United States.

Nazi Genocide in D.C.

The extermination policy for the District, the nation's capital, has already begun. The process began, as with the Nazis, with "little murders" of the "we just couldn't help it" variety.

An exaggeration? See the cases of those who have already died, in the accompanying box.

And consider this: According to Dr. Millicent Collin, chief of pediatrics at D.C. General, the hospital has a Level 3 neonatal intensive-care (NICU) capability. This means that the hospital can take care of high-risk pregnancies. For example, an infant delivered pre-term, who may need respiratory care, and to be put on a ventilator, must be cared for within the first *six minutes* of birth. If not, he or she will suffer significant brain damage, and other conditions, such as cerebral palsy.

In Southeast Washington, only D.C. General has these capabilities. Greater Southeast Hospital, which is supposed to take over D.C. General's caseload in large part, has no Level 3 NICU capability. Southeast Community cannot take care of babies born, weighing less than 2.5 pounds. Greater Southeast Community has no pediatric emergency, no pediatric Level 1 trauma capability, and, as a result, the child, after delivery, is likely to die. To those who have ordered D.C. General be shut, this will be a savings: "no long-term health-care costs."

Further, Greater Southeast, a for-profit hospital, which is rated *below* D.C. General, already has a patient base over 60% of whom are uninsured. What will be their incentive for giving emergency treatment to indigent residents? D.C. General services 60% of all uninsured people in the entire city (about 100,000)! D.C. General has 53,000 emergency-room visits a year. Once the emergency room is eliminated there, where will these people go?

Finally, the District has lost 42.1% of all beds—2,700—since 1995. How can the other hospitals possibly take up the caseload, even if they wanted to?

The entire approach to the idea of health care, exemplified by the HMO privatization of Medicaid in Washington, D.C., is intended to *proliferate* disease, *increase* infant mortality, *lower* life-expectancy. Why? The unfolding, now undeniable collapse of the world's financial and monetary system, has rendered the citizens of Washington, D.C. "redundant," as Heinrich Himmler so daintily suggested in another context: the intent of the Nazis to exterminate the populations of Eastern Europe, in the pursuit of greater *lebensraum*—living space—for the nearly as impoverished German population. There is no more living space, no more toleration, to be given, in this age of "compassionate conservatism," to the poor. There is only "death-space" available, to the which you will be assisted by the *gauleiters* of the Financial Control Board, or the Mayor's office.

Of course, Mayor Williams, or members of the Control Board, or members of Congress, would not wish to be identified with Nazi policies. Then, again, who does? Which of the Nazis on trial at Nuremberg wanted to be identified with crimes against humanity? Their denial of their role, and intent, even if in some cases sincere, did not change the content of their actions.

The Choice Before You

On March 1, 1933, two stories appeared side by side in the *New York Times*. One story, entitled "House Held Sure To Pass Bankruptcy Bill; Roosevelt Influence Wins Railway Aid," reported that "under the impetus of President-elect Roosevelt's influence, the House . . . will pass the bankruptcy bill as it was passed in the Senate, including protection for railroads and corporations . . . which might be suffering temporarily, from being thrown hastily into destructive receiverships."

This was the origin of what is today known as Chapter 11 bankruptcy, which allows a bank, or a hospital, or other entity to continue to provide essential services without being closed by creditors. Prior to this time, there was no provision in the Federal bankruptcy code for reorganization. There was only liquidation. Thus, today, *necessary* services such as hospitals, under our Constitution, can be saved by Chapter 11 bankruptcy.

Next to this article, there appeared another. Its headline read: "Hitler Suspends Reich Guarantees, Left Press Banned: Emergency Decree To Combat Communist Terror Voids Constitutional Safeguards." The article records that the *Notverordnung,* the emergency decree, "suspended all constitutional articles guaranteeing private property, personal liberty, freedom of the press, secrecy of postal communications and the right to hold meetings and form associations."

Thus, in 1933, there were two different ideas of how to deal with the "state of emergency" brought about by the economic collapse. There was the "Hitler way," and there was the "Roosevelt way," an emergency declared on behalf of the General Welfare, and implemented to preserve the life, health, and well-being of the individual.

The maintenance of D.C. General Hospital, and the public hospital system of the United States, just as is true of the public schools, public roads, and the public water and power systems, is the duty of the U.S. citizenry. We are in a crisis now, that dwarfs that which Roosevelt encountered in 1932. Whether we have the Roosevelt measures, today championed by Lyndon LaRouche, or the Hitler policy measures, now being imposed by the Southern Strategy racists, is the choice of "We the People."

"Once to every man and nation, there comes a moment to decide." What will you decide?

Mideast Reality, Cold Reception for Powell

by Hussein Al-Nadeem

The strong reactions from around the world against the Anglo-American bombing of Baghdad on Feb. 16, and the cold reception given to U.S. Secretary of State Colin Powell in his first visit to the Middle East, proved afresh that the Anglo-American power elite does not understand the two important principles of "reality" and "change."

As *EIR* had warned since the start of the year, the Anglo-American bombing was planned, not because of Iraqi actions, but because the United States and Britain want to prove the Anglo-American empire can impose its will upon the world, whether or not other nations accept that. But, they forgot two things. At home, the United States and Britain are facing the worst financial-economic collapse ever. In the Middle East, nations are turning away from the Dark Age of the Gulf wars, hoping for a new era of economic cooperation. This tendency will strengthen with the Pan-Arab Summit in Amman, Jordan on March 27 (see "Economic Cooperation Outflanks Political Differences," *EIR,* Feb. 2).

Powell came to the region with the intention of selling the "Saddam threat." However, Arab leaders made it clear to him that they are no longer capable of living with a new military operation against Iraq, nor the continuation of the criminal sanctions that have destroyed Iraq's human and economic potentials. They also reminded him that the priority for U.S. foreign policy is the Palestinian-Israeli peace process and the threat of war coming from the new Israeli government of Ariel Sharon.

Official Protests and Criticism

A look at the official protests and denunciations against the bombing of Baghdad gives a clear picture of the state of affairs in the region, a fact which admittedly surprised Powell himself.

In a joint statement issued after a meeting between Syria's Foreign Minister Farouq Al-Shara'a and Saudi Arabia's Foreign Minister Prince Saud Al Faisal, they declared: "Both sides express feelings of denunciation and anxiety over the recent escalation against Baghdad." This "came at a time when wide consultations were being conducted to tackle the whole [Iraq] issue at the next Arab summit in Amman in a way that preserves security in the region and the sovereignty and territorial integrity of Iraq."

The most remarkable criticism came from Egypt, which is the second-largest recipient of American military and economic aid, after Israel. An editorial in the official Cairo daily *Al-Ahram* charged: "The U.S. Administration has proven, through these outrages and unjustified aggression, that it does not care about the international Arab public opinion that calls for lifting the unjust economic sanctions imposed on Iraq." The editorial accused the Bush Administration of using the bombings to sabotage Egyptian President Hosni Mubarak's efforts to reconcile Iraq with Kuwait and Saudi Arabia. It went so far as to call on other Arab countries to stop providing bases for the American airplanes targetting Iraq, and to warn the Bush Administration that "continued aggression and sanctions against Iraq will only lead to harming U.S. interests in the region, and . . . to growing extremism and a spiral of violence which will hit the U.S. interests before anyone else."

President Mubarak, in an interview with the Italian daily *Corriere della Sera* the day after the bombing, ridiculed the U.S.-British claim that "Saddam Hussein is a threat to the region and the world." Mubarak cited the horrifying situation inside Iraq and the country's faltering economic and social structures. Thirty-six hours after the Anglo-American bombing raid, a large Egyptian economic delegation arrived in Baghdad to discuss implementation of the recently signed Iraq-Egypt trade agreement. Egyptian exports to Iraq reached $1 billion last year and are expected to double.

The United Arab Emirates (U.A.E.) and Qatar denounced the attack through their mass media. The U.A.E.'s *Al-Khalij* stated that the "new aggression against Iraq is one part of the bullying being practiced by Washington, London, and Tel Aviv against the Arab region." The U.A.E.'s *Al-Bayan* said that the goal is "to create chaos among the ranks of the Arab states that had been recently consolidated, and to sabotage any possibility of success of the coming Arab Summit, which would deal with the Iraqi issue and lifting the UN sanctions." *Al-Watan,* a Qatari daily, said that the air raids were "nothing more than a new package of messages to Syria and Egypt and others," especially after the signing of the trade agreements, breaking the sanctions, between Iraq and these countries.

Beyond the Arab world, Islamic nations such as Turkey, Malaysia, and Iran also denounced the bombings. The Turkish daily *Hurriyet* ran a front-page story saying that they were part of a series of actions to be taken by the United States and Britain to overthrow Saddam Hussein.

Malaysian Prime Minister Dr. Mahathir bin Mohamad, referring to a statement of British Defence Secretary Geoffrey Hoon who had said the bombing of Iraq "was a humanitarian mission," noted: "I didn't know that killing innocent civilians was a humanitarian act."

Diplomacy of the Empire

Even in Iran, Iraq's former enemy, newspapers ran harsh criticism. *Iran Daily* on Feb. 19 called the U.S.-British bombings "an act of cowardice." The daily *Tehran Times* warned that the latest U.S. move demonstrates that the "military component and option will become a prominent feature in American foreign policy in the future. . . . This military option for solving regional and international issues also conforms with the outlook of the new [Sharon] administration in Israel."

In short, the military option will not work to distract world public sympathy for the Palestinians. Instead, it will bring the United States into full-scale confrontation with Islamic nations.

Another absurd feature of Powell's visit was that he wanted to visit six countries and meet their heads of state in just four days, because he had to join the "Kuwait war veterans" club celebrations. This meant that the heads of state would be forced to come to their capitals' airports for one-hour meetings with Powell, a flagrant abuse of international diplomatic norms. Many of them refused, of course. In most cases, Powell's visit was preceded by demands from the media of these countries that he should change his agenda from the "Saddam threat" to the threat of war between Israel and the Arabs. Most remarkable was a report from the leading Saudi daily *Al-Hayat,* which "predicted" that "Powell will be told that the U.S. Administration's priority in the Middle East should be given to the resumption of Israeli-Arab peace negotiations and that Israel must stop its *barbarous* aggression against the Palestinians."

The second issue of discussion, according to *Al Hayat,* would be Iraq. "The recent American-British bombing of Iraq was not welcome in any Arab capital. The Arabs are still hoping that the sanctions against Iraq be lifted. The government in Riyadh and other Arab capitals realized that these raids further complicate the situation in the region. If further bombing were carried out, tension between the Arab countries will just increase. The Arab states have just recovered from such crises. Thus, observers expect that Riyadh would advise its host that his Administration should stop carrying out further bombings. The Saudi government will also emphasize its support for lifting the Iraqi sanctions."

When Powell concluded his tour in the Middle East in Damascus on Feb. 27, strong protests issued by Arab governments, and public demonstrations against the sanctions policy against Iraq, forced him to announce that he would recommend a shift in sanctions, on his return to Washington. The idea is to ease the adverse effects of the sanctions on the population, by allowing certain "dual-use technologies" exports to Iraq, so as to assuage Arab criticism. Significantly, Powell plans to shape a "new" regime of "smart" sanctions *prior* to the Arab summit scheduled for March. The reason is that the Arab summit is expected to establish its own coordinated policy, against the sanctions.

The Iraqi government had previously rejected all proposals for a partial lifting of the sanctions, claiming that nothing short of a total lifting of the sanctions would persuade it to resume cooperation with the UN on the question of "weapons of mass destruction" inspections.

The Real Danger: Flight Forward

As has been reported in *EIR,* the imminent danger of a new war in the Middle East would rather come from Washington's flight-forward policy of intimidating the nations of the world into submitting to the current International Monetary Fund financial-economic system, and the emerging "war Cabinet" in Israel. The Sharon government has already threatened military "retaliation" against not only the Palestinians, but also Syria, Iraq, and Iran, if the situation in Palestinian areas gets out of control. The "besieged" Palestinian-controlled parts of Gaza and the West Bank are experiencing an extreme food emergency. Many warnings say that the continuation of this situation will lead to the Palestinian Authority losing control over these areas and the outbreak of chaos. In such a situation, the Sharon government would invade the whole area.

This prospect motivated the European Union states to complain that "Israel must immediately end the withholding of payments to the Palestinian Authority and lift closures." The EU foreign ministers on Jan. 26 called for an urgent meeting of international donors, to raise $200 million to prevent the PA from collapsing. The ministers allocated $55 million more in a grant, stressing that the necessary conditions for a functioning Palestinian economy must be assured." Meanwhile, international aid agencies have reportedly begun emergency food programs for hundreds of thousands of Palestinians in poverty, because of the closures. The emergency program aims to provide relief for 250,000, in the biggest such operation yet, about the size of the earthquake relief program in El Salvador earlier this year.

Powell's meetings with the Israeli and Palestinian leaders did not help improve the situation, because this issue was not on "his list of priorities." In his meeting with Palestinian Authority President Yasser Arafat, Powell informed him of the steps Israeli Prime Minister Sharon demanded be taken, in order to have the Israeli closure lifted. American members of Powell's entourage reportedly were enraged at the formulation of a statement by Sharon, reporting on Powell's mission, saying, "It implies that the Secretary of State is an emissary of Sharon."

Between now and the Arab summit, anything can happen, including the possibility of a new bombing of Iraq and a major conflagration in the Palestinian territories. This would easily spread to southern Lebanon and Syria. Only a return to reality and a new view of the U.S. role in the world, can hold out hope for the region.

The Return of the Bush War Cabinet

by Scott Thompson and Arthur Ticknor

Since taking office, George W. Bush has assembled a national security team of "rogue warriors" who cut their teeth during the Reagan-Bush years, running secret wars, staging military coups and invasions, and openly peddling the idea of an American imperium—what Sir George Bush used to call his "new world order."

As Lyndon LaRouche stressed, and the Feb. 16 raid on Baghdad highlights, this Bush family "war cabinet" needs no provocation to start a war. They are a genocidal gang who murdered as many as 5,000 Panamanians to "arrest" Gen. Manuel Noriega, and maintained a decade of sanctions after "Desert Storm" against Iraq, which have killed up to half a million children and elderly in that nation. The following brief dossiers on several of Bush's latest appointees underscore this reality.

John Robert Bolton: Dubya has announced his intent to nominate John Bolton to be Undersecretary of State for Arms Control and International Security Affairs, where, if his recent war propaganda against Saddam Hussein is any indication, he should work nicely with "knuckle-dragger" Richard L. Armitage, who was nominated to be Deputy Secretary of State (see *EIR,* March 2, 2001). Throughout the previous Bush Administration, Bolton was Assistant Secretary of State for International Organization Affairs, after he had served as Assistant Attorney General of the Civil Division of the U.S. Justice Department in the Reagan/Bush Administration.

In a Dec. 27, 1999 commentary in the *Weekly Standard* entitled "Who Really Won the Gulf War?," Bolton called for a renewed effort, by any means necessary, to eliminate Saddam Hussein—including, presumably, a renewal of Sir George's efforts to assassinate him. "The United States must state publicly and unequivocably that Saddam's removal is our paramount objective," Bolton wrote. "We must encourage resistance . . . by whatever dissident elements exist in the military and Saddam's governing structures. . . . Saddam's elimination must become an international priority, not just an American one." Bolton further states that Saddam is a "legitimate target" who must be dealt with accordingly.

After leaving the Bush Administration, Bolton became a Senior Vice President for Public Policy Research at the American Enterprise Institute. AEI is the main base for what has been dubbed "Margaret Thatcher's Bilderberg Society," the New Atlantic Initiative (NAI), and Bolton is a member of NAI's International Advisory Board, that is chaired by Sir Henry Kissinger, Knight Commander of the Order of St. Michael and St. George (KCMG).

Richard Haass

Richard Haass: Dubya nominated Haass to be Director of Policy Planning at the U.S. State Department with the rank of ambassador. During the elder Bush's Administration, Haass had played a major role in the Persian Gulf War as Special Assistant to the President and Senior Director for Near East and South Asian Affairs for the National Security Council.

In his paper "Imperial America" given at the "Atlanta Conference," that was held in Puerto Rico on Nov. 11, 2000, Haass argued that at present, the United States has "primacy" in the world, and that is how it should be. Sounding like Zbigniew Brzezinski or Kissinger, Haass stated that to maintain world order, Americans must "reconceive their role from one of the traditional nation-state to an imperial power," referring explicitly to the mode of world rule of the United States' historic arch-enemy, a *Pax Britannica*.

Sovereignty, Haass argued, should be viewed as conditional, so that "the United States should be prepared to intervene militarily on a selective basis for humanitarian purposes." Presaging the global showdown that such an imperial policy would bring about, Haass went on to say that China and Russia were the number-one menace to his *Pax Americana*. And, he argued that Theater Missile Defense and National Missile Defense should be rammed through, despite China and Russia's strong objections to them. Haass further called for global "economic openness," so that all markets would be open to looting by the Anglo-American financier oligarchy. He concluded his speech stating: "Imperial understretch, not overstretch, appears the greater danger of the two."

After leaving the administration of George I, Haass served most recently as vice president and director of the Brookings Institution, where he also holds the Sydney Stein, Jr. Chair in International Security.

Dov Zakheim: Dubya has nominated this rabid Anglo-Zionist to be Undersecretary of Defense, Comptroller. During President George H.W. Bush's Administration, Zakheim had been a consultant to the Secretary of Defense, while also serving (as he still does) as Chief Executive Officer of SPC International Corporation, which does national security research for the Department of Defense and U.S. intelligence agencies. He is also Corporate Vice President for the Center for Policy Planning, which does similar "Beltway Bandit" work.

Early in the Reagan/Bush Administration, Zakheim also held positions in the Department of Defense, starting as a Special Assistant to the Secretary of Defense on international security policy (1981-87) and finally as Deputy Undersecretary of Defense for Planning and Resources (1985-87).

Zakheim has echoed Dubya's foreign and national security policy litany. At the Begin-Sadat Center for Strategic Studies of Bar-Ilan University in Israel in 1999, Zakheim indicated that China's position was somewhere between that of a competitor and an enemy, which would require the U.S. military "confronting China credibly" to stop it from exerting hegemony in East Asia and invading Taiwan. Another "enemy image" being propagated by Zakheim, despite recent vast changes there, is North Korea, which has as "its unambiguous objective to threaten the United States," according to his speech before the Foreign Policy Research Institute on May 12, 2000, entitled "The American Strategic Position in East Asia."

As for Russia, Zakheim stated at a Heritage Foundation conference in July 2000, that the Russians "are neither our allies nor our bosom buddies." He therefore calls for NATO enlargement into Russia's *glacis* and for the building of National Missile Defense no matter how much the Russians are enraged by these policies.

Zakheim, age 52, spent his college years in Britain, attending the London School of Economics (receiving a B.A. in 1969), and Oxford University (receiving a D.Phil. in 1974). He also served as a Research Fellow at St. Anthony's College at Oxford.

During 1971-72 he was a member of the Board of Deputies of British Jews, which had been founded by the Rothschild family and other *Hofjuden* ("Court Jews") to control the poorer Jews in Britain on behalf of the monarchy.

Adding to his Anglophilia is Zakheim's membership in 19th-Century raw materials grabber Cecil Rhodes's "crown jewel," the Royal Institute of International Affairs ("Chatham House") and its American offspring, the New York Council on Foreign Relations. And, finally, Zakheim is a member of the International Institute for Strategic Studies (IISS), which is the premier "private" military affairs think-tank based in Britain.

Throughout Dubya's campaign for the Presidency, Zakheim was a member of the team of national security advisers known as "The Vulcans," who tried to educate him on foreign and national security policy.

Robert B. Zoellick: Another "Vulcan," whom Dubya nominated to be the U.S. Trade Representative with Cabinet rank, is Robert Zoellick, who is widely known among well-informed sources to represent the interests of former Bush Secretary of State and Bush family *consigliere* James Addison Baker III. While Baker was Secretary of State (1989-92), Zoellick served as Counsellor of the Department of State (Undersecretary rank) and Undersecretary of State for Economics. After Baker left that post to become White House Chief of Staff and Senior Counsellor to President George H.W. Bush, Zoellick followed him to the White House as his deputy. And, during the Reagan/Bush Administration, when Baker was Secretary of the Treasury (1985-88), Zoellick held various posts in Treasury, including as Baker's Counsellor.


Robert B. Zoellick

Zoellick is also a member of the Advisory Board of Enron Corp., which has been the number-one career patron of Dubya, contributing more than $500,000 to his various campaigns.

Like Bolton, Zoellick, who most recently served as a Fellow at the German Marshall Fund, is a member of Lady Thatcher and Sir Henry Kissinger's New Atlantic Initiative International Advisory Board.

At the March 13-15, 1999 meeting of the Trilateral Commission in Washington, D.C., Zoellick was the chief U.S. rapporteur for a report entitled "21st Century Strategies of the Trilateral Commission: In Concert or Conflict?" It called for the containment of, and preparation for possible military conflict with China and Russia. Echoing Brzezinski, Zoellick argued that no power or combination of powers must be allowed to come together that would halt the United States as the hegemonic power over Eurasia after the end of the Cold War.

For example, Zoellick wrote in the Trilateral Commission report: "It is troubling that China has not accepted the idea that an ongoing U.S. presence in East Asia assures the region's security. It appears that China would prefer a future where it could cooperate with Korea, exercise pre-eminent influence in Southeast Asia, and keep Japan in check. China's insensitivity to democratic hopes—whether in Taiwan or on the part of a few activists on the mainland—is also not encouraging."

The worst possible outcome of this situation, in the view of both Brzezinski and Zoellick, would be for China, Russia, and India—representing the most populous nations of Eurasia—to form economic, military, and political ties that would constitute what Lyndon H. LaRouche, Jr. has called the "Survivors' Club."

Clearly, by bringing in such members of his father's "war cabinet," President George Bush is pouring gasoline on a smoldering global situation that is already primed to explode.

Supreme Court Goes Back to the 1930s

by Edward Spannaus

On Feb. 21 of this year, the five-justice majority on the U.S. Supreme Court, led by William Rehnquist and Antonin Scalia, issued a new ruling which signals the return of the court to its pre-1937 period, when the high court routinely invalidated any and all measures designed to deal with the 1930s economic emergency which had nearly destroyed the nation's productive economy, and had impoverished its citizens.

With the U.S. and the global economy plunging into a new Great Depression, the Supreme Court's action on Feb. 21—taken in conjunction with its unprecedented intervention in December to hand the Presidential election to George W. Bush—should set off alarms among all citizens concerned about the future of this nation. It should also be taken as striking confirmation of Lyndon H. LaRouche, Jr.'s warning in "Scalia and the Intent of Law," published in the Jan. 1 issue of *EIR:*

"If Scalia's dogma were to continue to define the majority view of the U.S. Supreme Court," LaRouche wrote, "an early slide into chaos could occur simply as a result of a specific political inability of the incoming government: its inability to muster the kind of political support needed for any of those kinds of legislative and other measures, by means of which our nation could be saved from the now rapidly accelerating threat of financial and economic chaos. No effective measures to deal with this present crisis, could be taken, without overriding promptly virtually every principle which Scalia has presently come to represent in that Court."

Here, we will first review the court's Feb. 21 ruling in *Alabama v. Garrett,* and then discuss the appropriateness of Justice Stephen Breyer's comparison of that ruling, with the one of the more notorious anti-New Deal rulings of the 1930s Supreme Court.

Fourteenth Amendment

The *Garrett* ruling sharply limited the scope of the Americans with Disabilities Act (ADA), a 1990 law which, ironically, was signed by former President George H.W. Bush with strong support from Republican Senate leader Bob Dole (who himself is partially disabled by a war injury). The court held that Congress could not authorize lawsuits by citizens, against a state, for denial of equal protection of the law under the Fourteenth Amendment. Specifically, the majority said that the enactment of the ADA exceeded the powers granted by Sec. 5 of the Fourteenth Amendment, which states that "Congress shall have the power to enforce, by appropriate legislation, the provisions of this article." The majority decision was nominally written by Chief Justice Rehnquist, but it bears all the markings of the behind-the-scenes intellectual maneuvering by Scalia, which is well-known to those who have studied the inner workings of the current court.

While the majority ruling made a distinction between lawsuits for discrimination against disabled persons, and lawsuits for violations of voting rights, no one who has followed the Rehnquist-Scalia bloc's determination to rip up the Voting Rights Act of 1965, would put any faith in such a distinction. The majority said that Congress had not shown a pattern of state-sponsored discrimination against disabled persons, which would be sufficient to overcome the Eleventh Amendment's prohibition against the Federal court's hearing lawsuits by a citizen of one state against another state. Of course, in this case, the court said that the Eleventh Amendment extends to lawsuits by citizens against their *own* state.

In true Alice-in-Wonderland fashion, Rehnquist explains that this is so, because *we say it is so*. "Although by its terms the Amendment applies only to suits against a State by citizens of another State, *our cases* have extended the Amendment's applicability to suits by citizens against their own States" (emphasis added). For "textualists" like Scalia's majority, who profess to rely on the strict wording of the Constitution and its Amendments, this is an astounding exercise in "judicial activism."

In his dissenting opinion, joined by the other three justices, Justice Breyer blasted the majority for invading the powers assigned to Congress by the Constitution. And he especially attacked the majority for its conclusion that Congress did not have sufficient evidence of discrimination against disabled persons, when it enacted the ADA: He showed the extensiveness of the evidence gathered by Congress itself and by a special Congressional task force.

But, as retiring Supreme Court Justice Thurgood Marshall said in 1991, "power, not reason" is the currency of this court's decision-making.

Supreme Court vs. the General Welfare

To understand the implications of the *Garrett* case, we have to go back 55 years, to another time when the court operated on the basis of pure power, exercised on behalf of property rights, against the General Welfare.

In his dissenting opinion in *Garrett,* Justice Breyer compared that ruling to the 1936 ruling in *Carter v. Carter Coal*

Co., in which the Supreme Court threw out the Bituminous Coal Act (the "Guffey Act"), which provided a code of conduct for the bituminous coal-mining industry with respect to price and trade practices, and which also guaranteed collective bargaining and other labor rights. This law was enacted by Congress after the Supreme Court had thrown out the National Industrial Recovery Act and other New Deal legislation in 1935. Time after time, the Supreme Court had rejected the Administration's arguments that, under its "General Welfare" powers, Congress could enact legislation to regulate and attempt to restart the economy, or to provide a safety net of minimum wages and protections for the labor force.

At that time, the Supreme Court repeatedly threw out economic legislation, on the pretext that such laws exceeded Congress's power to regulate interstate commerce. This was especially preposterous in the case of coal. The court claimed that coal mining was simply a "local" activity—when in fact 97% of the coal mined by the Carter company went into interstate commerce. Congress could do nothing about the conditions of labor in this or any other industry, the court held; these were strictly local matters left to the states.

Robert Jackson—a former U.S. Attorney General, and later Associate Justice of the Supreme Court—wrote in 1940, that the majority opinion in the *Carter Coal* case was "a states' rights opinion which would have done credit to the talents and sentiments of Roger Taney"—the Chief Justice and notorious author of the *Dred Scott* decision, much praised by William Rehnquist today.

But, in fact, "states' rights" was only a pretext—then and now. The real target was the General Welfare, versus property and contract rights. This was demonstrated by the Supreme Court shortly after the *Carter* case, when it struck down the New York State minimum wage law for women, on the grounds that the *states* could not interfere with the freedom of contract.

Mobilizing Against the Court

The *Carter* case and related atrocities by the Supreme Court, gave rise to a political movement to force the high court, one way or another, to acknowledge the Federal government's constitutional power to promote and protect the General Welfare.

The 1936 Presidential election was not only a referendum on the New Deal, but also on the Supreme Court. Although FDR said little explicitly about the court during the campaign, the Republicans mounted a vigorous defense of it. In fact, some of Roosevelt's advisers had urged him to include in the Democratic Party platform, a proposal for a Constitutional amendment which would definitively spell out the meaning of the "General Welfare" clause, to eliminate all doubt as to Congress's power to enact national economic legislation.

In his Second Inaugural Address, on Jan. 20, 1937, Roosevelt launched a campaign to educate the American people about the Constitution's commitment to protecting the General Welfare. Describing the situation when he first took office, four years earlier, FDR said that "we knew that we must find practical controls over blind economic forces and blindly selfish men."

FDR recalled why the Constitution had established a strong Federal government: "We of the Republic sensed the truth that democratic government has innate capacity to protect its people against disasters once considered inevitable, to solve problems once considered unsolvable. . . . We refused to leave the problems of our common welfare to be solved by the winds of chance and the hurricanes of disaster."

"This year marks the one hundred and fiftieth anniversary of the Constitutional Convention which made us a nation," FDR continued. "At that Convention our forefathers . . . created a strong government with powers of united action sufficient, then and now, to solve problems utterly beyond individual or local solution. A century and a half ago they established the Federal Government in order to promote the general welfare and secure the blessings of liberty to the American people."

Two weeks later, FDR proposed his so-called "court-packing" plan to reform the Supreme Court. Then he took his case directly to the people, in a Fireside Chat on March 9, 1937. He warned of the danger of another 1929, and said that measures were necessary to prevent this and to complete the recovery program—measures that only the national government could undertake.

FDR urged the people to re-read the Constitution, and explained: "In its Preamble, the Constitution states that it was intended to form a more perfect Union and promote the general welfare." Roosevelt said that the powers given to Congress could be best described as being "all the powers needed to meet each and every problem which then had a national character and could not be met by merely local action"—a direct swipe at the Supreme Court. And he noted that the Framers were aware that in future times, other things would emerge as national problems, so "they gave to Congress the ample broad powers 'to levy taxes . . . and provide for the common defense and general welfare of the United States.' "

As it turned out, Roosevelt's mobilization of the American people was sufficient to force the court to shift ground. By May 1937, the Supreme Court had begun to reverse course, issuing two rulings which affirmed New Deal programs—for the first time—on the basis of the General Welfare clause. One case involved the unemployment tax and compensation provisions of the Social Security Act, and the other, the old-age benefits provisions of the Social Security Act.

The Feb. 21 ruling in the *Garrett* case, shows that that same type of mobilization, may soon be needed again.

'New Democrats' Attack FDR as Depression Grows

by Michele Steinberg

There is a war going on inside the Democratic Party between the leadership of Lyndon H. LaRouche, Jr., who represents the tradition of Franklin Delano Roosevelt, and the so-called "New Democrats," who are escalating their campaign to bury FDR's commitment to the general welfare of the nation. The Democratic Leadership Council (DLC), representative of the "New Democrats," offers to turn the party into towel boys for George W. Bush's coalition for a new fascism.

Al From, the founder of the DLC, is telling Democrats that Al Gore lost the Presidential election because he did not embrace the DLC program. This is a big lie. Gore lost because he is a New Democrat—pushing every one of the copycat Republican policies, from welfare "reform," to "reinventing government" (to reduce government to its smallest in over 30 years), to fanatically backing free trade. In truth, the only chance for the Democratic Party to take back Congress, the White House, or state houses, is to purge it of the likes of From and his aping of the Gingrichite Bush agenda.

On Jan. 24, immediately after Bush's inauguration, From and a bevy of DLC leaders, including pollster Mark Penn and "New Economy" cheerleader Will Marshall, held a press conference to denounce FDR and the New Deal fight for the general welfare of the population.

Releasing the first 2001 edition of *Blueprint,* the New Democrat magazine, in an article entitled "Why Gore Lost . . . And How Democrats Can Come Back," From declared, "This is the bottom line: The New Economy is creating a new electorate that demands a new politics. . . . The New Deal political philosophy that defined our politics for most of the 20th Century has run its course; the political coalition it spawned has been split. Like Humpty Dumpty, the New Deal coalition cannot be put back together again. . . . In the Industrial Age, the working class dominated the electorate. The new electorate of the Information Age is increasingly dominated by middle- and upper-middle-class voters who live in the suburbs."

Demonstrating "chutzpah" (defined as the ability to enter a revolving door second, and come out first), From stressed that Gore's and the Democratic Party's humiliating defeat was entirely due to the fact that Gore had *abandoned* the DLC's advice to gear everything toward the white, affluent suburbs. In reality, Gore followed the DLC's policies, dragging himself, and the attempt to gain Democratic control of Congress, to defeat, just as LaRouche had warned.

The DLC's "coming out" on Jan. 24 had an even more specific purpose: to put labor and African-American Democrats "in their place," and to put a damper on the growing grassroots opposition to Bush's racist nominee for Attorney General, John Ashcroft. In fact, the DLC was one of the groups mobilized by Wall Street and Gore's allies in the Democratic National Committee, to discourage Democrats from using the filibuster weapon against Bush's effort to ram through a crisis-management war cabinet.

First, the DLC made it plain that the black vote should *not* be a priority: "Democrats should continue to win an overwhelming majority of African-American and Hispanic voters. But we cannot afford to get clobbered among white voters *for the simple reason that there are eight times as many white voters as there are black voters, and four times as many white voters as all minorities combined*" (emphasis added).

The DLC told Democrats to be the "loyal opposition," like slaves knocking at the back door of the plantation mansion for a handout. In the second 2001 edition of *Blueprint,* the DLC leadership declared that the party's "long-term interest will not be well served by tactical positioning designed . . . to stymie Republican initiatives or embarrass a Republican President." Instead, Democrats must offer the Republicans a program for "breaking partisan gridlock" that would be "the basis of bipartisan efforts." The DLC "bipartisan" program is wedded to globalization, the stock market bubble, disappearing high-tech jobs, and free trade.

Defending the Financial Bubble

The most dangerous of the DLC messages is its appeal to greed, its promise of a never-ending boom. The Democrats' biggest mistake in 2000, it said, was their failure to recognize the "staggering" pace of "demographic change in the electorate." Democrats should have pandered to the fact that "70% of voters in 2000 said they owned stock. . . . The electorate is rapidly becoming more affluent. The percentage of all voters with annual family incomes of more than $50,000 grew from 32% in 1992, to 39% in 1996, to 53% in 2000." It said, "The percentage of voters with annual family incomes of less than $30,000 dropped from 38% in 1992 . . . to 23% in 2000."

By contrast, Lyndon LaRouche is telling Democrats to take over the leadership of the country precisely *because* the "New Economy" bubble, which was pumped up by Federal Reserve Chairman Alan Greenspan-orchestrated hyperinflation, will go bust, with economic devastation not seen in centuries. As February came to a close, LaRouche's warnings were becoming reality, as hundreds of thousands lost their jobs, as the high-technology sector and consumer boom crumbled. The Nasdaq index plummetted during February by 22.4%, its third-worst monthly percentage decline ever, following a 55% market decline in one year.

Under such conditions, listening to the drivel of the Al From New Democrats will only ensure continuing defeat for the party.

Editorial

UN Should End Sanctions and Projections

The United Nations' widely reported "Projection" of the future human population, released on Feb. 26, is a complete falsification—worse than President Bush's fantasies about future budget surpluses, because the UN Population Division knows better. While the annual rate of increase of the human population has been dropping steadily since 1980, and more and more sharply since 1992, the UN has blithely *increased* its world population projection for 2050, attributing it all to the Third World.

The UN's own report shows that the human lifespan for the 48 "Least Developed Countries" *fell* between 1998 and 2000, by 3.5 years for men and 2.0 years for women. But the "Projection" baldly extrapolates a *continuous rise* in Third World life-expectancy over the next half-century, to 75 years by 2050. It claims that "particularly rapid [population] growth is expected among the 48 countries classified least developed. Their population is expected to nearly triple between 2000 and 2050. . . ." And it was *this* claim, counterposed to projections of falling populations in the advanced sector, which was played up in worldwide press coverage, with a tinge of "brown peril."

Is the UN ready to tell us how it is that the world population is growing at 77 million per year, when its own reports, from 1998 and 2000, show an increase of just over 130 million? (Twice 77 million does not equal 130 million!) Is the UN ready to tell us how, or when, the ongoing fall in life-expectancy in the developing nations is going to be reversed? Lifespans in many Sub-Saharan African countries have fallen well below 40 years; but it is not only there, and not only in Russia and Eastern Europe, that the devastating signs of a coming world population collapse are appearing. Not least is the news of the disastrous spread of livestock disease outbreaks in Asia, Africa, and now in Europe and South America. This recalls that in the terrible 14th Century of financial catastrophe and Black Plague, the wide spread of such livestock diseases, from about 1300 onwards, was a herald of the devastation of the human population, which was to follow the banking collapse of the 1340s.

And there are many other nations whose future population is very much in doubt, threatened by war, ongoing starvation, and oppressed by economic sanctions imposed through the UN. Among them are Iraq, North Korea, and Afghanistan. Can the UN, while projecting the future "rapid population growth" of Iraq, Afghanistan, and North Korea, tell us when these sanctions will be lifted?

The situation of the people of Afghanistan is as desperate as that of the people of Iraq, which is much better known, though equally ignored in London, Washington, and allied places. More than a million Afghan refugees have fled the fighting in the country; now, both among the refugees in Pakistan and Iran, and in Afghanistan itself, drought and bitter Winter have set off starvation and a wipeout of livestock. The Afghan population is, undoubtedly, one that is now falling, whatever projections the UN Population Division may make.

During the last week in February, that people's desperation suddenly became "world news," when the Taliban leadership in Afghanistan announced that it would start destroying ancient statues of Buddha, and other archeological treasures. By this hard and highly provocative means, they are demanding that the years-long sanctions on this starving and suffering country be lifted.

The Taliban leadership is playing a very dangerous game. With the new aggression being displayed by Bush, by Sharon, and by that disease epicenter known as Tony Blair's Britain, the result of this showdown over the ancient statues in Afghanistan is incalculable. It arises from the onrush of a biological holocaust, and marks that onrush for the world as a whole. Remove the grip of "sanctions," and replace it at once with development—the name for peace—before it is too late.

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