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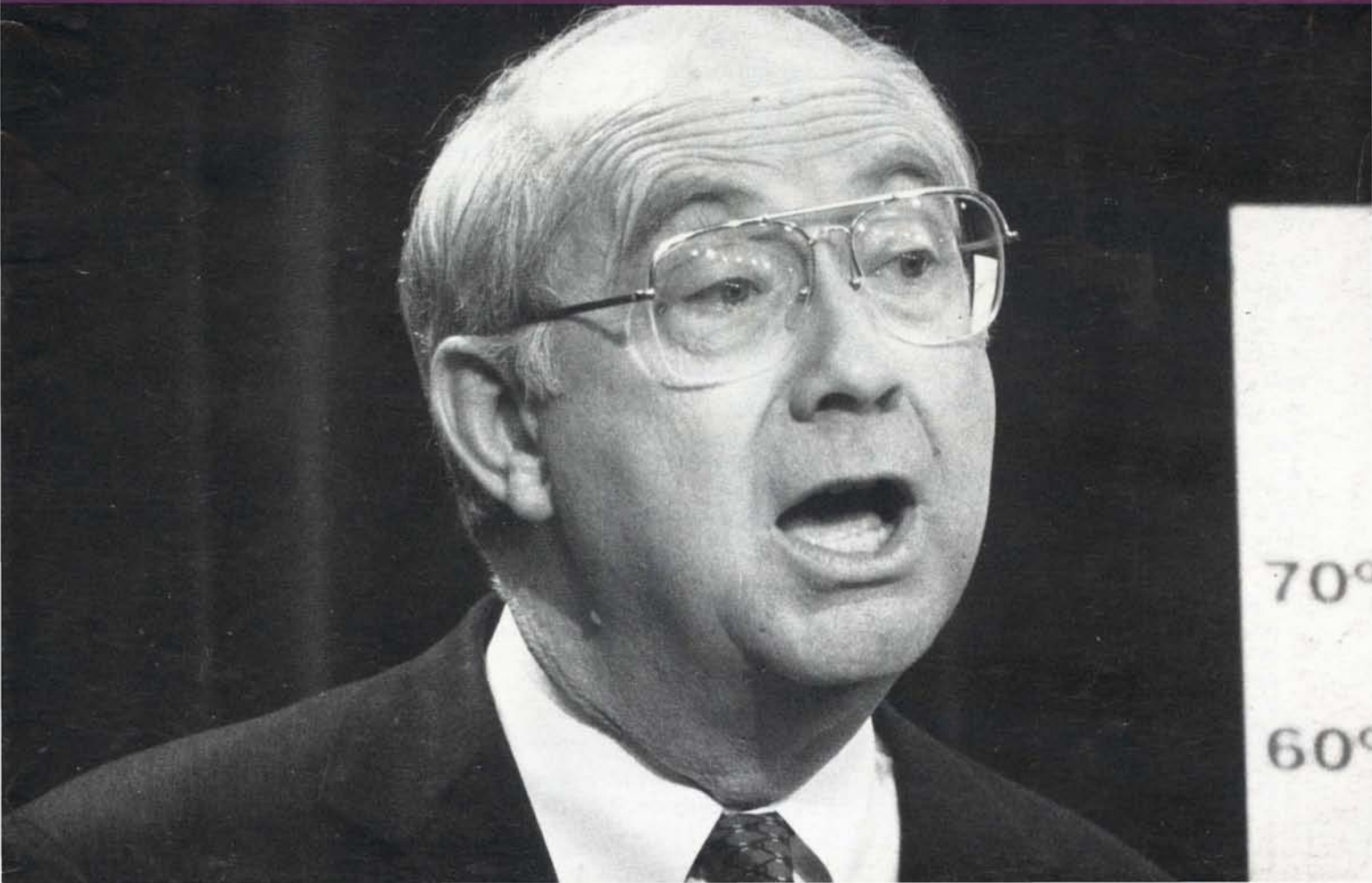
Executive Intelligence Review

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Capital gains tax cut, a parasites' paradise  
Deep U.S.-British split at Wehrkunde meet  
Will Poland again cave in to false ideas?

## Phil Gramm's 'Conservative Revolution in America'



**THERE IS GOING TO BE  
A RUDE AWAKENING!**

# Russia's future: dictatorship, chaos, or reconstruction?



- **DO YOU REMEMBER** when Boris Yeltsin aimed the Russian Army's tanks at the Parliament and started shooting?
- **DO YOU REMEMBER** last December's vote for Zhirinovsky?

Were you shocked?

While you were shocked, *EIR* was acting. Informed by nearly two decades of analysis of the Soviet Union by such leading thinkers as American economist Lyndon LaRouche and Germany's Gen. Paul-Albert Scherer, *EIR*'s European staff put together this report to warn western policymakers that the countdown was on to what could be the century's biggest strategic disaster.

Then Lyndon LaRouche, released from confinement as a political prisoner in January 1994, traveled to Moscow with his wife, Schiller Institute Chairman Helga Zepp-LaRouche,

in April, for high-level talks and seminars at the invitation of the Universal Ecological Academy, of which he is a member. His briefing, on return from Russia, became the first chapter of this Special Report, and the warm reception he got shows that there is still time to reverse the criminality and descent into chaos in Russia, if we act now.

**AND ACT WE MUST**, for our own sake as well as Russia's. As LaRouche himself said: "Although we are focused upon the subject of Russia, only charlatans could speak of the future of Russia without taking into account explicitly the factors which are of immediately decisive importance for each and all nations of this planet. Indeed, the present crisis within Russia (as of all of eastern Europe) is a relatively mild form of the catastrophe which is soon to strike down every nation upon this planet. The way we treat the problems of Russia today is the mirror of the early- to medium-term future of China, of Japan, of North America, and of western Europe."

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## From the Editor

**T**he defeat of the strictly “un-American” Conservative Revolution insurgency is inseparable from another national duty: the full exoneration of Lyndon LaRouche, whose federal conviction in 1988 hangs like a sword of Damocles over his head and over his five associates still unjustly imprisoned in Virginia. *EIR*’s editors renew our support for the call which has been signed by hundreds of elected officials in the United States and abroad, which has appeared with selected signatures in leading U.S. newspapers. The statement, entitled “An Open Letter to the President of the United States,” reads in part:

“Finally, after five long years, Lyndon LaRouche was freed on parole. But the fact remains that a terrible crime still goes unanswered. Not only was an innocent man framed, convicted, and wrongfully imprisoned for five years, but, it is now clearly the case, documented by six volumes of unchallengeable evidence, consisting chiefly of government documents and admissions of government-led ‘task force’ officials, that the U.S. government knew at all relevant times, from 1979 to the present day, that Lyndon H. LaRouche and his co-defendants were innocent of the false charges for which they were convicted. This proof, that the government fraudulently charged, convicted, and imprisoned LaRouche and his associates, knowing they were completely innocent, is part of the public record on file with the Federal appeals court in Richmond, Virginia.

“Yet to this day, not only have the U.S. Federal courts and the Justice Department failed to rectify this fraudulent conviction, but, while this critical evidence sits gathering dust without ever being heard, five of Mr. LaRouche’s associates still sit in prison, serving decades-long sentences.

“We, the undersigned, are compelled to act in the name of law, to demand that you, Mr. President, along with Attorney General Janet Reno, and the appropriate committees of the U.S. Congress, take any and all measures necessary to ensure the full and immediate exoneration of Lyndon LaRouche. The failure to do so does not stain the honor of Lyndon LaRouche, who has paid a terrible price for his innocence, but the honor of the U.S. justice system and Constitution, which, for more than 200 years prior to this dark episode, stood as the symbols of liberty and justice for all.”

*Nora Hamerman*

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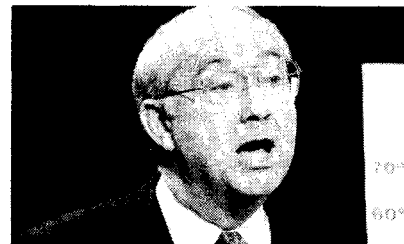
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## Capital gains tax cut is a parasites' paradise

by Richard Freeman

At the heart of House Speaker Newt Gingrich's (R-Ga.) Contract with America, is the proposal for a 50% cut in the capital gains tax rate, and indexation of capital gains to inflation. The combined effects of the proposed tax cuts would initially hand \$180 billion to \$210 billion in after-tax profits to speculative parasites—"privateers"—who bankrolled Gingrich and other Conservative Revolution Jacobins into Congress.

The proposal is grand larceny brazenly executed in broad daylight and covered up with the thread-bare cloth of "tax reform."

Lyndon LaRouche, in his Jan. 18 speech to the Schiller Institute's Martin Luther King Conference, stated: "The 'privateers' . . . [are] going to steal everything. And they're going to steal and loot the nation through an instrument called capital gains. You pay more taxes, you get less, and you pay off the pirates, the parasites who make no contribution, who survive on lucky money which they get by running a crooked wheel called the financial speculative market—[such as] Orange County—through capital gains."

Capital gains are gains realized as a result of the appreciation of an asset, whether that asset be stocks and real estate—which are the two biggest forms of capital gains—or a piece of antique furniture, an art work, etc. For example, if one bought an apartment building for \$50 million, and sold it two years later for \$150 million, then \$100 million is one's capital gain, even if the upkeep and repair of the apartment building has not been maintained and the building, in real physical terms, is really worth less than it was two years ago. The object of the speculative economic process that has submerged America since the 1963 assassination of President John Kennedy, has been to rig an appreciation in the market price of paper financial instruments or pieces of land, and

then record profits through the instruments' sale. These are capital gains profits. This is part and parcel of the gigantic worldwide financial bubble.

The capital gains tax rate cut, proposed under the Contract with America, has two objectives. First, it is to increase the size of, and give six months or more new life to, the financial bubbles in stocks, derivatives, and real estate. The historical record shows that each time a capital gains tax cut has been enacted during the last 20 years, speculative activity has thrived. Second, it lowers the tax rate that the speculative parasite pays on his ill-gotten gain, which, meanwhile, has been enlarged through the effects of the capital gains tax cut. So the speculator pays less tax on a much bigger take. As Al Capone would say, "Nice work, if you can get it."

As for its effect on society, as the capital gains tax cut-aided speculative bubble grows, it sucks more wealth out of the physical economy and strangles it. More farms and factories close down; more workers are laid off. This contracts the tax revenue base of the U.S. government, because even if lowering the capital gains tax brought in more capital gains tax revenue—it does just the opposite—the effect that the cuts in the capital gains tax has on the economy is greater.

### How the capital gains tax cut works

The Contract with America proposal for capital gains tax cuts is summarized in a Jan. 5 document, "Description of Provisions in the Contract with America within the Jurisdiction of the Committee on Ways and Means." It states: "The Contract with America contains three capital gains incentives: 1) a 50% capital gains deduction, 2) indexation of the basis of capital assets to eliminate inflationary gains, and 3) a provision to allow homeowners who sell their homes at a

loss to deduct that capital loss." Point one, regardless of when it passes, would be retroactive to Jan. 1, 1995.

The current capital gains tax rate is 28%, and is applicable to all the capital gains that an individual or corporation realizes in the course of a year. For example, let us say that Mr. Boesky realizes a \$2 million capital gain. Under current law, Boesky's capital gains tax would be his \$2 million capital gain times the current 28% capital gains tax rate, or \$560,000. This would leave him an after-tax profit of \$1.440 million. Under the proposed new law, Boesky would deduct one-half the \$2 million capital gain (or \$1 million), which would not be subject to tax. Let us also assume that Mr. Boesky is in the highest personal tax bracket, which is currently 39.5%. Under the proposed change, he would pay tax on the remaining half of his capital gain times his current personal income tax rate. This would mean \$1 million times 39.5%. His capital gains tax would be \$395,000, leaving him an after-tax profit of \$1.605 million. He would earn an extra \$265,000 in after-tax profit.

However, historically, the way the capital gains tax works, by intention, is that it simultaneously swells the speculative markets to new heights. So, under the Contract with America, Boesky could realize 1.5 times (or more) as much capital gains as he currently does. Let us assume that under the Contract with America, Boesky realizes \$3 million in capital gains, as opposed to the \$2 million that he currently does. As a result, his capital gains taxes would be \$594,500 but his after-tax profits would rise to \$2.4 million—nearly twice current levels.

Indexation of capital gains to inflation, under the Contract with America proposal, would add a whole new element of financial scam, because it indexes the speculator's assets against the inflation rise, but the speculator can borrow money which is not indexed. Indexation would drastically lower the amount of tax the speculator pays, lowering the tax revenue the U.S. government collects, and further increasing the speculator's after-tax profits.

## Lies and more lies

In pushing the capital gains tax cut, Gingrich, his congressional cohorts, and think-tanks such as the Heritage Foundation and National Taxpayers Union, blather that the capital gains tax cut is a pro-business tax cut, which will stimulate business formation and help the average taxpayer pay a lower tax. Often, for dramatic effect, they say that the proposal will help the farmer sell his farm, or the poor widow sell her house, which they could not do if they faced high capital gains taxes. How does this colorful palaver stack up against the truth?

- Only 8.5% of all taxpayers pay capital gains taxes, according to the U.S. Treasury Department. That means, 9 out of 10 taxpayers—the average working man—realize no capital gains whatsoever. Moreover, 13.8% of the total dollar amount of capital gains are earned by those who earn

\$100,000 to \$200,000 in income, and 65.3% of the total dollar amount of capital gains are earned by those who earn \$200,000 or more. Thus, two-thirds of all capital gains are earned by those with \$200,000 or more in income. This minuscule group represents less than 1% of all Americans who file tax returns. They are the prime beneficiaries.

- As for the claim that cutting the capital gains tax will help people sell their homes, the truth is that capital gains on the sale of a principal residence can be deferred indefinitely if the taxpayer purchases a replacement residence of greater or equal value, which happens 90% of the time. According to one source, one-third of capital gains is realized in the stock market, and an additional 45% is realized either from commercial real estate, or housing that is not one's primary residence, but held as an investment. For the last three decades, the stock and real estate markets have had almost no connection to real economic activity, but have been hotbeds of speculation. Thus, 80% of capital gains derive from speculative activity.

## Priming the speculative pump

In 1978, the capital gains tax rate was 49%. In that year, Rep. William Steiger (R-Wisc.) introduced legislation which became law which reduced the capital gains tax rate to 28%. That law took effect in 1979. Then, in 1981, one of the provisions of the Kemp-Roth Tax Act reduced the capital gains tax further, to 20%. In 1986, the Tax Reform Act raised the capital gains tax rate back up to 28%.

Between 1978 and 1986, the double-dose of capital gains tax rate cuts—in combination with the 1982 deregulation of the U.S. banking system, and then Federal Reserve Board Chairman Paul Volcker's sky-high interest rate regime—fueled a further speculative boom in America. Let us look at what happened in the capitalization of the New York Stock Exchange (NYSE). The capitalization is the total number of shares times the stock price of each of those shares.

During 1978-86, the capitalization of the NYSE soared from \$823 billion to \$2,199 billion. This represented an increase of 2.67 times in just eight years, or a compounded rate of growth of approximately 30% per year. The real estate market also boomed. The parasites sponsoring the current capital gains tax rate cut intend to re-create such a boom, intending to give six months of new life to the current cancerous bubble which is strangling the physical economy.

A study by the Joint Committee on Taxation of the U.S. Congress, calculates that if the Contract with America capital gains tax cut version passes, it will increase realized personal capital gains by 70%. But even with that increase, the U.S. government will lose \$208 billion in capital gains tax revenues between fiscal years 1995 and 2004. Entitlements and infrastructure will be cut to make up for the lost taxes. The money equivalent will be handed over to the parasites whose non-productive activity is destroying America.

# Oligarchs dominate Italian government

by Claudio Celani

The new Italian government led by Lamberto Dini is described by media as a technocratic cabinet free from "party influence"; apart from virtual reality, it turns out to be mostly influenced by a very definite party: the oligarchical party. Starting with Dini himself, a product of Countess Donatella Pecci Blunt's Roman salon, behind the technocratic image of his "party-less" ministers and state secretaries, emerges the dominating presence of Prince Philip's Club of the Isles and 1001 Club.

## Dini: up the social ladder

Dini is a simple servant of the international oligarchy. Son of a Florentine fruit-monger, he made his way up inside the Italian banking world, to become executive director of the International Monetary Fund in 1970. In 1974, Dini negotiated the first IMF loan for Italy, whose conditionalities are responsible for Italy's turn away from a growth policy into a post-industrial, debt-ridden economy. From 1975 to 1983, Dini oversaw the IMF Africa program, which turned the continent into a net capital exporter with catastrophic consequences for its economy and a genocidal effect on its population.

In Countess Pecci Blunt's salon, Dini was selected as husband to Donatella Zincone, the heiress of an Italian businessman who transferred his activities to Costa Rica in the 1970s. Mrs. Dini-Zincone's Gruppo Zeta is so influential in the Central American country today that she is called "The Queen of Costa Rica." Gruppo Zeta's secret: cheap labor in Costa Rica's tax havens, created by the local government just for Mrs. Dini-Zincone.

Thus, we have the peculiar case of the prime minister of a country who has announced an austerity program with \$10-15 billion in tax and budget cuts, who at the same time is raising his own private fortune overseas, by not paying taxes! So much for a "technocrat" who is supposed to be immune to political "corruption." Dini, who was voted in by a left-dominated coalition in the Parliament, has also announced a radical pension reform, to shift from a public system to an increasingly private one, through the introduction of pension funds. The aim is to drastically decrease state entitlements for pensions, and pension levels overall. Also, the minimum retirement age will be shifted upwards. Meanwhile Mr. Dini,

in addition to his other revenues, is enjoying his Banca d'Italia pension which he got after just 15 years of employment, amounting to \$10,000 a month.

## Puppets and puppeteers

No surprise, therefore, that the technocrat whom Dini appointed as finance minister, Augusto Fantozzi, developed his expertise as a years-long tax adviser to the (Venetian) Benetton financial group. In Italy, the economics portfolio is split into three ministries: Treasury (gives out the money); Budget (planning), and Finance (enforces taxes). So, Mr. Fantozzi, who has been advising his rich customers on how to pay less taxes, now has the task of enforcing an "equal" round of sacrifices on the Italian population.

More directly representative of the oligarchical party is Dini's Foreign Minister Susanna Agnelli, almost a blueblood herself. Sister to FIAT owner Gianni Agnelli, the foreign minister is married into the Rattazzi oligarchical family and, like her two brothers Gianni and Umberto, is one of the few Italian members of Prince Philip's 1001 Club. The Agnelli family is totally integrated into the London-centered international oligarchy. Not accidentally, Agnelli's first action in office was a visit to British Foreign Minister Douglas Hurd.

While it is possible that she will not profile herself as too pro-British, at least publicly, Agnelli's intentions are indicated by the person she appointed as Italian representative in the group preparing the next European Union Treaty, which is supposed to update criteria for European monetary and political integration. Livio Caputo, Agnelli's choice, is a member of the Milan-based Center of Studies of Geopolitics, Strategic Security, and Ethno-Nationalism (CSGSSE). This center is led by Carlo Maria Santoro, another member of the Dini government.

Santoro is deputy minister for defense. In an interview with the magazine *L'Italia*, Santoro stated: "The concept of Fortress Europe (*Festung Europa*) created by Haushofer and Hitler is a formula based on an idea of Europe which I consider very timely, as offensive-defensive. I explain: The German unification in 1990 has made possible the unification of western Europe and has reconfirmed the prominent role of Germany as defensive first line of Europe against the East and maybe also against the Far West, the United States. Here we are inside a *Festung Europa*, almost without realizing it."

Santoro draws a Limes (Latin for border, but also implying the Roman walls to keep out "undesirables") between Europe, including non-Slavic eastern countries, and Russia; he draws the same Limes between Europe and the United States, "as the American continent can never be essentially European." By denying common European and American roots, Santoro denies the Christian roots of western civilization as a whole. That is the basic oligarchical way of thinking, which invented geopolitics as an instrument to manipu-



late nations against each other.

### 'Mario of England'

Let us end our short tour of the gallery of horrors with Dini's deputy minister for foreign trade, banker Mario D'Urso. Since Dini abolished the Foreign Trade Ministry and put it under the Industry Ministry, D'Urso will probably end up by having the same powers as a minister. D'Urso is nicknamed "Mario of England" for his close relationships to the Windsor family. A friend of the British Queen's sister Margaret, he recently beat up a paparazzo who snapped a photo of D'Urso with the Duchess of Kent.

According to *EIR*'s book *Dope, Inc.*, banker D'Urso is tied to networks accused of drug-money recycling. A member of Kissinger Associates, he is also Italy's representative for Shearson Lehman investment house. D'Urso played a prominent role in the merger and acquisition merry-go-around that brought the old-line German-Jewish Wall Street houses Kuhn Loeb, Lehman Brothers, and Shearson Hayden Stone under the American Express umbrella at the outset of the 1980s. D'Urso came to Shearson Lehman American Express through the old Kuhn Loeb firm, whose international department he directed before it merged with Lehman. Currently he's the New York chief of Jefferson Insurance Co., the joint arm of the Venetian insurance giants Assicurazioni Generali and Riunione Adriatica di Sicurtà, the central clearing-houses for the ancient Venetian *fondi*. The board of Assicurazioni Generali reads like the "Who's Who" of the Central European oligarchy. It is a typical expression of the Windsors' Club of the Isles.

Last September, D'Urso organized an Italian trip for his boss Henry Kissinger. Fat Henry lectured a group of bankers and businessmen including Luigi Spaventa, a senator in the leftist bloc and D'Urso's partner in the speculative venture Finanza & Futuro, belonging to Carlo De Benedetti (another character orbiting around the Generali pole). Finanza & Futuro is the third biggest Italian fund investing in financial derivatives. Among the other guests at the meeting with Kissinger, were banker Mario Sarcinelli (Banca Nazionale del Lavoro), publisher Carlo Caracciolo (of the princely Caracciolo family intermarried with the Agnellis), and businessman Antonio D'Amico, a member of Prince Philip's 1001 Club. At that meeting, Kissinger dared to give an interview on Aldo Moro. Moro was the Christian Democratic leader who was killed by the Red Brigades in 1978, concretizing earlier threats to Moro from Kissinger himself. Kissinger boasted: "Aldo Moro did not understand what foreign policy is."

D'Urso is chairman of Italy Funds, a New York investment fund dealing only with Italian equities. The annual reports of Italy Funds boast that the company has always performed better than the Italian Stock Exchange, i.e., it has regularly drawn profits out of the country. In Dini's reversed-qualifications cabinet, the best place for a flight-capital entrepreneur is, of course, the Foreign Trade Ministry.

## Will Poland once again cave in to false ideas?

by Anna Kaczor

It is quite possible Cervantes himself would agree that the Poles have a true Sancho Panza for a President. He has been promised delicious food by his advisers trained in the London and Harvard schools of economics, if he fights wholeheartedly against imaginary windmills, now in the form of budgetary problems, now taxes, now nominations, and reforms. He has combatted with true zeal; unfortunately, he has never checked what the promised goodies look like, and if he ever gets them, he will realize that they belong to virtual reality—just like the hot speculative money which is forming an ever more enormous bubble over our heads.

After the blowup of the debt bomb in Mexico, which was the symptom of the coming crash of the global financial system, Poland, one of the "emerging markets" in line for the Mexico treatment, is being pushed into a state of chaos with the help of President Lech "Sancho" Walesa. It seems that the panic among international financial institutions caused by the Mexican crisis resulted in a frenzy to loot whatever is left of the productive economy through a process of so-called privatization, which is a part of free market reforms in the post-communist countries. Walesa, a self-proclaimed supporter of those reforms, serves the international looters' interests quite well by helping them to eliminate any potential resistance to the process of dismantling of the Polish economy. In a dramatic move on Feb. 4, he refused to sign a state budget for 1995, which he claims gives him a way to dissolve the Parliament.

It became obvious almost immediately that the real issue is not the budget (which was "approved" by International Monetary Fund (IMF) Managing Director Michel Camdessus during his December visit to Poland, which should have satisfied Walesa), but rather the fight to accelerate free-market reforms by forcing Prime Minister Waldemar Pawlak out of office, thus reducing the influence of the Polish Peasant Party (PSL) in the government. That is what finally happened on Feb. 7, when the two ruling parties agreed to remove Pawlak and replace him with Jozef Oleksy of the SLD, currently the Speaker of the Parliament. Oleksy was a minister in the last communist government headed by Mieczyslaw Rakowski, who already in 1988 discussed shock therapy for Poland with international speculator George Soros.

Until Feb. 8, the government consisted of members of

two coalition parties: the PSL, which has been trying to protect the domestic market by reintroducing some tariffs on agricultural goods and blocking privatization of the most important Polish industries, and the post-communist Democratic Left Alliance (SLD), which supports free-market reforms, as typified by Finance Minister Kolodko, former consultant to the IMF in Poland.

When Kolodko was nominated at the beginning of 1994, the Morgan Stanley brokerage house declared that his nomination was a good sign. On May 30, 1994, the Polish daily *Rzeczpospolita* published Kolodko's program for the Polish economy, which "envisions a process of deregulation, decentralization, and lessening the participation of the state in economic life."

Kolodko's idea for fighting unemployment, for example, is to shorten the work-day and cut wages, to give jobs to more people; he plans to solve the Polish debt problem by vast privatization: Private banks will be able to buy special public debt Treasury bonds which then may be exchanged for elements of the privatized property. In an interview in *Rzeczpospolita* on May 23, 1994, when asked whether it was true that for such a program to yield considerable profits, it must involve large and attractive companies—refineries, telecommunications, insurance, airlines—he said: "That is right. In Argentina, 20% of the debt—\$10 billion—was liquidated in this way. I can see no reason why we should not try this in Poland. Also here we must run forward and resist this pseudo-capitalist blah blah blah that we will sell Poland out and give it away for half price. This is just not true."

According to some reports, by the end of 1998, there will be no more state-owned enterprises (there are still about 5,300 of them).

### Foreign companies violate the law

Privatization has not had a good impact on the economy. Controllers of the Polish Supreme Chamber of Control (NIK) stated in September that foreign capital often violates the law while investing in Poland. The NIK report said that the activity of companies with foreign capital does not satisfactorily influence either the development of production for export, or the implementation of modern technologies and creation of new jobs. Foreign partners delayed making their contributions; i.e., they did not provide machines and equipment as well as modern technology.

The situation will become even worse in 1995, because starting in January, three-quarters of Polish foreign trade were bound by the new terms of foreign commerce with the European Union. Polish industrial goods exports to the 15 EU countries are no longer be subject to any restrictions. At the same time, Poland is obliged to lower import taxes and tariffs for consumer goods by 20% each year. This will definitely weaken Polish industry even further, since the Darwinian-style fight for markets can hardly end with a Polish victory.

### Attacks on 'anti-reformers'

Already in December, Walesa expressed the need for a new prime minister, because Pawlak had "lost his depth." Walesa suggested that Aleksander Kwasniewski, the leader of the SLD, could take the post. In early February, a pro-free market Warsaw daily, *Gazeta Wyborcza*, claimed that Pawlak's SLD coalition partners have concluded that "the Pawlak era is over" and have begun urging their colleagues in the PSL to remove their leader.

The conflict between the coalition parties worsened in November, when the fight around privatization led to the ouster of the PSL chairman of the parliamentary committee for ownership transformations, Bogdan Peł, who opposed the present form of privatization in the context of the scandal around the Bank Slaski selloff. The Economic Committee of the cabinet is urging the privatization of Polish refineries and the lifting of gasoline price controls in the fall of 1995. The PSL and Pawlak, who has been viciously attacked by pro-free-market press, seem to present an obstacle for such policies.

In the eyes of some trade unionists from "Solidarity '80," there is clear collaboration between the post-communist SLD and the Freedom Union (FU), a post-Solidarity party which started shock therapy in 1990 and, after the "lost" election of fall 1993, holds 74 seats in the Parliament. Except for promises to provide more "safety net" for the neediest, the SLD promotes a policy essentially the same as in the 1990-93 period, when the FU was in power.

The free-market faction in Poland is getting inspiration from the outside, from people such as Soros, who established his Stefan Batory Foundation in Poland in 1988. According to the foundation's November 1994 bulletin, a number of parliamentarians from the Freedom Union are on the council of the foundation: Bronislaw Geremek (chairman, Foreign Affairs Committee), Bogdan Borusewicz, Olga Krzyzanowska (vice speaker of the Parliament), and former Prime Minister Hanna Suchocka. The Warsaw office of the Freedom Union is just one floor above the headquarters of the Batory Foundation.

When Soros deployed Harvard economist Jeffrey Sachs to impose shock therapy on Poland, the Polish government got one more foreign adviser, E.S. Savas, who sits on the board of the Reason Foundation with a number of people who are members of the Mont Pelerin Society (see *Special Report*, this issue). The acting head of the President's Chancellery, Janusz Ziolkowski, is a free-market economist trained in the London School of Economics, and in the past worked for the United Nations and Unesco.

Despite all the heated debate, nobody has dared to say that "the emperor has no clothes" or to focus discussion around the real issue, which is one more surrender of the Polish nation to false ideas—this time the idea of a free-market Eden, pushed on Poland by the IMF and the World Bank.

# Why Polevanov was fired

*A behind-the-scenes report about the fight over privatization in Russia, by Roman Bessonov, who writes from St. Petersburg.*

Vladimir Polevanov, formerly head of the Amur regional administration, had been Russian Minister of State Property for only two months. During this period he gave only two press conferences, and only in one of them did he use the word "nationalization," but the attack on him from the liberal mass media was furious.

He was suspected of "placing a bomb under privatization," as well as of being incompetent and ignorant. That was despite the fact that he emphasized that he was not going to stop the privatization process, and also despite the fact that he was not the first to speak of nationalization, either. Aleksandr Livshits, the President's economic adviser, had pronounced this "terrible" word even before him, but was never attacked by the liberals.

So, what was Polevanov's fault? The answer became more or less clear only when his letter to Prime Minister Viktor Chernomyrdin, dated Jan. 18, was published in several media outlets. The text of the letter made clear that Polevanov had managed to collect a great deal of information on the numerous privatization affairs, and these facts mostly characterized the state bureaucracy involved in sharing property.

In his letter to the prime minister, Polevanov named all the tasks and functions of privatization, as they were formulated in the 1992 Privatization Law: 1) generation of a wide class of private proprietors, capable of establishing a socially oriented market economy; 2) increasing efficiency of production; 3) development of social care and social infrastructure on the basis of benefit gained from privatization; 4) stabilization of the financial system; 5) promotion of de-monopolization; 6) attraction of foreign investments; 7) creation of conditions and institutions for further development of privatization at a new stage.

## **A list of failures**

Analyzing each of these points, Polevanov comes to the sad conclusion that only the last of the mentioned tasks was fulfilled, while all the others failed. The number of private proprietors is very small, and enterprises are managed by a limited cast of administrators. No real dividends can be paid: Only 136 of 646 check investment funds (CIFs) managed to

return the nominal price of the checks which were given to citizens as their share in the state enterprises that were sold to private investors. The transformation of property relations has not influenced the efficiency of production.

Hopes and calculations concerning benefit for the federal and municipal budgets proved inconsistent. Only 2.8 trillion rubles were realized from privatization for budgets at all levels (1.8 trillion rubles of this sum came from Moscow, where its own, much more beneficial variant of privatization is being conducted, and only 52 billion rubles in St. Petersburg), the total being equal to the benefits from privatization in the relatively small economy of Hungary. This sum could not support the financial system or prevent the collapse of economy. De-monopolization "by all means" led to the disruption of economic connections. The amount of foreign investments decreased from \$2.921 billion in 1993 to \$768 million for the first nine months of 1994.

## **Crime flourishes**

The most prominent results of the Chubais privatization was the total criminalization of property relations, flourishing of bribery, and easy criminal purchasing of the controlling shares of stock of not just enterprises but entire branches of industry by various foreign companies.

In cases of the purchase of gigantic shares, the source of income was never declared. It is hard to explain how a single Vassily Timofeyev from Tyumen region managed to buy 210 million shares of stocks of Gazprom Co., paying 2.1 billion rubles, and what enabled Kaha Bendukidze, president of the NIPEK Co., to purchase alone 51% of the stock of the huge Uralmash factory.

The nominal value of the check (voucher) funds was equal to the balance value of the stock of state enterprises in 1991, but a year later, in the process of Gaidar's price liberalization, the stocks' value exceeded that by 20 times. So, as the market value of the checks remained about 12,500 rubles, the CIFs actually promoted transition of the state property into private property free of charge. Mr. Polevanov quotes the British "Independent Strategy" agency that advises businessmen not to miss their chance, stating that the whole stock of Russia's state enterprises was sold for \$5

billion, while its real worth is not less than \$300-400 billion.

The 500 biggest enterprises, actually worth about \$200 billion, were sold for \$7.2 billion. For example, the Moscow auto plant ZIL, worth \$1 billion, was sold for \$4 million. The buildings of the State Institute of Education for Managers and Specialists in Chemical industry, worth \$100 million, were sold for 8 million rubles. The North Shipping Company was evaluated at \$3 million, the Novorossiysk port at \$22.5 million. And there are thousands of such examples.

### Colonialism and greed

The higher officials of Chubais's ministry used to say that rumors of "Russia being sold," widespread by the opposition, just reflected that they were unaware of the real situation. But when huge pieces of industries are easily bought by foreign companies, and the enterprises lose the ability to produce competitive machinery, losing their access to the world market, it's nothing but pure colonization. And this has already happened in the whole aluminum industry, its enterprises bought, 30% stock or more, by U.S., Irish, and Israeli companies. This has happened to the Mil Helicopter Plant, 28% of its stock bought by Boeing. And to "Electrosila," one of the most equipped and technologically developed St. Petersburg machine-building enterprises, 19% of its stock bought by the British "Madima."

The officials of the ministry might feel just a little bit anxious for the fate of the economy, directly influencing the standard of living. But they are more interested in their own standard of living than that of their fellow citizens. That's why they get so furious when Polevanov honestly describes the real situation. Because if the privatization policy really changes, and its second stage is started only after the grossest violations are possibly corrected, as Polevanov suggests should be done, the most influential liberals may lose much too much. For instance, Deputy Minister Pyotr Mostovoi may lose his "Lenzoloto" (Lena Gold) company together with his U.S. partner from "Star." And former Prime Minister Yegor Gaidar himself, the perfervid apostle of privatization and shock therapy, may lose his share in the newly made gigantic joint stock corporation, together with D. Cohan from the U.S. Pioneer Group, Inc.

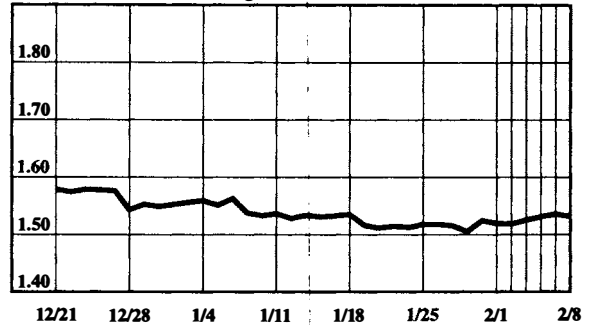
That is the real reason why the liberals used everything possible to compromise Polevanov, threatening him and insulting him. Not only him, but also Oleg Soskovets, who is making some real attempts to stop the looting of the economy, and was recommended by Polevanov to take charge of the ministry after he left.

But anyhow, Polevanov's letter was read in hundreds of analytical centers and millions of homes, and the state leadership, sooner or later, will have to do something about these problems. The country is terribly devastated, but not everything is lost yet. And the fact that Polevanov now works as a deputy chief of the Control Department proves that Mr. Chubais has not yet won the struggle.

## Currency Rates

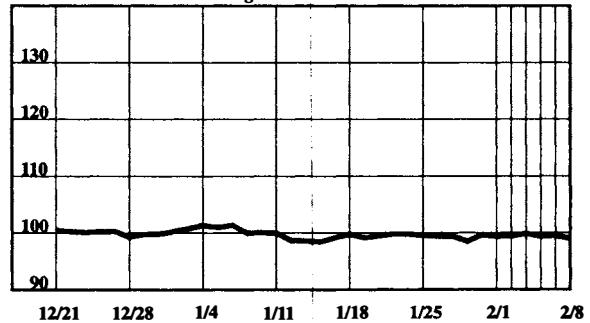
### The dollar in deutschemarks

New York late afternoon fixing



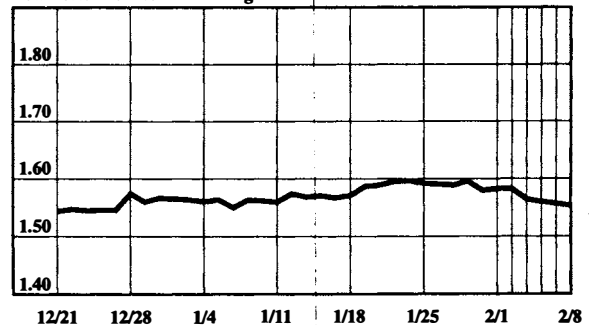
### The dollar in yen

New York late afternoon fixing



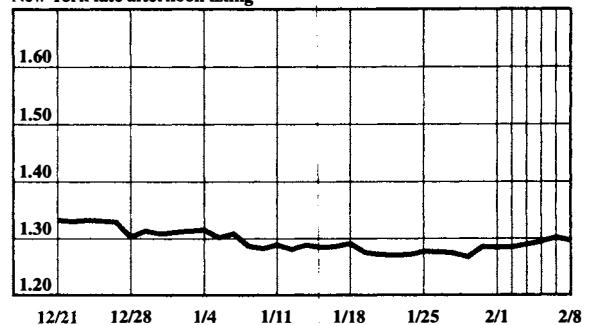
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# Will trade war help pick China's leader?

by Cho Wen-pin

To protect Madonna, Hollywood, Microsoft, and other "Third Wave" products, U.S. Trade Representative Mickey Kantor on Feb. 4 hit China with 100% tariffs on a list of goods worth \$1.08 billion. Not only did China respond with tariffs on a list of U.S.-made goods, but Foreign Trade Minister Wu Yi, in a note of defiance, said that China can simply turn elsewhere to meet its import needs.

Yet, there were casualties before the two sides had even exchanged fire. In January, China openly announced that it had executed some of the 2,665 people convicted of intellectual property piracy since 1991. Beijing, in answer to the pressure of the American interests groups demanding protection of Intellectual Property Rights (IPR), had again violated human rights protected by the U.S. Constitution, and human life highly valued by all Americans who roared in protest against the bloody crackdown in Tiananmen Square in 1989. But, oddly enough, even the most active rights groups failed to point a finger at Beijing on this matter.

The question is, with Sino-U.S. trade war and human rights rhetoric at fever pitch, whether the roller-coaster ride of relations will eventually push some leaders in Beijing over the edge.

## Beyond the trade war

In late January, the Pentagon declassified a report, entitled "China in the Near Term," which was drafted by a select team about four months ago. One reason for the delay in its release, is because the report estimates only a 50-50 chance for China to survive disintegration after Deng Xiaoping's death—a prediction which, if it came true, could lead to diplomatic and political regrets. Besides, the Clinton administration wants to conceal its preference in Beijing's coming leadership struggle, which seems imminent. Dr. Ronald Morse, organizer of this study (who once said that the Japanese invasion had helped Mao Zedong gain power), stated that he expects a new Beijing leader to surface within six months whose name no one will have even heard of.

In fact, there are quite a few people in the United States who clearly want to pick a Chinese leader who will orient in their favor. And this trade war against China certainly casts a vote concerning the new host of Zhongnanhai, or even of the White House.

Some of these experts believe, as the *New York Times* has implied, that Chinese President Jiang Zemin and U.S. President Bill Clinton should share the blame for the souring of the Sino-U.S. relationship. Clinton, they say, misled Jiang to believe that Washington would overlook the IPR and the human rights issues for the sake of the "strategic engagement" with China. As for the technocrat Jiang, after talking with him, "you don't walk away with the feeling that he's a deep, thoughtful kind of guy," the *Wall Street Journal* commented. A rumor reported in the *New York Times* says that even Deng, who threw all his weight behind Jiang for the past few years, is unhappy about the way Jiang stumbles in handling foreign affairs.

To be sure, London's news media are also voicing opinions over China's leadership transition, because they see—as an indication that Beijing is changing the guard—that compared to what Deng did to the British government on the Hongkong issue, current leaders are more cautious and less responsive to issues such as the balance of trade, the environment, human rights, the Spratly Islands, nuclear proliferation, and Taiwan's independence.

Thus, some Anglo-Americans, led by House Speaker Newt Gingrich (R-Ga.) and company, are pressing ahead on these issues in order to squeeze Beijing.

## China paying 'too high a price'

But neither China nor the rest of world would benefit, if Beijing's new leader comes to power when the country's sovereignty is under fire. Already in Beijing, senior policymakers tied to the military are saying that "China may be paying too high a price for Washington's favor," and an extreme-nationalist faction among junior officers, many of whom became politically active in the Red Guards, is gaining influence in China's domestic and international affairs.

New U.S.-China talks in the works may avert this trade war for the moment, but some people in London and Washington will keep provoking other flashpoints until they see a new leader in Beijing whose face they will back for "man of the year" in either *Time* magazine or the London *Financial Times*.

When two of the world's largest countries go toe-to-toe, a miscalculation by hotheads could send the politics of reprisal over the brink, and throw the world into a new Cold War. The real danger is that there is no margin for a misstep in the case of a China where the new leader is seeking external crises to line up its people behind the regime, while in the United States the Conservative Revolutionaries are trying to bring Beijing to its knees.

According to Dr. Morse, who has experience working for the Pentagon, the United States is indeed preparing for political and economic warfare with China. But if China dares to strike the United States with its ICBMs, "we are able to turn China into a nuclear wasteland," warns Morse.

# Draft emergency law for revival of the national economy of Mexico

*The following proposed legislation was published as part of the January 1995 Spanish-language EIR Special Report on the Mexico peso crisis, entitled "Mexico: The Debt Bomb Explodes; Who Will Be Next?" which is circulating throughout Ibero-America.*

## **Preamble**

In recent months we have witnessed a dramatic deterioration of the world economic situation. Not only our own country, but nearly every nation on this planet finds itself today in profound crisis. Unemployment, collapsing living standards, and growing scarcity of the basic means of human subsistence are destroying the social fabric, inflaming regional crises, and aggravating the danger of general war. The financial system of the United States is disintegrating, and the entire fabric of international financial institutions and arrangements, which depended upon the stability of that system, is breaking apart.

In this situation the Parliament and government are obligated to take speedy action to protect the well-being of the citizens and to generate the conditions for economic recovery.

The international financial crisis has created a new situation. Many of the assumptions which have guided our domestic and external economic policy in the recent period, no longer have a basis in reality. The expectation that economic recovery could be based on foreign investments and aid from the International Monetary Fund (IMF) and related institutions, has proven to be a serious error. Evidently, the policies and structures associated with the IMF are themselves a leading cause of the worldwide economic crisis.

In this situation we are called upon to reaffirm the sovereign right of our nation to govern its own economic affairs, and to reject any doctrines or economic practices—whether of the Marxist or so-called “free market” variety—which deny elementary principles of economic and social justice, which open the door to unbridled speculation and usury, and deprive our citizens of their right to individual and social development. We affirm the principle, that economic policies must flow from natural law.

To this purpose we hereby enact this “Emergency Law for Revival of the National Economy.” The law sets down basic guidelines for immediate government action as well as for future legislation concerning the detailed elaboration of measures outlined here.

This law provides the legal foundation for mobilizing the resources for growth and development existing within our own country, to generate a rapid increase in the useful physical output of the economy and to reverse the intolerable collapse in living standards from which the majority of our population now suffers. It furthermore mandates the government to take action, in concert with other governments, to create a new framework within which trade and cooperation among nations can be developed on a stable and equitable basis.

## **Statement of purpose**

1. In order to provide for the speedy recovery and reconstruction of the national economy, in order to ensure its healthy functioning in the future and to lay the basis for more equitable relations with other nations, the laws and regulations governing the National Bank, the currency, banking, credit, and tax systems, and the conditions of commerce and the economic activities of the state, shall be modified in accordance with the following specifications.

## **Currency reform**

2. It is recognized that a strong and stable national currency is essential not only as the chief medium of exchange in the country, but above all as an instrument of sovereign rule of the nation over its own economic affairs, and as a means to promote the generation of real wealth through suitable mechanisms of credit.

3. Accordingly, the government is obligated to take extraordinary measures to eliminate widespread use of foreign currencies in the national economy, and to suppress unregulated (black market) trading in currency and commodities.

4. It is recognized, further, that in order to ensure a healthy currency and to permit orderly and equitable trade relations with other nations, the national currency system must be reorganized upon a gold-reserve basis, and the value of currency pegged to a basket of basic commodities, to be specified in further legislation.

5. Pursuant to these goals, the finance minister shall draw up a plan for currency reform, according to which, within a specified period, the existing currency will be withdrawn from circulation and replaced by new currency notes in accordance with an orderly procedure.

6. Said procedure shall include a provision under which holdings, larger than a specified per capita amount, will be



*The Mexico peso crisis marked a new phase in the disintegration of the international financial system, a speculative bubble fueled by institutions like the Mexican stock market, shown here.*

exchanged for new currency notes only upon documentation of their lawful origin.

7. If existing gold supplies are not found sufficient to back the new currency at a rate of 10-15% of value, the finance minister shall draw up a plan for acquiring needed supplies, as far as possible on the basis of domestic production. Until such time as a sufficient gold reserve exists, the value of the new currency shall be guaranteed by a basket of other, domestically produced commodities whose price-range shall be insured by government intervention. Market-basket pegging of the currency shall be maintained also after the introduction of the gold reserve.

8. The time and exact conditions for the currency transition shall be set at the discretion of the government in accordance with this and forthcoming legislation.

9. It is recognized that under present conditions, strict currency controls are necessary in order to curb speculation and capital flight and defend the integrity of the national currency.

### **Reform of the National Bank**

10. The National Bank is mandated to pursue a general policy of fostering increases in the productive powers of the nation's labor force through scientific and technological progress; of promoting independent family farming and the formation and development of modern small and medium-sized enterprises in industry, as well as capital improvements in industry and mining generally; and of providing credit for urgent improvements in housing, physical infrastructure, and educational, research, and health facilities.

11. The National Bank shall be empowered to generate

credit for specific categories of productive investment. This shall occur through the circulation of new issues of currency notes in the form of credit granted by the National Bank directly and through participation in loans by private institutions.

12. The minister of finance shall be empowered, upon approval by Parliament, to issue specified additional amounts of new currency notes, to be deposited in the National Bank and employed solely for the purpose of extending credit to productive activities in the economy. With the exception of replacement of notes retired from circulation, new currency notes shall be placed into circulation only through the credit-issuing activities of the National Bank.

13. New currency issues shall be introduced into circulation in the form of credit exclusively in the following four ways: a) credit granted by the National Bank for state investments; b) credit granted by the National Bank to private enterprises; c) participation of the National Bank in loans by private banks; d) National Bank discounting of notes, drafts, and bills of exchange arising from the production of tangible wealth and capital improvements.

14. In each case, the issuance and use of such credit shall be strictly confined to the following categories: purchase of raw and intermediate materials and capital goods, construction of facilities, and employment of labor to produce or transport manufactured goods, agricultural commodities, and construction materials, and to work mines; to build manufacturing, transportation, and mining facilities or dwellings; to produce and deliver energy in all forms; and to provide public utilities for communications. Such definitions shall not include notes, drafts, bills, or loans issued or drawn for

the purpose of conducting business except in the area so defined, or for trading stocks, bonds, or other investment securities.

15. Apart from individually approved exceptions, National Bank credits and private bank credits with National Bank participation shall not be paid out to the borrower directly; instead, loans will be deposited into special accounts, from which checks will be issued and cleared only for the categories of purchases of goods, labor, and services specified in Paragraph 14 above, against submission of invoices for the said payments. In this way, National Bank credit is regulated and restricted to the intended forms of use. Furthermore, new currency notes come into circulation only in connection with the creation of tangible wealth.

16. With the exception of the declared national emergency, new currency issues shall not be used to pay operating costs of local and national governments.

17. Private banking and credit institutions shall be permitted to lend only on the basis of deposits. The sole additional margin of loan-issuing activity of such institutions shall be by participation of the National Bank in approved categories of loans, as specified above. In this case, the private institution shall negotiate the borrowing-charges for the total loan, provided that the effective interest rate on the total loan not exceed approved limits established by the National Bank according to instructions from the government.

18. Apart from credit granted by the National Bank for uses specified in Paragraph 14 above, all expenditures in the economy—including investments in the service sector—shall derive from: a) income and savings of private persons and private and state institutions and enterprises; b) tax revenues expended by state and local governments; c) credit (including discounting operations) extended by banking and credit institutions on the basis of deposits; d) foreign investments and expenditures of foreign persons, companies, and institutions subject to regulation in accordance with the law.

19. All issuance of credit by domestic and foreign institutions and persons within the national territory, shall be subject to laws prohibiting usury. Such activities are furthermore subject to reserve requirements and other regulations governing banking and credit, contained in existing and forthcoming legislation.

20. Interest and discount rates for credits granted by the National Bank shall not exceed 4% per annum in the case of credit extended toward capital improvements in the productive sector, and employed according to the specifications given in Paragraph 14 and Paragraph 15 above.

### **Infrastructure development**

21. It is recognized that the development of our national economy and of mutually beneficial commerce with other nations is crippled by serious deficiencies in the area of basic physical infrastructure, including transport, energy, water control and water supplies, and communications. Further-

more, large-scale investments in modernization of the country's basic infrastructure provide the single most effective means to increase the physical productivity of our economy, to maintain a high level of productive employment, and create favorable conditions for rapid development of private farming and industry.

22. Accordingly, the government shall immediately appoint a National Infrastructure Commission with overall responsibility for planning and rapid execution of a comprehensive program for infrastructural development in the country. The commission shall base its work on proven principles of physical economy, taking into account not only the economic-geographical structure and development requirements of our own country, but also of the surrounding regions and the continent as a whole.

23. The commission shall submit to the government, within 60 days of enactment of this law, an initial report including: (i) a survey of the most necessary improvements in basic economic infrastructure, with emphasis on modernization of rail, road, and inland waterway transport and on increases in the supply of water and useful energy per capita and per square kilometer; (ii) estimates of mobilizable manpower and productive capacity for infrastructure improvements; (iii) estimates of the volumes of additional credit generation required in a specified initial period to finance comprehensive infrastructure development, including estimated percentages to be allotted to a) direct state investments, and b) credits to private enterprises involved in construction and supply of materials and equipment for infrastructure improvements.

24. The commission shall update its estimates and programs and submit progress reports to the government at regular intervals.

25. On the basis of the commission's recommendations the minister of finance shall request from Parliament authorization to issue specified amounts of new currency notes, to be lent out by the National Bank in the form of expanded credits for activities linked to the improvement of basic infrastructure in accordance with the national program. These credits shall consist, mainly, of (i) credits to state-owned companies and companies with special concessions from the state, for construction and modernization of facilities and equipment for rail, road, water, and air transport; for power generation and distribution; for water control, treatment, and distribution, including irrigation facilities; for communications, with emphasis on the postal and telephone systems; and (ii) credits for the creation, expansion, and technological improvement of private-sector enterprises engaged in approved infrastructure projects and in the supply of materials and equipment for the same.

26. In view of the fact that the continent as a whole constitutes an economic-geographical and historical unity, it is acknowledged that the greatest benefits of domestic infrastructural improvements will be realized, if they are carried



out in parallel and in coordination with the establishment of an integrated, continent-wide infrastructure network.

27. Accordingly, the commission shall assist the government in international consultations and negotiations concerning the planning, financing, and division of labor for a continent-wide infrastructure network.

### **Parity prices, commerce, and tariffs**

28. Apart from declared national emergencies, government intervention into the free exchange of goods and services shall be limited to the minimum necessary to maintain good order, to prevent gross excesses in the form of speculation, exploitation, and usury, and to ensure an overall productive orientation of the economy.

29. It is recognized that the hoarding and withdrawal of goods from the market, for the purpose of obtaining exorbitant prices for their sale, or to gain power over persons and events, represents a gross form of speculation which shall be severely penalized by the state.

30. It is further recognized that any large-scale trade in essential goods such as food, raw and processed materials, and basic equipment, at prices significantly below the costs of production, represents a gross excess which cannot be tolerated either in domestic commerce or in commerce with other nations. Accordingly, the state is obligated to intervene, as necessary, to ensure that producers do not receive less than a certain percentage, to be fixed at not less than 90%, of the parity price for acceptable qualities of such essential goods.

31. The parity price is determined as follows: The average costs of production of the given commodity shall be estimated from a survey of enterprises producing that commodity, leaving aside both the most backward 30%, and the upper, most productive 30% of the enterprises. The calculation shall be based upon a fair and decent wage level, corresponding to levels of household and other consumption consistent with the requirements of a progressive increase in qualification level and productivity of the workforce, regardless of whether such wages are actually paid at the time of the survey. The parity price shall be calculated by adding to the cost of production, so determined, a margin for capital improvements in production, consistent with a minimum rate of increase of productivity for the given sector as judged in terms of the needs of the economy as a whole.

32. It is recognized that at the present state of development of the national economy, a completely free exchange of goods with the world market would lead to intolerable destruction of domestic producers and impoverishment of the majority of the population. On the basis of the historical examples of the United States, Japan, Germany, and other countries, we affirm the right to impose protective duties as an instrument of national economic development.

33. In general, tariffs for imported commodities in the category of basic goods, shall be set no higher than necessary

to ensure a parity price to competing domestic producers of acceptable quality.

### **Tax policy**

34. It is recognized that the proper function of a tax system is not only to generate necessary revenue for the government, but also to encourage those categories of activities which benefit the national well-being, while tending to discourage those which are demonstrably harmful to the same. It is further recognized that the most effective method for increasing tax revenues is to foster the increase of capital-intensive, technologically progressive employment of the workforce, which augment the net physical output produced per capita, generating growing rates of real income of the population and of enterprises from which tax revenues are derived.

35. Accordingly, tax advantages should be granted for income and profits which are reinvested in the indicated, productive manner; while relatively high taxes shall be imposed on speculative and purely parasitical forms of incomes, such as those gained from mere resale of nominal assets (paper holdings) without physical improvements.

36. The government shall conduct a review of tax laws and procedures with the view toward bringing them into efficient agreement with the principles summarized above.

### **External debt**

37. All agreements and understandings with the International Monetary Fund and other foreign institutions, private and otherwise, which grant to such institutions the right to impose "conditionalities" and to exercise supervisory control over the national economy, are hereby declared to be contrary to the principle of national sovereignty and to be null and void.

38. It is recognized that economic recovery has priority over debt service, and that no country or institution has a right to demand from a debtor country a level of payments which leads to falling living standards, unemployment, and loss of essential social services. This means that an immediate debt moratorium must be put into effect on the entire foreign debt and certain categories of domestic debt. This moratorium will be maintained until such time as: a) the legitimacy of the original debt is established (see Paragraph 40 below); and b) the renewal *and* servicing of legitimate debt can be undertaken without endangering the general recovery and development goals outlined herein. It is recognized that in many cases this will require debt moratoria for periods of up to 20-30 years. Interim satisfaction of legitimate creditors will be offered only as outlined in Paragraph 41 below.

39. It is also recognized that the practice of liquidating national assets such as land, mineral resources, or state-owned companies in the domain of basic industry and infrastructure, for the purpose of paying or securing existing or future foreign loans, is contrary to the principle of national sovereignty and is to be strictly forbidden.

40. It is furthermore recognized that certain categories of nominal debt were contracted and inflated by unlawful, unfair, or usurious practices. The government shall appoint an independent body of experts to make a determination between legitimate and illegitimate portions of debt. It is also recognized that certain categories of originally legitimate debt have in fact been fully repaid, yet remain on the books through usurious and other bookkeeping manipulation. Such de facto repayment will also be considered by the appointed body of experts in its determination of legitimate and illegitimate debt.

41. The government shall affirm its commitment to honor all legitimate debt obligations, in a manner consistent with the principle of equity as well as the vital interests of the nation. The government shall therefore seek to negotiate the conversion of legitimate debt into long-term obligations at low interest rates, preferably through an arrangement under which such obligations would be made discountable to the holder for specific categories of productive investments benefiting both debtor and creditor nations (Paragraph 45). Contact and coordination will be actively sought with other nations adopting policies similar to those contained herein, for the purpose of strengthening the government's negotiating position vis-à-vis its creditor banks and the international financial institutions.

### **International cooperation**

42. It is recognized that no acceptable solution to the world economic crisis is possible within the framework of presently dominant financial and trade institutions, including the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade. The government is therefore mandated to take action, in concert with other governments, to bring into existence an alternative framework, within which the world economy might be revived, and trade and cooperation among nations developed on a stable and equitable basis.

43. The government shall immediately enter into negotiations with all interested nations, to expand the number and scale of mutually beneficial barter agreements on a systematic basis. The government shall work for the establishment of a suitable clearinghouse institution to expedite bilateral and multilateral barter agreements between cooperating nations. In some instances it will be both desirable and possible to establish regional common market-type relations, which can play an important role in meeting national import requirements of essential goods.

44. The government shall work toward the reintroduction, at the earliest suitable point, of a gold-reserve standard for international trade, by means of which a system of stable currency values will be established as the foundation for long-term investments and a greatly expanded level of trade.

45. In the context of establishing a gold standard for economic relations among agreeable nations, the govern-

ment shall work to establish a suitable multilateral gold reserve-based financial institution, possibly as an outgrowth of the clearinghouse described in Paragraph 43, whose chief functions shall be (i) to expedite the clearing of trade imbalances; (ii) to rediscount bills of trade and specific categories of bonds, including bonds issued in connection with debt consolidation of debtor nations, for approved categories of credit to hard-commodity trade and productive investment; and (iii) to cooperate with the National Bank in the generation of credit for international projects, above all in the area of basic economic infrastructure.

46. It is recognized that a number of nations, including some of the most powerful, may be strongly opposed to such steps. The government shall not be deterred by such initial opposition, but shall instead seek agreement between those governments which recognize the essential policy principles embodied in this law, and which in particular are committed to (i) recovery from the economic crisis based on revival of the national economies, (ii) low interest rates for productive investments, and (iii) achieving a stable value of their currencies, linked to production of tangible wealth.

47. Parallel with efforts to expand barter trade and establish a gold standard for trade relations among an emerging community of interest among nations, the government shall pursue cooperation on the development of a continental infrastructure network. The latter shall emphasize construction of trunk lines for high-speed rail transport of passengers and freight; modern multi-mode transfer facilities between rail, road, water, and air transport; cooperation of energy generation and distribution; and improvements in water infrastructure and communications.

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## South Africa probes Geneva banks

*For the second time in two months, Union Bancaire Privée turns up in a major organized-crime case.*

South Africa's police have joined those of the United States and Israel in putting an investigative spotlight on the increasingly notorious Geneva-based Union Bancaire Privée (UBP) of Edgar de Picciotto. South African prosecutors have documented that the proceeds of a large-scale gold theft and money-laundering ring were kept in the UBP and the Banque Multi Commerciale, the small Geneva subsidiary of Banque Nationale de Paris (BNP) that seems to specialize in exotic dealings.

According to information from the Johannesburg prosecutors, in the most recent year of activity, the ring was involved in the theft of 8.5 tons of gold (of 16 tons reported stolen that year) which was coated with silver and illegally exported for remelting and sale in London and Geneva. The proceeds amounted to upwards of \$200 million, which was deposited in the two Geneva banks for redistribution to the conspirators. The theft/money-laundering pipeline had been operating for up to eight to ten years, and thus represented perhaps a billion dollars of flight capital.

In the December 1994 Miami indictment of three UBP account officers on charges of narcotics money laundering, it came out that bank officer Jean Jacques Handali traveled repeatedly to Florida to organize a flow of money into several hot investment funds, one of which was Soros Fund Management. Hungarian-American speculator George Soros, although not officially mentioned by South African investigators, has played a prominent role in the last three years' goings-on in the world's gold markets; this might

help explain why UBP again comes up when law enforcement tries to control the frenzy of speculation-driven thieves.

UBP's De Picciotto is on the board of Soros's Quantum Fund. A June 1993 *Forbes* magazine article, on expanding gold jewelry sales, comments on "the recent stampede by George Soros, Sir James Goldsmith, and other shrewd investors into the gold market." South African police first noticed in 1992 that something was driving up the price of black market gold.

Gold is highly regulated in South Africa, where unregistered possession of gold is a presumption of illegal acquisition. Hence the black market price for gold is below the legal price, a discount for the risks involved. Somebody was moving gold out of the market (out of South Africa) in such a volume as to pull up the black market price to the legal price.

Gold, like diamonds, has always been useful to international smuggling and narcotics rings. Silver-coated gold bars have turned up on the U.S. East Coast as smuggled means of payment for drug rings. It is thus no surprise that a Miami Customs investigation into narcotics money-laundering crosses paths with a South African investigation into gold theft leading to the door of the same bank in Geneva, UBP.

UBP is the result of De Picciotto's absorption of the Edmond Safra-created Trade Development Bank in 1990. Safra's New York Republic National Bank is a major gold trading bank. In 1993 it joined the exclusive five-member London Gold Fixing club, presided over by N.M. Rothschild, which sets the price of gold twice a day.

The Banque Multi Commerciale (BMC), the second bank in the South African investigation, also has its gold lining. The administrative president of BMC is Roger Budin, who happens to be the secretary of the Geneva branch of London luxury goods and jewelry producer Asprey Plc. A matter to be investigated is Asprey's business in the Persian Gulf sheikhdoms, particularly Dubai, a major gold-trading center and base of operations for gold smuggling into India.

BMC's vice president Gabriel Safdie, like Edmond Safra, is of Brazilian nationality and also spends his time in New York City. Gabriel's brother, Albert Safdie, shares a corporate seat at Swiss Banque Pallas with French banker Pierre Moussa. Moussa walked off with the Geneva assets of France's Paribas Bank in the early 1980s, when the French government nationalized many banks. Moussa was backed in this by a Swiss shell company, Pargesa, run by Gerald Eskenazi, the man who brought us the felonious "junk bond king" Michael Milken through his controlling interest in Drexel Burnham Lambert!

There is clearly a lot of hot money at risk in the South African investigation into the deposits at UBP and BMC. Unlike the Miami indictments, where UBP claimed it was a victim of those indicted, in the South Africa case, UBP and BMC are jointly appealing to block Swiss legal assistance cooperation with the South African police. Their strategy is to make the Swiss banking community nervous that the South Africa charges of theft and money laundering of criminal proceeds, which merit legal assistance, are a matter of flight capital which is not prosecutable under Swiss law, and thus do not merit legal assistance in giving bank account information to the South Africans. Much is at stake in these criss-crossing investigations.

# Business Briefs

## Ukraine

### Invest in production, professor demands

Prof. V. Chernyak, a doctor of economic sciences, opposed the monetarist "reform" policies which Ukrainian President Leonid Kuchma has adopted, in the Dec. 27, 1994 newspaper *Biznes*. "During periods of social cataclysm," i.e., the transition to a market economy, stimulation in investment and production is needed, he said.

Chernyak criticized Kuchma for talking about the need for "new social sacrifices" when the population has been "practically exhausted." He said that Ukraine's farmers must be supported, pointing out that in the United States, the market economy is "more regulated and less liberalized than the model being proposed for Ukraine by western monetarist advisers."

If the monetarist model is carried out, he warned, science, education, culture, and public health services will continue to decline, "along with prodding the country toward the path of deindustrialization and the fringes of scientific-technical progress. Much of what is being offered as reforms will lead to a further decline of production."

Chernyak said that the average wage is 40% of the subsistence level. He called for stimulation of production through "easy credit and state support for priority investment programs."

## Agriculture

### China exposes fraud of Brown starvation scenario

Chinese Academy of Science researcher Dr. Hu Angang exposed as "ludicrous" the incompetence of the latest "alarmist" fear-mongering by Lester Brown of the Worldwatch Institute, who claimed that Chinese food demands will soon overwhelm world grain production, in an interview in the Jan. 30 *Beijing Review*. It is necessary to refute Brown, Hu said, because such arguments are being used to conjure up the "China threat" in world politics.

Brown's figures on food production are

"by no means accurate," Hu said. In fact, they are derived from figures of 21 years ago, when grain production was 267 million tons. Now, grain production is at 460 million tons. The net growth rate of grain production is above world average, and should exceed Brown's predictions.

Hu said that although China will still have a grain deficit by 2020, it will not be of a level to create the "global scarcity" that Brown forecasts. China will be importing 10-30 million tons per year over the coming 15 years, amounting only to 3-10% of world production, he said.

Hu traced the credence given to Brown's "careless" analysis back to U.S. Secretary of State Dean Acheson, who claimed 45 years ago that China's population of 500 million would force it to become dependent on U.S. flour. Yet, 45 years later, China is feeding a population *four times* that of the United States, on a grain crop roughly comparable to the United States, with half the arable land.

## Infrastructure

### Russian minister boosts Berlin-Moscow corridor

Within a few years, the Berlin-to-Moscow transportation corridor, which will include both road and rail systems, could undergo "an even larger extension," upto Samara or Yekaterinburg, Russian Transport Minister Vitali Yefimov said, the German engineers weekly *VDI-Nachrichten* reported in January. Development of the corridor is "an important economic and social program for Europe," he said. The first steps in the building of the corridor include:

- Belarus will invest about \$88 million in rail and highway modernization, to increase the speed on its 600-kilometer rail line up to 160 km per hour (kph). Negotiations with the European Bank for Reconstruction and Development on the financing of both projects have started.

- Poland will extend highway A2 at a rate of about 100 km per year, and plans to secure private financing. The German and the Polish railway agencies have agreed to have a 160 kph rail route (E20) up to Warsaw operating by 1998. This will decrease the travel

time from Berlin to Warsaw by two hours. In the year 2000, this route is supposed to be up to European standards.

- On the Russian side, the highway from Belarus to Moscow will be the first priority, and will need investments of about \$478 million in the next five years. The overall investments just for the modernization of highways and rail routes along the Berlin to Moscow corridor are estimated by the German Transport Ministry at about \$12 billion.

## Health

### HIV active from the start, says new study

The human immuno-deficiency virus (HIV), which causes AIDS, starts fighting the immune system from the very onset of infection, according to a report released in late January by John Coffin, a professor of molecular biology and microbiology at Tufts University medical school in Boston, and a Tufts research team. "It seems the real disease caused by HIV occurs during the period when almost nothing seems to be happening," Coffin wrote in the journal *Science*.

AIDS does not suddenly occur after years of uneventful HIV infection, he said. Instead, the disease is the result of years and years of accumulated damage to the immune system.

The clinical study corroborates studies conducted by a biological task force set up by Lyndon LaRouche in the mid-1980s, and the research of Dr. Mark Whiteside, that AIDS onset is related to the status of the infected person's immune system. Hence, persons in underdeveloped countries, their immune systems already wracked by protein deficiency, chronic malaria, and other diseases and parasites, die far more quickly than those in the developed sector. Africans infected usually die within 6-12 months of infection.

It also bolsters the assessment that routine public health measures would go far to protect the general population from HIV.

Coffin said that the gradual damage does not show up easily in blood tests that count T-cells because, even though billions of them are killed every day, the body is able for years to replace them at the same rate. "The virus is like a forest fire. The fire is burning slowly,

and at any given time, only a certain number of trees are on fire. But eventually the fire spreads faster than new trees [the T-cells] can grow."

## Nuclear Energy

### Germany, Russia set deal on plutonium

Germany and Russia have apparently concluded a deal in which Russian weapons-grade plutonium will be processed in the new mixed oxide (MOX) factory of Siemens in Hanau, Germany, into new nuclear fuel elements, the German weekly *Der Spiegel* reported in late January. The fuel elements (about 5% plutonium, and the rest uranium-238) would be sold to South Korea or Taiwan.

EIR was told by Siemens that the German Foreign Ministry has ordered a study by German and Russian nuclear experts in order to identify technical solutions for the huge amounts of Russian plutonium.

The construction of the new Hanau MOX facility will be finished in about two years. Last year, Siemens decided to shut down its old MOX facility and its uranium fuel element facility in Hanau, putting almost 1,000 nuclear technicians out of work.

## Employment

### German 'upswing' met with more layoffs

Another 120,000 job cuts were announced in Germany at the end of January, amid a so-called "upswing." The board of Deutsche Bahn AG approved a strategy paper which calls for the elimination of 90,000 out of 307,000 jobs by the end of 1997, in order to "increase productivity." The number of apprenticeships at the firm will also be cut drastically.

On Jan. 31, the German auto-makers association manager Achim Diekmann announced in Frankfurt that job cuts in the industry (20,000 in 1994) will continue in 1995. The "cost cutting" is all but finished, he said. Since mid-1991, more than 150,000 jobs have been

eliminated from the industry. Today, one-third of all German cars and half of all German trucks are entirely produced outside of the country.

Further, Siemens-KWU will cut another 2,200 jobs this year (about 10% of its workforce), especially in its energy production section. In 1994, KWU shut down one of its nuclear fuel element factories (a reprocessing and enrichment complex) in Hanau, and its photo-voltaic section lost money. In fiscal year 1993-94 (which ended Sept. 30, 1994), KWU decreased investments by 46% and expenditures for research and development by 10%. New orders for its nuclear section fell by more than 15%.

The head of Thyssen Stahl AG, Heinz Kriwet, announced that 8,000 more jobs will be cut in the year ahead.

## United States

### Infrastructure has not improved, contractors say

The United States' "grades" for the different categories of infrastructure do not seem to have improved over the past seven years and may actually have declined," the Associated General Contractors of America, a trade association representing over 30,000 construction contractors, reported on Jan. 19. The conclusion was contained in a "progress report" distributed by the AGC at the Economic Policy Institute's National Conference on Infrastructure Investment.

According to the AGC report, "55.7% of U.S. major roadways are now in poor to fair condition and in need of immediate repair. Annual expenditures are falling \$9 billion short of the amount needed to maintain current conditions."

The 1988 infrastructure grades were: highways, C+; mass transit, C-; aviation, B-; water resources, B; water supply, B-; wastewater, C; solid waste, C-; hazardous waste, D.

According to the AGC, all these categories have probably become worse. The AGC noted that capital investment required to meet clean water standards has leaped 67%, from \$76.2 billion in 1988, to \$127.1 billion.

## Briefly

● **DEUTSCHE BANK** will need to give a capital infusion of about \$315 million to Klöckner Humboldt Deutz, the German engine and industrial plant manufacturer which is facing losses of about \$75 million for 1994, in order to enable the firm to survive its debt problems. The bank is the firm's main shareholder.

● **THE CAIRO SUMMIT** of Israel, Egypt, Jordan, and the Palestinians agreed on Feb. 2 to press on with plans for a development bank for the Mideast. Also, on Jan. 31 in Gaza, donors agreed to speed up disbursement of funds to the Palestinians. A World Bank official said the Palestinians should receive \$500-600 million this year; last year they received \$228 million.

● **CHINA'S** Heilongjiang province will open 15 cities along the Heilongjiang and Songhuajiang rivers, to increase transport to Vladivostok in Russia, in order to increase trade, *China Daily* reported on Jan. 27.

● **RUSSIAN** coal miners in the Rostov-on-Don region began an "indefinite" strike on Feb. 1, after repeated pleas for back wages went unanswered by the government. Miners are demanding that disinvestment in the coal industry (a demand of the International Monetary Fund) be halted.

● **LORD DENIS HEALEY**, the former British Chancellor of the Exchequer, who warned in 1994 of the danger posed by derivatives, said that "an economist could be defined as someone who knew 69 ways of making love but didn't have any girlfriends," in a radio talk on Jan. 22, the London *Sunday Times* reported.

● **BOEING**, the U.S. aerospace firm, will lay off 7,000 workers in its commercial jetliner manufacturing operations, the Feb. 3 *Wall Street Journal* reported. Company officials were caught off-guard by the large number of aircraft order cancellations or delay in deliveries scheduled for 1996-97.

## Phil Gramm's 'Conservative Revolution in America'

by Lyndon H. LaRouche, Jr.

Apart from the England of the London press's Lord William Rees-Mogg and Clinton-hater Ambrose Evans-Pritchard, much of the world at large has been dismayed to learn, that during the "mid-term" U.S. federal elections of November 1994, the Republican Party carried both houses of the U.S. Congress. That fear is rooted in the view, that if one were to believe the headlines in the largest-circulation U.S. and international electronic and print media, or the nightly "Bush-league" variety of U.S. "talk-show" hosts, both houses of the U.S. Congress, especially the House of Representatives, are now under the control of a sheeted populist mob determined to obliterate the U.S. Constitution during the first 100 days of this present session.

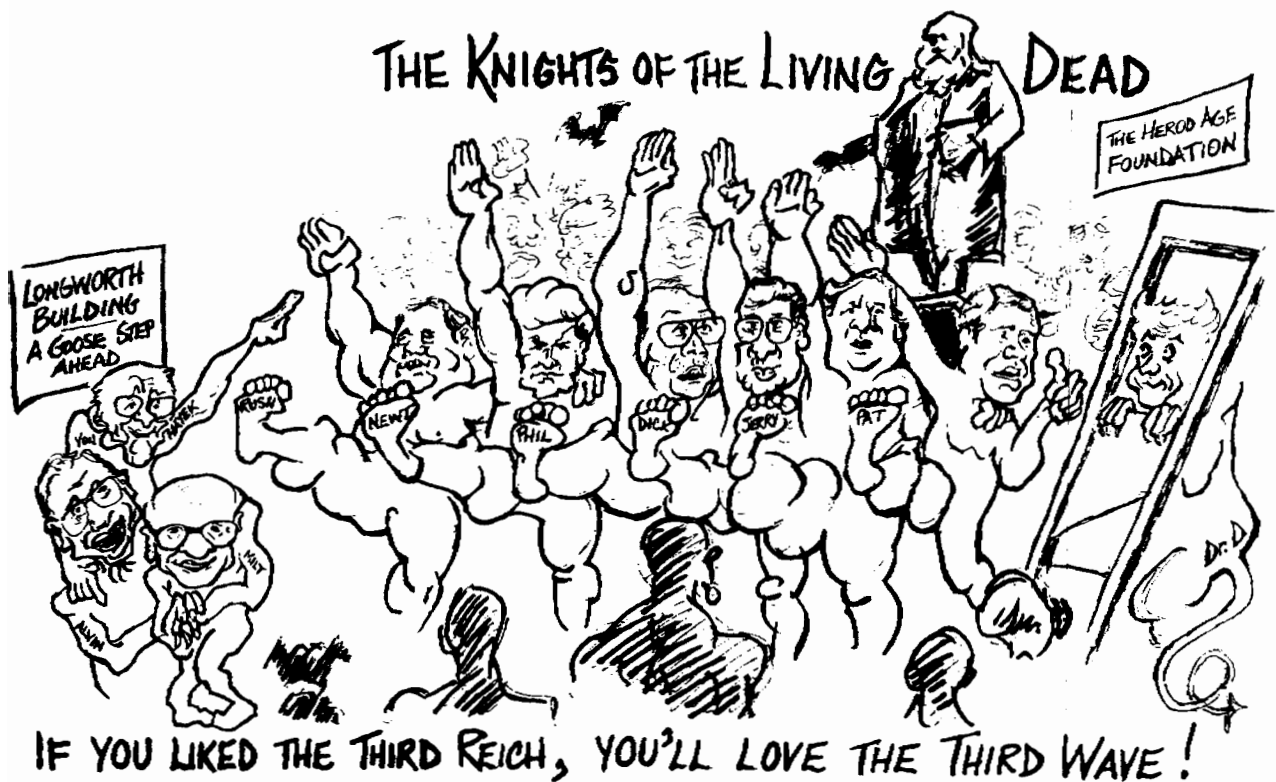
House Speaker Newt Gingrich (R-Ga.) should not object to such a widespread popular opinion of his "Contract with America" insurgency. In an orgy of radical demagoguery at the recent meeting of the Republican National Committee, it was Gingrich himself who identified his faction within the party as like a Jacobin mob reenacting the French Revolution of 1789-93.<sup>1</sup>

The situation is dangerous. Some among the faction of Gingrich and Sen. Phil Gramm (R-Tex.) are fully as bad as the news reports suggest. As this report documents the proof, we must regard that movement itself as an authentically fascist one, descended, via the Mont Pelerin Society, from the European fascists of the 1920s and 1930s.

However, although that program is *potentially* a very dangerous threat to the U.S. Constitution (and about 80% of the population), a balanced view of the danger it represents for the medium term is that given in a recent National Press Club address by Sen. Edward Kennedy (D-Mass.).<sup>2</sup> Kennedy reported: (1) that

1. Jan. 20, 1995 address of House Speaker Newt Gingrich to the Republican National Committee in Washington (see box, p. 22).

2. Jan. 11, 1995 at the National Press Club. For a report on the address, see "Newt's Power Rangers Start to Stumble," *EIR*, Jan. 20, 1995, p. 48.



there was a very low turn-out of voters for that election; (2) that the “Republican majority” in the Congress was created by less than one-quarter of the U.S. voters; (3) that the Republicans deserved less credit for winning the majority than those among the Democratic Party candidates and party officials who did so much to lose the election; and, (4) that a return to (e.g., Franklin Roosevelt-era) Democratic Party constituency political campaigning would turn back this Conservative Revolution during the 1996 primaries and general election. Later, President Bill Clinton’s address to the Democratic Party’s National Committee offered an outlook concurring substantially with Senator Kennedy’s report.<sup>3</sup>

EIR’s special task force on the Conservative Revolution has a comparable opinion: The sickness of a Congress momentarily dominated by such a radical minority of congressional insurgents could be fatal for the United States, if not treated properly; fortunately, the infection is curable, if the citizenry reacts properly, and in time.

Wanted, is a precise, rigorous, and compact analysis of what this “neo-conservative” wrecking crew represents, where it comes from, and how it can be stopped. For that purpose, this report has been composed.

This is a political-intelligence study, which identifies the following included categories of relevant facts. How did the heritage of the Conservative Revolution from the 1920s and 1930s happen to be implanted among Rush “Bozo” Lim-

baugh’s admirers in the U.S.A.? How was it organized? Who organized it? What, exactly, are the philosophical and other connections between these hyperventilating neo-conservatives of today and Hitler’s Nazis? Who are the controllers and money-bags behind this new Jacobin insurgency? Where does this social phenomenon fit within the legacies of European and world history?

### How this report was composed

The preliminary matter to be settled in the reader’s mind, is whether Rush Limbaugh’s “Contract with America” following<sup>4</sup> is, or is not properly and strictly to be termed “fascist” in the same sense that Adolf Hitler’s Nazis or Benito Mussolini’s followers represent a fascist type. If the answer is “Yes,” that settles the issue of labelling. Yet, even if the rubric “fascist” were deemed not strictly appropriate, then the investigation should nonetheless continue to search in the same directions for an alternative description.

The proof goes as follows. By the standard of Packard’s old slogan, “Ask The Man Who Owns One,” Limbaugh’s followers have an explicitly fascist pedigree. As we have said here, the “neo-conservatism” permeating the “Contract with America” is a creation of the Mont Pelerin Society,

4. Remember that the freshly hyperventilated batch of Newt Gingrich’s congressional freshmen literally followed the Bush league’s “Goebbels,” Rush Limbaugh, up the streets of Washington, from the Heritage Foundation’s brainwashing center, to the Longworth Building on Capitol Hill.

3. Jan. 21, 1995.

## Newt's Jacobin battle-cry

On Jan. 20, 1995, Speaker of the House Newt Gingrich delivered a blood-curdling call to arms before the Republican National Committee in Washington, D.C. in which he explicitly equated himself with Robespierre and Danton:

"We need to understand that the scale of revolution that we need is so great and it is so dramatically different. . . . This is a real revolution. In real revolutions, the defeated faction doesn't tend to convert. It tends to go down fighting. . . . I mean, if you look at the Bourbons, in France, they didn't rush in and say, 'Oh, please, can I join the revolution?' They remained Bourbons. In fact most of them learned nothing and forgot nothing, and 50 years later were still locked into a world that was dead. . . . I am a genuine revolutionary; they [the Democrats] are the genuine reactionaries; we are going to change their world and they will do anything to stop us, they will use any tool, there is no grotesquerie, no distortion, no dishonesty, too great for them to come after us. . . . The future of the human race for at least a century rests on our shoulders. If we fail . . . then Bosnia and Rwanda, Haiti and Somalia are the harbingers of a dark and bloody planet."

itself a relic of the generic fascist movements of the 1920s and 1930s, as fascism is identified by Prof. Armin Mohler's standard reference on that subject, *Die Konservative Revolution in Deutschland, 1918-1932*.<sup>5</sup> Our report documents that program's neo-conservative following was organized, top-down, by the bloated network of indoctrinating and funding organizations constructed under the overall coordination of the branch of British intelligence services which created Friedrich von Hayek's Mont Pelerin Society and deployed it against the United States.

If one sees, that a branch of the fascist Conservative Revolution, the Mont Pelerin Society, assembled and packaged Limbaugh's neo-conservatives, that shows the deployment of assets by a fascist movement, but does not yet prove that those assets themselves are also fascists in their own inclinations. ("Could they not be misguided dupes, instead?") Amid today's public controversies over labelling, is the content of these neo-conservative followers as fascist as

5. Armin Mohler, *Die Konservative Revolution in Deutschland, 1918-1932*, 3rd edition (Darmstadt: 1994). The Siemens Foundation's Mohler wrote the first edition of this (1949) as a doctoral dissertation under the postwar patronage of existentialist Professor Karl Jaspers.

the Mont Pelerin Society control over them implies?

Any public description of a person or movement as fascist in content, incurs the difficulty for the layman, that, with few exceptions, the academically generally accepted sources on the inner nature of fascism fall into three classes. One class is made up of tendentious frauds concocted predominantly by socialist, communist, or freudian-marxist<sup>6</sup> ideologues. A second, is composed of documentary studies devoted to protecting various of the high-level persons and agencies which brought Hitler to power: including such complicit figures as the Bavarian royal family and related elements of the Thule Society, Hjalmar Schacht, Rockefeller's and Royal Dutch Shell's Auschwitz-creator August von Knierem, circles around the British monarchy, and President George Bush's father, Prescott Bush.<sup>7</sup> It is fairly said that these preserve the Nuremberg Trial hoaxes describable as "Hitler-as-a-lone-assassin" mythologies. The third, factually more useful sources of insight are provided by German veterans of Nazism, both former Nazis such as Mohler, or his opponents from among veterans of that German anti-Nazi Resistance so often betrayed to Himmler by Britain's Vansittart et al.<sup>8</sup>

This author, over much of the past five decades, and his associates, during the recent quarter-century, have virtually exhausted study of the three types of available scholarly and related sources on the subject of 1920-1930s fascist movements. On the basis of that collaborative experience, the author can say with authority, that, even when they are accurate in what they document as fact, those sources share the fatal scholarly error of fallacy of composition.

It is said fairly, that the common fundamental error of virtually all published texts on the subject of fascism, is that they suggest the apocryphal case of the ichthyologist who presented a general theory of the behavior of fish without once considering the role of water. They are chiefly efforts to explain away decisive developments within modern history by resort to fictional sociological or psychoanalytical "spin": a "virtual reality" within which astounding historical events occur, but without ever engaging any historical principle. The specialist must study such secondary sources, but, if taken by themselves for forming the opinion of the layman,

6. Such as the hoaxes of putatively anti-fascist Hannah Arendt, she the intimate admirer of Nazi ideologue and nietzschean "liberation theologian" Martin Heidegger.

7. See Webster G. Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography*, pp. 26-62. (Washington, D.C.: EIR, 1992).

8. The presently available document shows that the policy of betraying the German Resistance to Himmler was also that of British Prime Minister Winston Churchill, who was "rabidly geopolitical" on the point of protracting the mutual slaughter of Germans and Russians for as long as possible. This is also the avowed basis for the Germany policy of Margaret Thatcher's and John Major's governments since the dogma of reunified Germany as a "Fourth Reich" was first publicly uttered by the fascist Mrs. Thatcher's Conor Cruise O'Brien and Minister Nicholas Ridley during late 1989.



most of those sources are even worse than useless.

We devote the remainder of this opening section to a top-down summary of the issues posed by the “conservative” movement which has often appeared in the guise of fascist movements during the past hundred-odd years. Thus, we define the functional necessity of identifying Baroness Margaret Thatcher and her U.S. co-thinkers around Sen. Phil Gramm plainly, and publicly as fascists.

### ‘From the top down’

This report features the inclusion of crucial references to an article written recently by a leading British conservative ideologue, Lord William Rees-Mogg.<sup>9</sup> Among his other credentials, Rees-Mogg is a patron of the *American Spectator*, and a leading figure of that Conservative Revolution currently represented within the U.S.A., by Baroness Margaret Thatcher, Sen. Phil Gramm, Alvin and Heidi Toffler, and Newt Gingrich. The importance of citing his piece, is that he says most of the same things which Toffler and Gingrich are saying in the name of the “Third Wave,” but Rees-Mogg presents it straightforwardly, without the gobbledygook and sheer fustian with which Toffler lavishly decorates his own copiously shallow intellect.<sup>10</sup> Rees-Mogg plainly admits that those “Third Wave” beliefs which he shares so enthusiastically with Gingrich and Toffler, are, by his clear description, a form of reactionary neo-feudalism.<sup>11</sup>

Taking this portion of modern history from the top down, as all competent political-intelligence studies must do, the nub of the matter is the following.

For all of history prior to A.D. 1400, in every culture, in every society, a proverbial 95% of the total population lived in a cruel state more or less comparable to serfdom, slavery, or worse. All of these cultures failed, terminating in a self-induced collapse of a “dynastic cycle.” It was the common feature of all of those earlier cultures of whose social organization we have documentary or inferential archeological knowledge, from any part of the planet,<sup>12</sup> that they were usually ruled capriciously, in the fashion suggested by the fabled gods of Olympus, by sets of oligarchical families. These ruling families were assisted in their overlordship by a relatively privileged minority of the population, a stratum

9. See Lord William Rees-Mogg, “It’s the elite who matter; in future, Britain must concentrate on educating the top 5%, on whose success we shall all depend,” in Jan. 4, 1995 London *Times*.

10. See box, this page, for a list of Toffler’s relevant works.

11. All—Thatcher, Gramm, the Tofflers, and Gingrich—would be on the wrong side in the U.S. War of Independence and War of 1812; they were not there, of course, but their tradition was. It is arguable that this accounts for Rees-Mogg’s ability to say clearly what Toffler emits in such cultish opacity; British Lord Rees-Mogg has plainly no obligation to evade being exposed as something much less than a U.S. patriot.

12. See charts and tables on demographics accompanying this opening section of the report.

## The Tofflers’ ‘Third Wave’

In 1994, Alvin and Heidi Toffler wrote a book for Newt Gingrich’s Progress and Freedom Foundation elaborating themes first struck in their 1980 book *The Third Wave* (Bantam Books, New York, 1980). The P&FF book featured a Forward by Newt Gingrich and was titled *Creating a New Civilization: The Politics of the Third Wave* (Progress and Freedom Foundation, Washington/Atlanta, 1994).

Earlier books written by Alvin or Alvin and Heidi Toffler include, in order of publication: *The Culture Consumers*, *Future Shock*, *The Eco-Spasm Report*, *The Third Wave*, *Previews and Premises*, *The Adaptive Corporation*, *Powershift*, and *War and Anti-War*.

of military and other administrative functionaries fairly described collectively as lackeys of the ruling oligarchy.

The earliest evidence presently known, of the idea that this subjugation of the lower 95% must not persist indefinitely, is found about 3,000 years ago, in the first book of Moses: the notion of man—man and woman—as created in the image of God.<sup>13</sup> On this text of Moses, Philo of Alexandria emphasizes that that quality of the mortal person which is in the image of God, is nothing other than a quality of intellect lacking in the beasts, a creative quality of the individual person’s intellect, typified, in the usages of modern civilization, by a platonic notion of valid fundamental discovery of scientific principle.<sup>14</sup>

Later, steps toward realization of such an uplifting of the people as a whole appeared within Classical Greece. This appeared first within the city-states of Ionia, continued and advanced to a higher level by Solon’s constitutional reforms, and was refined to a great degree by Plato’s Academy of Athens. Yet, in contrast to Solon’s constitutional reforms against oligarchical usury, the more general condition of mankind throughout the planet then was typified by one of the most significant ancient forerunners of modern fascism, the (literally) communist oligarchy of lycurgan Sparta’s “Rees-Mogg conservatives.”<sup>15</sup> The idea that the individual

13. *Genesis*, 1:27-30.

14. Philo (“Judaeus”) of Alexandria (20 B.C.-A.D. 50), “On The Account of the World’s Creation Given by Moses,” in *Philo*: Vol. I, trans. by F.H. Colson and G.H. Whitaker, Loeb Classical Library No. 226 (Cambridge, Mass.: Harvard University Press, 1981.)

15. The spectacle of Sparta’s helots (slaves) being tormented, even killed for sport, by adolescent youth from the families of the communist oligarchy, rightly calls to mind the conduct of the Nazi agencies running the slave-labor operations at privatized prison work-camps such as Auschwitz.

person can create knowledge was demonstrated to be intelligible by Plato's Academy at Athens; but, despite Moses and Plato, oligarchical forms of society persisted in the Mediterranean region through and beyond the rise of imperial Rome.

Christianity, as through the exemplary evangelism of the Apostles John and Paul, extended the principle of the individual person created in the image of God to the gentiles, to all people. Although this Christian expression of Moses' principle was recognized as essential to Christian belief by Christian fathers such as Augustinus, european feudalism failed to mobilize itself to end the oppression of the 95%. The principle, that every person is made in the image of God, was not introduced efficiently into the practice of statecraft until the mid-fifteenth-century Council of Florence and the subsequent establishment of the first modern nation-state, the commonwealth of France's King Louis XI.

The notion of commonwealth introduced by Louis XI to France, is the beginning of the existence of the modern form of nation-state. France's brilliant success under the first 20 years of that commonwealth catalyzed the attempted imitation of this among the friends of Oratorians such as Erasmus of Rotterdam in Henry VII's England, in the Spain of Queen Isabella, and elsewhere.

Thus began that long, and embattled struggle for liberation of nations from rule by parasitical oligarchies, which motivated the U.S. War of Independence against the British monarchy of Shelburne, David Hume, Adam Smith, Jeremy Bentham, and King George III. It is the anti-Locke, Christian principle characteristic of the Brotherhood of the Common Life, of the Council of Florence, and of Louis XI's France as a commonwealth, which inspired the leaders of 10 of the original 13 English colonies in North America. It is this principle which permeates the 1776 U.S. Declaration of Independence and the Preamble to the U.S. Federal Constitution of 1787-89. It is that principle, as embedded in that latter Constitution, which Speaker Gingrich's "Contract with America" is efficiently intended to destroy.

It was solely as a result of those reforms launched from within western Europe during the middle of that century, that populations from virtually all nations, in virtually all parts of the planet, have gained a more or less significant degree of true freedom, relative to all earlier existence of mankind. Yet, as we have just emphasized, this struggle for freedom has been an embattled effort, typified by the British monarchy's continued efforts to destroy our liberties, from 1763 through and beyond the assassination of the patriotic President William McKinley and the consequent, bloody accession of London's darling, Teddy Roosevelt.

Since Venice, in A.D. 1440, launched its first attack upon the Council of Florence, and Louis XI's France later, there has been a continuing, reactionary effort of the european oligarchy, to turn back the clock of history to feudalism. Since Palmerston's unleashing of his Mazzini revolutions of

1848-49,<sup>16</sup> the oligarchical combination of royal, aristocratic, and financier circles forming the implicit feudal court of the Anglo-Dutch monarchy, has assumed Venice's earlier leading place within feudal conservatism globally.<sup>17</sup>

This venetian model of pro-feudal reaction was the form of so-called conservatism expressed initially as the venetian opposition to the Council of Florence. In England, especially since Paolo Sarpi's venetian takeover of the Dutch and English monarchies around the turn of the seventeenth century, this is the tradition of British Liberalism and eighteenth-century radical empiricism. Shelburne and Bentham best typify this venetian heritage. In France, during the seventeenth and eighteenth centuries, this pro-feudal conservatism was typified by the Fronde, and by the Fronde's continuation as the pro-feudal Physiocrats.

In the leading historical events of the eighteenth century, as Lord Shelburne instructed his lackey Adam Smith in 1763, that reactionary impulse of the British monarchy was the motive for London's efforts to suppress technological progress and self-government in England's north american colonies.<sup>18</sup> This was the motive of Shelburne's head of the British foreign service, Jeremy Bentham, in backing Benjamin Franklin's adversary, the Duke of Orleans ("Philippe Egalité"), setting off the French revolution of 1789, and in Bentham's 1789-93 training and direction of Jacobin Terror leaders Danton, Marat, et al.<sup>19</sup>

16. "Lord Palmerston's Multicultural Human Zoo," *EIR*, Nov. 16, 1994.

17. This oligarchical court of the Anglo-Dutch monarchy is symbolized by a famous bucolic portrayal of the Prince of Wales, Britain's future King Edward VII, as "The Lord of the Isles." The reference is to an international oligarchical set sometimes identified as the Club of the Isles, or referred to as "the 5,000," which runs Britain. One must grasp the essential fact, that the British monarchy is not a home-grown, autochthonous secretion of the indigenous populations of the British Isles, but an alien visitor (analogous to "body-snatchers from outer space") who has settled upon the premises as its own feudal domain. This is true not only of the presently ruling family of the Welf Queen, but of much of the rest of the oligarchy, too, the financial nobility most notably.

18. William Fitzmaurice Petty, Second Earl of Shelburne, grandson of the founder of the Bank of England, himself controller of the finances of the British East India Company through Barings bank, one-time prime minister of England, paymaster for most of the Parliament of William Pitt the Younger, and of King George III, too. (The British Welf family's fabulous international wealth held privately was a development of the later nineteenth century.) Adam Smith, Jeremy Bentham, Edward Gibbon, Thomas Malthus, et al. were typical among prominent Shelburne lackeys. The record shows Smith entering directly into Shelburne's service no later than the occasion, in 1763, when Shelburne instructed him on a project to strip the American colonies of local autonomies and wreck the economy of France. The included results of that were Smith's 1776 *Wealth of Nations*, whose anti-Colbertist, "free trade" policy copied from the writings of the Physiocrat Dr. Quesnay, was imposed as a treaty "conditionality" of peace with France, leading directly to the 1789 bankruptcy of France and the French Revolution.

19. Shelburne arranged the creation of a new British Foreign (i.e., intelligence) Service in 1782, securing the appointment of his lackey Jeremy Bentham as its head. Bentham personally trained the Jacobin terrorists Danton and Marat at his "safe house" in London, and dispatched them,

The same feudal-reactionary impulse is the essential feature of the infamous Holy Alliance of Clement Prince Metternich, that deadly adversary of both the United States and the Friedrich Schiller tradition in Germany.<sup>20</sup> This was the intent of the collaboration between those brutal conservatives Metternich and Lord Castlereagh: to stamp out the existence of the United States and its influence. This was the intent of the 1861-63 alliance of Britain, Napoleon III's France, and Spain against the United States, the same alliance whose naval and other military forces implanted the Nazi-like occupation regime of the Hapsburg Maximilian and his Carlotta upon Mexico in that same period.

That has been the purpose governing London's use of Jacobins, of Giuseppe Mazzini's Young Europe and Young America radicals, of the circles of the 1880s right-wing putschist Gen. Georges Boulanger and the anti-semites behind the Dreyfus affair in France, and, later, the fascist rabble—the Conservative Revolution—of the present century: to destroy the existence and very idea of a modern state premised upon the Christian principle of Louis XI's commonwealth and the Preamble of our own Federal Constitution.<sup>21</sup>

It is the conservatives' use of mob tactics, in their attempt to destroy the U.S. Constitution, especially the "general welfare clause" of its Preamble, which prompted Speaker Gingrich implicitly to portray himself, in a momentary outburst of demagoguery, as the "Robespierre" of the present-day "Conservative Revolution" in America, and which marks Bush-league talk-show host Rush Limbaugh as the "wannabe



Rush Limbaugh, the "wannabe Danton" of the new fascist movement.

under his continuing control, to unleash the accelerated Jacobin Terror in Paris. The later Lord Palmerston was a Bentham trainee, such that the tradition of Bentham's long reign at the British Foreign Service has been continued through the reign of King Edward VII, down to the present day.

20. At the Carlsbad Conference of 1819, the Holy Alliance's Metternich directed the issuance of the infamous Carlsbad Decree, under whose provisions the writings of Germany's most famous and influential poet and dramatist of the century, Friedrich Schiller (1759-1805), were banned. (Schiller remained far more influential than his sometime collaborator, Goethe, until past the 1859 Schiller centennial.) This decree coincided with the rise to the post of influential "state philosopher" of Metternich's scalawag, the former ultra-Jacobin and conservative G.W.F. Hegel (see *EIR Feature*, Feb. 10, 1995). Notably, it had been Schiller's immediate circle of friends, including such notables as Wilhelm von Humboldt and von Wolzogen, who played the crucial leading part in freeing Europe from the Emperor Napoleon's tyranny; they had brought Germany thus, in 1813-14, to the verge of constitutional unification, but for the work of the feudalists, Holy Alliance reactionaries Capodistria, Metternich, and Castlereagh, et al., at the Congress of Vienna. That Holy Alliance, and its Carlsbad Decree are, after the Jacobin Terror in France, the principal watershed from which the modern (fascist) Conservative Revolution flows into the present century's history.

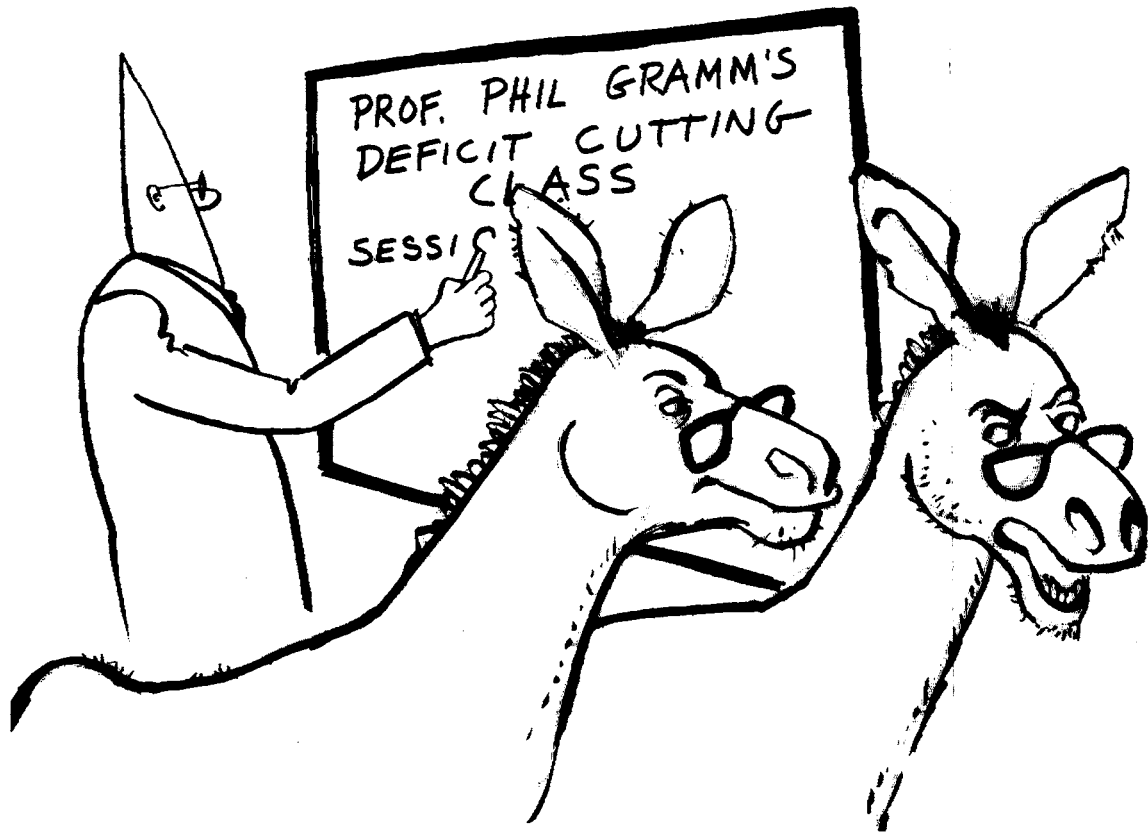
21. These views of fascist forerunners Metternich and Castlereagh are ideas which have been devoutly admired for more than 40 years in both the word and practice of former U.S. Secretary of State Henry A. Kissinger. See Henry A. Kissinger, *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822*. Houghton Mifflin Co. Sentry Edition, Boston: 1954.

Danton" of a new fascist movement.<sup>22</sup> Examine the deeper principle involved in this conflict between the opposing forces of Solon and Lycurgus, and also between Moses and the devil's own oligarchical heritage. Examine this as a matter of fully intelligible scientific principle.

### From the standpoint of science

If presented with verses 26-30 of the first Chapter of *Genesis*, the likely initial reaction by today's student, or adult, would be to characterize the notion of "man in the image of God" as a belief one might adopt or reject, as if acceptance or rejection of this passage from the Bible were a matter of blind faith, either way. Few of these would have read the famous commentaries by Philo of Alexandria, nor would they be familiar with the background of knowledge

22. Some wits might be tempted by this report to think of Speaker Gingrich's blow-dried hair-do as, thematically, a kind of phrygian cap. It is a good giggle; but, remember the Christian principle of redemption; some scold to satisfy their pathetic desire for a victim, but persons of good will chide, even harshly, out of desire for the sinner's redemption. One may hope that Mr. Gingrich is astute enough to see the folly of Alvin Toffler's picaresquely feudalist pretensions.



against which the Greek-speaking Philo read Moses' text: the relevant way in which Plato's socratic dialogues prove the certainty of the existence of God. Out of their ignorance, such students, or adults, would probably argue to the effect, that since none of us has seen God, how could anyone prove that the individual person is in the image of God?<sup>23</sup>

Not only does a rigorously scientific proof exist in this matter, but this proof is central to understanding adequately the roots and practical implications of Baroness Margaret Thatcher's adherence to a fascist world-outlook and practice.

23. Such a sceptic exhibits nothing as much as his own ignorance of scientific method. Since no one had seen directly the curvature of Earth prior to modern post-1945 aerospace development, how did ancient scientists from Plato's Academy at Athens, such as Eratosthenes, prior to 200 B.C., measure the curvature of the Earth to within an approximately 50-mile error in estimating Earth's polar diameter? Human knowledge is not based upon an individual's personal sense-experience; it is based upon demonstrating the physical efficiency of valid acts of discovery of higher principle, passed down, as reproducible intellectual experiences of individual minds, over successive generations. Until modern times, man never saw the curvature of the Earth, but only the shadows of that curvature, as in lunar eclipses, and by comparing the angle, relative to a plumb-bob, at which a star is seen at different locations on a meridian. Thus, in his *Republic*, Plato employs the metaphor of shadows which firelight might cast upon the wall of a cave, to point out the foolishness of the philosophical materialist's, or empiricist's superstitious, blind faith in sense-certainty. It is the manifest efficiency of those creative-intellectual principles, not our sense-experiences as such, which is the means by which Plato's socratic method affords a fully intelligible certainty of the existence of the God of Moses.

This subject matter goes to the very foundations upon which the existence of civilized political life depends, to those premises which prompt us to view any attempted revival of the political philosophy of the fascist Conservative Revolution from the pre-1946 period in terms of reference to the heathen abominations practiced by Hitler's Nazi regime.

One must not mitigate that justified sense of horror which August von Knierem's slave-labor prison work-camp at Auschwitz evokes in any civilized person. Yet, without relinquishing that horror in any degree, one should also recognize that these practices were no worse on principle than the characteristics of ancient society, that such abominations were the commonplace, regular or episodic practice, against entire peoples as well as individual persons, by typical cultures of the ages prior to Christianity.

True, we must grant that the Nazi regime was by no means the most evil institution which has plagued history. The British Empire committed more genocide than Hitler's regime, and the British monarchy continues to do so in Africa, for example, today. If both Hitler and the British Empire were evil, the Roman Empire was no better, perhaps worse; the Aztecs, for example, were arguably much worse than either. The unfathomable sense of abomination which we should share, arises from the fact that Hitler's regime occurred in our time, not in some ancient, illiterate heathen culture, but in a European culture, and a European nation which had achieved the relatively highest Judeo-Christian

standard of science and Classical art.

To comprehend fully the enormity of Auschwitz, we must put to one side the fraudulent myth used as part of the Nuremberg Trials' cover-up of the higher-level perpetrators. It was not just some dirty Adolf Hitler that did this, not just some band of bully-boy street-gangsters uniformed in swastika brassards. Auschwitz was a privatized, slave-labor prison work-camp, established and supervised throughout the war in corporate interest by August von Knierem, a high official of the I.G. Farben trust, an attorney by profession, who was a member of an international cartel including the Anglo-Dutch Royal Dutch Shell and the U.S. Rockefeller's Standard Oil. The Nuremberg Trials exculpated Royal Dutch Shell and Rockefeller partner von Knierem, just as the firm of Averell Harriman and its Chief Executive Officer, Prescott Bush, or their highest-level British partners, were never efficiently called to account politically for their part in bringing Adolf Hitler's Nazis to power. It is only when one reflects upon the latter type of usually, politely unmentioned relevant facts, that Auschwitz then makes the appropriately educative impact upon one's conscience.

With that horror of Auschwitz freshly revived in one's mind, then read the prescriptions which Lord William Rees-Mogg supplies in his recently published, neo-feudalist manifesto. Ask yourself, then, where is the stunning sense of abomination, of ultimate horror you ought to have experienced in examining the practical consequences of Rees-Mogg's, or Alvin Toffler's utopian paens to the so-called "Third Wave"?

What has numbed your sense of morality toward the present, that you do not react to Rees-Mogg's bestiality with the same quality of emotion you sensed when you were struck by the impact of Auschwitz? It is against such an historical backdrop, that the practical significance of man in the image of God impacts the conscience. Against this backdrop, one can recognize more readily, that this Judeo-Christian principle, of the individual person in the image of God, is the key to the perpetuation of a civilized form of human life, a principle we put aside only at the greatest peril to ourselves and our posterity.

Yet, it would be a comparable blunder to delude oneself by the phenomenologist's sentiment, that the belief that human life is sacred, is a kind of lockean social contract, merely a pragmatic matter of convenience.<sup>24</sup> We shall not restate the

24. The term pragmatic is employed here in the sense of Husserl's damnable *phenomenology of religion*, or the comparable dogma of Harvard Professor William James's **Varieties of Religious Experience**. There are those ministers, priests, or rabbis, who do not necessarily believe in the existence of God, but who take the clerical profession very seriously, in their own way. They believe that acceptance of certain religious doctrines is necessary, even if they were not true, for reason of the benefits derived from believing them: of presumed benefit to either the believer's mental state, or to the society, or both. In brief, the famous French positivist sort of aphorism: *If God did not exist, it would be necessary to invent Him*. Respecting such pragmatic beliefs, consider the fact, that one of the most celebrated and

theological proof itself here,<sup>25</sup> but rather limit discussion to the scientific truthfulness of that Mosaic distinction, that the demographic evidence demonstrates chiefly two things of direct bearing upon the "undead" 1918-45 Conservative Revolution's "Contract with America": that each individual person has an efficient faculty of creative intellect not existent in any animal species, and that the fostering of this faculty, through Classical forms of compulsory universal education and other nurture of its development and expression, is the sole means by which humanity may ascend once more, up from the neo-conservative's descent toward brutish barbarism, to return to a civilized state of affairs.

### The demographic evidence<sup>26</sup>

The nub of the proof that the Conservative Revolution always was, and is fascist, is the contrast, as measured in demographics, between modern European civilization and all the earlier forms of culture which have existed on this planet. What marks these movements as fascist, is their commitment to turn back the clock of progress, to create some disgusting, romanticist or other modern parody of European feudalism, Aztec barbarism, or other earlier form of culture. The referenced fascist's utopian "manifesto" recently published by Lord Rees-Mogg, plainly states its intent to eliminate universal literacy from the proverbial 95% of the world's population, to create a global neo-feudal society in which "information" pushes aside a modern agriculture and industry based upon scientific and technological progress.

The proof that this very proposal to turn back the clock is the common root of the metternichian anti-commonwealth movement and its fascist offspring, is the crucial issue underlying the definition of fascism, and the assigning of the rubric "fascist" to the Mont Pelerin Society's international neo-conservative network. The crux of that proof, as summarized here, is that human progress is the fruit of the quality identi-

influential theologians in the recent history of the phenomenology of religion was the Nazi ideologue, an apostle of Friedrich "I am the Antichrist" Nietzsche, the Professor Martin Heidegger of Freiburg whose doctrines shaped the U.S. Occupation Frankfurt School-linked agencies' dictates to the postwar German Catholic theologians, and who was also most influential, through Tübingen University and Karl Rahner, in spreading the terrorist acid of existentialist "Liberation Theology" throughout corrupted portions of the Catholic Church today.

25. See the author's treatment, in sundry published locations, of the theological proof supplied by Plato. Conveniently, in Lyndon H. LaRouche, Jr., "How Bertrand Russell Became An Evil Man," *Fidelio*, Fall 1994; *passim*. A relevant part of the argument presented here, immediately below, is also elaborated in conception in that location.

26. It should be noted here, for the advantage of that reader who was not familiar with the author's professional work earlier, that the author's contribution to science, and all of his important professional work since, involves an initial 1948-52 refutation of the absurdity of the dogmas of "information theory" of Norbert Wiener and the "systems analysis" of John Von Neumann. This demographic treatment of the principles of physical economy reflects the principal content of those original discoveries, and of the author's subsequent life-long application of them.

TABLE 1

## Development of human population

	Life expectancy at birth (years)	Population density (per km <sup>2</sup> )	Comments	World population (millions)
<b>Primate Comparison</b>				
Gorilla		1/km <sup>2</sup>		.07
Chimpanzee		3-4/km <sup>2</sup>		1+
<b>Man</b>				
<b>Australopithecines</b> B.C. 4,000,000-1,000,000	14-15	1/ 10 km <sup>2</sup>	68% die by age 14	.07-1
<b>Homo Erectus</b> B.C. 900,000-400,000	14-15			1.7
<b>Paleolithic</b> (hunter-gatherers) B.C. 100,000-15,000	18-20+	1/ 10 km <sup>2</sup>	55% die by age 14; average age 23	
<b>Mesolithic</b> (proto-agricultural) B.C. 15,000-5,000	20-27			4
<b>Neolithic</b> , B.C. 10,000-3,000	25	1/km <sup>2</sup>	"Agricultural revolution"	10
<b>Bronze Age</b> B.C. 3,000-1,000	28	10/km <sup>2</sup>	50% die by age 14 Village dry-farming, Baluchistan, 5,000 B.C.: 9.61/km <sup>2</sup> Development of cities: Sumer, 2000 B.C.: 19.16/km <sup>2</sup> Early Bronze Age: Aegean, 3,000 B.C.: 7.5-13.8/km <sup>2</sup> Late Bronze Age: Aegean, 1,000 B.C.: 12.4-31.3/km <sup>2</sup> Shang Dynasty China, 1000 B.C.: 5/km <sup>2</sup>	50
<b>Iron Age</b> , B.C. 1,000-	28			50
<b>Mediterranean Classical Period</b> B.C. 500-A.D. 500	25-28	15+/km <sup>2</sup>	Classical Greece, Peloponnese: 35/km <sup>2</sup> Roman Empire: Greece: 11/km <sup>2</sup> Italy: 24/km <sup>2</sup> Asia: 30/km <sup>2</sup> Egypt: 179/km <sup>2</sup> * Han Dynasty China, B.C. 200-A.D. 200: 19.27 Shanxi: 28/km <sup>2</sup> Shaanxi: 24/km <sup>2</sup> Henan: 97/km <sup>2</sup> * Shandong: 118/km <sup>2</sup> * * Irrigated river-valley intensive agriculture	100-190
<b>European Medieval Period</b> A.D. 800-1300	30+	20+/km <sup>2</sup>	40% die by age 14 Italy, 1200: 24/km <sup>2</sup> Italy, 1340: 34/km <sup>2</sup> Tuscany, 1340: 85/km <sup>2</sup> Brabant, 1374: 35/km <sup>2</sup>	220-360
<b>Europe, 17th Century</b>	32-36		Italy, 1650: 37/km <sup>2</sup> France, 1650: 38/km <sup>2</sup> Belgium, 1650: 50/km <sup>2</sup>	545
<b>Europe, 18th Century</b>	34-38	30+/km <sup>2</sup>	"Industrial Revolution" Italy, 1750: 50/km <sup>2</sup> France, 1750: 44/km <sup>2</sup> Belgium, 1750: 108/km <sup>2</sup>	720
Massachusetts, 1840 United Kingdom, 1861 Guatemala, 1893 European Russia, 1896 Czechoslovakia, 1900 Japan, 1899 United States, 1900 Sweden, 1903 France, 1946 India, 1950 Sweden, 1960	24 32       41	41 43  40 44 48 53 62 73	90+/km <sup>2</sup> Life expectancies: "Industrialized," right; "Non-industrialized," left	1,200          2,500
<b>1970</b> United States West Germany Japan China India Belgium	    59 48	71 70 73	<b>1975</b> 26/km <sup>2</sup> 248/km <sup>2</sup> 297/km <sup>2</sup> <b>180/km<sup>2</sup></b> 183/km <sup>2</sup> <b>333/km<sup>2</sup></b>	3,900

TABLE 2

**Sampling of medieval levels of population (millions)**

Name	Beginning century	1st cent.	2nd cent.	3rd cent.	4th cent.	5th cent.	6th cent.
Modern Europe	15th	60	81	100	120	180	390
Charlemagne's Europe	10th	9	9.5	11	16	24	16
Caliphate	9th	22	23	28	26	28	21
China: Tang and Sung dynasties	9th	56	60	66	105	115	86

*The three systems shown here, before the development of modern Europe beginning in the 1400s, each terminates in catastrophe. The second, loosely identified as that of Charlemagne's Europe, ended with the fourteenth-century plague known as the Black Death. The Caliphate and the identified Chinese dynasties ended with the scourge of the thirteenth century, the Mongol invasions. The chart shows that where modern Europe has produced an increasing rate of increase in its population growth, the other regimes were bound by the apparent cycle of the oligarchical system.*

fied by Moses and Philo, that the individual person has a quality identified by "man in the image of God." That crucial element of the proof has been supplied in a number of earlier published locations.<sup>27</sup> Its point is restated here with aid of the accompanying charts and graphics.

Were man not absolutely apart from, and above the lower animal species, then, as both World Wide Fund for Nature's H.R.H. Prince Philip<sup>28</sup> and the behaviorists repeatedly insist, humanity would have a range of *potential relative population-density*<sup>29</sup> comparable to that of a species of higher ape. Given the conditions of this planet during the recent 2 million years, the living population of the human species would have at no time, up through the present day, exceeded several million persons (see box, p. 30, and Table 1). Even prior to A.D. 1400, the population had reached levels of several hundred million (see Table 2). As a direct consequence of the European changes radiating worldwide from the fifteenth-century Golden Renaissance, the world's population has increased at hyperbolic rates of growth during the recent 550 years (see Figure 1).

The past 550 years' revolutionary shift upward in our planet's potential relative population-density, has been a co-feature of upward shifts in the demographic characteristics of households. Improved sanitation and other developments fostered by the influence of modern European science-driven economic development, have lowered estimable mortality-

rates among the various age-strata of the family household generally. Part of the increase of population is a combined result of lowered mortality-rates for infants and children: more persons born live to child-rearing age. The general reason, is the new role assumed by the modern, post-feudal, commonwealth form of nation-state, combined with the role of that state in fostering the generation and use of scientific and technological progress.

Admittedly, the economic and related demographic benefits of this revolution were concentrated in western Europe and the Americas, and later, Meiji Restoration Japan. Yet, the demographic record shows that virtually all parts of the planet have received ultimately significant technical benefits, if often distorted ones (see Figure 2), from the spread of modern European culture through Christian evangelists, and even, ironically, predatory colonization.<sup>30</sup>

There are principally three factors underlying this revolutionary, upward change in the human condition:

- (1) First, the adoption of the principle of the commonwealth, first introduced to the practice of statecraft by France's Louis XI. As the general welfare clause in the Preamble to the U.S. Federal Constitution summarizes Louis XI's commonwealth principle: "We, the people of the United States, in Order to form a more perfect Union, establish Justice, ensure domestic Tranquility, provide for the common defense, *promote the general Welfare, and secure the Blessings*

27. Currently available in print, the following are notable. On LaRouche's original contribution to economic science, see Lyndon H. LaRouche, Jr. "On LaRouche's Discovery," *Fidelio*, Spring 1994; Lyndon H. LaRouche Jr., *The Science of Christian Economy* (Washington, D.C.: Schiller Institute, 1991); translated into several languages, including German, Russian, Ukrainian, Armenian, is the introductory textbook on the application of the science of physical economy, *So, You Wish to Learn All About Economics?* (New York: New Benjamin Franklin House, 1984).

28. "The Coming Fall of the House of Windsor," *EIR Special Report*, November 1994.

29. See Lyndon H. LaRouche, Jr., *So, You Wish To Learn All About Economics*, *op. cit.*, *passim*.

30. These benefits are clearest in the outgrowths of the early sixteenth-century work of the Spanish, Portuguese, and German missionaries in Mexico and other localities of Ibero-America. The seventeenth and eighteenth centuries degeneration of Spain and Portugal, and the later, nineteenth-century, British virtual takeover of Ibero-America, under Jeremy Bentham's policy, aborted a development there which could have been as fruitful economically as that which occurred where the Americans did throw out the British monarchy: the United States. Otherwise, generally, the message to some so-called "indigenous" people of the Americas, Africa, or Asia, that they are, as persons "in the image of God," is itself a wonderful, implicitly revolutionary gift.

## Demographic profile typical of ancient societies

	Percent of population
Males	56%
Females	43%
Ages Under 18-22	50%
Ages Under 14	33%
Life Expectancy	28 years
Birth rates	1) 6.2% 2) 5.4% 3) 4.8%
Death rate	3.5-6.5%
Net rate of increase	2%

Demographic features of ancient societies, e.g., the Roman Empire and other such abominations, and including pre-Golden Renaissance European societies, are characterized by two features: 1) the prevalence of males in the male-to-female ratio, typically 130:100, and 2) a life expectancy at birth of around 28 years.

The first feature recurs as a ratio whether under Roman conditions, or in the Europe depicted in the *Polyptique de St. Irminon* (the proto-census conducted during the reign of Charlemagne), and in twelfth- and thirteenth-century Britain and France. The ratio ought to be compared with that which prevails at birth, normally 103-105 males for every 100 females. Sacrifice, infanticide, and exposure of infant females are to be counted among the reasons.

The second feature varies tremendously, depending on whether the infant falls into the slave/toiler classes, in which case life expectancy can be 17 or lower, or the class of administrators and cult-priests, who could expect to live into their 50s and 60s.

The two identified characteristics shape the demographic pyramid of such societies, in that the female proportion of the total population defines a bounding limit for that portion of the female population which is of child-bearing age, and thus, given fairly standard assumptions of intervals between births, of what the birth rate bounds for such a society ought to be. The second characteristic permits construction of actuarial life tables from which can be calculated, with a given life expectancy, how many of those born in any year will survive to any particular age. With a life expectancy of 28 years, 25% of births will not survive to age five. The earliest surviving such table was calculated by the Roman Ulpian, in the first century A.D., to work out annuity values.

The birth rates shown in the table are those produced by varying the typical male-to-female ratio. Rate 1) was produced by assuming that the male-to-female ratio is at parity of 1:1. Rate 2) assumes the typical ratio of 130 males for every 100 females, in which case rather less than 17% of females will be in their child-bearing years at any one time. And Rate 3) assumes that only 30% of females are married, in which case those in their child-bearing years will fall to about 15% of the total population. The results are adjusted to assume a 10% rate of infertility.

The base for death rates is calculated by dividing expectation of life (28 years) into 100 (percent of total population) and net increase, by subtracting death rates from birth rates. Under the best of assumptions and circumstances, any such society would rarely do better than "breakeven" demographically.—*Chris White*

*of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America"* (emphasis added).

- (2) The adoption, by Louis XI's France of the introduction of first steps toward a universal, classical-humanist form of general secondary education explicitly modelled upon the work of and assisted by that Brotherhood of the Common Life which produced from boys of such relatively poor families geniuses such as Cardinal Nicolaus of Cusa and Erasmus of Rotterdam.
- (3) The use of this promotion of classical-humanist forms of secondary education of talented boys from relatively low-income families as the social foundation for fostering in the nation and its population high rates of

generation and practical assimilation of valid, revolutionary discoveries of principles, including science and the technologies derived from scientific progress.

To trace out the demographic changes, such as shifts in composition of the labor-force, which are associated with the net upward progress of economic characteristics of European culture during the pre-New-Age interval 1440-1963, we must interpolate a brief clarification on the subject of the term "creative."

### What is 'creativity'?

For the purpose of understanding this revolution in statecraft, separating medieval from modern European civilization, one must use the precisely Platonic conception of the term "creative" employed by such authors of the Golden

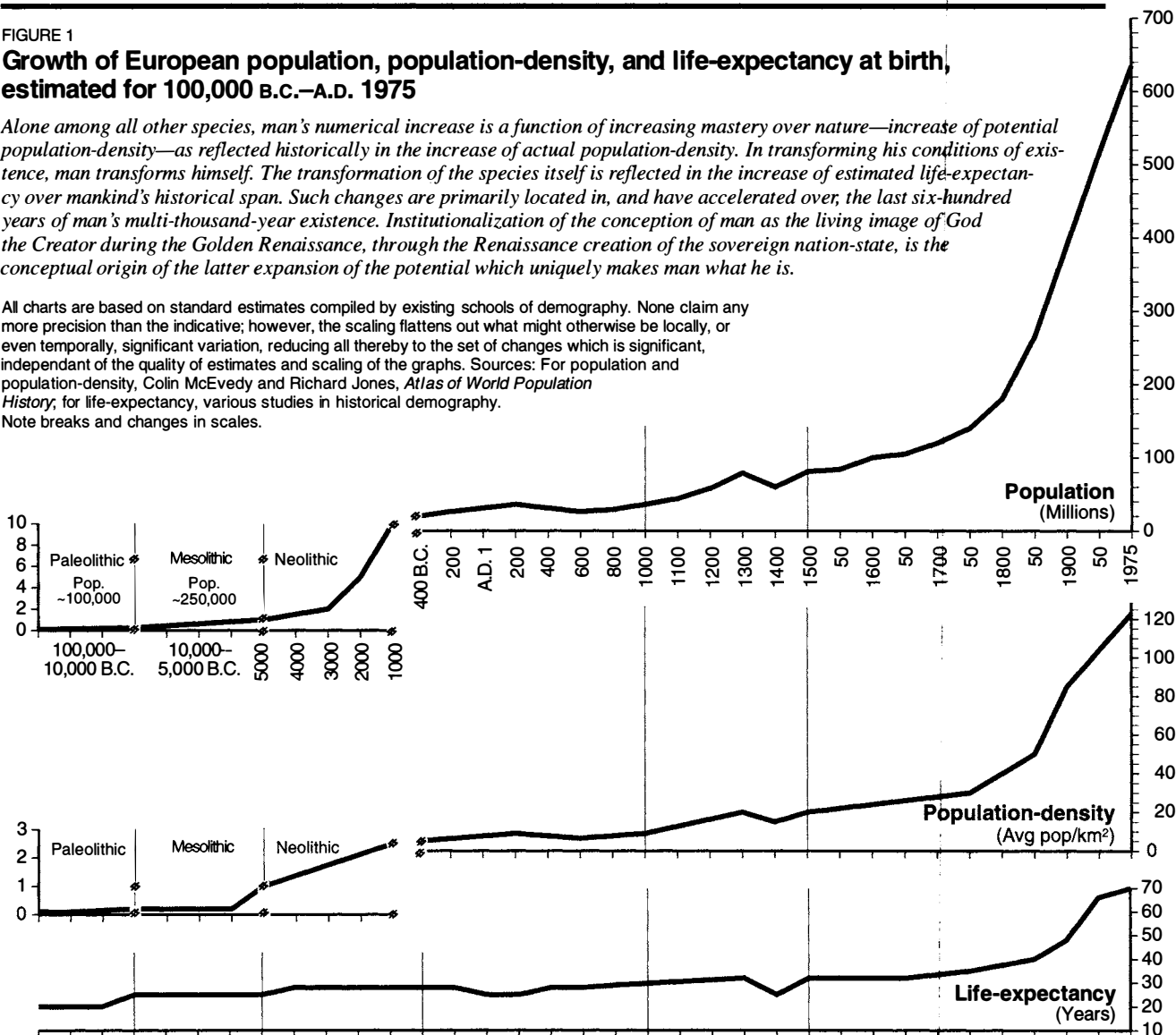


FIGURE 1

### Growth of European population, population-density, and life-expectancy at birth, estimated for 100,000 B.C.—A.D. 1975

Alone among all other species, man's numerical increase is a function of increasing mastery over nature—increase of potential population-density—as reflected historically in the increase of actual population-density. In transforming his conditions of existence, man transforms himself. The transformation of the species itself is reflected in the increase of estimated life-expectancy over mankind's historical span. Such changes are primarily located in, and have accelerated over, the last six-hundred years of man's multi-thousand-year existence. Institutionalization of the conception of man as the living image of God the Creator during the Golden Renaissance, through the Renaissance creation of the sovereign nation-state, is the conceptual origin of the latter expansion of the potential which uniquely makes man what he is.

All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History*; for life-expectancy, various studies in historical demography. Note breaks and changes in scales.



Renaissance as Nicolaus of Cusa. To understand the proper meaning of the popularly misused term “creative,” and to understand what is properly signified by “classical humanist” education, a few remarks on euclidean geometry provide the most efficient pedagogy.<sup>31</sup>

In formal logic, such as the methods of Aristotle or Euclid’s *Elements*, the proof of a theorem is its lack of inconsistency with each and all of the set of axioms and postulates which underlie that theorem-lattice as an open-ended entirety. In Plato’s method, such an underlying set of axioms and postulates is identified as an *hypothesis*. If, then, we are confronted with a proposition which is true in nature, but inconsistent with an existing choice of axioms and postulates,

some among those axioms and postulates must be replaced to bring the system of logic into conformity with reality. This replacement is the type of a valid fundamental discovery of principle in, for example, physical science.<sup>32</sup> A valid such replacement is termed a new *hypothesis*.

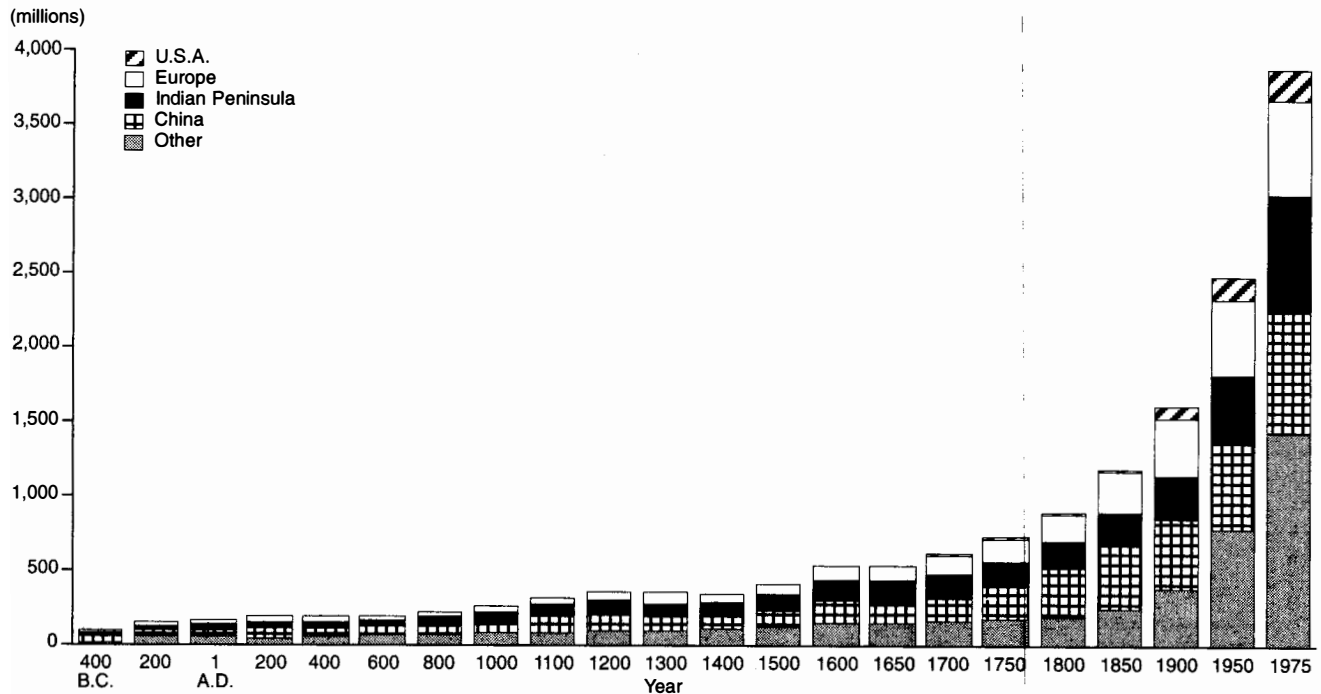
A succession of such *hypotheses*, as in the progression from euclidean to higher geometries, defines a method of discovery shown to be effective in ordering valid discoveries in (for example) physics. This is termed, in the language of Plato, an *higher hypothesis*; in Riemann’s discovery, this defines a definite “curvature” of physical space-time, in con-

32. See Lyndon H. LaRouche, Jr., on Riemann’s 1853-54 revolution in mathematical physics: “The Fraud of Algebraic Causality,” *Fidelio*, Winter 1994.

31. See “How Bertrand Russell Became An Evil Man,” *loc. cit.*

FIGURE 2

World population, 400 B.C.—A.D. 1975



trast to the zero-curvature space-time of a Galileo, Bacon, Descartes, Newton, or Euler, etc.

By their nature, such discoveries can not be represented in advance by any formal-logical method of deduction/induction. From a formal standpoint, each involves a change in axiom, such that no deductive consistency exists linking the old geometry (for example) to the new. On this, Riemann concludes, as the last statement in his habilitation dissertation: "This leads us [from mathematics—LHL] into the domain of another science, into the domain of physics, which the nature of today's occasion does not permit us to enter."<sup>33</sup> In any attempt at formal-logical representation, as Kurt Gödel's famous proof reaffirms this,<sup>34</sup> the upward transition, from the lower hypothesis, to the better one, appears from the vantage-point of any formal logic in general, or mathematical formalism in particular, as an unsolvable paradox, an unbridgable discontinuity, a *singularity*. The real solution, as represented by a successful generation of a new hypothesis, to replace the defective old one, typifies the only strict mean-

33. Bernhard Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen*; in Bernhard Riemann's *Gesammelte Mathematische Werke*, Heinrich Weber, ed., p. 286. (New York: Dover Publications, Inc., 1953.)

34. Kurt Gödel, "On formally undecidable propositions of *Principia Mathematica* and related Systems I," (1931), in *Kurt Gödel Collected Works*, Vol. I, Solomon Peferman, editor-in-chief (New York: Oxford University Press, 1986).

ing of the term "creative."<sup>35</sup>

On the related matter of the classical-humanist secondary education established by the work of the Brotherhood of the Common Life: classical Greek mathematics, especially the work of Plato's Academy at Athens, through Archimedes and Eratosthenes, is filled with examples of original creative discoveries of the indicated type. In a classical-humanist mode of education, the textbook method of teaching is not permitted; rather, the student must relive each of a succession of mental acts of original, genuinely creative discoveries, either by reference to the text in which the original discoverer describes the problem and its solution, or some reasonable surrogate for such an original source. Instead of merely learning, as a human trained seal might learn to secure a passing score on a multiple-choice questionnaire, the student relives creative moments from the lives of the most notable and

35. This is the same problem presented as an ontological paradox by Plato's *Parmenides*. It is relevant to the transparency of the line argument being echoed here, that the author first discovered the significance of "creative discovery" as of the form of a formal-logic discontinuity during his later adolescence, in defending the Gottfried Leibniz of the *Monadology* and *Theodicy* against the defective central attack on Leibniz in Immanuel Kant's *Critique of Pure Reason*. This was later the central feature of his attacks upon the axiomatic fallacies of both Norbert Wiener's "information theory" and John Von Neumann's "systems analysis." The author's original discoveries in the science of physical economy were derived directly from the earlier insight into Kant's fallacy.

valuable creative intellects of the past. In this way, classical-humanist education cultivates the exercise and development of the student's own creative faculty.

This same method applies not only to mathematics and physics matters, but also to the great Classical modes of poetry, tragedy, music, and plastic art-forms. Additionally, the student studies history from the vantage-point of this principle of transmittable acts of genuine discovery as the characteristic distinction setting mankind apart from, and above the beasts.

"Chaos theory" is a form of pseudo-scientific quackery which can lead to no accomplishment but the generation of chaos. Only the nourishment of those creative powers of the individual intellect which define every person as in the image of God, can lift mankind from worse to better conditions of productivity and life.

### The measurable form of creativity

The benefits to society from assimilating creative discoveries of an individual person into improvements in productive and other practices can be measured in demographic terms: improvements in the quality of life of the family household, coupled with increases of the measurable potential relative population-density of the society as a whole.

It is a relatively simple matter to measure the increase in life-expectancy, and expectancy of a functional quality of health, according to age, within the household.

One measures household consumption in terms of the technological level of productive potential, and recognizes the dependency upon improvements of this on increasing the school-leaving age-level toward an asymptotic upper limit of biological maturity, at about 25 years, and in the cultural conditions of household and local community life. One recognizes that a relatively lowered life-expectancy means a lowering of existing levels of potential productivity of the population, and therefore a lowered potential population-density for the society. One recognizes that the demographic "triangle" for the typical family must not be relatively inverted, such that there are not sufficient children to replace losses of the size of the adult population, without incurring the doom of that society through "demographic aging."

One measures productivity of the labor-force in per-capita units of the total labor-force, in the comparable units of consumption ("market baskets") of the households, and in the input and output per square kilometer of land-area used. One recognizes that the only elements of the market-basket which are relevant to these measures of productivity are physical output, and only three categories of professional and related services: education, health care, and development of scientific and related progress: any other elements of consumption, such as administration, are either non-productive "overhead," if necessary, or simply outright waste.

The progress in standard of living and productivity of populations is measurable, thus, in terms of shifts in the

TABLE 3

### The U.S. record: market baskets, labor productivity, and population density

	1840	1880	1920	1960
Persons fed per farmer	4	5.6	8.3	25.8
Man-hours to produce 1 bushel of wheat	2.3	1.52	0.9	0.12
Farm labor as percent of labor force	63%	51%	26%	8.5%
Cropland per farmer (kms sq)	0.085	0.085	0.151	0.266
Urban population, percent total population	11%	28%	51%	70%
Manufacturing workers, percent of labor force	14%	19%	27%	25%
Horsepower per household (excluding motor vehicles)	0.86	2.08	7.2	9.56
Railroads, km per 1,000 km <sup>2</sup>	0.9	19	52.6	45.4

composition of employment of the labor-force. The ability to provide a more abundant supply of foodstuffs and agricultural fiber with a smaller percentile of the labor-force employed in rural occupations, is accompanied by a growth of relative size and per-capita productivity of urban labor, while the labor required to produce a relative abundance of household's requirements shrinks relative to a growth of the percentile and per-capita productivity of those employed in production of producer's goods. With this increase of capital-intensity of agricultural and urban production, there is a required increase of the number of kilowatt-hours equivalent of usable power available to society per-capita and per square kilometer, and a similarly greater need for water in a usable form. The percentile of total output for improvements in basic economic infrastructure increases generally. Employment in the production of scientific and technological progress, as distinct from production of goods, grows as a percentile of the total labor-force.

It is a relatively simple matter, conceptually, to measure the progress of European civilization, during the past 550 years (until approximately 1964-71) in those terms (see **Table 3**). These relatively rudimentary statistical comparisons assist us to see the absolute difference between life on this planet before A.D. 1440, and under the impact of the Golden Renaissance after that—until 1964-71, when the downward turn toward "post-industrial utopia" was introduced as policy of the United States, and other nations, a

time when the earlier commitment to improve the conditions of life of "Third World" nations was reversed.

These improvements during Europe's A.D. 1440-1971 interval, are the result of the three factors cited: (1) The introduction of the modern nation-state, the commonwealth form, affording the persons within the 95% stratum to rise, if but gradually, above the misery to which they had been subjected until then, since the origins of the human species; (2) The introduction of general education, led by emphasis upon the classical-humanist mode of secondary education; (3) The systematic fostering, by the state and by acquired custom, of the generation and assimilation of scientific and technological progress.

This progress, which the gnomish mind of Alvin Toffler rejects as "Second Wave," is the means by which the level of humanity sustained on this planet was lifted from several hundred million, to more than 5 billion, with an existing technological potential to sustain over 25 billion by 1968 U.S. "middle class" standards. What occurs should this be ended? What shall the victims of Toffler's "Third Wave" eat? Software? Under the terms of Rees-Mogg's utopian manifesto, or, the same thing, Toffler's "Third Wave," the level of potential relative population-density of this planet would sink rapidly to no more than several hundred million, perhaps within approximately two generations marked by brutal collapse of the scale of the population through chiefly the instrumentalities of global famine and epidemic.

Under the "Third Wave" conditions imposed upon society under the titles of "information theory" and "systems analysis," we have already passed the point of net physical-economic contraction per capita and per square kilometer. The budgetary knife is being applied with increasing savagery, to eliminate provisions for prolonging the lives of the elderly, of the sick, of the welfare population, of masses of unwanted aliens, and, prospectively, of anyone owning something or occupying space which the greedy in power wish to seize from those with less power. Just as the New Age's neglect of the urban areas has turned major, growing tracts of once-proud cities into murderous jungles out of the film "Clockwork Orange," so our society slides toward Hell. Respect for human life on principle, is already vanishing from entire areas of public policy in which it had once reigned. This trend is today's new conservatism; sometimes, this diabolical mood has the temerity to call itself "Christian."

### **Adam Smith and fascism**

When a man such as Lord William Rees-Mogg proposes to turn back the clock, such that 95% of the population of all nations, including his own British Isles and the United States, are relegated to a parody of serfs under feudalism, or something worse, a sensible person's thoughts turn to memory of the horror which Auschwitz evokes from any moral person. Lord Rees-Mogg is clearly not a moral person. This revulsion one must feel on reading Rees-Mogg's manifesto, or Alvin

## **Von Hayek hails the satanist Mandeville**

In 1966, Friedrich von Hayek wrote an essay entitled "Dr. Bernard Mandeville," in which he praised the eighteenth-century English satanist as one of the great founding philosophers of modern British liberalism and of his own Austrian School. Von Hayek's embrace of the little-known English psychologist and crank philosopher is extraordinarily revealing.

Bernard de Mandeville (1670-1733) was a founder of the notorious Hell Fire Clubs, a satanic cult that exerted extraordinary influence over a succession of early eighteenth-century British governments, and whose policies were roundly attacked by Dr. Benjamin Franklin and other leading figures of the American Republic.

The best-known published work of Mandeville, a lengthy poem followed by a series of essays, "The Fable of the Bees: Private Vices, Public Benefits," could be labeled the founding document of the Libertarian movement. Mandeville argued that man is inherently evil and consumed by his uncontrollable personal passions: greed, lust, rage, violence. However, Mandeville argued, since this is man's true, inviolable nature, the best society is that which is least intrusive, which makes no effort to impose any form of natural law. For Mandeville, the idea that man was created in the living image of God is not only untrue; it is the seed of destruction.

Mandeville's commitment to the idea of man's inherent evil was spelled out in "The Fable of the Bees":

Toffler, warrants the feel of uttering the word "Fascist!" Yet, although there is no intelligible basis for employing anything but that term to identify the policies of the organizations gathered, like nursing piglets, around the dugs of the Mont Pelerin Society sow, it is yet another matter to attribute to a follower of such policies a specifically fascist *intent*.

Whether Toffler wishes to consider himself a fascist by that specific choice of name, we may leave to someone else to address. We limit ourselves to the more modest question: Does he intend to be what history recognizes as a fascist? The answer to that question is more easily accessed by turning to a page from the demigod of the Mont Pelerin Society, Adam Smith. Consider and examine a passage quoted earlier in a 1980 book this author produced in collaboration with the departed David P. Goldman: *The Ugly Truth About Milton Friedman*.

First, recall the quotations on the jacket of that book. William F. Buckley, Jr. said, "It is possible that Milton

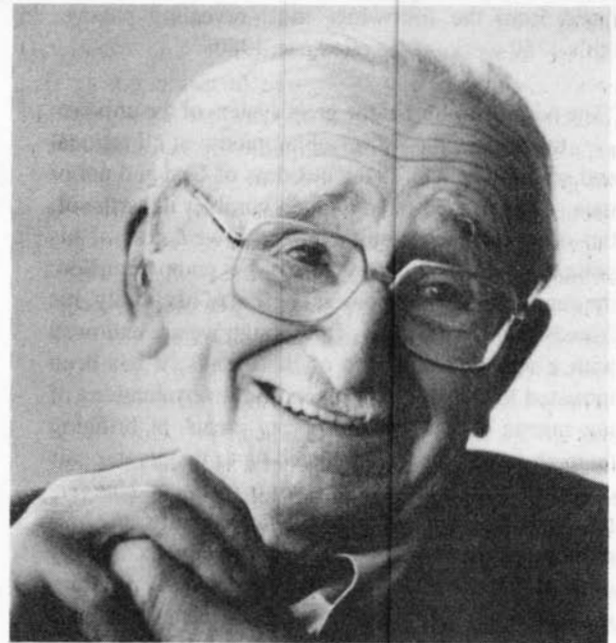
Thus every Part was full of Vice,  
 Yet the whole Mass a Paradise  
 Flatter'd in Peace, and fear'd in Wars  
 They were th' Esteem of Foreigners,  
 And lavish of the Wealth and Lives  
 The Ballance of all other Hives.  
 Such were the Blessings of that State;  
 Their Crimes conspired to make 'em Great;  
 And Vertue, who from Politicks  
 Had learn'd a thousand Cunning Tricks,  
 Was, by their happy Influence,  
 Made friends with Vice: And ever since  
 The Worst of all the Multitude  
 Did Something for the common Good.

In the accompanying essay, "An Enquiry Into the Origin of Moral Value," Mandeville was even more explicit:

"One of the greatest Reasons why so few People understand themselves, is, that most Writers are always teaching Men what they should be, and hardly ever trouble their heads with telling them what they really are. . . . I believe Man . . . to be a Compound of various Passions, that all of them, as they are provoked and come uppermost, govern him by turns, whether he will or no. To shew, that these Qualifications, which we all pretend to be ashamed of, are the great support of a flourishing Society, has been the subject of the foregoing Poem."

He continued: "All untaught Animals are only Sollicitous of pleasing themselves, and naturally follow the best of their own Inclinations, without considering the good or harm that from their being pleased will accrue to others."

This is the view that was adopted by David Hume,



Friedrich von Hayek, founder of the Mont Pelerin Society.

Adam Smith, Jeremy Bentham, and all the subsequent charlatan philosophers and economists of the British East India Company. It was the revolt against this evil that was the essential, self-conscious feature of the American Revolution and the nation-state concept imbedded in the Declaration of Independence and the U.S. Constitution.

And it was these satanic views that formed the basis of von Hayek's Conservative Revolution.

—Jeffrey Steinberg

Friedman's policies suffer from the overriding disqualification that they simply cannot get a sufficient exercise in democratic situations." Whereas, Arthur Laffer, of "Laffer Curve" fame, said: "You want to prove that Milton Friedman is a fascist? It's easy. Quote him." Milton Friedman himself confessed, in his *Studies in the Quantity Theory of Money*: "The object of such controls (on wages, prices, and credit) is the restriction of spending on the part of individuals. . . . Such a policy, if rigorously enforced, should restrain a rise in the price level. This policy appears to have been successful in Nazi Germany."

Whence do Professor Friedman and his fellow-bands of the Mont Pelerin Society derive the authority for their cheerfully reckless indifference to elementary considerations of public morality? They take as their authority Adam Smith's notion of "free trade," the notion of the "Invisible Hand," as depicted in Smith's anti-American tract, his *Wealth of Nations*. Smith is guilty of many crimes, but not

that of originality. He is quoting himself from his 1759 *The Theory of the Moral Sentiments*, which is not plagiarism, of course; but, his idea of "free trade" is copied from a French author from whose works Smith obtained the germ of most of his ideas concerning political-economy, Physiocrat Dr. François Quesnay.<sup>36</sup> The key to the fascist mentality within

36. After lackey Adam Smith had received instructions from Shelburne, he passed some years in France, introducing himself to anti-Colbertist varieties of economic doctrines. The backbone of Smith's *Wealth of Nations* is supplied by cribs from Quesnay, and from the famous Physiocrat and fervent free-trader A.M. Turgot's 1766 *Réflexions sur la formation et la distribution des richesses*. An earlier, British source for the moral philosophy which Smith embodies in his defense of the notion of an "Invisible Hand," is the notorious 1714 piece of Bernard Mandeville, *The Fable of the Bees: Private Vices, Publick Benefits*. The principal influence upon British late-eighteenth-century moral philosophy and economics was the famous venetian economist Giammaria Ortes (1713-90), who, among other things, was the author of the 1790 Venice work *Riflessione sulla popolazione delle nazioni per rapporto all'economia nazionale*, whose english translation

Milton Friedman and the Mont Pelerinites generally is readily adduced from the following, most revealing passage in Smith's 1759 work, as we cited it in 1980:

"The administration of the great system of the universe . . . the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country. . . . But though we are endowed with a very strong desire of those ends, it has been intrusted to the slow and uncertain determinations of our reason to find out the proper means of bringing them about. Nature has directed us to the greater part of these by *original and immediate instincts. Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply those means for their own sakes, and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them*"<sup>37</sup> (emphasis added).

The evil intrinsically embedded in the teachings of those who follow Adam Smith, is the presumption of following blindly some dogma which we have adopted on grounds of the pleasure we assume it affords to us, without considering the ultimate physical consequences of what we do or omit to do under governance of that persuasion. Today's derivatives trader, for example, duped by Adam Smith's teaching, believes that the increase of mere financial aggregates is proof that wealth is being increased, even when it is apparent to him in New York City, that the poor are becoming poorer, U.S. agricultural and industrial output less, the tax-revenue base shrinking, and so on. He excuses himself, much as Adam Smith does, from assuming responsibility for the ultimate consequences of those policies which he chooses to support, and those he also refuses to support. Therein lies his ordinary immorality.

So, from his lecture platform, Alvin Toffler puts off any questioning to the effect, "How shall people get bread?" with his standard reply, "That question is Second Wave thinking." He says, implicitly, "Let them eat software." Just as today's International Monetary Fund and kindred policies are effectively decoupled from the physical realities of production, eating, and health care, so Toffler and his like live only in

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was plagiarized by Thomas Malthus for his 1798 **An Essay On Population**. The "hedonistic calculus," as developed by Ortes and Voltaire's Pierre-Louis Maupertuis, was the basis for Jeremy Bentham's **An Introduction to the Principles of Morals and Legislation** (1789).

37. Cited from Lyndon H. LaRouche, Jr. and David P. Goldman. **The Ugly Truth About Milton Friedman**, p. 107. (New York: New Benjamin Franklin House, 1980).



### The Privateers

the "Third Wave" of their own delusions, and reject therefore all questions, all facts which pertain to such "Second Wave" beliefs and practices as eating and producing. Thus, the financial and monetary process have become functionally decoupled from the real economy; thus, the "Third Wave" mentalities are decoupled from reality.

It is the wont to punish reality for failing to conform to the pleasure-seeking of such delusions as Adam Smith's "free trade" dogma, or the "Third Wave" of Toffler et al., which is the key to the fascist mentality, the fascist quality of intention: "Reality is denying what my dearest beliefs tell me it is my right to have; therefore, I shall teach reality a painful lesson. I shall punish reality." That terrorist mentality is the intent of the fascist mentality.

Toffler is but an ideologue, a fool. It is the more clear-headed Lord William Rees-Mogg who typifies the evil ones who use the Tofflers of this world, and others, as their mere tools. Think of Rees-Mogg calculating his intent to throw 95% of the survivors of this generation's troubles back into a state of illiteracy and virtual serfdom or worse. Think of what this means, if it is actually attempted. Think of Auschwitz. Yes, the Mont Pelerin Society is fascist in the ultimate sense of that term.

## His British lordship spills the beans

by Scott Thompson

Lord William Rees-Mogg, who was created Baron of Hinton Blewitt in the County of Avon in 1988, is a principal spokesman for the British monarchy and its elite Club of the Isles apparatus. A Peer for life, Rees-Mogg has since the 1950s been entrusted with a leading role in the chief British propaganda organs: the *Financial Times*, the *Times*, and the British Broadcasting Corp. Oddly enough, this pin-striped aristocrat also has sunk very deep roots into populist networks in the United States, through his partnership with James Dale Davidson of the National Taxpayers Union. The two have authored and distributed numerous propaganda tracts on behalf of the Conservative Revolution.

In a commentary in the *London Times* on Jan. 5, Lord Rees-Mogg “spilled the beans” on the Conservative Revolution’s true agenda, writing that upwards of 95% of the world’s population will be thrown on the scrapheap with the advent of the Information Revolution. That 95% of the population will barely survive as uneducated, brutish serfs, in bondage to the remaining 5%, who will form a new feudal elite. Rees-Mogg has gone so far as to project a one-man world dictatorship, where all dissidents will be “lobotomized” or killed.

On Nov. 21, 1994, Rees-Mogg, writing in the *Times*, insisted that “the right-wing Republican victory in America is sure of a popular echo in Britain.” He wrote: “The new tone of American Republican politics is certain to be heard in Britain, if only because the congressional campaign which Newt Gingrich masterminded was so successful. In politics, there is no substitute for victory. . . . In America, real social forces have produced the Republican mid-term victory. . . . A similar . . . conservatism in Britain would go beyond Thatcherism. . . . The Americans who voted the Republicans into control of the House of Representatives, believe in the Gingrich program. The ten bills to be tabled [introduced] in the first 100 days of the new Congress reflect what this public wants.”

When it comes to “winning elections,” he concluded, “it is Newt Gingrich who can do the job.”

Like the lesser ranking figures British Secret Intelligence Service asset Ambrose Evans-Pritchard and Sir Peregrine Worsthorne, Rees-Mogg has long been fostering the Whitewater plot against President Clinton. The task set by the

British oligarchy has been to create a crescendo of scandals in the British press that will spill over into the United States.

Thus, on Aug. 1, 1994, Rees-Mogg wrote in the *London Times* that Clinton will never be able to shake off the “mud, money, and blood” from his days as Arkansas governor. Rees-Mogg’s article was entitled “Big Trouble Begins in Little Rock,” and his lordship wrote that Washington is filled with gossip about a “mysterious inner secret which the White House is desperate to conceal.” This “secret” is Arkansas itself, an American state which he likens to Italy’s Palermo, the center of bloody mafia activities.

On Oct. 31, 1994, Rees-Mogg recklessly opined that the gun attack on the White House by Francisco Duran is a “Tremor of Doom in the Disunited States.”

Then, in a Dec. 5, 1994 article for the *London Times*, he promoted would-be Clinton assassin Larry Nichols, after *EIR* had exposed Nichols from a videotape of Nichols on May 11, 1994 waving a pistol and threatening President Clinton during a rally in Boulder, Colorado (see *EIR*, Dec. 2, 1994). On March 13, 1994 in the *Sunday Telegraph*, Evans-Pritchard had built up loose-cannon Nichols as a hostile witness in Whitewatergate against President Clinton. Rees-Mogg’s article continued this theme after Nichols’s death threat to the President had been exposed, calling Nichols a “definitely unfriendly witness.”

“Can Clinton survive?” his lordship asked. He concluded: “As the momentum builds, it seems unlikely that Clinton can be renominated, let alone reelected; he is not even certain to reach the end of his term of office unindicted.”

Rees-Mogg’s articles demonstrate that the Club of the Isles will do anything to eliminate President Clinton, ushering in the short-term expedient of House Speaker Newt Gingrich to dominate and dismantle Washington.

### Writing off 95% of the human race

Rees-Mogg’s latest forecast, in his book *The Great Reckoning: How the World Will Change in the Depression of the 1990s*, is that a period of economic collapse and violence will usher in a new feudalism and slavery in the form of the Information Revolution. He is bold-faced in his assertions that only 5% of the population at best will be necessary as the Age of the Renaissance ends and the Information Age begins. His Jan. 5 commentary in the *London Times* was titled “It’s the Elite Who Matter—In Future Britain Must Concentrate on Educating the Top 5%, on Whose Success We Shall All Depend.” In it, he wrote:

“In some ways, Britain is better placed to compete in the information age than it was in the mass production age which is closing. The information age will be driven by communications and services, including financial services. . . . As an exporter of financial services, Britain is fully competitive with the United States and Japan, aside from the scale of their domestic capital formation, and more competitive with Germany. . . .

"The next century—like the 19th—will probably be the age of the professions, with an emphasis on rare skills, and Britain is still a professional and relatively elitist country. What has been considered our cultural backwardness may prove an advantage. . . . Britain's national interest is that the rest of the world should do its business in and through our country, but we should also be able to do our own business on the same terms. . . .

"There are fascinating implications here for educational policy, and they are highly unfashionable. The 20th-century view has been that the economics of mass production required mass education, perceived as the universal provision of modern educational skills. The 21st century will require greater emphasis on the higher skills of the ablest students. . . . *In international competition, perhaps 5% of the population will produce 80% of the national income, and the employment of the 95% will depend on the success of the few.* . . . Britain has educated for Empire, has educated for factories, and now must educate for knowledge and communications" (emphasis added).

This is one of the central features of House Speaker Gingrich's adoption of Alvin Toffler's "Third Wave"—actually feudalism—doctrine. As with the helot slaves of Sparta, the lives of this underclass will be valueless.

### Doing away with the 'welfare state'

Rees-Mogg spelled out his murderous program for the United States further, in a subsection of his book *The Great Reckoning*, which he co-authored with National Taxpayers Union founder and chairman James Dale Davidson in 1991, titled "Farewell to the Welfare State." He wrote:

"Even more astonishing, given current expectations, the need to narrow a gaping deficit will result in government spending being slashed. Although few will be convinced by the arguments we spelled out earlier about the need to curtail income redistribution and reduce pauperism, circumstances will force the hand of authorities. Programs will be cut sharply or even abolished. . . .

"Public schools will be largely privatized by the year 2000. The fall of real estate prices will remove the financial advantage that contributed to support public schools by many upper-middle-class families. . . . Falling property prices make private schools and public school choice more attractive. . . . With educational results steadily deteriorating, public schools are unlikely to survive the trauma of depression in their current, costly form. . . . There will be a tremendous growth in private educational services, including for-profit and non-profit schools. . . .

"Therefore, it is more likely than most people now imagine that public schools in the United States will more or less disappear in the coming decade. Educational entrepreneurs will enjoy a rare opportunity to compete in providing effective elementary and secondary education to children whose parents will be able to spend vouchers."

According to Rees-Mogg, the "welfare state" was never more than a shakedown of the middle class by the underclass using the threat of violence. As he wrote in a chapter of *The Great Reckoning* titled "Drugs, Delusions, and the Imperial Culture of the Slums":

"The culture of the slums has become an imperial culture. . . . The underclass has gone from a tiny subculture in inner cities during the 1960s to become a dominant culture in many urban areas today. The rapid growth of the underclass has meant a dramatic increase in violence, drug addiction, and social disintegration among blacks."

As we shall see, although Rees-Mogg is a student of the "raw power" of violence, he is also a British bullyboy determined to suppress what he chooses to call "the underclass."

### 'Blood in the Streets'

Lord Rees-Mogg's first book with James Dale Davidson, appearing in 1987, *Blood in the Streets: Investment Profits in a World Gone Mad*, got its title from Baron Nathan Rothschild's maxim, "The time to buy is when blood is running in the streets." This refers to Baron Rothschild's coup, when, after helping depress the British stock market, he made a fortune by cleverly obtaining the first knowledge that Napo-

## Kissinger's alliance with the British

Ironically, the American populists who so admire Lord Rees-Mogg, and are aiding and abetting the British assault on the White House, tend to strongly dislike his lordship's transatlantic co-thinker Henry Kissinger. They think of Kissinger as a Rockefeller stooge and a "liberal." But the fact is, Kissinger and Rees-Mogg are two sides of the same British coin: Both hate the republican values embedded in the American Constitution. As Kissinger has averred, he was always a British agent-of-influence, pursuing the policies of the arch-Conservative Revolutionary, Prince Klemens von Metternich.

Kissinger revealed his British agency on May 10, 1982 in a speech at the Royal Institute for International





leon had been defeated at Waterloo.

Rees-Mogg analyzes all situations according to a method he calls "Megapolitics," which is "the comparison of raw power." He has divided the 2,000 years since the death of Christ into four cycles of 500 years each, at the end of which the balance of "raw power" has shifted. This is one reason why he projects the end of the 500-year Age of the Renaissance cycle of history, which he otherwise refers to as the "Gunpowder Revolution." For Rees-Mogg, "the state of nature" upon which Megapolitics is based is equivalent with the Enlightenment philosophers' view that "the ultimate law is the law of the jungle. The law of the desert. The law of the dark alley in the inner city. It is the law that says that what is yours by right and justice is yours only so long as you—or someone—can protect it."

Applauding the bullyboy nature of the British Empire, is his descriptive account from Winston Churchill of the battle of Omdurman in 1898. At that battle, recounted in *Blood in the Streets*, the British reduced 40,000 Dervishes to bleeding "tangled heaps" by firing on them from the safety of their ships. As Churchill relished the massacre:

"At the critical moment the gun boat arrived on the scene and began suddenly to blaze and flame from Maxim guns, quick-firing guns and rifles. The range was short; the effect

tremendous. The terrible machine, floating gracefully on the waters—a beautiful white devil—wreathed itself in smoke. The river slopes of the Kerreri Hills, crowded with advancing thousands, sprang up into clouds of dust and splinters of rock. The charging Dervishes sank down in tangled heaps. . . . The infantry fired steadily and stolidly, without hurry or excitement, for the enemy were far away and the officers careful. Besides, the soldiers were interested in the work and took great pains. But presently the mere physical act became tedious. . . . And all the time out on the plain on the other side bullets were shearing through flesh, smashing and splintering bone; blood spouted from terrible wounds; valiant men were struggling on through a hell of whistling metal, exploding shells, and spurting dust—suffering, despairing, dying."

### Information Revolution means slavery

The next cycle of history, according to Rees-Mogg, as Gingrich's guru Alvin Toffler is quick to affirm, will be one where man will create machines capable of Artificial Intelligence, causing an Information Revolution. It is impossible, as Lyndon LaRouche has demonstrated, for a machine to think. Despite the impossibility of his utopian scheme, highlights of Rees-Mogg's "New Age" science fiction from *The Great Reckoning* are worth noting, for policy reasons

Affairs (Chatham House), titled "Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy." In that speech on the bicentennial of the Office of Foreign Secretary, Kissinger admitted:

"Our postwar diplomatic history is littered with Anglo-American 'arrangements' and 'understandings,' sometimes on crucial issues, never put into formal documents. . . . In my White House reincarnation then, I kept the British Foreign Office better informed and more closely engaged than I did the American State Department. . . . It was symptomatic."

In the same speech, Kissinger made clear his preference for Sir Winston Churchill's nineteenth-century colonial methods, over the policies of President Franklin Delano Roosevelt, who had stated his intention to roll back neo-colonialism, founding nations on the model of the American Revolution. Stated Kissinger at Chatham House, after reviewing Churchill's drive for America to use its postwar nuclear monopoly for a "final settlement" with the Soviet Union:

"Americans from Franklin Roosevelt onward believed that the United States, with its 'revolutionary' heritage, was the natural ally of peoples struggling against colonialism; we could win the allegiance of these new nations by opposing and occasionally undermining our European allies in areas of their colonial dominance. Churchill, of

course, resisted these American pressures."

Kissinger rejected Roosevelt's belief in the self-determination of the colonies of the European powers, criticizing President Eisenhower's unwillingness to side with the British after they had fomented the crisis at Suez. One of the major points of Kissinger's Chatham House speech—which was delivered at the time of Britain's Malvinas War against Argentina—is that America must never again be allowed to abandon a European adventure in the Third World.

Kissinger's treasonous alliance with the British has its root at Harvard University, where Kissinger was an assistant to British Round Table operative and Secret Intelligence Service asset William Yandell Elliott. Under Elliott's tutelage he wrote a thesis on Metternich, which was published in 1954. *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822* is a venomous attack upon the American republican "revolutionary" tradition that Kissinger found so objectionable in Franklin D. Roosevelt.

Replacing republicanism is "stability," in Kissinger's world view; replacing human freedom, in the sense meant by the Preamble to the U.S. Constitution, is oligarchical power, and replacing the self-determination of nations is the "balance of power," which Kissinger states that Castlereagh advocated and Prince Metternich legitimized.

that underlie the Conservative Revolution:

"Like all true revolutions, the Information Revolution is also a revolution of power. Miniaturized technologies miniaturize institutions. In time, the microchip will destroy the nation-state. It will give small groups and even individuals the capacity to employ violence in ways that could overturn governments and destroy large organizations. . . .

"Over the longer term, the megapolitical impact of micro-technologies will be devolutionary in the extreme. . . . So the Information Revolution will overturn the modern economy whose borders are policed by the gun.

"Advances in miniaturization and computer technology not only imply the replacement of raw materials with information, they also promise in time to give humans control of nature at the molecular level. . . . As specific genes that control human development are identified . . . genetic engineering on this scale also allows the development of new and more deadly biological weapons. . . .

"Molecular computers would make possible the construction of numerically controlled assemblers for manipulating matter at the atomic level—what is known as nanotechnology. . . . Invisible machines programmed through Artificial Intelligence could literally force anyone to behave any way the ultimate programmer wished. . . . You could have robots with human characteristics collecting garbage. Or humans with robot characteristics. They could be programmed to love garbage and derive great happiness from dusting antique window sills. . . . Slavery could return. . . . Slaves will be anyone without control of nanotechnology, and they will do anything that might have been asked by Aladdin when he rubbed his lamp."

This is the fate that Lord Rees-Mogg envisions for the vast majority, with the Information Revolution: a return to "electronic feudalism" and "slavery."

### **Rees-Mogg: 'not a good Christian'**

Who is William Rees-Mogg, anyway? First, he is a traitor to his Welsh Catholic roots and to the Christian values that the family of his deceased wife Gillian tried to instill in him. In his first semi-autobiographical book of 1977, titled *An Humbler Heaven, The Beginnings of Hope*, he admits with typical British understatement that he is "not a good Christian." Born on July 14, 1928 in Temple Cloud, Somerset, he attended Charterhouse public school, then Balliol College, Oxford. He was president of the Oxford Union in 1951. After working at the *Financial Times* from 1952-60, he got a job with the London *Sunday Times* in 1960 and worked his way up. From 1967-81, he was editor of the *Times*, and he has been a columnist with that newspaper since 1992. Among his jobs in the interim period was vice-chairman of the Board of Governors of the British Broadcasting Corp. (1981-86), and vice-chairman, Board of Standards Council (1988-93).

He has long been a Conservative Party member, having

contested as a Tory candidate in Chester-le-Street County Durham by-election in 1956 and again unsuccessfully in the general election of 1959. He was vice chairman of the Conservative Party's National Advisory Committee on Political Education from 1961 to 1963. He was a very close friend and adviser of Margaret Thatcher when she was prime minister, and she rewarded him by placing his name on the Civil List for a Knighthood in 1981.

Rees-Mogg has been a director of numerous companies. Since 1981, he has been a director of the General Electric Co., in which Queen Elizabeth has a large holding, and whose former chairman, Lord Peter Rupert Carrington, was a co-founder and British controller of Kissinger Associates, Inc. GEC was a cash cow for the Conservative Party during Thatcher's years as prime minister. Since 1988, Rees-Mogg has been a director of J. Rothschild Holdings, which is the holding company for the junk bond buyout and derivatives speculation of Baron Jacob Rothschild.

It may therefore not be surprising that Baron Rothschild's cousin and oft-time business partner, Sir James Goldsmith, financed Rees-Mogg's unsuccessful legal efforts to block the Maastricht Treaty from being adopted in Britain in 1993. Even more importantly, Jimmy Goldsmith and Rees-Mogg pledged to block former European Commission President Jacques Delors from implementing his "White Paper" for European high-speed rail and other infrastructure development. The Delors plan reflected the "Productive Triangle" proposal for Eurasian integration put forward in 1989 by Lyndon LaRouche. Goldsmith and Rees-Mogg pledged in June 1994 to form an alliance of environmentalists and bankers that would stop subsidies of energy and infrastructure projects.

That is the same argument advanced in the *Green Scissors* report issued by the NTU's James Dale Davidson (see dossier elsewhere in this package), whose outfit itself has gone increasingly green. Davidson, an American, attended Pembroke College, Oxford. He and Rees-Mogg not only co-authored *Blood in the Streets* and *The Great Reckoning*, but they also co-edit a newsletter called *Strategic Investment*, which peddles "investment opportunities" based on the impending crash, while trashing real solutions like the Delors plan and such high-tech infrastructure programs as Tennessee's Clinch River fast breeder nuclear reactor, which Davidson's NTU helped scuttle.

*Strategic Investment* claims to have a network of intelligence sources that makes it an "investor's CIA." The monthly newsletter has been churning out a steady stream of "Get Clinton" propaganda for the past year, even though Davidson advertises himself as a former friend and adviser to the President. Davidson is also a principal of Strategic Advisors Corp., which is tied in with a network of onshore and offshore money management firms that are preparing to cash in on the coming financial collapse by buying cheap when there is "blood in the streets."

# Why we must call Newt Gingrich 'a fascist'

by Michael J. Minnicino

There is an old saying that “history is written by the winning side.” A supreme example of that truism is the analysis of the rise of fascism in the 1920s and '30s. Thousands of pages have been expended over the last 70 years, purporting that Nazism was an outgrowth of anti-Semitism, of anti-trade unionism, or of the racial characteristics of the Germans themselves. Almost all of this scholarship has been a coverup of the essential nature and sponsorship of the movement that murdered millions.

In the mid-1960s, Lyndon LaRouche publicized his unique analysis of fascism. Rejecting the “common knowledge” views, LaRouche identified that fascism started as the concatenation of several radical movements—left and right, populist and aristocratic, workerist and anti-industrial agrarian—all linked by a violent hatred of the modern nation-state, and a complete disregard for the sanctity of the human rights of the individual. Thirty years ago, LaRouche warned that there could easily be new “Nazis without swastikas”: that radical ecologists and New Left populists could combine with “post-industrial age” budget-cutters of the nominal Right to create a movement for Nazi economic structures without the outward manifestations of anti-Semitism or jackboot militarism.

It is illustrative, that the very first attacks on LaRouche organized by the Anti-Defamation League of the B'nai B'rith consistently highlighted his anti-fascist thesis; a LaRouche article from the late 1970s titled “Nazis without Swastikas” was (and still is) repeatedly misquoted to allege that LaRouche, because he maintained that anti-Semitism is not the *cause* of Nazism, must really be “soft” on fascism. Similarly, various varieties of Old Left and New Left groups—which historically have called anybody who disagreed with them, “fascists”—were enraged that LaRouche could identify their own economic theories with those of Nazi Economics Minister Hjalmar Schacht. The violence of these attacks derives in part from the fact that LaRouche had fundamentally exposed the fraudulent history that these groups have used for years to recruit and raise funds.

The real history of fascism makes it clear that the “revolution” signalled by the rise of Newt Gingrich and his allies—

with their attacks upon individual human rights and the philosophical core of our own industry-based republic—is the one warned of by LaRouche. Calling these men and women “fascists,” must not be thought to be some exaggerated pejorative; it is the technically correct term.

Over the last 30 years, LaRouche's analysis has been confirmed, and enriched in its detail, by several historical studies. One of these is Armin Mohler's *The Conservative Revolution*, a book originally published in 1949, never translated from German, and only discovered by the LaRouche movement in the 1980s. Mohler was a Swiss who volunteered for the foreign division of the Nazi SS; after the war he rose to head the Siemens Foundation, a major philanthropic institution in Germany. Mohler's purpose was to explain Nazism as the most successful product of a much broader and longer-term cultural development. He does this task with some insight, but it is an insight fed by the fervor of the apologist: Mohler wants to show that what he calls “the Conservative Revolution”—purged of the unfortunate excesses interposed by the Nazis—remains a valid goal. Indeed, Mohler's book, now in a recent fourth edition, is still read as a textbook in some circles. His description of the ideologies of the first “Conservative Revolution” so well fits certain recent pronouncements in America, that Newt Gingrich, Rush Limbaugh, Ollie North, and their co-thinkers can, with equal precision, be called either Conservative Revolutionaries, or fascists.

## The ‘Third Reich’ and the ‘Third Wave’

One hundred years ago, it was widely believed that Europe and America were on the verge of a radical transition to a new era. At that time, there were hundreds of groups publicly committed to what was generally called “the New Age revolution.” In fact, the leading English-language journal of these ideas was titled *New Age*. It is almost humorous to note that today's “New Age”—which puts such a great store in its hyper-modernism—is an exact replica of the first “New Age”: As today, the revolutionaries of a century ago included a broad range of leftists and rightists, anti-Semitic racial nationalists and “new world order” internationalists, occult-



Throughout the twentieth century, the Conservative Revolution has been trying to devolve society back to feudalism. Before World War I, Adolf Hitler was an avid reader of *Ostara*, the journal of the anti-Semitic, neo-feudalist Order of the New Templars (left). Twenty years later, Hitler became the shining knight of the new medieval oligarchy.

ists and nominal Christians, plus a good number of practitioners of new psychologies whose psycho-babble would put Shirley Maclaine or Arianna Huffington to shame.

All of these groups had their roots firmly in the earlier Romantic movement which had been sponsored by Britain, as a philosophical counterweight to the effects of the American Revolution. All of these groups maintained that the modern nation-state based upon scientific and technological progress—the model uniquely exemplified by the American Republic up through the Civil War—had become spiritually obsolete. One very influential version of this thesis was the idea that western society had to replace the nation-state with a supranational “Third Empire”—the first and second empires being Rome and Byzantium. Like Alvin Toffler’s Third Wave nonsense of today, the Third Empire thesis claimed that while people had been brought closer together by modern technology, society had, for the same reason, lost its spiritual unity, which had to be regained.

This idea was first popularized by Dmitri Merezhkovsky, a mystical Russian who became an influential writer in Germany; Sigmund Freud’s slanderous “psychoanalysis” of Leonardo da Vinci, for instance, is based on a Merezhkovsky study of that artist. Merezhkovsky thought that the capital of the New Age “Third Empire” would be Moscow. Merezhkovsky’s close friend, the Anthroposophist Moeller van den Bruck, thought the headquarters should be in Germany, and wrote a book on that subject, *Das Dritte Reich* (“The Third Reich”—the German translation of “The Third Empire”).

When the Nazis later proclaimed their own Third Reich, the reference was lost on no one.

These groups also shared a hatred of the intellectual and moral self-sufficiency of the individual—the idea of man in the image of the living God—which had characterized western civilization since the time of the Renaissance, and which was elevated to public law in the U.S. Constitution. Rather, they claimed, the individual derives identity by submerging him- or herself in the higher spirituality represented (depending upon one’s specific orientation) by the race, by the international working class, or by the secret occult knowledge of the chosen few adepts, etc. One striking characteristic of this shared ideology was an intense public nostalgia for the medieval period, the time before the development of nation-states, when 95% of the population lived in virtual slavery, and society was held together by the unquestioned authority of the church in its alliance with the knightly oligarchy. On this point, these groups were following the lead of Friedrich Nietzsche, the insane philosopher of the end of the nineteenth century, whom Mohler correctly identifies as the godfather of the Conservative Revolution.

Nietzsche’s goal was to create what he called “inverted Platonism”: to turn back the course of philosophy since the time of Plato and Socrates, and return to a more primordial form of mental life characterized by the irrationalism and ecstatic orgies of the ancient cult of Dionysus. In this way, said Nietzsche, man reestablishes his lost unity with nature, abandons the useless overlays of Judeo-Christian morality,

and creates anew his moral values based on his own individual "will to power." Nietzsche made it very clear that the model for his "will to power" was the bloody tyranny of the medieval aristocracy. In his 1887 *Genealogy of Morals*, he asks: "What is the real etymological significance for 'good' coined in various languages?" He answers that "the good" originally meant "the noble," or the "aristocratic"; on the other hand, he claimed, our words for "bad" originally meant "common, plebeian, simple." What we really mean by "the good," concluded Nietzsche, are the values of the old knightly oligarchs—the illiterate, armored thugs who were trained only for violence and instant gratification of their needs—before they were beaten down by Christian morality. These oligarchical values, he says, are the truly free ones: "The knightly-aristocratic value judgments presupposed a powerful physicality, a flourishing, abundant, even overflowing health, together with that which serves to preserve it: war, adventure, hunting, dancing, war games, and in general all that involve vigorous, free, joyful activity. . . . For fundamentally, it is the same active force that is at work on a grander scale in those artists of violence and organizers who build states . . . namely, *the instinct for freedom* (in my language, *the will to power*") (emphasis in original).

It is a tragic sign of our times that we are now in the second decade of a major revival of the ideas of Nietzsche on American and European campuses; a month-long Nietzsche symposium was just held at a university in Maryland, for instance. The Nietzsche revivalists say that Nietzsche is misunderstood, and try to prove that, although Nietzsche became a hero to the Nazis, the philosopher himself would never have supported Hitler. They usually point to the most often-quoted section of Nietzsche's work, also from *Genealogy of Morals*: "I employed the word 'state': It is obvious what is meant—some pack of blond beasts of prey, a conqueror- and master-race which, organized for war and with the ability to organize, unhesitatingly lays its terrible claws upon a populace perhaps tremendously superior in numbers but still formless and nomad. This is, after all, how the state began on earth." The apologists claim that, when Nietzsche is talking here about "blond beasts" and the "master-race," he is not thinking of Nazi Stormtroopers; Nietzsche's other statements denouncing Aryanism and German nationalism, plus the contextual evidence of his extravagantly polemical German, they suggest, show that he is actually talking about "lions." And, oddly enough, the apologists are right here. Nietzsche is talking about lions—and that is the point! Nietzsche thought that his new oligarchy should be as "free" as a noble lion, instinctually tearing the throat out of some plebeian prey on the African veldt.

Thus, it becomes clear that, while Hitler liked to present himself as the heir of Nietzsche, the better claim to that title is held by today's Prince Philip of England and his anti-human followers in the World Wide Fund for Nature.

Nietzsche's longing for a revived feudal oligarchy be-

came quite popular after his death in 1900. One of the principal groups involved in this revival in Germany was the Order of the New Templars, founded by Jörg Lanz von Liebenfels. The ONT was modelled on the Knights of the Temple, a chivalric order of noblemen founded in the twelfth century by the Cistercian monk Bernard of Clairvaux, as an international crusading army of monk-knights committed to the massacre of Muslims and other "enemies of the Faith." Weaving together Bernard's mystical writings with occult Aryan racism, von Liebenfels created an organization committed to a Germany to be ruled by a new racial aristocracy. The first time that the swastika flag flew over Germany was in 1907, when it was hoisted over a Bavarian castle which von Liebenfels had purchased as the headquarters of his order. The ONT recruited several notables, including the Swedish dramatist August Strindberg, and a large number of German noblemen, including its primary funder, Prince Hans-Heinrich XV of Pless. Von Liebenfels himself claimed to be of an ancient family of German knights, but was really born Adolf Lanz, of solidly middle-class parents. Before World War I, when Adolf Hitler was a starving artist living in flop-houses, one of his few possessions was a complete set of *Ostara*, the journal of the Order of the New Templars.

### **'The same side of the barricades'**

It must not be thought that the Conservative Revolution's medieval revivalism was limited to rightists and renegade Christians. It was also shared by people like Georg Lukacs, the Hungarian Bolshevik who later became head of cultural warfare for the Communist International and one of the founders of the so-called Frankfurt School of neo-Marxists. In Lukacs's view, the success of Bolshevism in the West depended on the subversion of the philosophical core of western Judeo-Christian civilization; to accomplish this, Marxism must be made to "possess the religious power which is capable of filling the entire soul," and become, said Lukacs, "the most unrelenting and rigorous synthesis since medieval Christianity." It should be obvious that Lukacs and his atheist friends were not talking about real Christianity, but were simply trying to adapt the unfortunate, authoritarian aspects of the Christianity of the period of the Inquisition into a new, corrosive ideology; in this, they were harking back to the proto-socialist ideas of the nineteenth-century positivists like J.S. Mill and August Comte, who tried to institute a dictatorial new world order based on what was then called "Catholicism without Christianity."

Thus, by the time of World War I, it was impossible to analyze the Conservative Revolution by using the commonplace categories of "left" or "right." We get a flavor of the situation by looking at the case of Lukacs's friend Paul Ernst. Like Benito Mussolini, Ernst started his career as a fire-brand Marxist, and was a correspondent of Friedrich Engels in the 1880s. He became famous at the turn of the century as a poet and writer of several plays with medieval themes, and came



*The swastika emblem of the Thule Society. The society, which included the most important noble families of southern Germany, was a primary sponsor of the Nazis.*

to the opinion that technological civilization had alienated man from his true cultural roots. "We must free ourselves from the link between the conceptions of culture and the conquests of civilization," he wrote. "Barbarians use electricity and navigate the skies, but only cultured men have deep feelings and lofty thoughts." After World War I, Ernst became an outspoken neo-feudalist close to Nazi Party circles.

For two years during his transitional period, Ernst lived with Georg Simmel. Simmel is best known today as one of the founders of modern sociology, along with his close friend Max Weber; Simmel was also the president of the Berlin Lodge of the B'nai B'rith and was the nominal head of that organization in Germany. Simmel held no academic position in Germany, but accepted private students, among them José Ortega y Gasset, later the theoretician of Spanish Falangism; Bela Balacz, later the Soviet Union's chief film theorist; the sociologist of culture Karl Mannheim; and Lukacs, to whom he introduced Ernst. Lukacs became close friends with Ernst, and even became the legal guardian of Ernst's illegitimate son; Ernst and Simmel were pivotal in establishing Lukacs's early intellectual credentials. From 1910 to 1927, Lukacs dutifully maintained a correspondence with his sponsor Ernst, even though he was becoming a high-ranking Communist, and his mentor was going Nazi. In one of his last letters to Ernst, Lukacs wrote: "However much our ideas may differ, discussion is possible as long as our judgments of capitalism are similar. I believe that you are mistaken on nearly every question, but you are not on the other side of the barricades."

Communists and fascists, men who called themselves Jews or Christians—all bound together by the desire to bring down Western civilization.

The early Nazi movement was similarly a Conservative

Revolution hodge-podge, defying category. Heinrich Himmler was a member of several occult racist groups who joined a "back-to-nature" chicken-farming commune; when he later became head of the infamous SS, he adapted von Liebenfel's Templar ravings to create the rituals for his fanatical new "Aryan order of chivalry." The brothers Gregor and Otto Strasser, who later headed Hitler's SA Stormtroopers, were originally leaders of the working class-based National Bolshevik organization. The upper-class Albert Speer, later Hitler's architect and wartime armaments czar, was a member of Count Richard Coudenhove-Kalergi's Pan-European Union. Several men who would become leaders of the Third Reich—including Alfred Rosenberg, Gottfried Feder, Dietrich Eckart, and Rudolf Hess—were members of the secret Thule Society, founded by Baron Rudolf von Sebottendorf. Baron Rudolf was a follower of von Liebenfels, and like the New Templar, a fraud: He was born Adam Glauer, the son of a locomotive driver.

Notwithstanding, Sebottendorf's Thule Society became a haven for oligarchs and the major behind-the-scenes power in Bavaria after Germany surrendered in 1918; when a Thule Society assassin, Count Arco-Valley, murdered the socialist President of Bavaria in early 1919, the socialists retaliated by executing four real aristocrats who belonged to Thule, including Prince Gustav von Thurn und Taxis. The Thurn und Taxis family, one of the most influential noble houses in Europe, later became pivotal in sponsoring the Nazis. Also in 1919, the Thule Society set up the German Workers Party as a recruitment front to attract workers who could not be allowed to socialize with the princes and barons of Thule. It was this party that Adolf Hitler, then a minor informant for German Military Intelligence, joined, and transformed into the National Socialist German Workers Party—the Nazis.

When Hitler came to power, the mass of the Conservative Revolution rejoiced, and there were many books and articles written by people who claimed that they were the sponsors of Nazism; Sebottendorf, for instance, published his *Before Hitler Came* in 1933, claiming to have taught the Führer everything he knew. But, Hitler began making alliances with much more powerful Conservative Revolution sponsors. Starting in 1934, the more "inconvenient" early supporters of Hitler suddenly found themselves in prison, in exile, or dead. Sebottendorf, for instance, was arrested in 1934 and all copies of his book confiscated; he was pensioned off as a minor diplomat in Turkey, and committed suicide when Germany surrendered in 1945.

### **Heidegger's seduction of the intellectuals**

In the late 1930s, there was a very popular thesis that the Third Reich was "the gutter come to power"—that Hitler and his followers were just common gangsters who, by an unfortunate combination of circumstances, rose to rule. The thesis conveniently ignores why high-level financial interests

in Europe and America sponsored Hitler, and actively neutralized any alternatives to a Nazi government in 1933. It also does not explain why Germany's students and intellectuals—with notable courageous exceptions—so quickly fell into the Nazi lock-step. Bluntly put, the intellectuals were seduced, and chief seducer was the Conservative Revolution's resident philosopher, Martin Heidegger. In the 1920s, Heidegger announced an intellectual revolution to complete Nietzsche's task of destroying the last vestiges of "Platonic metaphysics," in Heidegger's words. The influence of Plato and Socrates—the source of the Renaissance, of the Christianity of Augustine and the Judaism of Philo—was the real problem, said Heidegger; it meant the growth of science and the complication of life, such that man could no longer live an "authentic" existence. By the end of the 1920s, Heidegger had become the most influential intellectual in Germany, and it was "politically correct" on German campuses to parrot his denunciation of republican Germany as a decadent nation which had lost its values.

When Heidegger himself joined the Nazi Party in 1933 and replaced the liberal rector of Freiburg University who had refused to implement Nazi decrees, it was an unmistakable message to Germany's students and intellectuals that they should suppress their disgust at Hitler's anti-Semitism and war-mongering, and support his movement as the first phase of the much-needed spiritual revival of Germany. A good appreciation of Heidegger's effect is an anecdote from Georg Picht, after the war a Lutheran theologian, who studied with Heidegger in 1933: "In the fall of 1933, I walked down the Kaiserstrasse with two members of Heidegger's seminar—on the right a beanpole of an SS man; on the left an SA man; I, a civilian, in the middle. Naturally we discussed politics. I said something about one of the most recent atrocities. The SS man thereupon shouted so loud that people on the other side of the street turned around: 'There is one thing that is, of course, obvious to us all. Now, in the first phase of the revolution, we are ruled by a gang of criminals.' That was not uncharacteristic of the mood of that part of the student body who, under Heidegger's influence, was obsessed with the idea that the true revolution had to come from the university."

The philosophical blindness which Heidegger caused among German intellectuals can be seen in another, more poignant, story from Picht about Felix Jacoby, a leading professor of classics and a follower of Heidegger. In 1933, Jacoby was to give a lecture on the Roman poet Horace. He began with the following words: "As a Jew, I am in a difficult situation. But, as a historian, I have learned not to consider historical events from a personal perspective. I have voted for Adolf Hitler since 1927, and consider myself lucky to be able to give a lecture on [the Roman Emperor] Augustus's poet in the year of the national uprising. For Augustus is the only figure in world history who can be compared to Adolf Hitler."

## Genocide as 'welfare reform'

When Hitler came to power, he made no attempt to hide his contempt for the majority of the human race and all modern civilization. In other words, he sounded very much like the new Conservative Revolution's Lord William Rees-Mogg. But, most people at the time simply convinced themselves that Hitler's statements were exaggerations to get votes and pacify the radicals in his own party. If you know anything about the Third Reich, it is what the Nazis did in 1943—global war, genocide, and Europe turned into a free-trade zone of looting and slavery. But, the horrors of 1943 were the necessary product of the Nazi "Conservative Revolution" of 1933. Those earlier measures are not so well remembered, but they were quite popular at the time, and they ring a chilling resonance with certain policies being discussed today.

Among the first items on the Nazi agenda, was a thoroughgoing legal reform to end the Weimar Republic's alleged "welfare socialism" and its "softness on crime." The death penalty was mandated for a wide range of offenses, while a vastly expanded police force rounded up gypsies, trade union leaders, and other "trouble-makers" without proper "Aryan values." Vigilantism was officially encouraged, primarily against Jews; the government justified this, by claiming that the Jews were criminal parasites who were responsible for the rotten shape of local economies. Soon, the Nuremberg Laws mandated a racially pure Aryan Reich, and the Jews were classified, in effect, as "illegal immigrants"—even if their families had lived in Germany for centuries—who could no longer be given legal rights. Ultimately, the Jews were arrested en masse. Such a large portion of the population ended up in prison, that the regime started a program to put prisoners to work, and hired them out as slave labor to several major private firms.

Early in the regime, Hitler also authorized a program code-named T-4, which legalized euthanasia for "lives not worthy to be lived," in the official jargon. The retarded, the congenitally and terminally ill were killed by lethal injection, and, as the number of victims grew, in gas chambers. Large numbers of homeless, including whole families, were certified as "congenitally anti-social," and murdered. It must be remembered that, while the Nazis were discreet about T-4, it was not a secret program; it was, in fact, publicized as a *welfare reform and cost-cutting measure*.

It was these early Nazi policies on immigration reform, on prison reform, and on health and welfare reform which, around 1941, coalesced into the death-camp system which worked millions to death, and gassed and cremated the additional millions who, because of their age, health, or religion, were to be discarded as "useless eaters."

But, there were pitifully few people who had the brains to forecast that later nightmare, in 1933—and there were few who had the courage to believe them.

# The legacy of Friedrich von Hayek: Fascism didn't die with Hitler

by Richard Freeman and Jeffrey Steinberg

In the summer 1994 edition of the Heritage Foundation's *Policy Review*, a group of leading American conservatives, including Sen. Phil Gramm (R-Tex.), Rep. Dick Armev (R-Tex.), and free-market economist Milton Friedman, were asked to contribute essays commemorating the 50th anniversary of Friedrich von Hayek's book *The Road to Serfdom*. That 1944 book, written before the guns of World War II had been silenced, could very well be described as the *Mein Kampf* of the postwar revival of the "Conservative Revolution."

Representative Armev, among the "Hayekians" invited to comment, was the most fanatical about the jacobin nature of their efforts:

"Liberation is at hand. For all the gloom of the Clinton term, we must remember that a paradigm-shattering revolution has just taken place. In the signal events of the 1980s—from the collapse of communism to the Reagan economic boom to the rise of the computer—the idea of economic freedom has been overwhelmingly vindicated. The intellectual foundation of statism has turned to dust. This revolution has been so sudden and sweeping that few in Washington have yet grasped its full meaning. . . . But when the true significance of the 1980s freedom revolution sinks in, politics, culture—indeed, the entire human outlook—will change. . . . Once this shift takes place—by 1996, I predict—we will be able to advance a true Hayekian agenda, including a flat tax, radical spending cuts, the end of the public school monopoly, a free market health-care system, and the elimination of the family-destroying welfare dole. Unlike 1944, history is now on the side of freedom."

Also during the summer of 1994, another, more secretive, commemorative event for von Hayek's *Road to Serfdom* took place in Cannes, France. This was the annual gathering of the Mont Pelerin Society, the institution founded by von Hayek in 1947 to advance his particular brand of Conservative Revolution and launch the radical insurgency that has now overrun the corridors of power in Washington and a number of other capitals around the globe.

Writing *The Road to Serfdom* in London in 1944 (he held the Tooke Chair in economics at the British Fabian Society-founded London School of Economics), von Hayek

could hardly have penned an apologia for Adolf Hitler and National Socialism. Instead, he took a sophisticated detour to arrive at the same end. Von Hayek denounced National Socialism as a classic expression of statist, totalitarian socialism, and then advanced the phony argument that any form of dirigist government involvement in the economy strangled freedom, crushed the free market, and led inevitably to Hitlerian totalitarianism.

Von Hayek counted Friedrich List, Germany's great "American System" economist, and the Weimar-era German political figure Walter Rathenau as part of the same "socialist" camp as Hitler. He pilloried List as the principal author of the "German thesis" that "free trade was a policy dictated solely by, and appropriate only to, the special interests of England in the nineteenth century."

He wrote about Rathenau, whose assassination in 1923 was an essential step toward the Nazi Party accession to power: "Ideas very similar to these [anti-individualism] were current in the offices of the German raw-material dictator, Walter Rathenau, who, although he would have shuddered had he realized the consequences of his totalitarian economics, yet deserves a considerable place in any fuller history of the growth of Nazi ideas."

Moreover, the radical alternatives that von Hayek posed—strict monetarism, near-total deregulation, and Pan-European federalism—were all expressions of the same feudalist outlook that produced Hitler's National Socialism and the thousand other varieties of Conservative Revolutionism after World War I.

*The Road to Serfdom*, while ostensibly a polemic against statist totalitarianism, proposed a feudal model for society that would mean a return to feudal serfdom for the vast majority of human beings: "We shall not rebuild civilization on the large scale," von Hayek wrote. "It is no accident that on the whole there was more beauty and decency to be found in the life of the small peoples, and that among the large ones there was more happiness and content in proportion as they had avoided the deadly blight of centralization."

Many of the earliest and most devoted followers of von Hayek's new "anti-socialist" crusade were themselves leading sponsors and players in the Conservative Revolution in



Germany, Austria, and Great Britain. For example, von Hayek's Mont Pelerin Society counted among its founding members Max von Thurn und Taxis, the head of the old Venetian oligarchic family that was transplanted to Bavaria. The Thurn und Taxis family was prominent in the occult Thule Society that fostered Hitler's rise to power, and members of the family ran the Allgemeine SS out of their Regensburg, Bavaria castle.

In his keynote speech at the Mont Pelerin Society meeting in 1980 in Palo Alto, California, Max von Thurn brazenly praised the "underground economy" as the perfect "Hayekian" system—complete with its narcotics trafficking, unchecked violent crime, and tax evasion.

### The 'Austrian School'

Friedrich von Hayek was born in Vienna in 1899. After obtaining a doctorate in political science from the University of Vienna and spending 1923-24 in New York City, von Hayek returned to Vienna to participate in the private seminars given by Austrian School ideologue Ludwig von Mises.

The Austrian School had been founded by Carl Menger (1840-1921), a retainer of the Hapsburg and Wittelsbach royal houses of Austria and Bavaria, who was a fanatical opponent of Prussia's industrialization policies, which were explicitly modeled on Alexander Hamilton's "American System of Political Economy." Menger was the first of the Austrian free-market economists to equate these American System ideas with state socialism, lumping Friedrich List together with Saint Simon, Hegel, and Marx.

Menger trained a generation of Austrian School economists, including Eugen von Boehm-Bawerk, Ludwig von Mises, and Friedrich von Hayek. Before his brief New York City venture, von Hayek attended the Boehm-Bawerk seminars in Vienna—along with future Bolshevik leader Nikolai Bukharin. This convergence of radical free-market and Bolshevik personalities under the Vienna School tutelage is not as strange as it might seem on first reflection. Boehm's insistence on the inevitability of the collapse of capitalism due to "overproduction" caused by the reinvestment of profit into new infrastructure, research and development, and other capital improvements through the mechanism of credit, was stolen directly from Karl Marx. And Boehm fully subscribed to the idea of the superiority of the pre-capitalist feudal guild society over the modern industrial state, a theme Bukharin would elaborate in his 1914 work, *The Economic Theory of the Leisure Class*.

Another seminal figure in the formation of the Austrian School's radical anti-capitalist ideology, the "individualist philosopher" Jacob Burckhardt, openly attacked the fifteenth-century Golden Renaissance as one of the worst events in history. For Burckhardt, the pre-Renaissance feudal alliance between the oligarchy and the church represented the high point of civilization. It was a theme that von Hayek would take up more than half a century later in *The*

*Road to Serfdom*. Burckhardt was the inspiration for von Hayek, and the mentor of other leading Austrian School figures, as well as of Nazi precursor Friedrich Nietzsche and Nazi ideologue Martin Heidegger.

After attending the von Mises seminars in the mid-1920s, von Hayek became the first director of the Austrian Institute for Business Cycle Research. Wesley Clair Mitchell, during the same period, founded a parallel institution in the United States—the National Bureau of Economic Research. Both institutes peddled the quack notion that economic blowouts are inevitable, and should be encouraged through draconian austerity and the shutoff of credit. Thus, the Austrian School pioneered the "shock therapy" policies that have brought economic ruin to many nations of the developing sector, and more recently has done so to the nations of the former Warsaw Pact.

Mitchell would later train Milton Friedman. In 1950, von Hayek would move to Chicago and join Mitchell and Friedman to build the so-called Chicago School, based at the University of Chicago, as the North American outpost for the Vienna apparatus.

In 1931, von Hayek accepted an invitation to come to London to deliver a series of lectures at the London School of Economics, where he eventually accepted a full-time teaching position, and also became affiliated with the British Fabian Society. In 1939, he initiated an organization that would soon evolve into the Mont Pelerin Society. The earlier group, the Society for the Renovation of Liberalism, included Frank Knight and Henry Simons, both of whom trained Friedman at the University of Chicago; the American Fabian socialist Walter Lippmann; Viennese Aristotelian Society leader Karl Popper; Ludwig von Mises; and Sir John Clapham, a senior official of the Bank of England, who from 1940-46 was the president of the British Royal Society, the British monarchy's preeminent center for cultural warfare against the ideas of the Renaissance.

It was this group of people (with the exception of Frank Knight, who had died) that gathered—at von Hayek's initiative—at Mont Pelerin, Switzerland in April 1947 to form the Mont Pelerin Society. Among the other founders of the society were Archduke Otto von Hapsburg, the heir to the Austro-Hungarian throne, and Max von Thurn und Taxis. The explicit purpose of the society was to implement the new global feudal order spelled out in von Hayek's *Road to Serfdom*.

The most important sister organization to the Mont Pelerin Society from the very outset was the already-established Pan-European Union. Leading Mont Pelerin figures, including Otto von Hapsburg and Walter Lippmann, were pivotal in the Pan-Europa movement; the concept of a pan-European federation was a cornerstone of von Hayek's *The Road to Serfdom*, which argued for the replacement of the nation-state with a "benign" feudal system, ultimately linked to a world federalist institution based on the proposals of the

evil Lord Bertrand Russell (whom von Hayek praised as one of the leading practitioners of nineteenth-century British liberalism).

Count Richard Coudenhove-Kalergi, the founder of the Pan-European Union, was a descendant of an 800-year-old family. The Kalergi branch had ruled the island of Crete and forged the thirteenth-century treaty that brought Crete under Venetian control. The family eventually migrated to England as part of the "Venetian Party" colonization and takeover of the British Isles. However, as late as the turn of the twentieth century, the Kalergi family maintained a salon in Venice which provided refuge to such degenerate figures as the composer Richard Wagner.

In 1923, Count Coudenhove-Kalergi launched the Pan-Europa Union, an organization that won the immediate support of the very people who would install Hitler in power. The first person to join the PEU was Hjalmar Schacht, later Hitler's economics minister and the author of Hitler's slave-labor programs. Other Nazi and Fascist luminaries were supporters or members of the PEU, including Walter Funk, Schacht's handpicked successor as economics minister; Prof. Karl Haushofer, the head of the Geopolitical Institute in Munich and a leading ideologue of the Nazi Party; and Benito Mussolini.

In 1943, Coudenhove-Kalergi wrote *Crusade for Pan-Europe: Autobiography of a Man and a Movement* to set the stage for the postwar revival of his vision of a feudal Europe—regardless of the outcome of the war. Even at this late date, Coudenhove-Kalergi noted with pride, "Haushofer, Schacht, and Funk did and probably still do everything to convince Hitler of the necessity of creating some kind of European federation under German hegemony." At the same time, Pan-Europa enjoyed the active backing of Winston Churchill, Columbia University president and Frankfurt School patron Nicholas Murray Butler, Otto von Hapsburg, and Walter Lippmann.

### The Mont Pelerin Society

From the very outset, the Mont Pelerin Society was conceived as an insurgent movement committed to the implementation of the "Hayekian" version of the Conservative Revolution. Ever since 1947, the group has held an annual conference, attended by members and prospective recruits. Membership is restricted to approximately 500. By invitation only, it follows several years of screening and guest attendance to at least two of the annual gatherings. The society does not publish a membership list; all its publications are for internal distribution only, and the proceedings

## The Mont Pelerin Society at a glance

John Chamberlain's articles in the *National Review* offer a highly partisan look inside the annual meetings of the Mont Pelerin Society. Nevertheless, a picture emerges of the secretive group's agenda. Here are highlights of some recent sessions, according to Chamberlain's published accounts.

**1980:** Meeting of 600 members and guests in Palo Alto, California on the eve of Ronald Reagan's victory in the U.S. presidential elections. Discussion focused on the role of the underground economy. Antonio Martino and Max von Thurn und Taxis provided detailed and laudatory reports on the thriving black market economy in Europe and Ibero-America, calling for integration of the underground and above-ground economies. (*National Review*, Nov. 28, 1980)

**1981:** Regional meeting at Viña del Mar, Chile, heralding the Pinochet junta's "economic miracle," under the direction of the "Chicago Boys." Praise for Gen. Augusto Pinochet's 25% budget cuts and privatization of state-owned industry and other facilities. Another major theme

of the event was the launching of a drive to privatize education and bring to an end the public school system worldwide. (*National Review*, April 2, 1982)

**1982:** Meeting at the Intercontinental Hotel in West Berlin pushed expansion of the Hongkong model of Free Enterprise Zones. (*National Review*, Nov. 12, 1982)

**1983:** Western Hemisphere Regional Meeting in Vancouver, British Columbia took up need for the privatization of all federal government-owned and -managed land. The U.S. government would earn over \$1 trillion by selling off all remaining public land to groups like the National Wildlife Federation, Sierra Club, and Audubon Society. (*National Review*, Oct. 28, 1983)

**1984:** Fortieth anniversary of von Hayek's *The Road to Serfdom* was commemorated at the Mont Pelerin Society meeting in Cambridge, England. Antonio Martino returned to the need to propagandize for the underground economy, arguing that the "off the books" economy is the only means to ensure freedom. (*National Review*, Jan. 11, 1985)

**1986:** St. Vincent, Italy in the Alps was the site of the Mont Pelerin meeting, convened to accelerate the expansion of new front groups worldwide. Institute of Economics Affairs reported that the underground economy now accounts for 15-20% of Britain's GNP. Reviewed global privatization patterns. (*National Review*, Feb. 13, 1987)

of the annual meetings are only distributed to the attendees. *EIR* has been able to obtain a handful of society documents, including proceedings of the 1980 session in Palo Alto, and a 1994 letter of greetings to attendees of the annual meeting in Cannes, France.

Despite this veil of secrecy, the activities of the Mont Pelerin Society can be tracked. A handful of journalists are members, and one *National Review* contributor, John Chamberlain, has published a brief summary of the annual meetings since 1980 in the pages of that magazine. A partial list of members has been reconstructed by *EIR* investigators through biographical research on the leading personalities at the Heritage Foundation, the Reason Foundation, the Cato Institute, and other leading U.S. conservative think-tanks—all of which are dominated by Mont Pelerin members.

Despite propaganda to the contrary, the postwar Conservative Revolution has been run by the oligarchy from the top down. The Mont Pelerin Society has spawned a global network of small, tax-exempt think-tanks that have targeted susceptible politicians for indoctrination.

One of the key figures in this effort has been Antony Fisher. Born in London in 1915, educated at Eton and Cambridge, Fisher was elected to the Mont Pelerin Society in 1954. The following year, he founded the Institute of Economic Affairs in London, as the first explicit front group for Mont Pelerin. Other IEA founders included von Hayek, then at the University of Chicago; Ralph Harris, a leader of the British Eugenics Society (which had earlier helped draft Hitler's race laws); Keith Joseph, and Allan Walters. In 1979, when Margaret Thatcher came to power, she signalled her debt of gratitude to the IEA apparatus by appointing Ralph Harris a Peer for life (Lord Harris of High Cross), and by knighting Antony Fisher and Allan Walters. Walters was moved into 10 Downing Street as Thatcher's resident economic adviser.

Fisher had already furthered the Mont Pelerin subversion by establishing the Fraser Institute in Vancouver, Canada in 1974, the Manhattan Institute in New York City in 1977, and the Pacific Institute for Public Policy Research in San Francisco in 1978. By 1978, the Mont Pelerin Society had also taken over the small Coors family think-tank, the Heritage Foundation, in Washington, D.C., and launched an ambitious overhaul of that outfit in anticipation of the 1980 presidential bid of Ronald Reagan. Sir Keith Joseph, one of the Tory politicians most thoroughly indoctrinated in the "Hayekian Revolution," led the British takeover of Heritage, along with Fabian Society ideologue Stuart Butler.

### **Launching a new fascist international**

Following the election of Margaret Thatcher in Britain, Fisher contacted von Hayek, Milton Friedman, and other leading Mont Pelerin figures and spelled out an ambitious expansion effort: in effect, the launching of a new fascist international.

On New Year's Day 1980, von Hayek wrote back to Fisher: "I entirely agree with you that the time has come when it has become desirable and almost a duty to extend the network of institutes of the kind of the London Institute of Economic Affairs. Though it took some time for its influence to become noticeable, it has by now far exceeded my most optimistic hopes. . . . What I argued 30 years ago, that we can beat the Socialist trend only if we can persuade the intellectuals, the makers of opinion, seems to me more than amply confirmed. Whether we can still win the race against the expanding Socialist tide depends on whether we can spread the insights, which prove much more acceptable to the young if rightly expounded than I had hoped, fast and wide enough. . . . The future of civilization may really depend on whether we can catch the ear of a large enough part of the upcoming generation of intellectuals all over the world fast enough. And I am more convinced than ever that the *method* practiced by the IEA is the only one which promises any real results. . . . This ought to be used to create similar institutes all over the world and you have now acquired the special skill of doing it. It would be money well spent if large sums could be made available for such a concerted effort."

On Feb. 20, 1980, Margaret Thatcher added her endorsement to the project in a letter to Fisher; and on May 8, Milton Friedman threw his support behind the international effort: "Any extension of institutes of this kind around the world is certainly something ardently to be desired."

To carry out this global effort, Fisher launched the Atlas Economic Research Foundation in 1981. Originally based in San Francisco, Atlas is now headquartered on the campus of George Mason University in Fairfax, Virginia near Washington, D.C. In a strategy paper written in February 1985, Fisher wrote of the need to transform the "extremist" anti-government, radical free-market policies of the Mont Pelerin Society apparatus into the "new orthodoxy," through the launching of hundreds of small think-tanks on every continent. "To inform the public, it is necessary to avoid any suggestion of vested interest, or intent to indoctrinate. . . . Furthermore, increasing numbers of academic experts feel free to criticize government when their research is not sponsored by government grants."

Today, there are 108 IEA affiliated think-tanks, in 38 countries, including 12 Ibero-American countries, Russia, Belarus, Lithuania, and Poland, and in the drug centers of the Bahamas and Hongkong. In England alone, there are eight IEA-affiliated institutes, including the Adam Smith Institute and the David Hume Institute. In the United States, at last count, there were 41, with such names as the Acton Institute, the Andrew Jackson Institute, the John Locke Foundation, and Toward Tradition. In Auburn, Alabama, there is a Von Mises Institute, and plans are now under way to establish a Von Hayek University in the Miami, Florida area.

## Mont Pelerin Society's fascist international

The Conservative Revolution of the 1980s and 1990s is as murderous as the earlier, cruder Hitlerian form. But the jack-booted Nazis of the 1930s have been supplanted by a world-wide army of quack economists, libertarian ideologues and cost-cutting accountants who carry out an even more widespread genocide with their pencils and calculators than Hitler ever dreamed of. On every continent, the Conservative Revolution has created outposts where their credentialed mass-murderers crank out an annual quota of pamphlets, books, and journals, all advocating the same policies that spell death and suffering for the vast majority of humanity.

Shown here are some of the Mont Pelerin Society front groups established through the Atlas Economic Research Foundation of Sir Antony Fisher. This is by no means a comprehensive map of the think-tanks and research institutes spawned by the Mont Pelerin Society. The information is based on an Atlas Economic Research Foundation list published on Oct. 24, 1994.

**1. England:** Institute of Economic Affairs, Atlas Economic Research Foundation, Adam Smith Institute, in London.

**2. Scotland:** Adam Smith Institute in Edinburgh.

**3. Washington area:** Cato Institute, Competitive Enterprise Institute, Future of Freedom Foundation (Fairfax, Virginia), Locke Institute (Fairfax), Atlas Economic Research Foundation (Fairfax).

**4. New York City:** Manhattan Institute.

**5. Boston:** Pioneer Institute.

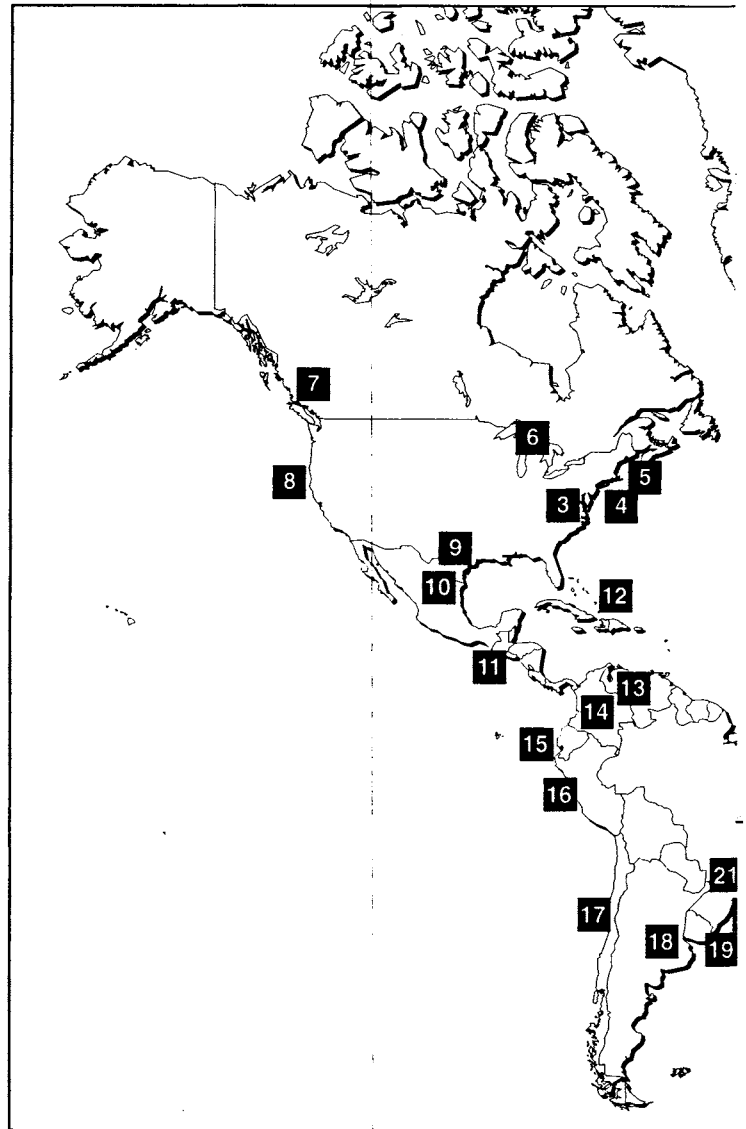
**6. Michigan:** Acton Institute in Grand Rapids.

**7. British Columbia:** Fraser Institute in Vancouver.

**8. San Francisco:** Bionomics Institute (San Rafael, Calif.), Pacific Research Institute.

**9. Dallas:** National Center for Policy Analysis.

**10. Mexico:** Center for Studies in Economics and Education (CEEE) in Monterrey.



**11. Guatemala:** Center for Economic-Social Studies, CIEN, in Guatemala City.

**12. Bahamas:** Foundation for Economic Freedom.

**13. Venezuela:** Center for Education and Diffusion of Economic Science (Cedice) in Caracas.

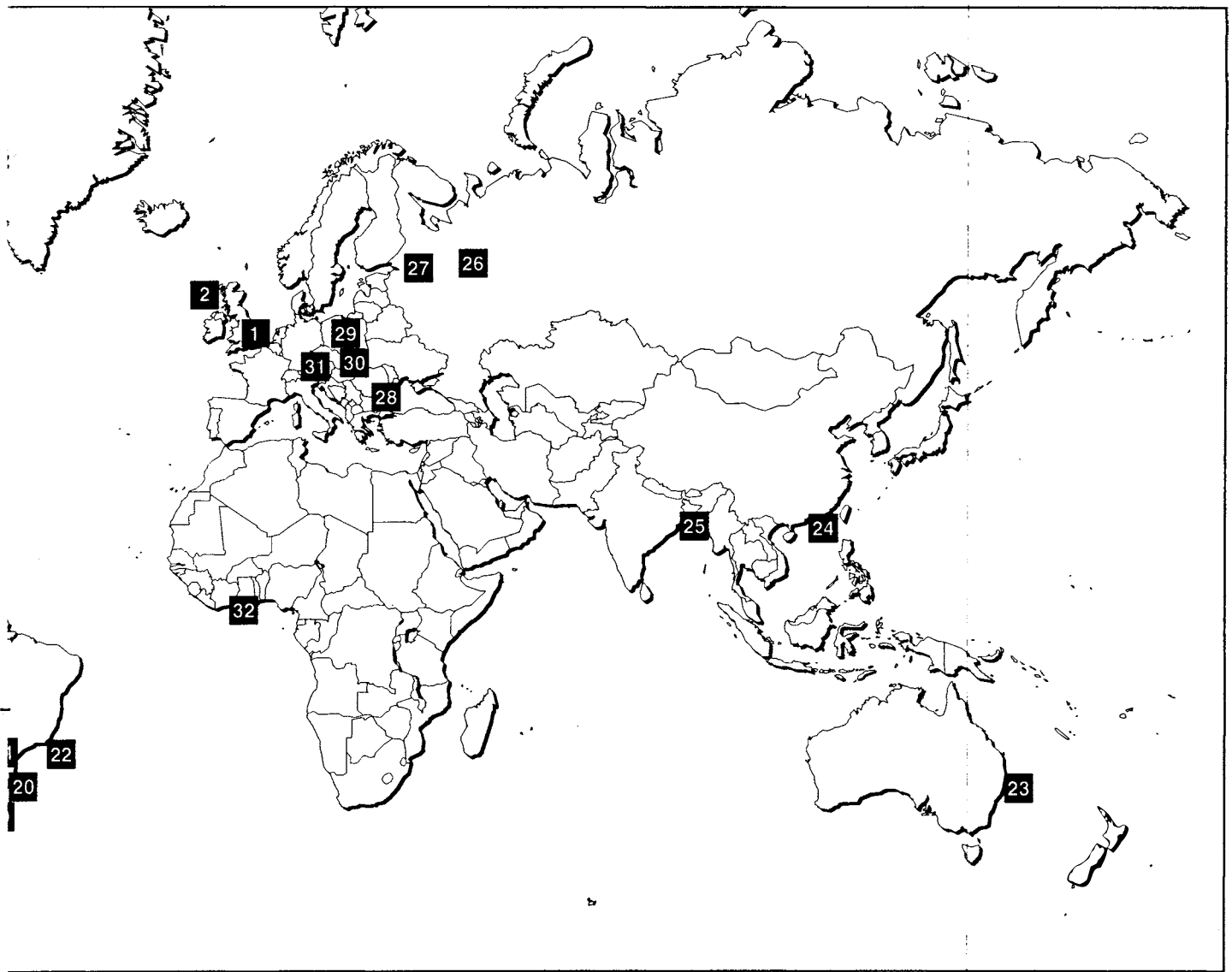
**14. Colombia:** Institute of Political Science in Bogotá.

**15. Ecuador:** IEEP in Quito.

**16. Peru:** Institute for Liberty and Democracy, Amagi, CITEL in Lima.

**17. Chile:** Center for Public Studies; Liberty and Development Institute in Santiago.

**18. Argentina:** CEPPA, Carlos Pellegrini Founda-



tion; Concordance Foundation; Republic Foundation; Institute for Contemporary Studies; Institute of Studies of Social Theory and Applied Public Policies, all in Buenos Aires.

**19. Uruguay:** CERES in Montevideo.

**20. Brazil:** Liberal Institute of Parana, in Porto Alegre.

**21. Brazil:** Liberal Institute of São Paulo.

**22. Brazil:** Liberal Institute of Rio de Janeiro.

**23. Australia:** Center for Independent Studies in New South Wales.

**24. Hongkong:** Hongkong Center for Economic Research.

**25. Bangladesh:** Making Our Economy Right.

**26. Moscow:** Institute for Study of Russian Economy, Referendum.

**27. Belarus:** IIEPS in Minsk.

**28. Bulgaria:** Free Initiative Foundation in Sofia.

**29. Poland:** Adam Smith Research Center in Warsaw.

**30. Czech Republic:** Civic Institute, Liberalni Institut in Prague.

**31. Austria:** Karl Menger Institute in Vienna.

**32. Ghana:** Institute of Economic Affairs-Ghana, in Christianborg Accra.

# Mont Pelerin 'body-snatchers' are brainwashing your congressman

In the 1950s, Hollywood cranked out a horror film classic, "The Invasion of the Body-Snatchers," about alien invaders who took over the planet Earth by turning people into glazed-eyed zombies. Last autumn, a team of "Conservative Revolutionists" from the Heritage Foundation, joined by talk show host Rush Limbaugh, closeted the newly elected Republican members of Congress for several days of "orientation" in Baltimore, Maryland, to prepare them to implement their own "conservative" brand of mass execution, the Contract with America. By the time the Heritage team finished their work, many of the freshman lawmakers looked more like the "pod people" from the Hollywood horror flick than the human beings who had been voted into office just a few weeks earlier.

The Heritage Foundation "experts" used techniques that had been perfected in the Pyongyang POW camps of the Korean War, using repetitive chants, slogans, and attack group "therapy" to break down the resistance of any members

of the group who dared to question the von Hayek radicals' recipe for the 104th Congress.

And to make sure that the brainwashing "took," all the participants were handed *The New Member's Guide to the Issues*, a binder full of sound byte-sized "policy guidelines," followed by a list of "experts" to be consulted on every twist and turn of policy.

The "experts" were all drawn from a collection of think tanks that are all products of the Mont Pelerin Society's postwar insurgency. It is this crowd of "Hayekian revolutionists"—not the constituency-elected congressmen and congresswomen—who are slated to make the crucial policy decisions.

Here are profiles of some of the leading Mont Pelerin Society front outfits that are behind this latest assault upon America. The dossiers were prepared by Leo F. Scanlon, Jeffrey Steinberg, Scott Thompson, Charles Tuttle, and Anthony Wikrent.



## The Heritage Foundation

214 Massachusetts Ave. NE, Washington, D.C. 20002  
Phone (202) 546-4400

### Key personnel

**Richard Mellon Scaife.** Vice chairman of the board. Major funder of Heritage Foundation and other Conservative Revolution institutions through his role as chairman of the Allegheny Foundation, Carthage Foundation, and Sara Mellon Scaife Foundation, as well as other trusts. Publisher and owner, Tribune-Review Publishing Co., Inc., Greensburg, Pennsylvania.

**Edwin J. Feulner.** President of Heritage Foundation, 1977-. Chairman of Institute for European Defense and Strategic Studies, London, 1979-. Member, International Insti-

tute for Strategic Studies, London. Mont Pelerin Society. Philadelphia Society. Member, board of trustees of the Manhattan Institute, 1977-, Rockford Institute, Lehrman Institute, Roe Foundation.

**Midge Decter.** Executive director, Committee for a Free World, 1980-90. Distinguished fellow, Institute on Religion and Public Life, 1991-. Wife of Norman Podhoretz, who edits *Commentary*. Former member of Young People's Socialist League (YPSL).

**Robert H. Kieble.** Member, Mont Pelerin Society, Philadelphia Society.

**Thomas L. Rhodes.** President, *National Review*.

**The Hon. Frank Shakespeare.** Held various posts with CBS, including executive vice president. Director, United States Information Agency, 1969-73. President RKO General, Inc., 1975-85. U.S. ambassador to the Holy See, 1987-89. Chairman, Heritage Foundation, 1975-85; director, 1989-. Chairman, Radio Free Europe/Radio Liberty, Inc., 1976-85. Director, Lynde and Harry Bradley Foundation.

**The Hon. William E. Simon.** U.S. Treasury secretary, 1974-77, when he enforced the Phase I-III wage-price controls and decoupling of the dollar from gold. Senior positions

in various investment houses. President, John M. Olin Foundation. Member, board of overseers, Hoover Institution on War, Revolution, and Peace. Member, executive committee, Bretton Woods Committee. Director, Kissinger Associates, Inc. Founder, honorary chairman, Institute for Educational Affairs.

**The Hon. Jay Van Andel.** Co-founder, chairman, Amway Corp. Board of directors chairman, Jamestown Foundation. Knighted Grand Officer of Orange-Nassau, the Netherlands.

**Joseph Coors.** Former chief executive officer, Adolph Coors Brewing Co.

**Dr. Stuart M. Butler.** Vice president and director, Domestic Policy Studies. Ph.D., St. Andrews University. Member, British Fabian Society.

**Richard V. Allen.** Distinguished fellow. Chairman, Asian Studies Advisory Council. President, Richard V. Allen Co. Former Assistant to the President for National Security Affairs, Reagan administration. Heritage claims that he initiated the North American Free Trade Agreement (NAFTA).

**Dr. William Bennett.** Distinguished fellow, Cultural Policy Studies. Senior editor, *National Review*. U.S. secretary of education, 1985-88. National Drug Control Policy Director, 1989-90.

**Peter Ferrara.** Senior fellow. Cato Institute adjunct scholar.

**Jack Kemp.** Distinguished fellow. Founder and co-director with William Bennett of Empower America. Former U.S. secretary of housing and urban development. Former member, U.S. House of Representatives.

**Edwin Meese III.** Ronald Reagan Fellow in Public Policy. Visiting distinguished fellow, the Hoover Institution. U.S. attorney general, 1985-88. Counsellor to President Reagan, 1981-85.

**Kenneth Wright Clarkson.** Adjunct scholar. Member, Mont Pelerin Society, Philadelphia Society.

**Donald J. Devine.** Adjunct scholar. Member, Mont Pelerin Society, Philadelphia Society.

**William Herbert Peterson.** Adjunct scholar. Member, Mont Pelerin Society.

**Dov Solomon Zakheim.** Adjunct scholar. Member, International Institute for Strategic Studies, Royal Institute for International Affairs (Chatham House).

## History

Founded in 1973 with the financial assistance of Joseph Coors, Heritage was transformed during a 1976-77 personnel shakeup into what one Heritage staff member called "an outpost for British intelligence in the United States."

Under Edwin J. Feulner, who was named president after the shakeup that shoved Coors aside, many British citizens linked to the royal household and its intelligence apparatus were placed in key policy positions at Heritage. They have

ranged from Robert Moss, who formerly edited *The Economist Foreign Reports*, to Stephen Haseler, one of the first Heritage Fellows and a leader of the British Fabian Society, to Stuart Butler, who was initially a policy analyst at Heritage and is today vice president and director of Domestic Policy Studies. Butler, too, had been a member of the British Fabian Society.

Many of these new personnel were associated either with the monetarist Mont Pelerin Society or the International Institute for Strategic Studies.

Stuart Butler has stated that he is in the United States "to inculcate America with British ideas." This is certainly the case for the issues textbook prepared by Butler for the Heritage Foundation brainwashing sessions with new Republican members of Congress, titled *The New Members' Guide to the Issues*. Butler has previously drafted reports on "Free Enterprise Zones" and on "Deindustrialization of the United States." Butler has coupled his view of free enterprise zones with the leftist battlecry of "local" or "community control." Butler has been increasingly an advocate of deindustrialization since at least 1977, when he said in a speech:

"First, the Marxists are right: Industry has been rationalizing. Large-scale organization has won out over small-scale. There have been massive increases in productivity—even in slow-developing, low-productivity Britain. *If we'd been efficient, it would all doubtless have been much worse*" (emphasis added).

In place of heavy industry, Butler proposed the following:

"Look at the classified ads in London's *Time Out*. You'll find a rich and even bizarre collection of enterprises, ranging from ear piercing to unisex sauna to air freight, from whole food shops to a College of Acupuncture Clinic to Krishnamurti Videotapes. They may sound funny, but it may sound less funny in 1977 if they prove to be the growth industries."

This destruction of a Hamiltonian *dirigist* policy to foster heavy industry and general scientific and technological progress is the goal of nearly all Heritage Foundation policies today.

## Funding

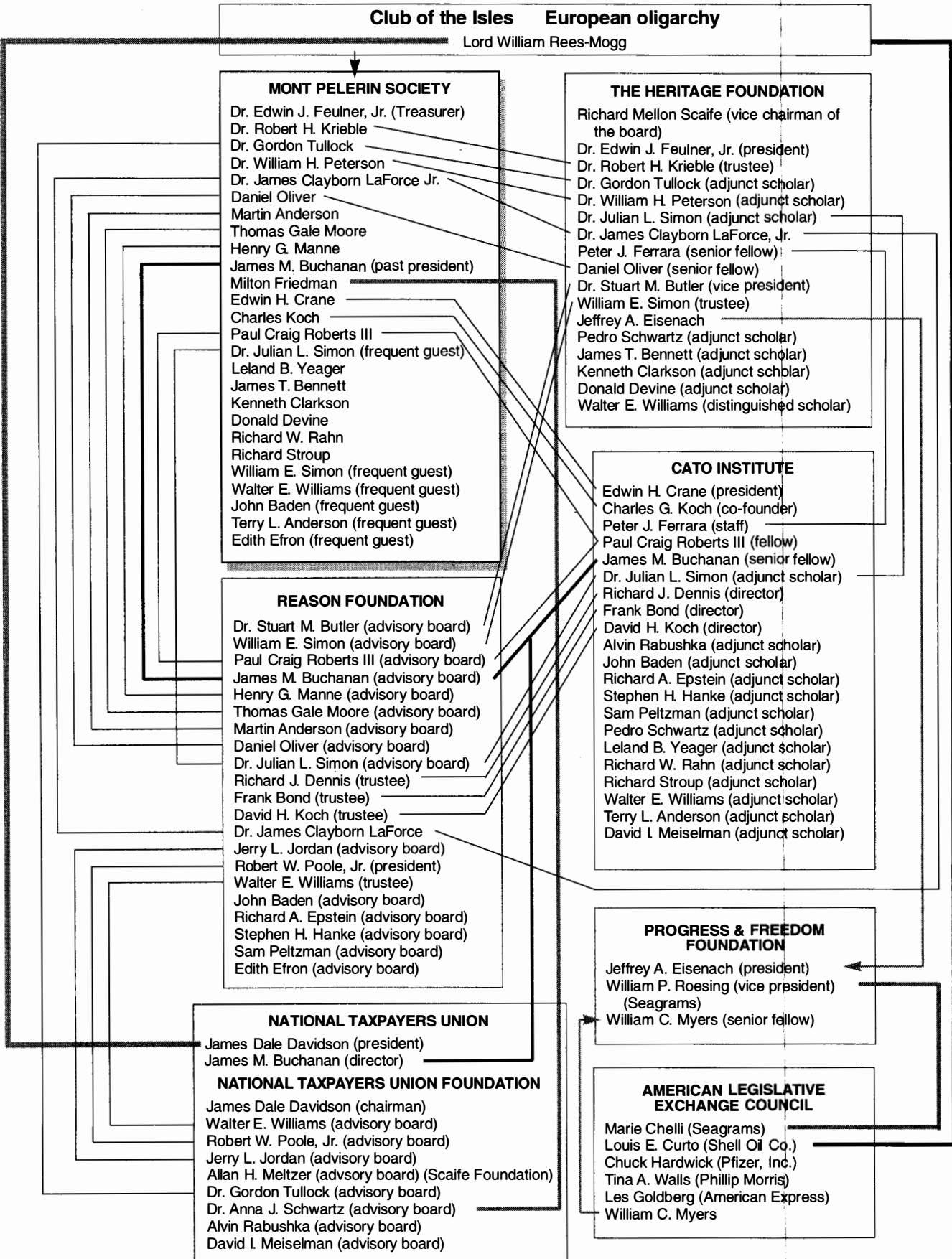
**Foundations:** Lynde and Harry Bradley, Carthage, Castle Rock, Shelby Cullom Davis, Grover Hermann, M.J. Murdoch, Samuel Roberts Noble, John M. Olin, Henry Salvatore, Sarah Scaife, Scaife Family, Starr, Jay and Betty Van Andel, Aequus Institute, JM, Herrick, and General Electric.

**Corporate:** Amway, Farish and Farish, Readers Digest, SmithKline Beecham, Shell Oil, Union Pacific, Coors, Eli Lilly, GM, Archer Daniels Midland, Amoco, Ashland Oil, Alcoa.

## Policies

Heritage publishes frequent policy papers spelling out a detailed legislative agenda. The most recent document, is-

FIGURE 1  
**Interlocking directorates of the Conservative Revolution**





sued for a training seminar for newly elected members of Congress, *The New Members' Guide to the Issues*, advocates: balanced budget amendment, radical reduction of capital gains tax, defense cutbacks based on an isolationist foreign policy, and super-majority to pass any new tax increases—all key elements in the GOP's "Contract with America." Heritage openly peddles the Conservative Revolution, as evidenced by a recent policy report titled *Continuing the Conservative Revolution*, authored by Stuart Butler.



## Reason Foundation

3415 S. Sepulveda Blvd., Suite 400, Los Angeles, CA 90034  
(310) 391-2245

### Key personnel

**Robert W. Poole, Jr.** President, Trustee. Member, Young Americans for Freedom. Former head, Radicals for Capitalism. Advisory board, National Taxpayers Union Foundation. Leadership, Libertarian Party.

**Frank Bond.** Trustee; see Cato Institute.

**Richard J. Dennis.** Trustee; see Cato Institute.

**David H. Koch.** Trustee; see Cato Institute.

**Richard Fink.** Trustee. Vice president, Koch Industries. Board, Claude R. Lambe Charitable Foundation. Board, Charles G. Koch Charitable Foundation. Board, David H. Koch Charitable Foundation. Chairman, Humane Studies Foundation.

**Walter E. Williams.** Trustee. See National Taxpayers Union.

**William R. Allen.** Advisory. Vice president, Institute for Contemporary Studies 1986-90. President, International Institute of Economic Research 1974-86.

**Martin Anderson.** Advisory member. Mont Pelerin Society, American Economic Society.

**John Baden.** Advisory. Cato Institute, adjunct scholar. Foundation for Research on Economics and the Environment. Frequent guest at Mont Pelerin Society meetings.

**James M. Buchanan.** Advisory member. See National Taxpayers Union.

**Stuart Butler.** Advisory Board; see Heritage Foundation.

**Edith Efron.** Advisory. University of Rochester. Frequent guest at Mont Pelerin Society meetings.

**Richard A. Epstein.** Advisory. Cato Institute, adjunct scholar. Author, *Cases and Materials in Torts*, 1990; *Takings: Private Property and the Power of Eminent Domain*, 1985. Editor, *Journal Legal Studies*, 1981-91. *Journal of Law and Economics* 1991-. Editorial board, *Yale Law Journal*.

**Stephen H. Hanke.** Cato Institute, adjunct scholar. Heritage Foundation, adjunct scholar. Economics professor, Johns Hopkins University.

**Gilbert Harman.** Co-director. Cognitive Sciences Lab 1986-; chair, Cognitive Studies Program 1992-. Philosophy professor, Princeton University, 1963-. Author, *Skepticism and Defenition of Knowledge*, 1990.

**Jerry L. Jordan.** Advisory. See National Taxpayers Union.

**J. Clayborn LaForce, Jr.** Member, Mont Pelerin Society, Economic History Association. Board of directors, National Bureau for Economic Research 1975-88, Rockwell International, Eli Lilly & Co., Shearson V.I.P. Separate Account. Board, Lynde and Harry Bradley Foundation. Board of overseers, Hoover Institute, 1979-. Member, National Council on Humanities at National Endowment for the Humanities, 1981-88. Adjunct scholar, Heritage Foundation.

**Henry G. Manne.** Member, Mont Pelerin Society. Dean, professor, chairman of Law and Economics Center, George Mason University 1986-. Director, Economic Institutes for Federal Judges 1976-89. Author, *Insider Trading and the Stock Market*, 1966. Editor (with James Dorn), *Economic Liberties and the Judiciary*, 1987. Adjunct scholar, Cato Institute.

**Thomas Gale Moore.** Member, Mont Pelerin Society, American Economics Association, Southern Economics Association, Western Economics Association. Adjunct scholar, Cato Institute 1982-. Member, Council of Economic Advisers, 1985-89.

**Daniel Oliver.** Member, Mont Pelerin Society. Heritage Foundation, senior fellow. Distinguished fellow, Citizens for a Sound Economy Foundation, 1991-93. General counsel, U.S. Department of Education, 1981-83, U.S. Agriculture Department 1983-86. Chairman, Federal Trade Commission 1986-89. Counsel, Administrative Conference U.S. 1983-89.

**Sam Peltzman.** Cato Institute, adjunct scholar. Director, Center for Study of the Economy and the State 1992-. Senior staff economist, Presidents Council of Economic Advisers, 1970-71. Editor, *Journal of Law and Economics*. Member, American Economics Association.

**Alvin Rabushka.** Cato Institute adjunct scholar. Advisory board, National Taxpayers Union Foundation, Hoover Institute.

**Paul Craig Roberts III.** Member, Mont Pelerin Society, drafted original Kemp-Roth Bill 1976. Assistant secretary of treasury for economic policy 1981-82. William E. Simon professor of political economy Georgetown University Cen-

TABLE 1

## Funding for the think-tanks of the Conservative Revolution

Source of funds	American Legislative Exchange Council	Atlas Foundation	Center for the Study of Public Choice	Citizens for a Sound Economy	Cato Institute	Competitive Enterprise Institute	George Mason University	George Mason University Foundation	Heritage Foundation	Institute for the Economics of Taxation	Manhattan Institute	National Center for Policy Analysis	National Taxpayers Union	Progress & Freedom Foundation	Reason Foundation
Amoco	\$														
Anheuser-Busch	\$														
Archer-Daniels-Midland															
ARCO	\$				\$										
Ashland Oil	\$														
Bechtel Corp.															
British Petroleum															
Chevron Corp.	\$														
Coca-Cola Co.	\$				\$									\$	\$
Eli Lilly & Co.	\$					\$				\$					
Lilly Endowment, Inc.												\$			\$
Exxon Corp.	\$				\$										\$
Ford Motor Co. Fund	\$					\$	\$			\$				\$	\$
General Electric Foundation	(1)						\$			\$				\$	\$
Golden Rule Insurance Co.	\$													\$	\$
Mobil Oil Corp.	\$							\$							\$
Morgan Stanley															\$
Pfizer, Inc.	\$				\$										\$
Phillip Morris Cos.	\$				\$										\$
Phillips Petroleum	\$														\$
Jos. Seagram & Sons, Inc. Fund	\$				\$									\$	\$
Shell Oil Co.	\$				\$					\$					\$
Skadden Arps S. M. & Flom															\$
SmithKline Beecham	\$									\$	\$				\$
Texaco Foundation	\$									\$		\$			\$
Unocal Corp.															\$
Aequus Institute										\$					\$
Armstrong Foundation	\$				\$										\$
Lynde & Harry Bradley Foundation	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Carthage Foundation		\$							\$		\$	\$			\$
Earhart Foundation		\$	\$	\$	\$	\$	\$	\$							\$
Malcolm Forbes Foundation															\$
Ford Foundation															\$
Grover Hermann Foundation					\$				\$						\$
Charles G. Koch Foundation	(2)				\$									\$	\$
David Koch Foundation				\$	\$	\$							\$		\$
Claude R. Lambe Foundation		\$	\$	\$	\$	\$	\$	\$			\$	\$	\$	\$	\$
Phillip M. McKenna Foundation	\$	\$				\$	\$	\$	\$		\$		\$		\$
Milkin Family foundations															\$
JM Foundation	\$			\$	\$	\$			\$		\$	\$			\$
John M. Olin Foundation	\$	\$					\$		\$		\$	\$	\$	\$	\$
Pioneer Institute															\$
Roe Foundation					\$				\$						\$
Sarah Scaife Foundation			\$	\$	\$		\$	\$	\$	\$	\$	\$	\$		\$
Scaife Family Foundation									\$						\$
Smith Richardson Foundation						\$	\$				\$		\$		\$
Starr Foundation							\$		\$						\$
Van Andel Foundation									\$						\$

Notes: (1) General Electric Capital Corp.; (2) Koch Industries Inc.

The dollar signs signify that a corporation or foundation has provided funds to that think-tank or institution sometime during the 1991-93 period, according to corporate reports and tax records which are available at the Foundation Center in Washington, D.C.

ter for Strategic and International Studies 1982-. Chairman, Institute of Political Economy 1985-. Distinguished fellow, Cato Institute.

**Emanuel S. Savas.** Director, Privatization Research Organization 1986-. Assistant secretary for policy research and development, HUD, 1981-83. Adviser on privatization for government of Poland 1990-. Author, *Privatizing the Public Sector*, 1982; *Moscow's City Government*, 1985. Editorial board, *Urban Affairs Quarterly*, *Privatization Report*, *Privatization Watch*.

**Julian Simon.** Advisory. Heritage Foundation, adjunct scholar. Cato Institute, adjunct scholar. Frequent guest at Mont Pelerin Society meetings.

**William E. Simon.** Advisory. See Heritage Foundation.

## History

The Reason Foundation was founded in 1978 in California, devoting itself to advancing the ideals of a free society based on private property, individual liberty, and free markets, all within the British Liberal framework. Its flagship publication, *Reason* magazine, had been started as a libertarian newsletter within collegiate networks in 1968. CEO Robert Poole contributed to and later bought the publication with a group of investors in 1970. Poole began working in libertarian politics earlier in college, through his involvement with William F. Buckley's Young Americans for Freedom and as head of Radicals for Capitalism. Poole worked up to leadership ranks of the Libertarian Party, which had been abundantly financed by the Koch family interests.

Reason Foundation efforts stress opposition to all forms of government "intervention" into the economy. Reason's policy emphasis: privatization of infrastructure and promotion of drug legalization.

Reason established its Privatization Center in 1992, touted as the nation's foremost privatization information source for public officials throughout the country.

## Funding

Foundations: Armstrong, Lynde and Harry Bradley, Capital Fund (Milken), Malcolm Forbes, Grover Hermann, JM, Charles G. Koch, David H. Koch, Liberty, Lilly Endowment, Philip M. McKenna, Milken Family, Pacific Research Institute, Pioneer Research Institute, Roe, Sarah Scaife, Smith Richardson, Van Andel, Winchester, John M. Olin, Claude R. Lambe.

Corporate: Amoco, Annheuser-Busch, ARCO, Bechtel, Bristol-Myers Squibb, Chevron, Coca-Cola, Exxon, Ford Motor, General Electric, Mobil, Morgan Stanley, Pfizer, Philip Morris, Phillips Petroleum, Shell Oil, Skadden Arps Slate Meagher & Flom, Unocal, Watson Land.

## Policy

In an economy where stagnating tax revenues and strained budgets are not able to cope with increased needs for

services, Reason's main influence has been in "transforming government" through facilitating "partnerships" with the private sector. Reason has worked closely with the mayors of Indianapolis and Philadelphia, and governors of Massachusetts and Texas, in efforts to privatize public services.

The privatization of infrastructure—roads, bridges, airports, water and waste-disposal systems—has been a primary focus. The mayor of Los Angeles advocates the Reason Foundation's policy on privatizing the city's airport, as well as trash collection. Reason wants the air traffic control system privatized, and recently the head of the Federal Highway Administration used Reason policy to promote privatizing portions of the interstate highway system.

The foundation is heavily involved in educational structuring. Poole, as early as 1971, wrote position papers promoting vouchers as the most politically feasible way to "break the state's education monopoly." The contracting out of services—including teachers—is prominent among their plans.

Reason also promotes deregulation and legalization of drugs. It works closely with the pro-legalization movement's Drug Policy Foundation, and took to the airwaves recently upon then-Surgeon General Joycelyn Elders's suggestion that drug legalization be "studied."

Reason also promotes "free market" solutions to the "environmental crisis."



## Progress and Freedom Foundation

1250 H Street NW, Suite 550, Washington, D.C. 20005  
(202) 484-2312

### Key personnel

**Rep. Newt Gingrich.** The Republican congressman from Georgia, currently Speaker of the House, was the intellectual founder of the Progress and Freedom Foundation (P&FF), drawing from key personnel from his political action committee, GOPAC. (See profile, page 65).

**Alvin Toffler.** Not formally an official of the foundation, Toffler did co-author its major policy document, "A Magna Carta for the Knowledge Age." For more than 20 years, Toffler, a pop cult futurist, was a mentor and "guru" to Gingrich. He was involved in the Marxist movement and reportedly was an active member of a Trotskyist organization in 1950s. Writer for the *New Republic*, 1957. Later hired by *Fortune*. Author of *Future Shock*, 1970, followed by *Mega-*

trends, *The Third Wave*, and *War and Anti-War in the 21st Century*. Taught at the New School for Social Research. Popularizer of the fraudulent idea that civilization has moved beyond the industrial age to a post-industrial "information society," free of government regulation and large industrial corporations.

**Dr. Jeffrey Eisenach.** President. Director, the Heritage Foundation. Former staff researcher, American Enterprise Institute and the Hudson Institute. Former senior economist, Federal Trade Commission and the Office of Management and Budget. President of GOPAC before taking control of P&FF.

**George A. Keyworth.** Chairman of the board. Former science adviser to President Ronald Reagan and director of the physics division of Los Alamos National Laboratory.

**Arianna Huffington.** Pop cult feminist and New Age author. Wife of former California congressman and recently defeated GOP U.S. Senate candidate Michael Huffington.

**Frank J. Hanna III.** Chief executive officer of HBR Capital merchant banking fund. Former corporate lawyer.

**James C. Miller III.** Counselor for Citizens for a Sound Economy and the Tax Foundation. Fellow, Center for the Study of Public Choice, George Mason University. Senior fellow, Hoover Institute. Former director, Office of Management and Budget (1985-88). Defeated by Oliver North in 1994 for GOP nomination for U.S. Senate from Virginia.

**William P. Roesting.** Vice president for public policy of Joseph E. Seagram & Sons.

**William C. Myers.** Corporate secretary and director of operations for P&FF. Former vice president of American Legislative Exchange Council. Earlier director of Free Congress Foundation, State Policy Network, and South Carolina Policy Council.

**Michael Vlahos.** Military and foreign affairs specialist for P&FF. Former project director, Center for Naval Analysis. Director, security studies, Johns Hopkins School of Advanced International Studies. Late 1970s through early 1980s employed by Defense Nuclear Agency and Central Intelligence Agency.

**Vin Weber.** Former six-term congressman. Former director of Empower America.

**Heather Higgins.** Former portfolio manager and VP for U.S. Trust. Former editorial writer at the *Wall Street Journal* and assistant editor of the *Public Interest* magazine.

## History

Founded in 1993 as a "non-profit, non-partisan idea center" according to a 1995 Mission Statement, the foundation was established in reality at the initiative of Rep. Newt Gingrich to advance his political credentials and to propagandize the post-industrial worldview of futurists Alvin and Heidi Toffler. P&FF published a book in 1994 by the Tofflers, *Creating a New Civilization: The Politics of the Third Wave*, with a lengthy introduction by Gingrich. The book was ini-

tially published by Ted Turner, owner of the Cable News Network and a leading New Age propagandist.

More recently, P&FF published *Cyberspace and the American Dream: A Magna Carta for the Knowledge Age*, aggressively peddling the replacement of modern industry with information-based society. The document was authored by Keyworth, the Tofflers, and George Gilder, a director of the Mont Pelerin Society-founded Manhattan Policy Institute and a contributor to *National Review*.

P&FF markets a college-level "American history" course by Gingrich titled "Renewing American Civilization," which peddles a twisted version of American history based on the writings of British East India Company propagandist Adam Smith, the Tofflers, and other futurists like Peter Drucker. P&FF has recently come under scrutiny due to large infusions of funds from corporate sponsors anxious to get backing from Speaker of the House Gingrich. In a recent *Washington Post* interview, foundation President Eisenach admitted that funds are pouring in and that the group plans to move into new offices and greatly expand its operations.

## Funding

AT&T, the Lynde & Harry Bradley Foundation, Cox Cable Communications, Federal Express, Forbes, Inc., GE Foundation, Golden Rule Insurance Company, IBM Corp., Claude R. Lambe Charitable Trust, Lockheed Aeronautical Systems, Northwestern National Life, the Randolph Foundation, Joseph E. Seagram & Sons, Inc., Siemens Corp., Solvay Pharmaceuticals, Southern California Edison, John W. Uhlmann Foundation, Windway Foundation, BellSouth, W.H. Brady Foundation, the Coca-Cola Company, Cox Broadcasting, the R&J Ferst Foundation, Ford Motor Company Fund, Georgia Power, Intel Corp., Johnson & Johnson Corp., the Charles G. Koch Charitable Foundation, Mortgage Insurance Companies of America, the Samuel Roberts Noble Foundation, John M. Olin Foundation, Scientific Atlanta, Siemens Energy and Automation, Turner Broadcasting System Inc., Windway Capital Corp., *Wired* magazine.

## Policies

The foundation seeks to transform the Republican Party into the avant-garde agency peddling Toffler's "Third Wave" post-industrial theories inside the federal government, and from there, around the world. The August 1994 issue of the foundation's newsletter, *Future Insight*, described this process as follows: "The Third Wave, and the Knowledge Age it has opened, will not deliver on its potential unless it adds social and political dominance to its accelerating technological and economic strength. This means repealing Second Wave laws and retiring Second Wave attitudes. It also gives to leaders of the advanced democracies a special responsibility—to facilitate, hasten and explain the transition."



## American Legislative Exchange Council

910 17th St. NW, Fifth Floor, Washington, D.C. 20006  
(202) 466-3800

### Key personnel

Board of directors is comprised of elected state and local officials. Current members: national chairman, Sen. Ray Powers, Colorado; first vice chairman, Rep. Dale Van Vyven, Ohio; second vice chairman, Sen. Joseph Manchin III, West Virginia; treasurer, Rep. Bonnie Sue Cooper, Missouri; secretary, Sen. Brad Gorham, Rhode Island; immediate past chairman, Rep. Harold J. Brubaker, North Carolina; *ex officio* members, Allan E. Auger, Coors Brewing Co.; Samuel A. Brunelli, executive director.

Private Enterprise Board: chairman, Allan E. Auger, Coors Brewing Co.; first vice chairman, Tina A. Walls, Philip Morris, Inc.; second vice chairman, Alan Bronson Smith, Nationwide Insurance Companies; secretary, Edward D. Failor, Iowans for Tax Relief; immediate past chairman, Ronald F. Scheberle, GTE Corporation.

Other board members: Marie Chelli, Joseph E. Seagram & Sons, Inc.; Louie Curto, Shell Oil Company; Les Goldberg, American Express Co.; Roger L. Mazingo, R.J. Reynolds Tobacco Company; Daniel J. Zaloudek, Koch Industries.

### History

Founded in 1973 to recruit state and local elected officials and promising future candidates to radical free market outlook. Functions as a grassroots arm of major Washington, D.C. think-tanks including Heritage Foundation, Cato Institute, Reason Foundation (all share personnel and funding sources, especially from the Koch family), National Taxpayers Union, Gun Owners of America, U.S. English, and the Christian Coalition.

Sources familiar with ALEC activities report that in recent years, the group has de facto merged with Rev. Paul Weyrich's Free Congress Committee and also enjoys very close grassroots ties to the Christian Coalition and key personnel from the now-defunct Moral Majority.

### Funding

ALEC is funded primarily by the corporate contributions

of the leading representatives of the liquor interests (Seagrams, Hiram Walker, Distilled Spirits Council), tobacco industry (Philip Morris, R.J. Reynolds), and gambling interests (Promus, Argosy Gaming Company, Maximus, Del Webb Corp.), the major law firms associated with those enterprises, the prison privatization/convict labor lobby (Corrections Corporation of America, private bail bonding associations), insurance corporations, a segment of the energy industry (particularly the British-dominated firms such as Shell and ARCO), Walmart, Amway, a large number of Fortune 500 companies, and an array of national industry lobbying organizations. A major role in ALEC funding is played by the Koch family.

### Policies

ALEC is the prime source of an effort to destroy the government created under the articles of the Constitution of the United States, and replace it with elements drawn from the Articles of Confederation and the Constitution of the Confederate States.

In December 1994, at an orientation conference for newly elected state legislators in Washington, D.C., ALEC feted Walter Williams, a Hayekian economics professor at George Mason University, who urged the audience to organize a new "secession." He noted that this proposal elicits the objection, that the Civil War was a bloody failure to do just that. "But that was the second attempt," he said. "Who knows what will happen the third time?"

An address to the same conference by Rep. Harold Brubaker of North Carolina, the immediate past national chairman of ALEC, is typical of the lies and Confederate propaganda which interweave American Legislative Exchange Council literature. Brubaker was sounding the theme that the only legitimate government is that government created by state legislatures, and therefore, state legislatures should see themselves as sovereign and superior to the federal government.

"Indeed," he said, "it is the states that created every government in the nation. And the states themselves are the creation of the people. . . . Constitutionally, the United States and its entire federal structure are the creation of state legislatures."

For 20 years the American Legislative Exchange Council and its allied National Taxpayers Union (NTU) have been spreading the call for a constitutional convention (an effort which came dangerously close to success during the Reagan presidency), for the explicit purpose of undermining the general welfare and equal justice clauses of the Constitution. The latest permutation is the campaign to "revive the Tenth Amendment" which is all the rage among populists and their radio talk show hosts. Like the "unfunded mandates" and "balanced budget" issues, this latest fad is the carefully cultivated work of ALEC and the collection of thieves, mobsters, and multinational cartels which are funding the

populist movement.

ALEC proposes that states create a Constitutional Defense Council, funded by the state treasury, and other sources, to organize challenges to "the Authority granted to, or assumed by, the federal government" and to conduct "any other activity that is deemed appropriate by the Council." At the December conference in Washington, Larry Pratt of the ALEC-affiliated Gun Owners of America, openly called for the creation of state militias which should be prepared to do battle with the Army of the United States. Pratt is associated with Ambrose Evans-Pritchard, and his zombie Larry Nichols, who has made violent threats against President Clinton.

The pet peeve of American Legislative Exchange Council Executive Director Sam Brunelli is the fact that public employees, on average, still enjoy wages and benefits only somewhat below the 1960s standard. Brunelli wishes to crush this in order to bring them into the Dickensian world of part-time employment, minimum wages, and "death care" administered by the health maintenance organizations (HMOs) that the corporations he speaks for have created for the rest of the working population.

Brunelli and the American Legislative Exchange Council would accomplish this by "privatizing" various public services. This effort has been promoted among state and local governments for years, and has never caught fire, much to ALEC's chagrin. The American Legislative Exchange Council points to the reason this is so: The savings promised by the privateers rarely materialize, and when they do, they are based on cutting the benefits and health care packages of the "privatized" workforce.

ALEC produces model legislation urging state governments to revolt against the "unfunded mandates" of the federal government. According to studies which underlie the legislation, there is no reliable, quantifiable, definition of what "unfunded mandates" are or what they cost—except for Medicaid, which is the most visible entitlement program, and represents the lion's share of the "unfunded mandates" that are targeted for cuts.

The American Legislative Exchange Council is closely tied to the corporations and institutions that are attempting to revive widespread use of convict labor. Legislation pushed by ALEC has been used in several states to privatize some correctional institutions. As with other social services, there are no "savings," other than those created by lowering the wages and benefit packages of guards and employees, and cutting manpower. Many states have found that the cost of constructing private prisons and managing them to mandated standards, is prohibitive for private contractors, and therefore, according to ALEC, privatization is frequently abandoned. The industry, which is strongly supported by ALEC spokesman William Barr, is looking to convict labor to produce a margin of profit.



NATIONAL TAXPAYERS UNION

## National Taxpayers Union, NTU Foundation

325 Pennsylvania Ave. SE, Washington, D.C. 20003  
(202) 543-1300

### Key personnel

**James Dale Davidson.** Chairman. Educated at University of Maryland, B.A., and Pembroke College, Oxford. Principal of Strategic Advisors Corp., Baltimore, "an asset management group for wealthy individuals." Chairman of Agora Publishing, Baltimore. Partner in Harwood Association (real estate partnership). Partner in Brain Damage (real estate partnership). Director, Pembroke College Foundation. Member, United Oxford-Cambridge Club. Former chairman of *Hulbert Financial Digest*. Author of *The Eccentric Guide to the United States*, 1977; *The Squeeze*, 1980; *The Plague of the Black Death: How to Survive the Coming Depression*, 1993; co-author with Lord William Rees-Mogg, *Blood in the Streets*, 1987, and *The Great Reckoning*, 1992.

**Gregory Barnhill.** Director. Managing director for international sales, Alex. Brown & Sons, oldest investment bank in the United States, Baltimore.

**William Bonner.** Director. Publisher of Agora, Inc., Baltimore.

**Mark Hulbert.** Director. President and publisher, *Hulbert Financial Digest*. Columnist for *Forbes*.

**Curtin Winsor.** Director. Director, Riggs Investment Management Corp.

**Jerry L. Jordan.** Advisory Board. President, Federal Reserve Bank of Cleveland. Advisory Board, Reason Foundation. Cato Institute adjunct scholar. Member, American Bankers Association Economic Advisory Committee. Member, President Reagan's Council of Economic Advisers, 1981-82. Served as president of the National Association of Business Economists.

**Prof. Allan H. Meltzer.** Advisory Board. Professor at Carnegie-Mellon University. Director, Sarah Scaife Foundation. Director, Commonwealth Foundation. Director, Global Economic Action Institute. Governor, Federal Deposit Insurance Corp. Visiting scholar, American Enterprise Institute, 1989—. Chairman, Shadow Open Market Committee. John M. Olin Professor of Political Economy and Public Policy, 1980-91. Member, President's Economic Policy Advisory Board, 1988-90. Fellow, Hoover Institute, 1977-78. Visiting professor, University of Chicago, 1964-65. Member, Cos-

mos Club. Member, Philadelphia Society (vice-president, 1981-83).

**Prof. David Meiselman.** Advisory Board. Virginia Polytechnic Institute. Special unit on derivatives.

**Robert W. Poole, Jr.** Advisory Board. President and trustee, Reason Foundation. Member, Young Americans for Freedom. Former head, Radicals for Capitalism.

**Dr. Alvin Rabushka.** Advisory Board. Hoover Institute.

**Dr. Anna J. Schwartz.** Advisory Board. National Bureau for Economic Research. Co-author with Milton Friedman, *A Monetary History of the United States*.

**Prof. Gordon Tullock.** Advisory Board. Professor of economics, George Mason University's Center for the Study of Public Choice. Member, Mont Pelerin Society. Author, with James M. Buchanan, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, 1962. Tullock "has always been a central figure in the effort to revitalize old-style political anarchism as a new brand of libertarianism."

**Walter E. Williams.** Advisory Board. Trustee, Reason Foundation. Heritage Foundation distinguished scholar. Cato Institute adjunct scholar. John M. Olin distinguished professor of economics. Board chairman, Center for Market Processes, George Mason University. Member, Virginia Gov. George Allen's commission for states rights. Fill-in talk show host for Rush Limbaugh.

**Paul S. Hewitt.** Vice president for research. Founder and former president, Citizens for Generational Equity. Adjunct fellow, Hudson Institute.

**Neil Howe.** Chief economist. Former director of research, Citizens for Generational Equity. Former managing editor, the *American Spectator*. Co-author with Peter G. Peterson of *On Borrowed Time: How the Growth of Entitlement Spending Threatens America's Future*, 1990.

**James M. Buchanan.** Advisory member, Mont Pelerin Society, president 1984-86. Member, American Economics Association. Executive committee, American Academy for Arts and Sciences. Nobel Prize in economics, 1986. Founder, Center for Study of Public Choice, George Mason University, 1969. Editor, with R. Tollison, *The Theory of Public Choice*, 1972; *Freedom in Constitutional Contract*, 1978; *Liberty Market and State*, 1985; *Economics and Ethics of Constitutional Order*, 1991.

## History

According to the group's literature, 22-year-old University of Maryland graduate student James Dale Davidson founded the National Taxpayers Union in 1969, after becoming disenchanted with the Richard Nixon for President campaign, on which he had worked as a volunteer. Davidson claims he wanted to establish a group that would end wasteful government spending.

In 1975, James Clark, then a Maryland state senator,

approached Davidson about a resolution for a constitutional convention to adopt a balanced budget amendment, which Clark had just shepherded through the Maryland legislature. The NTU adopted the balanced budget amendment as its number-one priority, and by 1979 had obtained the support of 30 state legislatures. The NTU blames "several far-right and extremist groups" for joining with the AFL-CIO in 1987 to persuade some state legislatures to rescind their call for a constitutional convention.

## Funding

The combined financial statement of the NTU and the NTU Foundation for 1993 states that total funding amounted to \$5.1 million; of this, \$2.7 million came from dues and contributions, and \$2.2 million came from new member dues. The balance came from other types of income, including publication sales.

A 1989 booklet celebrating the 20th anniversary of the founding of the NTU extends "special thanks" to, among others: K. Tucker Anderson, Louise Clark, Sol Erdman, Richard Headlee, Michael Keiser, Charles Koch, E.A. Morris, Joyce Pillsbury, Robert Wilson, and Templeton Funds Management.

## Policies

The NTU proclaims that its number-one goal since 1975 has been a balanced budget amendment to the U.S. Constitution. The group claims credit for helping pass the Gramm-Rudman-Hollings Deficit Reduction Act of 1982, and for helping initiate the drive to have state legislatures call for a U.S. constitutional convention to enact a balanced budget amendment.

Before the collapse of the Soviet Union, the NTU repeatedly called for reducing U.S. spending in defense of its European and Asian allies, and for cutting "generous military pensions."

In the early 1990s, the NTU campaigned to eliminate the social safety net under America's elderly, including the release of a 1993 publication by staffer Paul Hewitt, claiming that the agenda of the American Association of Retired Persons would "bankrupt America."

The NTU claims to be against wasteful spending, but it appears that any government spending on the development of new technologies is "wasteful" to the group. The NTU brags that it led in eliminating funding for: the Supersonic Transport; the Clinch River Breeder Reactor; the Synthetic Fuels Corp.; the Superconducting Super Collider, the Advanced Metal Nuclear Reactor, and the Advanced Solid Rocket Motor.

On Jan. 31, 1995, the National Taxpayers Union announced that it had formed a coalition with the Friends of the Earth, to campaign against funding for: the National Ignition Facility at Lawrence Livermore National Laboratory; the Gas Turbine-Modular Helium Reactor; the development of Ad-

vanced Light Water Reactors; the Yucca Mountain High-Level Nuclear Waste Repository; the Tokamak fusion reactor at Princeton University; the Atomic Vapor Laser Isotope Separator; the Advanced Neutron Source at Oak Ridge, Tennessee; the Clean Coal program; \$450 million in other coal research and development programs; the Rural Electrification Administration; the Bonneville Power Administration; various dams, water projects, and hydroelectric projects, not just in the United States, but around the world; various irrigation projects, including the Coastal Flood Insurance reform; the Natural Disaster Protection Fund Proposal; the Army Corps of Engineers Inland Waterways Operations and Management Budget; and the Corps of Engineers Civil Works program.



## Cato Institute

1000 Massachusetts Ave. N.W. Washington, D.C. 20001  
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### Key personnel

**Edward H. Crane.** President and CEO. Member, Mont Pelerin Society. Member, national advisory board, National Organization for the Reform of Marijuana Laws. Board of directors, Institute for Research on the Economics of Taxation and Americans to Limit Congressional Terms. Member, National Taxpayers Legal Fund (board of directors 1978-82). National chairman, Libertarian Party (1974-77). Best of friends with *Bell Curve* author Charles Murray.

**William A. Niskanen.** Chairman. Member, Public Choice Society, Western Economic Association, American Economic Association, Council of Economic Advisers (1981-85). Founder, National Tax Limitation Committee. Staff economist, RAND Corp. (1957-62). Staff director, Department of Defense (1962-64). Division director, Institute for Defense Analysis (1964-70). Assistant director, Office of Management and Budget (1970-72).

**David Boaz.** Executive vice president. Research director, Clark for President Committee (1980). Executive director, Council for a Competitive Economy (1978-80). Executive director, Young Americans Foundation (1975-76). Board of directors, Center for Independent Thought. Author, *The Crisis in Drug Prohibition*, 1990; *Liberating Schools: Education in the Inner Cities*, 1991.

**James A. Dorn.** Vice president for academic affairs. Editor, *Cato Journal*. Research fellow, Institute for Humane Studies, George Mason University. Member, White House Commission on Presidential Scholars (1984-90). Public Choice Society. Hayek Fund grantee at the Institute for Hu-

mane Studies (1986-87).

**Doug Bandow.** Senior fellow, 1984-. Senior policy analyst, Reagan for President Committee 1979-80; Office of President Elect 1980-81. Special assistant to the President for policy development at White House, 1981-82. Editor, *Inquiry* magazine, 1982-84. Editor, *Protecting the Environment*, 1986.

**Stephen Moore.** Director, fiscal policy studies. Co-author, "Contract with America." Visiting fellow, Joint Economic Committee, 1994. Research coordinator, National Commission on Privatization, 1987. Special consultant, National Economic Commission, 1988. Former Grover Hermann fellow in budgetary affairs at Heritage Foundation. Co-author, with Heritage's Stuart Butler, *Privatization: A Strategy for Taming the Federal Budget; Slashing the Deficit: A Blueprint for a Balanced Budget by 1993; Doomsday Delayed: America's Surprisingly Bright Natural Resource Future*.

**Paul Craig Roberts.** Distinguished fellow. Member, Mont Pelerin Society. See Reason Foundation.

**James M. Buchanan.** Distinguished fellow. Member, Mont Pelerin Society. See Reason Foundation.

**P.J. O'Rourke.** Mencken Research Fellow. Editorial board, *American Spectator*. Former editor, *National Lampoon*. Writer, current chief foreign affairs desk, *Rolling Stone*.

**John A. Baden.** Adjunct scholar. See Reason Foundation.

**Ronald A. Bailey.** Adjunct scholar. New River Media. Contributing editor, *Reason* magazine.

**Richard Epstein.** Adjunct scholar. See Reason Foundation.

**Steve H. Hanke.** Adjunct scholar. See Reason Foundation.

**Jerry L. Jordan.** Adjunct scholar. See Reason Foundation.

**Don Lavoie.** Adjunct scholar. Comparative economics professor at Center for Market Processes, George Mason University.

**Henry G. Manne.** Adjunct scholar. Member, Mont Pelerin Society. See Reason Foundation.

**David I. Meiselman.** Adjunct scholar. Professor, Virginia Polytechnic Institute and State University. Advisory board, National Taxpayers Union Foundation.

**Thomas Gale Moore.** Adjunct scholar. Member, Mont Pelerin Society. See Reason Foundation.

**Gerald P. O'Driscoll, Jr.** Federal Reserve Bank of Dallas.

**Sam Peltzman.** Adjunct scholar. See Reason Foundation.

**Alvin Rabushka.** Adjunct scholar. Hoover Institute. NTU Foundation advisory board.

**Pedro Schwartz.** Adjunct scholar. Iberagents, S.A. Adjunct scholar, Heritage Foundation.

**Julian L. Simon.** Adjunct scholar. Adjunct scholar, Her-



itage Foundation. See Reason Foundation.

**Richard Stroup.** Member, Mont Pelerin Society. Senior associate, Political Economy Research Center 1980-. Professor, Montana State University. Director, Interior Department Office of Policy Analysis, 1982-84. Member, American Economics Association, Western Economics Association (executive committee, 1985-88), Philadelphia Society, Public Choice Society.

**Thomas Szasz.** Adjunct scholar. State University of New York, Health Science Center, Syracuse, 1956-. Contributing editor, *Reason* magazine. Staff, Institute of Psychoanalysis, 1951-56. Author, *Pain and Pleasure*, 1957; *Law, Liberty and Psychiatry*, 1963; *Our Right to Drugs: The Case for a Free Market*, 1992. Contributing editor, *Libertarian Review*. Alfred R. Lindesmith award for writing, Drug Policy Foundation, 1991. Named Humanist of the Year, American Humanist Association, 1973.

**Norman B. Ture.** Adjunct scholar. President, Institute for Research on the Economics of Taxation, 1983-. Staff, Treasury Department, 1951-55; Joint Economic Committee, 1955-61; National Bureau of Economic Research, 1961-68; Planning Research Corp., 1968-71. Undersecretary for economic affairs, Treasury Department, 1981-82. Heritage Foundation, adjunct scholar.

**Walter E. Williams.** Adjunct scholar. Heritage Foundation, distinguished scholar. See Reason Foundation.

**Leland B. Yeager.** Member, Mont Pelerin Society, Royal Economic Society, American Finance Association. Department chairman, University of Virginia.

**K. Tucker Anderson.** Funder. Director, Cumberland Associates (key financial backer to 1994 Newt Gingrich election campaign). Funder, National Taxpayers Union (NTU).

**Frank Bond.** Funder. Founder, Holiday Health Spas. Head, the Foundation at Timonium, Maryland. Trustee, Reason Foundation.

**Richard Dennis.** Funder, director. Trustee, Reason Foundation. President, Dennis Trading Group. President, Chicago Resource Center. Funder, board member, Drug Policy Foundation.

**David H. Koch.** Funder. Trustee, Reason Foundation. Executive vice-president, Koch Industries. Head, David H. Koch Charitable Foundation. Chairman, Citizens for a Sound Economy Foundation. Fred C. Koch Charitable Foundation. Vice presidential candidate, Libertarian Party, 1980.

**Charles G. Koch.** Funder. President, Koch Industries. Head, Charles G. Koch Charitable Foundation; Claude R. Lambe Charitable Foundation; Humane Studies Foundation; Fred C. Koch Charitable Foundation; KochPac, contributing \$145,000 to 1994 election campaigns. Director, Institute for Humane Studies, George Mason University. Funder, NTU. Cato has received \$21 million of Koch money over the years.

**Howard S. Rich.** Funder. President, U.S. Term Limits. Funder, NTU. Chairman, Laissez Faire Books.

**Michael Keiser.** Funder. Funder, NTU.

**Robert Wilson.** Funder. Funder, NTU.

## History

Cato was founded in California in 1977 as the think-tank of the Libertarian Party. Libertarian Party national chairman Ed Crane joined up with Charles de Ganahl Koch, heir to Koch Industries, a huge oil, gas, and petrochemical fortune and the second biggest privately held corporation in the United States, to found the Cato Institute, as a tax-exempt organization. Cato moved to Washington in 1981, to become a leading "conservative" voice promoting extreme austerity, homosexual rights, drug legalization, and sharply restricted U.S. foreign policy.

## Funding

Foundations: American Petroleum Institute, Armstrong, Lynde and Harry Bradley, Capital Fund (Michael Milken), Earhart, Grover Hermann, William and Flora Hewlett, J.M. Mayer & Morris Kaplan, David H. Koch, Vernon K. Kriebel, Claude R. Lambe (Koch), Roe, Sarah Scaife, Soros-Hungary.

Corporations: Ameritech, Amoco, ARCO, Chase Manhattan Bank, Chicago Mercantile Exchange, Citicorp/Citibank, Coca-Cola, Emerson Electric, Enron, Exxon, Federal Express, Golden Rule Insurance, Koch Industries, Pfizer, Philip Morris, Procter & Gamble, Prudential Securities, Joseph A. Seagram & Sons, Shell Oil, Sun Refining & Marketing, Tenneco Gas, Transco Gas, Upjohn.

## Policies

Radical shrinking of the federal government, shutting down all Executive branch agencies except State, Justice, and a miniaturized Defense Department, with all other government powers relegated to the states. Advocates drug legalization and "gay rights."

Cato's newly released *Handbook for Congress* calls for six-year congressional term limits, takes the federal government totally out of welfare and education.

Cato radical austerity program would shut down agricultural subsidies, food stamps, Head Start programs, low-income housing assistance, elementary and secondary education grants, wastewater treatment grants, and the space station, along with 100 other agencies and programs. Federal lands, supposedly valued at \$100 billion, would be sold. Radical tax reform proposal would replace income tax with sales tax and eliminate capital gains taxes altogether. Major boondoggle for real estate and stock speculators.

Social Security reforms top its domestic agenda, with a proposed increase in the retirement age to 70. Workers under 50 would be allowed to shift some of their Social Security payroll taxes into individual investment accounts—i.e., privatized funds. Cato would eliminate all bilateral and multilateral foreign aid. Following the lead of the Mont Pelerin Society, Cato even calls for shutting down the International Monetary Fund and World Bank. All U.S. military technology projects would be ended and the military budget shrunk to \$204 billion by 2000.

# The Mont Pelerin 'enforcers' inside the U.S. Congress

One of the reasons that the Mont Pelerin apparatchiks at the Heritage Foundation and related institutions were so anxious to closet the congressional freshmen for several days of "tough love" orientation/behavior modification, is that many of the new legislators are not necessarily prepared to tell their constituents to roll over and die, just because that's what's written in the Contract with America.

To break any tendencies toward genuine constituency politics, the Conservative Revolution faction inside the GOP hierarchy has managed to install a team of free-market revo-

lutionists—true "Hayekians"—in some of the most important House and Senate leadership posts to ride herd over the fragile GOP majority.

On Capitol Hill today, as in Nazi Germany in the 1930s, the Conservative Revolution is a top-down affair. The fate of the 104th Congress will largely be determined by the extent to which the Mont Pelerin apparatus is able to enforce discipline.

Here are profiles of some of the hard-core stooges of the Mont Pelerin crowd who are the would-be enforcers. The dossiers were prepared by Mark Sonnenblick.

## Phil Gramm

Sen. Phil Gramm (R-Tex.) rants and raves against government spending in the name of "the people who do the work, pay the taxes, and pull the wagon." Yet, he receives more money from vested interests (financiers, health industry, oil) than any other Republican. For services rendered, he has amassed \$5 million for his 1996 presidential campaign, to be announced on Feb. 24.



Gramm is the Senate's most ardent Conservative Revolutionary. "I want to make sure we've changed government forever," he says. "If I don't do it, it may not get done."

Gramm's solution to welfare, is to pay wages below the poverty level. He told *USA Today* on Dec. 1, 1994: "Even if the best job was for \$3 an hour, I'd be willing for them to take it. There's dignity in any job."

Democrats sent Gramm to the House in 1978. He spied on Democratic strategy sessions and later schemed with Budget Director David Stockman to pass Reagan's disastrous 1981 tax and spending cuts. That and the Gramm-Rudman "balanced-budget" act, which he co-authored, ended up doubling the national debt; the resulting added interest costs today account for all of the annual federal deficit. It also bankrupted the states by dumping responsibility on them for hundreds of billions of dollars of unfunded mandates.

In 1982, Vice President George Bush wrote an adulatory

introduction to a book of Gramm's philosophical utterances. The book was published by the Fisher Institute, a Dallas offshoot of the Mont Pelerin Society, of which Gramm has been an active member. In 1983, Gramm came out of the closet as a Bush-league Republican; the Republicans helped him get into the Senate on their ticket.

Gramm "is not very well thought of in the Senate, even among Republicans themselves," according to Marilyn Quayle. He is considered greedy, transparently ambitious, demagogic, deceitful, and ignorant. The *Dallas Morning News* uses the term "Grammstanding," to mean taking credit for something you voted against. Senate Majority Leader Robert Dole (R-Kan.) recently blocked Gramm from a seat on the Finance Committee, which would have helped Gramm raise millions for his presidential war chest by writing tax loopholes for privatizers.

Gramm is consistently two-faced on the question of taxes. He backed a tax hike shortly before his reelection in 1990. "The reason, some cynics said, was that he did not want to be associated with any chaos that might be caused by shutting down the government due to the sequestration provisions of his own Gramm-Rudman law," the *Almanac of American Politics* commented.

When the savings and loans went broke, Banking Committee member Gramm won conditions in which the taxpayers paid for the bad loans on the S&L books, while their billions in good assets were given away at bargain-basement prices to big banks, including NCNB (now NationsBank). NCNB contributed \$18,000 to Gramm through 1992. The moribund First City Bancorp gave him \$52,403 and got protection while it sheltered its good assets before it went bankrupt and left the Federal Deposit Insurance Corp. with its worthless ones.

Gramm has been the largest recipient of contributions

from commercial banks and S&Ls, and the largest Republican beneficiary of securities and investment brokers, lawyers, and lobbyists. That doesn't include questionable gifts, such as a Texan who owned three failed savings banks picking up half the cost of completing Gramm's vacation house. Gramm had enacted an amendment to keep such insolvent thrifts operating and had asked regulators for special treatment.

Gramm's wife, Wendy Lee Gramm, is also an avid backer of free trade economics. She made possible the cancerous growth of the financial derivatives bubble, with the help of Gramm, D'Amato, and Bush, during her chairmanship of the Commodity Futures Trading Commission in the Bush administration. She not only fought off pressures after the 1987 stock market crash for more regulation of programmed trading and financial derivatives, but won derivatives brokers almost total deregulation and exemption from oversight. Where some oversight remained, she defended brokers' reduction of margin requirements to 15%. In 1992, the senator mobilized farm-state senators to prevent her from being stripped of authority over stock market futures.

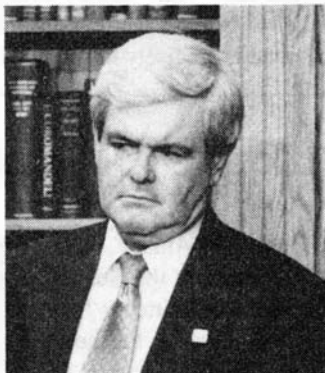
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## Newt Gingrich

The \$5,000 replica of a flesh-eating Tyrannosaurus Rex's skull that the Smithsonian Institution is molding for House Speaker Newt Gingrich's (R-Ga.) office, is suggestive of the way Gingrich's mind works.

Gingrich married his high-school math teacher, who paid his way through college and grad school, only to file divorce papers on her while she was hospitalized with cancer. He explained, "Jackie isn't young young enough or pretty enough to be the wife of the President of the United States." He balanced his budget by not paying contracted alimony and child support, forcing his wife to beg and to sue him. Yet the Christian Coalition pledged to Gingrich a million dollars and a million prayers to help pass his balanced budget amendment.

A consistent element in his record is his chameleon-like politics. A supposed "conservative," Gingrich drew much of his support for his 1978 election victory from environmentalists. *Who's Who* lists his membership in the Georgia Conservancy and the Sierra Club. In 1990, he helped pass the Clean Air Act, which has burdened the economy with hundreds of billions of dollars in inflationary costs. Gingrich co-sponsored the Endangered Species Act, which has been used to shut down the productive economy, with confessed child-molester Rep. Gerry Studds (D-Mass.).



Gingrich made his big leap to leadership for his attack on House Speaker Jim Wright (D-Tex.). His December 1987 complaint to the ethics committee over a \$12,000 payment Wright had received for a book deal led to a fishing expedition and Wright's resignation in June 1989. To the dismay of most senior Republicans, Gingrich won a 1989 House Republican election for their number two spot (minority whip) by an 87-85 vote. His leadership was consolidated in late 1992 when three of his fellow Conservative Revolutionaries won lower-level leadership posts.

In 1989, Gingrich got away scot-free on a similar book deal and other questionable income streams. In December 1994, he signed a contract with Rupert Murdoch for a \$4.5 million advance on a book; the fate of Australian Murdoch's U.S. TV empire hangs on government decisions. Gingrich gave up the advance, but reportedly stands to gain that amount and more in royalties.

Mr. "Balanced Budget" wrote 22 overdrafts on the House bank, while riding in a government-funded, chauffeured Lincoln and voting for higher pay for congressmen—that almost cost him reelection in 1990. His "philosophical principles" never interfered when it came to "big government" spending big bucks in his district.

The Speaker has shown by example how to transform government into private enterprise. Entrepreneurs make tax-deductible contributions to his nest of funding conduits, and seem to get the opportunity to "participate" in government decisions affecting their interests.

Newt's biggest sponsors are anxious to get government off their backs. *EIR* will soon profile the rich gang of cultists, vulture capitalists, "roach-motel" insurance companies, Dope, Inc.-linked money-bags, and leveraged-buyout kings who contribute to Gingrich's \$15 million GOPAC slush fund.

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## Richard Arme

The "Contract with America" was written by House Majority Leader Richard Arme's (R-Tex.) staff—Larry Hunter, of the Joint Economic Committee, and Steve Moore, who was on loan from the Cato Institute. Arme is the purest Adam Smith and Friedrich von Hayek ideologue among the privateers

in Congress. He worships at the altar of free trade. He is a "Distinguished Fellow of the Fisher Institute," named for Antony Fisher of the Mont Pelerin Society. Arme predicts that "by 1996 . . . we will then be able to advance to a true Hayekian agenda."



Arney is so vulgar and aggressively obnoxious that even House Speaker Newt Gingrich (R-Ga.) keeps a safe distance. "If you like peace more than freedom, you lose," is his motto. Arney makes calculated demonstrations of his "conservative" credentials by grandstanding against pornography and homosexuals. On Jan. 27, he caused a flap by speaking of Barney Frank (D-Mass.), his erstwhile partner in looting farmer protection programs, as "Barney fag."

On the Education and Labor Committee he made meetings last five times longer than necessary. Hillary Clinton called him the "Dr. Kevorkian of health care reform." He replied with insults and later described President Clinton to Democrats as "your President." "The politics of confrontation works and the politics of appeasement fails," Arney asserted last year. "What are we going to do—bargain with them?"

A disgruntled college professor, Arney preached the "miracle of the market" cult of economist George Gilder until the Mont Pelerinites ran him for Congress in 1982. He lost by 350 votes, but won in 1984 on Reagan's coattails. When first elected, he slept on a cot in the House gym. When evicted from there, he slept on a couch in his office.

At first, Arney gave boring renditions of Mont Pelerin doctrine and introduced ideological amendments which went nowhere. Later, he stuck closer to populism. He learned to embellish every sentence with a four-letter word: "pork." "Pork . . . pork . . . pork," he squeals, while eating from the trough: Arney received \$5,000 from Chase Manhattan while on the Banking Committee in 1991-92, part of over \$65,000 he received from the financial community. Only about 5% of his contributions came from individuals not part of some defined lobby.

Arney didn't let his anti-government ideology interfere with his support for funding projects near his district, such as the Supercollider.

He established himself as a "budget commando" through his mid-1980s crusade to close military bases, something desired by the big weapons contractors who contribute heavily to his campaigns. In 1988, Arney pushed through his proposal that all base-closing decisions were to be made by an independent commission. This established the "fast track" precedent for neutralizing constituency pressures. He reflects, "As the success of the base-closing process demonstrates, it's easier for members to cast a vote for procedural reforms that lead to tough cuts than to vote for the cuts themselves."

### Better they don't know

That's why he is fighting to pass a balanced budget amendment, while hiding its effects from the American people. He explained on Jan. 8: "The fact of the matter is, once members of Congress know exactly, chapter and verse, the pain that the government must live with in order to get a balanced government, their knees will buckle." Arney claims that "entitlement spending is partisan pork." He no

longer advocates phasing out Social Security, as he did in 1984, but calls for chiseling pensioners out of their cost-of-living increases by fudging official inflation statistics.

He also wants to scrap what little is left of aid to farmers. During his 1994 fight for passage of the General Agreement on Tariffs and Trade free-trade bill, Arney declared: "Consumption is the sole end and purpose of economic activity, and to the extent that government intervenes in the economy, it should do so on behalf of the consumer, not the producer." He claimed that "only those who are non-competitive ask for restraints on trade on their behalf, and the government gains power by responding to the needs of the least among us." He went on, "The market punishes immorality and incompetence . . . with . . . 'creative destruction.' The government rewards immorality and incompetence by what I call the visible hand of government and punishes morality and competence by the 'invisible foot.'"

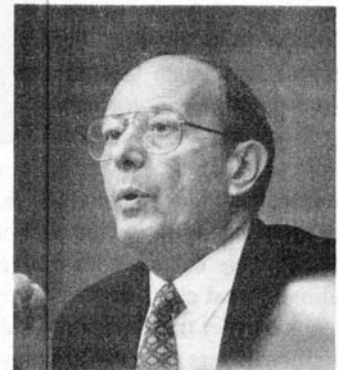
Arney's 1995 tax plan includes making all interest, dividends, and capital gains tax free; and taxing all earned incomes over \$35,000 for a family of four with a flat rate of 17%. A Treasury study found that this plan would increase taxes for families earning under \$100,000 by an average of \$1,700, while reducing taxes for families earning over \$200,000 by \$56,000 each. The government would lose \$220 billion each year. Arney says the government would lose only \$40 billion, but that disabling the government's ability to spend is precisely his objective.

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## Alfonse D'Amato

Alfonse D'Amato (R-N.Y.) chairing the Senate Banking Committee is like the fox guarding the henhouse. For example, in 1985, many savings and loan associations were in bad shape. D'Amato led the fight in the Securities subcommittee of the Banking Committee, which he chaired, to allow desperate S&L managers to jump into wild speculation on high-risk ventures sold by junk bond pirates led by Michael Milken's Drexel Burnham Lambert. At the same time, he was accepting campaign contributions of over \$200,000 from Drexel and nearly a million more raised by Drexel from financier contacts. When the S&Ls collapsed, U.S. taxpayers were forced to pick up a \$500 billion tab.

After receiving below-market-rate loans for his campaigns and his private business ventures from the Bank of New York, he put his name on a brief supporting the bank's lawsuit to prohibit restrictions on interstate banking, through



which the big New York banks hoped to feast on the carcasses of the S&Ls and local banks.

In 1981, D'Amato used his subcommittee chair to make E.F. Hutton executive John Shad, who had just become a D'Amato financial angel, chairman of the Securities and Exchange Commission. Shad continued financing D'Amato. In 1986, Ivan Boesky was caught using "insider information" from Drexel Burnham Lambert to cheat other investors. Public watchdog Shad helped Boesky save much of his illegally obtained fortune, then resigned from the SEC, only to turn up in March 1989 as chairman of the soon-to-be-indicted firm of Drexel Burnham Lambert!

By 1986, D'Amato's list of major contributors looked like a "Who's Who" of Wall Street. E.F. Hutton, Dillon Reed, First Boston Corp., L.F. Rothschild, Salomon Brothers, and Shearson Lehman were among his backers, and David Rockefeller was a big fundraiser.

D'Amato is also a point man for the London oligarchy's assault on the presidency. Ironically, the unproven allegations against Clinton in the so-called Whitewater affair look piddling next to D'Amato's sleaze. Count on D'Amato, however, to use innuendo, intimidation, and trial by histrionics. D'Amato's mentor was the sadistic homosexual Roy Cohn, former legal counsel to Sen. Joe McCarthy. Cohn, chief fixer for Jewish- and Italian-name mafias, installed his law partner to run D'Amato's Senate office from the start. D'Amato's anti-crime program has been to crack down on prosecutors and judges who were trying to jail Gambino, Lucchese, and other organized crime-family mobsters.

Former U.S. Attorney Rudolph Giuliani (now Republican mayor of New York City) revealed in 1989 that D'Amato, in a blatant violation of a Senate rule prohibiting members from interfering in ongoing litigation, repeatedly intervened to protect mafiosi. In 1985, D'Amato had begged him to reconsider prosecuting Gambino family godfather Paul Castellano for murder. In another case in which D'Amato was pleading for the mafia, a \$175,000 payoff went to Cohn's law firm. Other of his cronies have included race-riot inciter Al Sharpton, Howard Stern, and William "I smoke pot 12 miles offshore" Buckley.

### **'I didn't know'**

A book, *Senator Pothole*, documents dozens of cases in which D'Amato received payoffs in exchange for political influence. In one case, his lobbyist brother, Armand, was convicted of using D'Amato's office and signature to get a \$100 million contract for his client, Unisys. D'Amato said he "didn't know." In another, D'Amato forced the Pentagon to give Wedtech a \$55 million contract after the firm had illegally contributed \$30,000 to his campaign. Again, D'Amato "didn't know." He repeatedly escaped expulsion from the Senate or criminal indictment thanks to a combination of good luck, plausible explanations, and backers who put fear into the hearts of senators and judges.

D'Amato differs from other Conservative Revolutionar-

ies in that he shares little of their ideological baggage. While performing theatrics on the Senate floor against "pork," he boasts of bringing home the bacon to New York State.

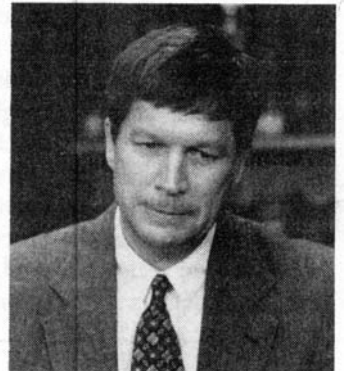
D'Amato plays to every degraded prejudice of "the middle class," while he does Wall Street's bidding. For example, he has a bill to "help small business" by allowing small business loans to be packaged into securities and derivatives. D'Amato is the main obstacle to any safeguards for the nation's banking system, pension funds, and other investors.

Willie Sutton once explained that he robbed banks "because that's where the money is." The same idea oozes out of D'Amato's November 1994 explanation for why the Federal Aviation Administration should be given to the money-market "privateers": "I think we can privatize it. We should begin to get out of this business and let the private sector come in. We should not be running multibillions of dollars in this kind of enterprise. We don't do a good job of it." His funders did a good job crashing banks and stock markets in the 1980s. Their "magic of the marketplace" should not be allowed to do the same with commercial aircraft.

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## **John Kasich**

"In the 1980s, Republicans still believed in government. Now they don't," according to House Budget Committee Chairman John Kasich (R-Ohio), who was first elected to Congress in 1982. Rep. John Linder (R-Ga.) commented, "Newt on a personal level is very fond of John Kasich. He likes the passion, the enthusiasm he brings." Kasich's role as ringmaster in Newt Gingrich's budget-balancing circus is to "deconstruct" the constitutional responsibilities of government, by turning the budget process into theater of the absurd.



On Jan. 10, Kasich brought into the Budget Committee chambers a 15-man jacobin mob dressed in T-shirts and shooting nerf-balls while the halls rocked with the lyrics of "We're Gonna Boogaloo Until We Puke," "I Feel Good," and "Woolly Bully." Those present played budget-balancing "games" such as "Mind Dumpster," "Pass the Buck," and a dice game called "666." After similar sessions with students, Teamsters, and businessmen, Kasich called a press conference to welcome 62 pieces of "new thinking" thus induced. The *Wall Street Journal* commented, "If Newt Gingrich and other GOP leaders were really listening to America, they would rent out soldiers as nightclub bouncers, paint the Washington Monument pink until Congress balanced the budget, and charter Air Force One for bachelor parties."

Other ideas are to allow corporations to advertise on stamps, turn the White House into a bread-and-breakfast, and hold a "National Garage Sale" to sell off government land, buildings, and other assets.

Kasich now has the spotlight he was denied a few years ago, when he was not allowed on stage with the satanic Grateful Dead rock group during a performance.

Kasich won his wings as a "deficit hawk" in the mid-1980s, when he worked with Democrats to get House Majority Leader Richard Armey's (R-Tex.) Defense Base Closure bill approved by the Armed Services Committee. For the first time, Congress handed over to an "independent commission" (which was advised by the Gorbachov Foundation) the power to decide which facilities would be closed.

In 1992, the privateers pushed aside a senior Republican who still believed that a government role is necessary in order to protect the general welfare, to make Kasich the ranking member of the Budget Committee. In 1993, Kasich relentlessly attacked President Clinton's budget. He worked with Tim Penny (D-Minn.) for vicious cuts in Medicare, veterans benefits, and cost-of-living adjustments for federal employees. Gingrich is now counting on personable John to rally enough Democratic votes to override Clinton vetoes.

In 1993, Kasich concocted an "alternative budget." He bragged, "This GOP budget achieved the same amount of deficit reduction promised by President Clinton's budget. But unlike the President's plan, the Republican budget achieved all its savings through spending restraint." *Time* magazine commented on Kasich's proposal's "blue-smoke-and-mirrors problem" that Kasich gave tax breaks to the rich, while shunting the costs of building sewage plants and prisons onto the states, and the costs of medical prescriptions onto Medicare recipients. And, after five years, he would have bigger deficits than Clinton's budget.

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## Bill Archer

As the new chairman of the tax-writing House Ways and Means Committee, Bill Archer (R-Tex.) will try to give "tax relief" to the richest, while ending infrastructural and social spending, gutting pensions, and establishing forced savings plans for those who work for a living. Archer, first elected to Congress in 1970, has been a towel boy for George Bush for the past quarter-century. When then-Representative Bush ran for Senate in 1970, Bush and his backers chose Archer to take over the



Houston "silk-stocking" district which had been designed for Bush. Archer serviced Houston's oil and gas billionaires and soon inherited Bush's seat on Ways and Means.

"Archer is the oil industry's unyielding voice on Ways and Means," *Politics in America* observes. He fought tooth and nail against windfall profits taxes on the oil majors. His first big success came in 1978, when he got the House to reduce taxable capital gains by the amount of inflation. That became law in 1981.

When, in 1985-86, President Reagan sought to lower personal income tax rates, Bush quietly, and Archer publicly, opposed him; the Bushmen did not want big business to pick up the tab.

Archer became the ranking Republican on Ways and Means in 1988. The next year, Bush, now President, wanted to cut capital gains taxes; Archer got a cut passed in the House, but it was blocked in the Senate. In 1990, Bush wanted to raise taxes on middle-income taxpayers; again, Archer supported him. In 1992, Archer added several tax breaks for the oil industry, while winning repeal of catastrophic health insurance for the elderly. Almost half of the contributions to his campaign fund come from insurance company executives. He received only \$3,567 in 1991-92 from small contributors.

Archer's current proposed tax program includes:

1) profits from sales of stocks and other assets would be taxed at half the rate of a family's earned income;

2) Social Security payments would start at age 67 and would no longer have a cost-of-living adjustment to account for inflation, while speculators would be able to deduct inflation from their taxable profits;

3) "We need to tear the income tax out by its roots, throw it out by the side of the road and go on to something better," he declared on Jan. 31. That something is a national consumption—i.e., sales—tax. In Archer's utopia, what the rich now pay in taxes they would reinvest in the speculative bubble, while monstrous cuts would be made in living standards of the poor and middle class, and in the government's ability to invest. Archer says a flat tax is not radical enough.

While Archer, like Bush, boasts a right-to-life profile, that does not stop him from supporting policies which would shorten the lives of impoverished people, young and old.

Archer has a clean political image, but he accepted an all-expenses-paid trip to Puerto Rico from the Schering-Plough pharmaceutical company just before a committee vote to continue a tax break for manufacturers such as Schering on their Puerto Rico operations. This exemption costs the Treasury over \$1.3 billion a year.

Never in 22 years has he faced more than token electoral opposition, and none at all in the last few elections. Thus, he has been able to build up a campaign fund reserve of over \$700,000, while having the luxury of rejecting political action committee contributions and avoiding the appearance of impropriety.

# They've taken out a contract on you!

by Richard Freeman and  
Jeffrey Steinberg

It's no surprise that in his Jan. 20 speech before the Republican National Committee, Newt Gingrich cast himself in the role of the chief prosecutor of the Jacobin Terror, Robespierre. Gingrich's preference for the French Revolution is consistent with his faction's "Contract with America," a document that, if implemented, will drive down the living standards of more than 80% of the American people, just as the Jacobins decimated France's once thriving agro-industrial base, and chopped off the heads of France's scientists and real republican leaders.

The Mont Pelerin think-tankers who crafted the GOP's "Contract" peddle a trashing of the living standards of senior citizens under the name "The Senior Citizens Fairness Act," would wipe out all civil rights and poverty assistance programs under the names "The Family Reinforcement Act" and "The Personal Responsibility Act," would establish a privatized prison slave-labor system under the name "The Taking Back Our Streets Act," and would dismantle the federal government and force the states to administer draconian tax hikes under the misnomer "The Fiscal Responsibility Act." At the same time, the "Contract"—under the guise of "job creation and wage enhancement"—delivers a whopping tax break to the wealthiest 10% of the population.

In a report prepared at the request of the National Governors Association, the U.S. Treasury Department recently came up with a state-by-state estimate of lost revenues under the Contract with America and the balanced budget amendment proposed by the same congressional Conservative Revolution insurgents. The conclusion: States would be forced to *increase* taxes by upwards of 20% simply to make up for the lost federal revenues!

## Victims of the 'Contract'

If you're a member of any of the following constituency groups, here's what the Gramm-Gingrich Contract will mean for you:

1) **Senior citizens.** Forty-three million elderly Americans receive Social Security. Even Sen. Robert Dole (R-Kan.) was recently forced to admit that in the 1950s, the elderly comprised a very large percent of those below the poverty level, but now Social Security cost-of-living adjustments ("cola"), Medicare, and other programs have brought the elderly, on paper at least, above the poverty

level. Gingrich and his cohorts propose re-calculating the inflation rate and thus lowering the cola, which could cost the elderly \$20 billion per year. There is talk of scrapping Medicare, replacing it with a financial scam called "private individual medical accounts," which are supposed to provide minimal medical coverage for the elderly and the poor. The philosophy is expressed by Daniel Callahan in his book *Setting Limits*, in which he states, "Age-based standards for the termination of life-extending treatment would be legitimate. The meaning and significance of life for the elderly themselves is best founded on the sense of limits to health care."

2) **School-age children.** There are 45 million children enrolled in primary and secondary public schools in America. Under plans such as House Majority Leader Richard Armey's (R-Tex.) "Parent and Student Empowerment Act," schools would be privatized as an interim step toward the elimination of public education. In some proposals, instead of being in the classroom, high school students would work at low-skill jobs, which would fulfill a significant share of their high school credits. This flows from Lord William Rees-Mogg's outlook: that only the top 5% should be educated (see p. 37).

3) **Prisons.** Conservative Revolutionists hail prison slave-labor as a "growth industry" in America. Nearly 30% of all young black men between the ages of 20 and 29 are either in jail, on probation, on parole, or awaiting trial. America has the highest incarceration rate in the world. The model for the slave-labor policies is the Federal Prison Industries, Inc., or Unicom program, a private profit-making corporation run by the Bureau of Prisons of the Department of Justice. It runs factories inside prisons in most states, making items ranging from metal products, clothing and textiles, electronics, optics, and furniture. The pay is minimum wage, out of which have to be paid fines, prison room and board, upkeep of one's family, and any victim restitution. The prisoner keeps what is left over, which on the average is \$1 per hour. Tough, new "anti-crime" policies will flood the prisons with a captive labor pool.

4) **Poverty.** Thirty-four million Americans are below the poverty level: 20 million whites, 9.5 million blacks, and 4.5 million Hispanics. Some 28 million of them use food stamps. Conservative Revolutionists plan to cut food stamp payments by 5-10% immediately, as part of a plan to phase out the program entirely. Those people below the poverty line are seen as an ultra-cheap labor pool. Mississippi's Republican Governor Kirk Fordice has introduced a work requirement for women on Aid to Families with Dependent Children (AFDC), which could be the wave of the future. In a pilot project in five Mississippi counties, the women are paid the minimum wage in sweat-shop industries, in which the state turns their welfare check over to the employer, comprising \$3.25 out of the \$4.25 that the employer pays the women. If the women refuse speed-up or any feature of the job, they are fired, and lose not only their AFDC payments, but also food stamps.

# 'Neo-Confucianism,' Leibniz, and the fight against the Enlightenment

by Michael Billington

*The preceding Special Report has shown how the Conservative Revolution grew out of the assault upon the Renaissance, during the seventeenth-century Enlightenment in Europe. Venetian and British operatives spawned opposition to the Renaissance and the Platonic tradition, as represented by, especially, Johannes Kepler and Gottfried Leibniz. The following essay, part of a broader study on the use and misuse of developments in China by several leading figures in the Enlightenment, demonstrates that the principled issues that dominated the development of China in the last millennium, are identical to those which are central to the mortal conflict between oligarchism and republicanism in the West.*

To understand how the practitioners of the Enlightenment used China in their battle to destroy the influence of Leibniz and the Platonic Christian tradition, it is necessary to investigate the foremost philosophical battle which defined the course of history in China—the parallel in Chinese culture to the conflict in the West between those advocating the worldview of Plato on the one hand and the Aristotelians on the other. This fundamental conflict can be traced back in Chinese antiquity to the same general era as that of Plato, with Confucius and Mencius confronting the Taoists and the Legalists. But in modern times the conflict is most often presented in the opposing ideas of Chu Hsi (1130-1200) and Wang Yang-ming (1472-1529). Chu and Wang are popularly described as the leaders of two different schools within the same general philosophical category known as “Neo-Confucianism” in the West, just as Plato and Aristotle are often deceptively linked together as co-thinkers in something called “Greek thought.” Although Wang Yang-ming and his followers, even today, attempt to portray Chu and Wang’s thought as compatible, with minor differences on secondary issues, they are in fact the antagonists of opposite, irreconcilable conceptions of man and his or her role in the universe. Chu Hsi revived the teachings of Confucius and Mencius from antiquity, whose ideas had been diluted and formalized, or outright discarded, over the centuries by the influences of Taoism, Buddhism, and the Legalist form of political despotism. Chu led a Confucian Renaissance, in part by

developing a metaphysics which answered many questions left open by Confucius and Mencius, while countering the gnostic and empiricist metaphysics of the Taoists, and the mysticism of the Chan (Zen) Buddhists. Wang Yang-ming, three centuries later, finding the fundamental ideas and method of Chu Hsi incomprehensible, and after more than 20 years as a Taoist, developed an amalgam of Taoist metaphysics and Confucian rites, perverting the Confucian tradition and fostering an acceptance of an immoral syncretic mix of Confucianism, Taoism, and Chan Buddhism. This, we will see, is the ideology embraced by the Enlightenment figures in Europe.

## Chu Hsi

Chu Hsi took the fundamental concept of Confucianism, *jen* (humanness, or humanity), and developed it in a way which is usefully compared to the concept of *agapē* in the New Testament. He complained that the term had been used to represent love, which was not wrong in itself, but which missed the essence of the concept intended by Confucius and Mencius. In an essay called “Treatise on *Jen*,” Chu argued that *jen* is the “principle of love, the source of love, and that love can never exhaust *jen*.” Reflecting the Christian notion of *agapē* as the Holy Spirit, which connects all things in the unity of God, Chu Hsi wrote, “*Jen* cannot be interpreted purely from the point of view of function, but one must understand the principle that *jen* has the ability to function. One should not regard the original substance of *jen* as one thing and its function as another. The meaning of *jen* must be found in one idea and one principle. Only then can we talk on a high level about a principle that penetrates everything. Otherwise it will be the so-called vague thusness and stupid Buddha nature.” What distinguishes this higher notion of love is that it is an active principle of change in the universe rather than a Buddhist or Taoist feeling-state which submerges the individual in a universal “all is one” soup of undifferentiated substance. Specifically, Chu says that “The mind of Heaven to produce things is *jen*. In man’s endowment, he receives this mind from Heaven, and thus he can produce.”

It is this *jen*, subsuming the other fundamental Confucian



virtues which are man's inborn gift from Heaven (righteousness, propriety, and wisdom), which defines man as fundamentally good, as Mencius, especially, insisted. Chu Hsi, aware that this was often misinterpreted, wrote: "Love is not *jen*; the principle of love is *jen*. The mind is not *jen*, the character of the mind is *jen*." This was particularly aimed at a contemporary of Chu Hsi (Lu Hsiang-shan, the forerunner of Wang Yang-ming's ideas), who argued that the mind itself was *jen*, meaning that the mind alone was adequate to achieve sagehood, without any notion of *jen* permeating all the things in the universe, or any need to investigate those things. Wang Yang-ming was to argue later that the mind was able to know good from evil naturally, without the need to study or investigate the laws of the universe, as if by intuition. This he called "innate knowledge (*liang chih*), which he considered to be his major contribution to human knowledge. Chu Hsi had identified the problem with this concept long before Wang Yang-ming articulated it, arguing that it was the capacity of the mind to love, to study, to investigate, and to create which was the gift of Heaven, not a set of formal criteria inherently in the mind for making judgments. Chu wrote in regard to his contemporary Lu and (implicitly) Wang: "Their defect lies in completely discarding study and devoting themselves solely to practice. . . . They even want people to be alert and intuit their original mind. This is their great defect."

While Chu repudiated the atheistic view of the Buddhists and Taoists that all things are made of a single substance, he believed that all things are created by the same Creator and reflect the universal principle of that Creator. This principle he called, simply, Principle (*Li*). The Universal Principle he equated with God, the Lord-on-High, the Supreme Ultimate, while he defined the nature of every created thing as its individual principle (*li*), which partakes of the pure goodness and complete wholeness of Universal Principle. Man, alone, is created with the perfection of form which allows for the conscious investigation of the Principle of things, for the participation with the mind of Heaven in the production and creation of the universe.

*Li* is the Principle which underlies the laws of the universe, a concept of Natural Law which locates man's capacity to know and participate in the unfolding development of the myriad things and events in the universe. Showing the Platonic/Christian nature of Chu's conception of the relationship between God (Universal *Li*) and created things (individual *li*'s), he emphasized repeatedly that: "*Li* is One, but its manifestations are many." Leibniz, upon studying Chu Hsi's ideas, recognized in the concept of the *Li* a notion very close to his own concept of the "monad" as the primitive substance of all things in the universe, each different, without parts, extension or divisibility. About the Universal *Li*, Leibniz wrote: "Can we not say that the *Li* of the Chinese is the sovereign substance which we revere under the name of God?" Chu Hsi distinguished the Universal *Li* from the *li* of the created things, including that of man, by the fact that the mind of Heaven, which



Although both Chu Hsi and Wang Yang-ming are identified as "Neo-Confucians," Confucius (shown here) and Mencius were as distant from the latter as Plato was from Aristotle.

is *Li*, is conscious and intelligent, but, "it does not deliberate as in the case of man." The question of man's free will is located within the perfect will of God.

Chu Hsi combines a negative and a positive theology in explaining the nature of God, the Universal *Li*. In equating *Li* with the Supreme Ultimate and the Ultimate of Non-being, Chu argues that "it occupies no position, has no shape or appearance. . . . It is prior to physical things, and yet has never ceased to be after these things came to be. It is outside *yin* and *yang* and yet operates within them, it permeates all form and is everywhere contained, and yet did not have in the beginning any sound, smell, shadow, or resonance that could have been ascribed to it." (Note that *yin* and *yang* to the Taoists represented the fundamental duality of the universe, whereas Chu Hsi reduced them to being nothing more than the existence of opposites inherent in all created things: positive/negative, light/dark, etc., all subsumed in the unity of the real world defined by *Li*.)

Chu Hsi chose a passage from the Confucian classic work, "The Doctrine of the Mean," with his own specific interpretation, in order to identify the foundation of the peace and well-being of society as the act of the individual mind to "extend knowledge to the utmost, which lies in fully investigating the Principle in things." By making this invisible Principle, *Li*, which has no shape or other sensory aspects, the subject of investigation in the development of human knowl-

edge, Chu Hsi laid the groundwork for a truly modern science, in a manner similar to that of Nicolaus of Cusa in the West in the fifteenth century. Rather than empiricist methods of merely recording sensory data and deducing linear consequences of such appearances of things, Chu Hsi set the course for the investigation of the lawful causal relations in the developing universe, the investigation of Natural Law.

## Wang Yang-ming

But the Mongul hordes swept across China in the decades immediately following Chu Hsi's death in 1200, depopulating China and destroying its Renaissance. The revival of the Confucian tradition, and of Chu Hsi's teachings in particular, under the Ming Dynasty that overthrew the collapsed Mongul rule in 1388, contributed to the promise of a renewed Renaissance in China. But by the 1430s there was a reversal of the policies of development and global exploration of the early Ming leaders, and the dynasty entered a sustained period of decay and collapse.

In the late fifteenth century, Wang Yang-ming emerged as the first of a series of philosophers who became known as the School of Mind, as opposed to Chu Hsi's School of Principle. Historian Julia Ching, in her glowing biography of Wang Yang-ming, accurately compares him and his followers over the following century: to Descartes, Kant, Hegel, Nietzsche and, especially, Heidegger.

Wang dates his own development from a failed experiment that he and a friend carried out in 1492. Wishing to discover what Chu Hsi meant by his concept of *Li*, the young men decided to investigate the principle of something to the utmost, as Chu had suggested. They chose some bamboo in the garden of Wang's father. Like the people in Plato's cave, they sat and stared at the bamboo for days on end, failing to understand that Chu Hsi had demonstrated that the physical appearance of the bamboo was merely a shadow of its true nature, its *Li*. They gave up without having discovered anything except that they were both getting sick.

Wang turned to Taoism and Chan Buddhism, and, after many years, reflecting back on the experiment in his father's garden, he made the "discovery" that: "There is no object, no event, no moral principle (*Li*), no righteousness and no good that lies outside of the mind. To insist on seeking the supreme good in every event and object is to separate what is one into two." It is from this sudden enlightenment that Wang developed his notion of *liang chih* mentioned above, which can be translated either as "innate knowledge" or "Knowledge of the good." In place of Chu Hsi's emphasis on extending knowledge through the investigation of the principle in things, Wang Yang-ming wrote: "Extension of knowledge is not what later scholars understood as enriching and widening knowledge. It means simply extending my innate knowledge to the utmost. . . . The sense of right and wrong requires no deliberation to know and does not depend on learning to function. That is why it is called innate knowl-

edge." Thus, what Chu Hsi ascribed only to God, namely, the capacity to act intelligently without deliberation, Wang Yang-ming ascribes to all mankind. Like the innate moral intuition of Descartes, and the categories of *a priori* judgment in Kant, Wang Yang-ming replaces the intelligibility of the laws of the universe and of the creative process with pure instinct, or at best a form of conscience. Wang argues that if one's intentions are sincere, then the innate knowledge will correctly guide one to the correct action. In fact, he specifically replaces Chu Hsi's scientific investigation with sincere intentions: "The work of seeking sincerity of intention is the same as the investigation of things."

This essentially atheistic rejection of any universal principle in favor of a dependence on conscience or intuition identifies the total breakdown of the concept of man in the living image of God. Each individual is reduced to his own physical being, like any beast, confronting the world on the basis of a Hobbesian "each against all," lacking any universal criterion or measure for determining whether one's conscience or "innate knowledge," or any idea whatsoever, conforms with Natural Law. This is the subject of LaRouche's discovery in the science of physical economy, and his notion of relative potential population-density.

It is lawful that, just as Descartes and Kant led to the overt fascism of Nietzsche and Heidegger, so Wang Yang-ming's school generated the anarchy of the sixteenth and seventeenth centuries in China (such as that of Li Chih, a Nietzsche-like figure of the late sixteenth century) which brought down the Ming Dynasty.

It was precisely this question of the inadequacy of "following one's conscience" without any concept of a universal principle to inform the conscience, that Pope John Paul II addressed in his Encyclical *Veritatis Splendor* in 1993. In this regard, it is worth quoting at length from one chapter of the pope's recent book *Crossing the Threshold of Hope*, for two reasons: First, he looks at the Enlightenment in a way which demonstrates the close parallel to the Chu/Wang conflict in China; and, second, it shows in sharp contrast the difference between the pope's views and those of Julia Ching, who is collaborating with the schismatic Hans Küng in operations against China. Both Küng and Ching are nominal Catholics, while fully embracing the same ideologues of the Enlightenment here attacked by the pope.

The pope in chapter 8 of his new book, looks at Descartes, who, he writes, "marks the beginning of a new era in the history of European thought, who . . . inaugurated the great anthropocentric shift in philosophy. 'I think, therefore I am,' . . . is the motto of modern rationalism. All the rationalism of the last centuries—as much in its Anglo-Saxon expression as in its continental expression in Kantianism, Hegelianism, and the German philosophy of the nineteenth and twentieth centuries up to Husserl and Heidegger—can be considered a continuation and an expansion of Cartesian positions. . . . [Descartes] distanced us from the philosophy of

existence, and also from the traditional approaches of St. Thomas which led to God who is autonomous existence. . . . By making subjective consciousness absolute, Descartes moved instead toward pure consciousness of the Absolute, which is pure thought. Such an absolute is not autonomous existence, but rather autonomous thought. Only that which corresponds to Human thought makes sense. The objective truth of this thought is not as important as the fact that something exists in human consciousness." This passage could be transposed virtually word for word, substituting Wang Yang-ming and his followers for Descartes, Kant, Hegel, and Heidegger, and substituting Chu Hsi for St. Thomas Aquinas. Wang's *liang chih*, like Descartes' "I think, therefore I am," replaces the Absolute, the Supreme Ultimate, the Universal *Li*, of Chu Hsi, with the totally subjective Absolute of the mind. Wang Yang-ming even writes: "The mind is *Li*. Is there any affair in the world which is outside the mind? Is there any virtue which is outside the mind?"

Pope John Paul II continues that Descartes created the climate in which, within 150 years, "all that was fundamentally Christian in the tradition of European thought had already been pushed aside. This was the time of the Enlightenment in France, when pure rationalism held sway. The French Revolution during the Reign of Terror, knocked down the altars dedicated to Christ, tossed crucifixes into the streets, introduced the cult of the goddess of Reason." The Holy Father should have added that these practitioners of the Enlightenment also beheaded Lavoisier, declaring that the Revolution had no need for science. The "Reason" worshipped by the Enlightenment was not the Divine Spark which guided Cusa, Kepler, and Leibniz in the creation of modern science, but the empiricist, subjective logic of Aristotle which can be used to justify anything at all, no matter how evil or destructive.

Wang Yang-ming also attacked the "scholars of these later days," as he referred to Chu Hsi and his supporters, on the issue of Taoism and Chan Buddhism. While insisting in his later life that he was not only a Confucian but the true philosophical descendant of Confucius and Mencius, he nonetheless wrote: "The practices of the two teachings [Chan Buddhism and Taoism] can all be my practices. . . . But certain scholars of these later ages have not understood the completeness of the teachings of the Sages. For this reason, they have distinguished themselves from the two teachings as though there exist two views of truth." This has, through the ages, served those who advocate the Taoist gnostic camp but who, for political reasons, need to pay lip service to Confucianism. This is most evident in reviewing the current "New Confucianism" movement. In this regard it is not surprising that Wang Yang-ming believed in what is now called "appropriate technology" for the peasant masses, whose lives, he insisted, should remain the same generation after generation, unfettered by knowledge of the laws of the physical universe or by or economic development. Wang praised the golden age of

Yao and Shun, the semi-mythical emperors of the third millennium B.C., when he claimed (contrary to the historical records as written by Confucius), "there was no pursuit after the knowledge of seeing and hearing to confuse them, no memorization and recitation to hinder them, no writing of flowery composition to indulge in, and no chasing after success and profit." This is the model of Oriental Despotism so desired by the Venetian designers of the Enlightenment.

Although the characterization of China as the model of "Enlightened Despotism" is a false construct, based on the worst tendencies in Chinese history and society, it is nevertheless the case that Chu Hsi and his school, who created the Confucian Renaissance during the Sung Dynasty, never proposed or discussed any notion of the concept of the modern nation-state. Nicolaus of Cusa's building on the concept of Natural Law developed by St. Augustine and St. Thomas, posed the necessity of establishing governments on the basis of the consent of a free and informed citizenry, drawing on the divine spark of reason in Man to derive laws, and for the people to participate in the process of empowering or removing governments according to their adherence to Natural Law. As LaRouche said recently in regard to the Augustinian notion of natural law before the time of Cusa, it remained "contemplative," never becoming adopted as the basis of political society. This could also be applied to Chu Hsi and the leaders of the Confucian Renaissance. Chu Hsi advocated the extension of education to all children, and even wrote children's books toward that purpose, while he also sponsored books and educational programs on agricultural technology for farmers; but he never proposed the kind of nation-state which was necessary for these educational initiatives to succeed against the policies of those who believed it served their purposes to keep the masses in a state of ignorance.

The Mongul invasion crushed any potential for further development. Subsequently, despite the initial promise of the Ming Dynasty, as the dynasty declined, Wang Yang-ming and his followers destroyed the concept of Natural Law altogether in a manner similar to what William Wertz describes in the works of Grotius and Pufendorf, who "divorced natural law from moral theology" (see "Man Measures His Intellect Through the Power of His Works," *Fidelio*, Winter 1995). In the Chinese case, Natural Law was replaced (at best) by the Rites, by custom, which, as important as such questions are for a society, must be recognized as derived from Natural Law, not as Natural Law itself. Giving the Rites the force of Natural Law creates the potential for those Rites to become the means of distortion and oppression, rather than the means for celebrating and learning about the underlying truths at the source of the Rites. Set free from its moorings in the Absolute, in Universal Truth, custom is rendered subject to the vagaries of individual intention. As with Nietzsche and as Li Chih, such "freedom" from the Absolute opens the door to arbitrarily changing or outright discarding the Rites, the customs, and creating anarchy and fascism.

## Wehrkunde marks deep split between U.S. and British

by Rainer Apel

The 32nd Munich Conference on Security, the annual gathering of senior western defense experts and politicians popularly known as the "Wehrkunde Conference," on Feb. 3-5, featured the most direct clashes ever between Americans and British. Taking differences over Bosnia as the bone of contention, the clashes illustrated in a drastic way, on the one hand, how deep the split between the Clinton administration and Britain's ruling elites has grown since the President proclaimed the end of the special Anglo-American relationship, during his European tour in July 1994. On the other hand, the new type of close bilateral cooperation between Americans and Germans that has been established between President Clinton and Chancellor Helmut Kohl and which is forming the core of the envisioned restructured transatlantic alliance, became visible in the way the agenda of the event was arranged.

Following the keynote address by German Defense Minister Volker Rühle, the first day of the conference featured a report by Jürgen Schrempf, chairman of the German aerospace industrial group DASA, about the role of the western industries in future efforts to build peace—between East and West, as well as North and South. The third main speaker was French Foreign Minister Alain Juppé; this signaled that through its alliance with Germany in European affairs, France is being coopted into the U.S.-German design. The fourth main speaker was Sergei Yushenkov, chairman of the Russian State Duma defense policy commission and an outspoken critic of Yeltsin's Chechnyan intervention—which indicates that the more reasonable currents in Russian politics are oriented toward this new framework of international security policy. The concluding second day of the conference was shaped by an address by U.S. Defense Secretary William J. Perry. Among the main speakers, none was from the United Kingdom.

At Wehrkunde conferences of the past, most Americans sided with British-led attacks on the Germans as an allegedly "unreliable" NATO alliance partner. This time, however, nearly all Americans who had come to Munich used discussion periods between the main speeches to take the British to task for their disastrous role in the Balkans. The performance of the British in Bosnia was taken as a point of reference, but it was evident that a much deeper conflict over a number of strategic interests between the United States and Britain was being addressed—illustrated by the fact that Democrats and Republicans alike joined the attacks on London's policies.

### Serbia should become a target

U.S. Sen. William Cohen (R-Me.) began the attacks, calling for an abrupt change of the western alliance's approach toward Bosnia, and for an end to the "dual key" situation which (upon an Anglo-French initiative at the U.N. Security Council mainly) kept NATO blue helmets hostage to the indifference or even pro-Serbian views of the United Nations. Cohen explicitly welcomed the replacement of British Gen. Sir Michael Rose as commander of the Unprofor blue helmet force in Bosnia as something that has been long overdue and which should be followed by the "immediate resignation" of U.N. special Balkans envoy Yakushi Akashi. Cohen said that in order to enforce the NATO-led Unprofor mandate in the Balkans, retaliation against future Serbian violations of cease-fire agreements and continued aggressions against the Bosnian enclaves as well as against the blue helmet forces, should be carried out also against select military-relevant targets in Serbia itself, if it seemed appropriate.

This met angry protest from the British military and diplomats present. Defense Secretary Malcolm Rifkind shot

back by telling the United States that their criticism would be more acceptable to London had the Americans stationed ground forces in Bosnia, as did Britain. U.S. Defense Secretary William Perry insisted in his speech, however, that the paralysis of NATO by Anglo-French Unprofor tactics at Bihac had taught "negative lessons from Bosnia." Countering the British propaganda about the "positive" results of their blue helmet mission in Bosnia, Perry said that "here, Bihac stands as a powerful cautionary tale. The U.N. was unable to stop the fighting in Bihac—indeed, for many weeks it was unable even to resupply the beleaguered Bangladeshi Unprofor battalion in the region. And NATO was not asked to act because the U.N. feared that air strikes would invite retaliation against its soldiers on the ground."

"While the dual key arrangement with the U.N. was created for understandable political reasons," Perry said, "a heavy price in NATO's credibility has been paid for violating the basic military tenet of unified command and control."

The American charges culminated in a statement by former Assistant Defense Secretary Richard Perle, who said that the Americans were fed up with being lectured by the British and French about what they should think about the Balkans. He said that, with an intensity not seen since the big transatlantic controversies over the "Euro-missiles" in the early 1980s, the British and French kept knocking on doors in Washington in an effort to tell the Americans about "principles" that they themselves were not upholding in the Balkans. This had to stop, Perle said, because the United States was committed to lifting the arms embargo against the Bosnians, to striking against the Serbs, and to protecting the planned pullout of the European blue helmets from Bosnia and Croatia. Urging a drastic shift of NATO's policy toward Bosnia, Perle called on alliance members to follow the example of Turkey, which had already committed itself to training Bosnian soldiers to use western military technologies which would be given to them after the arms embargo is lifted.

### **British outside the mainstream**

This chilly wind, shocking as it certainly was for the British, didn't come as a total surprise. Indeed, Rifkind's speech pledged Britain's commitment to cooperate with the Americans and Germans in their joint initiative for transforming NATO, after the end of the Cold War and German reunification, into a new, broader "transatlantic partnership" that included economic aspects as well. In sum, London wants to jump on the bandwagon that is presently driven by the Clinton-Kohl alliance.

This does not signal the end of British sabotage, nor of recent efforts by London to flirt the French into a kind of new "Entente Cordiale" outside of NATO. The very warm reception that France's Foreign Minister Alain Juppé got from the Germans at the Wehrkunde event—this at a crucial moment when he became very angry at mocking British remarks about European policies and the format of present-day politicians of France—demonstrated, however, a German

awareness of London's games with Paris. The "entente" is not an accomplished fact, but it is being undermined by continuing British-French frictions.

With Clinton's backing, the German government of Kohl is assigned the role of a mediator among Americans, British, and French, for the new type of transatlantic partnership being formed. A government leak to the press after the Wehrkunde meeting—the day before Chancellor Kohl's departure for Washington on Feb. 8 for talks with Clinton—revealed that on Bosnia, the Germans are aware of the "nuances" between their own and the British views, but are firmly on the American side.

Germany is also becoming a mediator concerning Russia. Instead of the discredited Russian Federation Defense Minister Pavel Grachov, who was disinvited from Wehrkunde by German Defense Minister Volker Rühle, one of Grachov's most outspoken critics on the Chechnya war, Sergei Yushenkov, the chairman of the State Duma committee commission on defense policy, was invited to address the Munich gathering. This invitation, Yushenkov said in his Feb. 4 speech, was a crucial sign of western support to Russia's opposition. On Feb. 8, Sergei Kovalyov, another leading Russian opposition figure, was received in Bonn by Kohl's Minister of the Chancellery, Friedrich Bohl, and Foreign Minister Klaus Kinkel.

The German government has informed President Boris Yeltsin and the Russian government that, unlike the British and other western governments, the Germans will not support economic sanctions against Moscow, but that it insists, along with the Clinton administration, that economic cooperation as well as the development of western relations with Russia proceed in a general environment of respect for human rights. Yushenkov in his speech at the Wehrkunde conference said the same, and he explicitly thanked the Germans for their support to the democratic forces of his country. He also listed the United States and Germany as the states in the West with which Russia has developed the closest relations and confidence.

In his Wehrkunde speech Feb. 4, Jürgen Schrempf, chairman of the German Aerospace Group, called for a joint "Conflict Prevention Initiative" (CPI) of leading industrial firms of the West to build relations with the East through joint great projects of infrastructure development. He said high-speed train lines and energy cooperation projects are crucial for modernizing the eastern economies because only in this way could one defuse social-political conflicts, which, he said, have proven to be the prime source of most military conflicts. British participants at the Wehrkunde event contested this notion, pointing to the Balkans as allegedly proving that ethnic tensions were behind this "civil war." Since Clinton signaled to Kohl in Berlin last July that he has designed a special, leading role and responsibility of the Germans for the economic development in the former East bloc, including Russia, the British view is, once again, outside the mainstream of the new transatlantic relations.

# British try to sink Peru-Ecuador peace

by Cynthia R. Rush

At the last minute, on Feb. 5, when Peru and Ecuador were close to signing the cease-fire accord worked out in six days of negotiations in Brasilia, Ecuador's deputy foreign minister suddenly announced that his government needed "more time" to study it. This brought to a stunning end, six days of talks in the Brazilian capital, from Jan. 30 to Feb. 5, where representatives of the two governments were meeting with diplomats from the four guarantor nations belonging to the Rio de Janeiro Protocol group—Argentina, Chile, Brazil, and the United States—in an attempt to halt the armed conflict which has raged between Ecuador and Peru since Jan. 26.

Both countries' armed forces have been clashing in the border region over claims stemming from the war they fought in 1942 and the treaty signed at the time by Peru, Ecuador, and the four guarantors. Ecuador alleges that Peru "stole" one-half of its territory in 1942 and rejects the Rio Protocol's demarcation of the border, which it claims it originally approved "under duress."

After talks broke down, the Rio Protocol guarantors announced they would keep up their efforts to solve the conflict and expressed optimism that an accord could be reached. Since then, intense fighting has continued in the mountainous, rugged border region. Peruvian President Alberto Fujimori pledges that Peru will fully abide by the Rio Protocol, and that his government's goal is not to move into Ecuadorean territory, but to retake positions seized by Ecuadorean troops on Peruvian soil. As of Feb. 7, Fujimori announced that his troops were close to recovering Tiwinza, the last Ecuadorean post inside Peru.

## Need for 'imagination'

The import of the diplomatic attempts to settle the armed conflict goes well beyond the two Andean neighbors. Diplomacy has become a form of surrogate warfare in which the Clinton administration is countering Britain's strategic designs for the region, much as it is doing in the war in Bosnia. As a signator of a valid international treaty, the United States is also bound to abide by the Rio Protocol's terms, or else jeopardize its standing as a superpower whose word can be trusted.

The contrary, British view is that such supranational bodies as the Organization of American States (OAS) or the United Nations Security Council (which did a great job prolonging the war in the Balkans) are the proper forums for

handling the conflict. It is being loudly voiced by Britain's diplomatic assets and pro-British media on the continent. One of these, Argentina's Foreign Minister Guido Di Tella, sat out the 1982 Malvinas War between his country and Great Britain, in London! Not accidentally, many of these parrot the demand that Ibero-America's armed forces be dismantled, and accuse Peruvian President Fujimori of having embarked on a "militaristic adventure" to further his own electoral aims.

The United States has made clear that it intends to keep working through the Rio Protocol. State Department spokesman Christine Shelly underscored this on Feb. 7, as did Assistant Secretary of State for Inter-American Affairs Alexander Watson, who represents the United States in the guarantor group. Watson noted that while the situation may be difficult for the Ecuadorans, the United States was awaiting their response to the cease-fire proposal put forward by the Peruvian and Ecuadorean deputy foreign ministers and the four guarantor representatives at Brasilia. "I'm confident that with some imagination they can find a way" to accept it, he said. The ongoing conflict is a "tragedy" for the region, Watson added.

Thus far, Ecuador has acted the saboteur's part. The Quito regime contends (as do the British) that the OAS and the U.N. should mediate the conflict. President Durán called up Secretary of State Warren Christopher on Feb. 6 to complain that the United States was taking Peru's side, allegedly because Watson had previously served as the U.S. ambassador in Lima. Heinz Moeller, the president of Ecuador's Congress, who came to Washington to meet with State Department and other Clinton administration officials, fretted to the British press service Reuters, "The guarantors totally favor Peru . . . [they] back what is an old, irrational, unjust and absurd Peruvian aspiration. . . . I am frustrated with the attitude of the State Department representative [Watson]." Ecuador has the ability to hold its military positions "for a very long time," he threatened.

Reuters has also run reports of Ecuador-U.S. confrontation, citing an anonymous Ecuadorean official charging that "we are under threats of international isolation from the United States, unless we sign the Rio Protocol proposal" for a cease-fire. Later the Durán government issued a denial of the report.

As soon as the Brasilia talks were suspended, Durán undertook his own tour of three of the guarantor nations. He announced a counter-proposal for a cease-fire which reduced the five mile-wide demilitarized zone in the proposal to a half-mile zone. Reportedly, Ecuador also wanted to keep its military posts inside the disputed area. Peru's Foreign Minister Efraín Goldenberg rejected the plan as "completely impertinent." The cease-fire worked out in Brasilia called for a total demilitarization of the theater of conflict, and for setting up an observer mission by the guarantor nations to assist in enforcing the cease-fire terms.

## Zedillo takes the gloves off against Zapatistas

by Hugo López Ochoa and Cynthia Rush

In a nationwide television address on the evening of Feb. 9, Mexican President Ernesto Zedillo announced that he had instructed his Attorney General to issue arrest warrants for the top six leaders of the Zapatista National Liberation Army (EZLN), the narco-terrorist insurgency which has operated in the southeastern state of Chiapas since Jan. 1, 1994. Among those sought for arrest are Rafaél Sebastián Guillén Vicente—the EZLN's "subcommander Marcos" who has become an international media star in his role as the insurgents' spokesman.

Underscoring that the government's action was coherent with "its constitutional duty to protect the safety of all Mexicans and preserve social peace," the President documented that the EZLN had taken advantage of proposed peace talks to prepare for war and reported that the Attorney General's office had discovered Zapatista weapons caches in Mexico City on Feb. 8 which included high-powered weapons, hand grenades, mortars, and explosives.

The EZLN is a *criminal* enterprise, Zedillo said, a fact which was also borne out in a Channel 13 television report Feb. 10 showing Zapatista leaders torturing a municipal president in Chiapas. There have been numerous cases, documented by authorities, of the EZLN's barbaric torture of Chiapan leaders who oppose it. As the Mexican President emphasized, the evidence discovered proves that the EZLN "is neither popular, nor indigenous, nor Chiapan. . . . It was preparing new and greater acts of violence, not only in Chiapas, but elsewhere in the country." The Zapatistas, he reported, actually grew out of an armed guerrilla group, the National Liberation Forces, created in 1969 for the purpose of taking power via armed struggle. The Attorney General's office has already arrested two groups of Zapatistas in Mexico City and another in Veracruz, the President added.

Zedillo's bold action, which includes changes among the nation's top military leadership and probable troop deployment to take back EZLN territory in Chiapas, has predictably provoked hysteria among those British-backed groups which have egged on the actions of the ELZN and its support apparatus, including the Revolutionary Democratic Party (PRD) led by Cuauhtémoc Cárdenas, to dismember Mexico physically and hand over its remains to international usurers. The British wire service Reuters shrieked Feb. 10 that Zedillo has

"pushed the troubled state of Chiapas back to the brink of war. . . . Throwing caution to the wind. . . . Zedillo's move appeared to end hopes of a peaceful end to the Maya Indian rebellion."

A spokesman for "Comandante" Samuel Ruiz, the bishop of San Cristóbal de las Casas who acted on behalf of the Zapatistas in his role as "mediator," lamented, "This is very, very serious. This is pointing to a solution of war, and it breaks the process of dialogue that was under way."

### The issue is sovereignty

During a Feb. 5 gathering in Querétaro to commemorate the promulgation of Mexico's 1917 Constitution, President Zedillo had warned that he intended to take action against the EZLN, as the situation in Chiapas became more untenable. He surprised his listeners when he said that while he intended to pursue dialogue and negotiation with the insurgents, if that strategy yielded no results, "I shall proceed to convene an extraordinary session of the Congress to . . . determine the most appropriate alternatives to guarantee a definitive solution to the conflict." In his Feb. 9 speech, the President announced that he will convene a special session of Congress to determine the next steps to take. He also offered an amnesty to any EZLN members who were prepared to surrender and cooperate.

Undoubtedly a factor in Zedillo's decision was the rebellion led by powerful factions of the ruling Institutional Revolutionary Party (PRI) in recent weeks against the government's failure to act aggressively against the Zapatistas and their backers. The center of that rebellion was in the state of Tabasco, where tens of thousands of PRI members spontaneously protested plans to force the resignation of the PRI governors of Tabasco and Chiapas, Roberto Madrazo Pintado and Eduardo Robledo Rincón respectively, and hand their posts over to the PRD as part of a pact to "strengthen democracy." If either of these oil-producing and neighboring states in Mexico's southeast were to fall into the hands of the PRD, the EZLN's electoral arm, this would have effectively split Mexico at the Tehuantepec Isthmus, one of the British oligarchy's long-held strategic goals.

The situation in Chiapas is so tense that Zedillo's Feb. 5 warning to the EZLN immediately provoked an avalanche of statements from PRI congressman, church spokesmen, and others urging the Congress to immediately approve military action against the EZLN. One advocate of action is Jorge Constantino Kanter, a leader of the Belisario Domínguez organization of rural property owners in Comitán, Chiapas. In early February, he warned that if the government failed to act, cattlemen and producers would defend themselves—something which has already started to occur. Kanter issued this warning prior to Feb. 5. On Feb. 6, Zapatista assassins kidnapped his cousin, Gustavo Mahr Kanter, and tortured and murdered him. His body was found in a shallow grave with one leg mutilated.

# International Intelligence

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## ***U.S. tries to revive Bosnia-Croatia alliance***

U.S. Defense Secretary William Perry and Assistant Secretary of State Richard Holbrooke were slated to meet with both Bosnian and Croatian officials on Feb. 5 at the Wehrkunde conference in Munich, to attempt to reaffirm the "Washington Accords" which established a federation between Croatia and Bosnia last spring.

"If the federation falls apart, it's going to be extraordinarily difficult to get anything else moving," Holbrooke told the *Washington Post*.

Meanwhile, U.N. pretenses that the Belgrade Serbian regime was no longer supplying the Bosnian Serbs were shattered near the eastern Bosnia enclave of Srebrenica on the evening of Feb. 3.

"Dutch U.N. soldiers reported seeing 15 to 20 helicopters flying in formation towards the west from the direction of [Serbia]," Unprofor spokesman Paul Risley said, according to Reuter. "The fact that U.N. observers on the Serbian side were denied access to airport radar facilities [to check] the helicopters indicates to us that they originated in the F.R.Y. [Federal Republic of Yugoslavia]," he said.

The sortie was the largest in the six months since Serbia promised to cut off aid to the Bosnian Serb military.

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## ***Dominican media play up critic of border war***

Schiller Institute spokesman in the Dominican Republic Jorge Meléndez was interviewed on Feb. 2 on the "Sintesis" program on Dominican TV. Meléndez read the statement on the Peru-Ecuador conflict of the Ibero-American Solidarity Movement (MSIA) which was quoted last week in *EIR*, and said that the fight is the result of manipulations by British-run interests.

This problem was supposedly solved 50 years ago with the Rio Protocol, he explained. But the geopoliticians always leave some little aspect unresolved, to be exploit-

ed later.

The Santo Domingo daily *El Nuevo Diario*, reporting on the MSIA statement on Feb. 2, observed that the MSIA "says that the conflict between Ecuador and Peru is part of a plot to prevent several countries in the region from seeking the alternative of deciding on a moratorium on the foreign debt."

The paper quoted the Dominican-Peruvian Association, of which Meléndez is a member, which criticized Peru's Ambassador to Santo Domingo, "Horacio Sevilla, whom they accused of fanning the flames and of working for interests from outside the region. Among other reasons they said that the conflict was caused by the failure of the free trade model. 'The Dominican-Peruvian Association calls on Peruvians and Ecuadorans to use all peaceful means to solve the conflict, which was provoked from the outside, and to neutralize the war-mongers in each country, who are not defending the true interests of our people, but those of the international financial oligarchy.' "

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## ***Japanese officials fear terror attack on ship***

Top Japanese officials fear that terrorist groups will take advantage of Greenpeace's campaign against the vessel *Pacific Crans*, to undertake "direct actions" targeting the freighter, which is carrying plutonium waste material from France to Japan.

Greenpeace, the operational arm of Prince Philip's World Wide Fund for Nature, has mounted a global campaign against Japan's nuclear industry and its breeder reactor, which uses plutonium as a fuel source. The plutonium is the by-product of uranium used in Japan's nuclear power plants. The spent nuclear fuel is shipped to France and Great Britain, where it is separated from the uranium waste and encased in glass, and shipped back to Japan.

This month, the *Pacific Crane* will leave Cherbourg, France, and travel to Japan, going through the Panama Canal with the next shipment.

Greenpeace, which plans to tail the

freighter in sophisticated seacraft, has also prepared ambush points along the Panama Canal route, as well as along its alternate routes. Greenpeace has deployed its *Rainbow Warrior* to the Caribbean on a 12-nation tour designed to rouse hysteria regarding the plutonium shipment.

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## ***Form a Palestinian state now: Jewish leader***

Henry Siegman, former executive director of the American Jewish Congress and now a fellow at the Council on Foreign Relations, wrote that the only way to save the Middle East peace process is to form a Palestinian state now. In a commentary in the *New York Times*, Siegman argued that the Gaza-Jericho accord hinges on "Yasser Arafat's ability to keep order in the territories which in turn depends on the prospect of of Palestinian statehood. . . . If the Palestinians are persuaded that there is no chance of achieving their national aspirations—an independent state, not autonomy under Israeli military control—they will reject Mr. Arafat as a traitor."

The commentary asserts the futility of military and security solutions to the problem of security. It calls on Israeli Prime Minister Yitzhak Rabin to begin discussions on defining the territorial limits of a state in the negotiations while beginning the process of uprooting settlements now.

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## ***Political troubles grow for Pavel Grachov***

On Feb. 3, the liberal Russian daily *Sevodnya* charged that Russian Defense Minister Pavel Grachov had gone into the hospital to avoid a new corruption scandal. It said Grachov was suffering from "trench disease," or cowardice, not over the Army's mishaps in Chechnya, but over the discovery of an undeclared bank account in Germany full of money which belonged in Russian state coffers.

*Sevodnya* journalist Sergei Pakhromenko cited "various unrelated sources" re-



## Briefly

porting that President Boris Yeltsin had confronted Grachov during a Russian Security Council meeting on Jan. 25, with an embarrassing document. The document showed that when the Soviet Army was withdrawing from eastern Europe, Ministry of Defense officials opened a \$20 million account at Deutsche Bank in Berlin, to siphon off the proceeds from the sale of military equipment. Grachov was further accused of having presided over widespread corruption among Army officers leaving Germany in summer 1994. He allegedly accepted a Mercedes car bought from a fund that was earmarked for housing returning Russian soldiers.

European papers reported Feb. 4 that Grachov will probably be ousted soon. One possible replacement could be Col.-Gen. Mikhail Kolesnikov, the chief of the General Staff. The London *Times* reported that Kolesnikov presided over a meeting of the collegium of the Ministry of Defense on Feb. 3, in Grachov's absence.

### *Britain's Major between a rock and a hard place*

Ever since British Prime Minister Major expelled nine Conservative Party members from the party in December, creating a minority government, he has narrowly escaped at least two no-confidence votes. The tight-rope he is walking on has the "Euro-skeptics" on one side and the pro-European enthusiasts on the other.

The Conservative Party Euro-skeptics, who oppose Britain's involvement in the European Union or any kind of West European integration, attending the World Economic Forum in Davos, Switzerland in late January, denounced any effort to create a single European currency by 1997—a proposal by Jacques Santer, the new European Commission president.

British Employment Secretary Michael Portillo declared, "We cannot be led into a political union that we do not wish to see," according to Reuters on Feb. 1. Fearing too much Euro-centered control over policy, Britain negotiated an "opt out" clause to the

Maastricht Treaty before it would sign on. Major is credited with designing the provision.

Former Foreign Secretary Lord Geoffrey Howe—credited with pulling the rug out from under Maggie Thatcher's leadership because she was hostile to closer European integration—charged Major with "selling out to anti-Europeans in Britain's divided, ruling Conservative Party," Reuters reported. Howe represents the faction in the Conservative Party around Foreign Minister Douglas Hurd, which, ever since President Clinton renounced the "special relationship" with Britain in favor of closer ties to Germany, has worried that Britain will lose its influence in European decisions.

### *Pope calls for peace talks in Sierra Leone*

On Feb. 1, John Paul II called for peace talks in Sierra Leone and voiced his concern about the fate of seven nuns kidnapped on Jan. 25 by rebels of Foday Sankoh's Revolutionary United Front, who, it is being said in news reports, launched their revolt from Liberia in 1991.

The U.N. High Commissioner for Refugees said that 24,000 refugees have fled over the border into Guinea.

Nigerian Ambassador to the United Nations Ibrahim Gambari described the situation in Sierra Leone as alarming, and noted that the thousands of refugees and the general chaos would further destabilize Liberia, where talks broke down again at the end of January.

U.N. Secretary General Boutros Boutros-Ghali appointed an Ethiopian diplomat, Berhanu Dinka, to "help" settle the "civil war" in the West African country.

The Sierra Leone rebel leader, Foday Sankoh, was reported Feb. 1 to have asked if the Red Cross could negotiate a ceasefire in the four-year-old civil war. The rebel movement has made little attempt in the last two years to communicate. There has been speculation that the rebel leader is dead and that the alleged rebels are merely government soldiers turned into bandits.

● **ERITREAN** President Isaias Afwerki thinks that war with Sudan is a definite possibility, according to a broadcast of London-based MBC Television in Arabic Jan. 29.

● **MAINLAND CHINA** talks with Taiwan over fishing disputes ended after six days on Jan. 27, without producing any written accords, because they could not reach agreement on what are "territorial waters." The breakdown was unexpected, since the two sides have reached agreements on two other issues.

● **THE IRISH** government on Feb. 5 released five more IRA prisoners held in Irish jails. Prime Minister John Bruton called on London to reciprocate: "I would like to see the British government looking at its policy and following suit. It would build confidence if abandonment of violence brought a reward for families separated from their loved ones."

● **THE GAMBIA'S** military leader, Captain Yahya Jammeh, announced a handover to civilian rule by July 1996 on Feb. 2—two years earlier than planned—and appealed to the international community to resume aid.

● **SIR MICHAEL ROSE**, the former U.N. Protection Forces commander in Bosnia, bridled on Feb. 2 in Washington when a reporter asked if the British government had sent him to the U.S. to persuade Congress not to lift the arms embargo against Bosnia. "Being a running dog of the British government when I am actually in the United Nations, is something I haven't been accused of before." He said he had, however, been accused of being Russian-controlled.

● **KENYA** reported Feb. 4 on the existence of Communist-led guerrilla movement, which is seeking to overthrow the government of President Daniel arap Moi. A statement from the presidency said the guerrillas have training camps in a neighboring country.

## Virginia Assembly slaps down 'Conservative Revolution'

by Marianna Wertz

A popular backlash is beginning to pick up speed against the budget-cutting and tax-reduction policies which the "Contract with America" insurgents are trying to impose on the 1995-96 federal and state budgets all over the United States. The most advanced case is the Commonwealth of Virginia, where Republican Gov. George Allen, who took office in January 1994 on a platform of budget austerity and tax cuts, has just been handed the most sweeping rejection of a gubernatorial budget in the state's history. What made the slap sting even more, was that the Democratic majority in the state legislature was joined by a sizeable number of Republicans.

A second harbinger of things to come, was the mini-revolt against New Jersey's Republican Gov. Christine Todd Whitman, who also took office in January 1994. On Feb. 2, Whitman faced a hostile crowd in middle-class Livingston, where she had earlier won a resounding victory, when she announced that the budget cuts she was proposing were going to affect programs in the schools their children attend.

On Feb. 2, representatives of the right-to-life movement, which is largely Republican in membership, called a Washington, D.C. press conference to announce their rejection of the anti-welfare provisions of the Republican Contract with America. Leaders of the National Right to Life Committee, the U.S. Catholic Conference, Catholic Charities, Feminists for Life, the Southern Baptist Convention Christian Life Commission and other pro-life organizations denounced the Contract's proposed cuts to welfare and benefits programs for unwed women and their children, because, they said, such cuts will increase the rate of abortions, as young women, cut off welfare, become desperate.

These defeats are especially significant: The right-to-life movement is a key constituency of the Republican Party; and

Governors Allen and Whitman are the two leading spokesmen for the Conservative Revolution among the nation's governors. Allen is head of the National Republican Governors Association, and Whitman was chosen by the Republican Party, because of her budget-cutting prowess, to deliver the Republican reply to President Clinton's Jan. 24 State of the Union address, a rare privilege for a governor.

### 'Thursday night massacre'

Gov. George Allen raged that the Feb. 2 defeat of virtually his entire \$403 million budget package by the Virginia General Assembly was the "Thursday Night Massacre." In fact, what Allen had proposed was itself a massacre—of every social service that the state provides its citizens—and was so perceived by those citizens.

The governor, and those who are advising him, brought about their own downfall, by proposing such a large-scale slash-and-burn of state services that they galvanized an opposition into action, which otherwise might not have existed. They might well have pondered the aphorism: "Pride goeth ever before the fall."

Only last September, George Allen, working under the tutelage of such George Bush henchmen as former U.S. Attorney General William Barr and former U.S. Attorney Henry Hudson, stage-managed the passage of a piece of fascist legislation called Proposal X, which eliminated parole in Virginia. Allen's followers orchestrated statewide hearings with carefully selected citizens demanding "vengeance" for their murdered loved ones. Proposal X is now being used by the Gingrich crowd in Washington as a model in their drive to "reform" criminal justice nationwide.

Allen's September victory was widely hailed as evidence of his popularity and his ability to get his way, even with a

legislature run by Democrats. Indeed, the General Assembly virtually rolled over and played dead in front of Allen's Proposal X steamroller.

Then came November and the Conservative Revolution victory in the U.S. Congress. Allen, heady with the power he thought was his, and touted in the press as a likely vice-presidential candidate, outlined a budget that cut deeply into every social service: agriculture extension, education, police protection, mental health, senior care, health care, welfare, to name just the most prominent. He motivated his proposals with ideological pabulum about "less government," invoking Thomas Jefferson and "states' rights" in speeches skirted on the edge of outright calls for secession. He combined the cuts with a proposed \$149 million income tax and business tax cut, and publicly dared the state's General Assembly, every member of whom is up for reelection in November 1995, to vote against it.

What Allen and his advisers didn't count on was the effect of *reality* on Virginia's population—and the effect of angry Virginians on their elected representatives. What they got was a torrent of protest, registered at public hearings statewide which were called by the legislature in January.

Since nobody expected much opposition to the supposedly popular Allen and his budget, these hearings were never stage-managed. As a result, in a series of five hearings, more than 2,000 normal citizens stood up to say, in effect, "I don't want a tax cut if it means you're going to deny my child a decent education and my parents their health." Many even said, "I don't want more prisons if you're going to destroy our youth before they even get a chance in life." At the final hearing, held Jan. 16 in the state capital of Richmond just after the legislature opened its 46-day session, more than 500 citizens turned out. The political shock wave rolled through the legislature, lending courage to those who had previously cowered in fear of their political lives.

### Education cuts key

Allen's proposed \$47.4 million in cuts to higher education (in a state whose funding level already ranks 43rd in the nation), was probably the straw that broke the camel's back, since it turned key Republicans in the business community against the governor's budget. To top off days of testimony by leading businessmen opposing Allen's budget, three former Virginia governors, including Mills Godwin, Jr., known as the "guru" of the conservative movement in Virginia, wrote Allen an open letter, which was read aloud during House and Senate floor sessions Feb. 1, the day before both bodies' finance panels considered the Allen proposals. In their letter, the former governors (Democrat-turned-Republican Godwin, Republican Linwood Holton, and Democrat Gerald L. Baliles) called on Allen to "make critical new investments in Virginia's future . . . by reaffirming public support for our unique system of higher education. . . . The economic progress we need will not happen if Virginia's

universities remain mired near the bottom in public support when compared to other states."

Education and human services were key considerations for those Republican legislators who voted against their own governor. In the Senate alone, Republicans introduced \$202.5 million in budget amendments, out of \$578.6 million submitted by the entire Senate, against Allen's budget. And it was a Republican, Sen. Malfourd W. Trumbo, who submitted the amendment that probably hurt Allen, personally, the most. Trumbo's amendment proposed to strip \$2.6 million in increases from the office budgets of Allen's own cabinet secretaries, the only increase proposed in the entire Allen budget, which had drawn nearly universal scorn for its hypocrisy.

### Opposition's Achilles' heel

The Achilles' heel of this opposition—the lack of any real economic policy alternative to the Conservative Revolution—is well illustrated in the battle over funding for the thousands of new prison beds required by the passage of Proposal X, which ended parole in Virginia effective Jan. 1, 1995. While the legislature stood fast against large-scale public funding for the 21 new prisons Allen's plan called for, they agreed to building 1,500 "private prison" beds in the state, because these don't require up-front public funds. So-called private prisons are constructed by such private contractors as Corrections Corp. of America, which recoup their costs by charging the state *per diem* for the prisoners they ultimately house.

It is just such "private prisons" that economist Lyndon LaRouche has identified as the beginning of Nazi-style concentration camps in America. Governor Allen's plan calls for a minimum of 10,000 private prison beds in Virginia, and he has invited private companies to view Virginia's burgeoning prison population as a "good investment." But nobody in the Assembly spoke out against this.

The fact that "free-enterprise" guru Lady Margaret Thatcher, former British Prime Minister and now Chancellor of William and Mary College in Virginia, was welcomed with a standing ovation to address a joint session of the Virginia General Assembly on Feb. 3—the day after the "Thursday Night Massacre"—is further evidence of the weakness of this victory. The "Iron Lady" was the first foreigner to make such an address since Winston Churchill did so in 1946 (see p. 86).

So the battle, even in Virginia, is just beginning. Governor Allen can veto the entire legislative budget in an April veto session, which would create an unprecedented political cauldron in the state. On top of that, the impending global financial blowout will wreak havoc with the best-laid plans, unless the citizens of Virginia, New Jersey, and everywhere there is opposition to the Conservative Revolution's agenda, are prepared to fight for the kind of economic reorganization policies which LaRouche and *EIR* have outlined.

# Espy special prosecutor puts President Clinton in his sights

by Edward Spannaus

President Clinton is now a target of not just one, but *two* special prosecutors. While independent counsel Kenneth Starr is officially charged with probing "Whitewater" and related matters, another special prosecutor investigating former Secretary of Agriculture Mike Espy, Donald C. Smaltz, has gone well beyond his original authority into an investigation which also encompasses the President.

Smaltz betrayed his intentions when he announced on Feb. 6 that a high-level Department of Justice (DOJ) official, Theodore Greenberg, has been named "Special Counsel" to Smaltz to assist in Smaltz's investigation of former Secretary of Agriculture Espy. Smaltz's statement says that Greenberg, now chief of the Justice Department's money-laundering section, "has been detailed to the investigation" at Smaltz's request, and "will take a significant role in the investigation" of Espy "and related matters."

It is most extraordinary for a high-ranking DOJ official to be assigned to work for an independent counsel. Independent counsels generally draw their prosecution staff from private attorneys or low-level federal prosecutors—although Whitewater special prosecutor Kenneth Starr has also brought a number of DOJ prosecutors onto his task force.

The latest escalation in the Espy inquiry has to be seen in the context described by William Rees-Mogg in the *London Times* on Feb. 6, when he gloated about six different inquiries, "each of which could be fatal against the President." Rees-Mogg (see p. 37) writes that "President Clinton is trapped by a process of inquiry from which he would be unlikely to escape even if he were wholly innocent of any wrongdoing." That, of course, is the whole idea.

The assault flaunted by Rees-Mogg includes the investigations by Starr and Smaltz, those by the Senate and House Banking committees, and the Paula Jones sexual harassment lawsuit. The sixth is apparently the series of investigations being conducted by the news media into various Arkansas scandals, including the Mena drug-running story and a long list of alleged assassinations.

## The Ted Greenberg file

The objective—trapping President Clinton "even if he were wholly innocent"—comes into sharper focus if we trace the profile of Smaltz's aide Greenberg, one of the

dirtiest career prosecutors in the Justice Department, who has long been suspected of having Mossad ties. He is a 21-year Justice Department veteran, who has been in supervisory positions in the Criminal Division since 1987. A press release issued by Smaltz's office on Feb. 6 notes that Greenberg's duties included overseeing prosecutions in areas of foreign corrupt practices, failed S&Ls, defense procurement fraud, and "matters of national security." For ten years, says Smaltz, Greenberg was an Assistant U.S. Attorney in the Eastern District of Virginia (Alexandria), "where he had primary responsibility for complex white collar crime prosecutions and matters of national security."

Greenberg was involved in every case coming through the federal court in Alexandria involving the CIA or the intelligence community, including the Wilson-Terpil case, the Dale Duncan/Yellow Fruit case (involving Army special operations personnel), and numerous others. His role was to protect certain elements of the intelligence community, while going after various "rogue" elements in the CIA and the military.

There are also two documented instances of Ted Greenberg's involvement in the frameup of Lyndon LaRouche in Alexandria. It was Greenberg who made the first contact with the Pentagon to arrange for two truckloads of files which were seized from associates of LaRouche on Oct. 6-7, 1986, to be taken to a military facility. This was arranged through the secret "focal point" channel in the Joint Chiefs of Staff, traditionally the CIA communications channel within the military.

Greenberg was also consulted during the involuntary bankruptcy used in 1987 to illegally shut down three publishing companies identified with LaRouche. Assistant U.S. Attorney David Schiller testified that he consulted Greenberg, because of Greenberg's experience in the CIA-linked Bishop Baldwin Rewald bankruptcy case. Greenberg congratulated Schiller on his "innovative" approach, and told Schiller he wanted to stay in touch concerning the LaRouche case.

The recent appointment of Greenberg to participate in the Smaltz witch-hunt is the best evidence that Smaltz has set his sights much higher than merely looking into free football tickets given to Espy.

## Smaltz's 'witch-hunt'

Although Smaltz was originally appointed to investigate allegations that Espy had received illegal gifts (travel, football tickets, etc.) from the Arkansas-based poultry processing giant Tyson Foods, Inc., and other food processors regulated by the Agriculture Department, Smaltz quickly expanded his investigation into Tyson's dealings with Bill Clinton, including allegations of money-laundering and of cash deliveries to Clinton while he was governor of Arkansas.

In December 1994, Smaltz was quoted as saying that there was "a ring of truth" to allegations made by a former Tyson's pilot who claimed that he carried envelopes of 100-dollar bills to Little Rock which were delivered to Clinton. About the same time, the *New York Post* reported that Smaltz "is being bombarded with allegations ranging from influence peddling to drug trafficking." There's not much doubt where the "bombarding" was coming from. The Tyson-drug allegations were first raised last October by Ambrose Evans-Pritchard in the London *Sunday Telegraph*, in a piece called "Bill Clinton and the Chicken Man," in which Pritchard wrote that "there may be another aspect to this scandal which has been overlooked by the American press." Pritchard cited a former state trooper who allegedly told him that Tyson smuggled cocaine "stuffed inside chickens."

In an attempt to curtail Smaltz's free-wheeling probe, motions were filed in court on Feb. 8 challenging his wide-ranging subpoenas and the scope of his investigation. Separate sealed motions were filed by attorneys for Tyson Foods and by attorneys for a former Tyson's corporate pilot, seeking to quash a subpoena for grand jury testimony and challenging what Tyson's lawyers call a "witch-hunt" being conducted by Smaltz.

In a front-page story on Feb. 9, the *Washington Post* reported that former Tyson employees say they've been questioned about whether chairman Don Tyson sent cash to Clinton, about the death of Tyson's brother in 1986, about drug use and drug trafficking, and whether company representatives ever bribed Mexican officials. "Several witnesses said they were asked few, if any, questions about Espy when called before a grand jury," said the *Post*.

Smaltz and his team have been subpoenaing numerous former Tyson pilots and employees. It is believed that Smaltz is using a list of 2,200 Tyson workers who have filed personal injury claims against Tyson, hoping to find disgruntled employees who will give evidence against the company, which can then be used to build a case against President Clinton.

## Spun out of Faircloth

Next to the role of the British press—especially the *Sunday Telegraph* and the London *Times*—probably the next dirtiest public role in Whitewater is being played by Sen. Lauch Faircloth (R-N.C.). It was Faircloth who, along with his fellow North Carolina Senator Jesse Helms (R), was in-

strumental in having former Whitewater special prosecutor Robert Fiske fired and replaced by Bush-leaguer Kenneth Starr. Faircloth is now griping because representatives of Tyson Foods, Inc. have been coming to Capitol Hill and meeting with congressional offices to expose Smaltz's activities.

An aide to Faircloth recently told the *Washington Times* that Archie Schaffer, Tyson's director of media, public, and governmental affairs, had presented "a detailed criticism of the independent counsel and the investigation of Tyson. It floored us." But Schaffer said that "I did not ask them to do anything for us, whatever. I was simply there to make them aware of what we see as a witch-hunt."

Smaltz was appointed as an independent counsel on Sept. 9, 1994 by the same three-judge panel which appointed Starr. This panel includes Judge David Sentelle, a North Carolina crony of both Faircloth and Helms.

Faircloth is also leading the charge against another cabinet member, Commerce Secretary Ron Brown. According to information publicized by Faircloth's office, the Justice Department has begun a preliminary review to determine whether still another independent counsel should be appointed to investigate Brown. This in response to allegations made in a Jan. 23 letter from Faircloth and 13 other senators to the Attorney General, charging that Brown failed to disclose his finances involving a former business partner.

## The Starr chamber

Starr, meanwhile, is also stepping up his pressure on President Clinton. He has recently added four more attorneys to his staff, so that he now has 20 lawyers on his "Get Clinton" task force, plus more than 25 FBI agents and other investigators.

Starr is known to be putting massive pressure on one of President and Mrs. Clinton's former Whitewater partners to force her to plead guilty and testify against the Clintons. Susan McDougal, former wife of James McDougal, was called in to meet with prosecutors in Little Rock on Feb. 8, and was threatened with indictment if she did not cooperate. After the meeting, one of her attorneys said, "Mrs. McDougal is not interested in pleading guilty to any felony or misdemeanor counts. She has done nothing wrong." In addition to being the Clintons' partners in Whitewater Development Corp., the McDougals owned an Arkansas savings and loan, Madison Guaranty, that collapsed in 1989.

The prosecutors met with Susan McDougal after issuing a new round of subpoenas, including several to current White House aides, demanding that they turn over any documents pertaining to Whitewater or to Jim and Susan McDougal. Among the subpoenaed aides was Patsy Thomasson, director of the White House office of administration, according to one of her lawyers, Tim Dudley of Little Rock. Dudley said he received the subpoena on Feb. 7 from an FBI agent who told him, "I've been serving subpoenas all day."

## Gingrich launches attack on NASA

House Speaker Newt Gingrich (R-Ga.) attacked the National Aeronautics and Space Administration, saying that NASA should have been disbanded after the Apollo program ended in the 1970s, in a lecture on Feb. 4 at Reinhardt College in Waleska, Ga.

"The government can do basic research and development or the government can come out here and set up the Apollo project," Gingrich said. "Remember, NASA was brand new. They built it up, they did it, and if they'd disbanded it at that point, I think they'd have been better off. You build a project team, you get the job done, and then you close it and start a new project. If you keep people there, they become obsolescent; they become bureaucratic." He did not say what he thought should be done with NASA now.

## Deficit hawks zero in on entitlements

On ABC's "This Week with David Brinkley" on Feb. 5, Senate Budget Committee Chairman Pete Domenici (R-N.M.) and House Budget Committee Chairman John Kasich (R-Ohio) agreed that the budget which the President was to present the following day was soft on entitlements.

"The bottom line is they refused to deal with entitlements," Kasich said, "and we are going to have to, if we are going to get to zero over seven years in terms of a balanced budget."

"This budget clearly lacks courage," complained Domenici.

Kasich admitted that "there's going to be a lot of screaming and yelling and complaining and crying" as a result of the GOP proposals, which they still have not revealed, but claimed that these would primarily be coming from "lobbyists" rather than constitu-

ents. Domenici didn't want to use the word "cut" with regard to the programs targeted. "Most of the programs you talk about in terms of cuts—Medicare, Medicaid, welfare—we're not talking about less spending every year. We're talking about slowing the growth in spending in virtually all of these entitlement programs," he said.

## Dorgan proposes reform of Federal Reserve

On Feb. 2, the day Federal Reserve Chairman Alan Greenspan raised interest rates for the seventh time in a year, Byron Dorgan (D-N.D.) called on Congress to reform the Fed.

The Fed is a secretive operation, Dorgan said, unveiling a chart with pictures of the members of the Fed board. Some of these people are chosen by the President and approved by the Senate, while others are chosen by the local Federal Reserve banks and represent the interests of private banks.

Dorgan outlined four provisions for reform. First, that "nobody ought to vote on monetary policy . . . in any room, locked or unlocked, unless they are accountable to the American people," and since the regional Fed presidents who sit on the Federal Open Market Committee are accountable to no one but private bankers, "no regional Fed Bank president ought to have a vote on that committee."

Second, Dorgan called for immediate disclosure of Fed decisions as they are made. Third, the budget of the Federal Reserve Board should be published as part of the budget of the United States. And finally, the Fed board should meet regularly with the Executive branch, especially the treasury secretary, so that monetary policy and fiscal policy can be coordinated.

Citing *Washington Post* comments that "many Wall Street analysts praise the course of Fed policy," Dorgan said: "Of course they praise the Fed policy. Who do you think the Feds are working for? It is not Main Street, it is not the family farmer, not the rancher, not the working person out there. . . . We know who their constituency is . . . but it is different from our constituency, and that is the dilemma." He characterized the Fed as a "dinosaur which reform has got to begin to touch."

## Judiciary panel okays anti-crime block grants

The House Judiciary Committee on Feb. 2 approved, on a near party-line vote, a program which would provide local governments with \$10 billion in block grants. The legislation would effectively dismantle the crime bill which was passed by Congress last year and signed into law by the President. That bill provided funds for 100,000 police officers, specialized drug courts, and prevention programs. The new bill would leave it up to the individual states and the local governments as to how they would spend the money.

This is a significant step toward the defederalization of the United States, propagated by the conservative Republicans' "Contract with America." This was admitted by House Judiciary Committee Chairman Henry Hyde (R-Ill.). "It's the defining issue between the parties," he said, "whether we're going to have local or federal control."

Supporters of the new bill believe that local and state governments will be less likely to fund the preventive measures in last year's crime bill, which they castigated as "pork." They instead want stronger punitive measures, including introduction of evi-

dence based on an illegal search, if that search were done in "good faith."

The Republican proposals would expand the number of crimes subject to the death penalty, lengthen prison terms for "violent crimes," and short-circuit the *habeas corpus* process, setting more stringent limits on such procedures for death row inmates. The legislation calling for mandatory "victim restitution," i.e., the criminal making good whatever the "victim" had suffered as a result of the crime, passed the House on Feb. 7 in a 431-0 vote.

## **T**eller: develop high-temperature reactors

Nuclear physicist Edward Teller proposed to shift the emphasis of the Department of Energy (DOE) "to *obviously* safe reactors," in a House Appropriations Energy and Water subcommittee hearing on Jan. 31 on the future of the department. These should be based on modifications to General Atomics' high-temperature gas-cooled reactor, he said. If placed 300 feet underground and with automated controls, these reactors would shut down automatically and require no "human access." Accidents like Three Mile Island and Chernobyl would be avoided.

Teller said that placing reactors underground would make them proliferation-proof, because it would be virtually impossible for anyone to get into them. "Thus, Third World countries can be given such reactors for their legitimate energy needs, even if their political stability is not completely assured," he said.

Teller bemoaned the fact that the DOE has practically stopped all development and research on nuclear reactors for electricity production. "It is mistakenly stated that nuclear elec-

tricity is necessarily expensive," he said. But "successful work abroad, particularly in France and Japan, proves the contrary." The real problem, he explained, was the demand for risk-free technology.

Republicans have long targeted the DOE for extinction, because it has been turned into an anti-technology haven since it superseded the Atomic Energy Commission; but Teller offered instead that its activity should be reoriented.

Teller also criticized the amount of time and money being put into nuclear and chemical "cleanup." He said that a "science-centered program to investigate the actual consequences of low-level radiation exposures should be instituted to give any subsequent cleanup program a rational basis."

## **M**cConnell's planned cuts in Africa aid draw fire

On Feb. 3, the Constituency for Africa, chaired by former U.N. Ambassador Andrew Young and seconded by Rep. Robert Payne (D-N.J.), announced the formation of a coalition to fight for the preservation and expansion of U.S. foreign aid programs for Africa. "We're here to call attention to the fact that there is an Africa policy" from the Clinton administration, Young said. "We want the Congress not to lose sight of that fact."

Young criticized Sen. Mitch McConnell (R-Ky.), who has introduced a bill to drastically cut foreign aid for Africa on the basis that "African leaders steal the aid." "McConnell's reasons are ten years old," said Young. "Aid was stolen when Africa was a pawn in the Cold War."

Young called U.S. foreign aid to Africa a good investment: "Everybody profits by a strong relationship

with Africa. This is the richest and most underpopulated continent in the world." In fact, he said, there's so much work that needs to be done there, "you might see another wave of immigration from Holland to Africa."

## **B**yrd flails balanced budget amendment

Sen. Robert Byrd (D-W.V.) continued his assault on the balanced budget amendment, which he scored as unconstitutional and a fraud, in floor comments on Feb. 9. Byrd demanded, "How will you know if this amendment will be good for the nation if you do not know what cuts will be made, how much each state, each county, each municipality across the land will have to absorb as a result of the cuts, how much your state taxes will rise as a result of federal cuts?"

Byrd said that if defense, Social Security, and interest on the federal debt were exempted from cuts, as has been proposed, the remaining budget (Medicare, state and local grants, and the rest of the federal government) would have to be cut 30% in order to balance the budget by the year 2002. "No one can honestly come to this floor . . . and tell the people of America that they will escape real pain under the amendment."

Appearing on NBC's "Meet the Press" on Feb. 5, Byrd attacked the economic consequences of the amendment: "As to its being bad economic policy, it would severely damage the nation's ability to develop a sane, sensible fiscal policy. It would cripple efforts to stabilize the business cycle, in that it would create a severe fiscal drag on the economy at a time when the economy may already be weak. It would hamper the capacity of the nation to make long-term investments in physical and human infrastructure."

# National News

## Thatcher to legislature: 'I am a Virginian'

"I'm a Virginian" Baroness Margaret Thatcher told fawning legislators in Richmond on Feb. 3, according to the *Washington Post*. Thatcher had been invited to address a joint session of the legislature (only the second British subject to do so) in her capacity as chancellor of the College of William and Mary (the first British subject to hold that post in the 300-odd years of its existence).

Thatcher, whose 11-year survival as prime minister of Britain earned her the name the "Iron Lady," lavished praise on her own Thatcher Revolution in "free-market capitalism" as "economic democracy. It limits the power of government by maximizing the power of the people."

"As chancellor of the College of William and Mary," she said to a standing ovation, "I already feel at least an adopted daughter of the state of Virginia. But when I consider all that this place has given to democracy, I am moved to say that in spirit: I am a Virginian."

Democrats and Republicans fell over themselves trying to outdo each other in demonstrations of Anglophilia: Senate Majority Leader Hunter B. Andrews (D) shouted, "England forever!" Andrews is known for quoting Oliver Cromwell and Charles I in Senate floor debates. Gov. George Allen (R) made his feelings known by inviting the baroness to a private luncheon, from which Lt. Gov. Don Beyer, a Democrat, was excluded.

## Schiller concerts hail African-American month

More than 400 people attended a concert featuring Classical European and American Negro spiritual music on Feb. 3 in San Francisco and 850 in Torrance, California on Feb. 5. The concerts, sponsored by the Schiller Institute, were billed as "A Musical Celebration of African-American History Month," and featured African-American

artists Helen Dilworth (soprano), Elvira Green (mezzosoprano), Richard Riley (tenor), and Aaron Gooding (bass), with piano accompanists Dr. William Duncan Allen and Sylvia Olden Lee.

In addition to organizing attendance from over 36 churches in the Los Angeles area, the institute received such a warm response from the Korean community that the Los Angeles Seoul Chorale asked to participate. Host Dennis Speed introduced the group: "Some people claim that there is a conflict between the Koreans and the Afro-American community. This is only true in the minds of the demented; in fact, the Los Angeles Seoul Chorale, whom you are about to hear, requested to be part of this program tonight. They requested to be able to come to sing for you." This got a tremendous applause.

In earlier remarks opening the concert, Speed had referenced Martin Luther King's conscious decision to drink from the cup of Gethsemane: "This idea is what gives us the strength that is represented by music that elevates the soul. The spirituals come from this kind of heroism, not from oppression, but from the fight against oppression, and the principle that all men are created in the image of God." Speed invited the audience to join with the Schiller Institute to demonstrate that "we will not be sucked into the mud of hatred."

## Gingrich on Medicare: 'Let them use HMOs'

While Newt Gingrich told the American Hospital Association on Jan. 30 that he wants to "rethink" the Medicare program in order to offer "greater choices for senior citizens," top on his list of choices was health maintenance organizations (HMOs). In fact, Medicare offers the 37 million elderly and disabled citizens to whom it provides services the choice of using HMOs, managed care, or traditional fee-for-service plans. By 1995, Medicare beneficiaries enrolled in HMOs increased to 2,339,592, while those enrolled in all pre-paid Medicare health care plans jumped to 3,114,566, a 26% increase over 1994.

In 1991, a study by the congressional

General Accounting Office exposed entrenched abuses by the Florida-based Humana Medical Plan, Medicare's largest HMO contractor. GAO found that Humana HMO plans had a corporate philosophy of "aggressive and manipulative marketing practices," in which sales agents manipulated potential Medicare clients into signing.

Humana also denied payment of emergency care obtained outside the plan's service area, then denied clients the right to appeal, forcing them to pay huge medical bills themselves or go to court. To increase profits, the HMO's physicians avoided critical diagnostic tests or ignored test results that would indicate costly treatment.

## Virginia AG continues misconduct vs. Billington

In papers filed with the Supreme Court of Virginia, political prisoner and LaRouche associate Michael Billington denounced the continued misconduct of the Attorney General of Virginia. The papers were filed in response to the AG's motion to dismiss Billington's petition for a writ of *habeas corpus*. Billington was sentenced to 77 years in 1990 in a political trial that made a mockery of justice and is drawing shock and disbelief internationally.

In his original petition, filed in October 1994, Billington had charged that he is being illegally incarcerated because his conviction resulted from the treacherous actions of his trial counsel, the late Brian Gettings, and from prosecutorial misconduct by the Virginia Attorney General's office. Billington charged the AG with use of perjured testimony, withholding exculpatory evidence, brainwashing witnesses, black bag jobs, and fraud.

In response, the AG ignored the detailed charges presented in his over 100-page petition, saying that Billington's petition should be dismissed because Gettings was now dead and could not be called as a witness to explain his actions. Gettings died on Jan. 4, 1995 after a long bout with cancer. According to an affidavit of Frank Dunham, Gettings's former partner, in December 1994, Gettings had agreed to help the Commonwealth defend itself against Bill-



ington's *habeas* petition. But, according to the same affidavit, Gettings died before giving a statement. Dunham's affidavit was filed with the AG's response.

Billington charged that the AG is responsible for any prejudice caused by delay, since the AG was fully aware of Gettings's illness and waited more than two months before even attempting to get a statement from him: "In short, respondent, with knowledge of Mr. Gettings' impending demise, simply stalled until, according to him, Gettings was too ill to provide any information."

## D.C. in 'worst crisis since 1873,' says Barry

Washington, D.C. Mayor Marion Barry released a new audit of the District's finances, projecting a \$722 million budget shortfall in a \$3.2 billion budget for the nation's capital. He said the city faces its worst financial crisis since 1873. In 1873, the year D.C. "home rule" was lost in the last century, the United States simultaneously plunged into what was then its greatest crisis and depression. That crisis was brought on by the attack of the Drexel-Morgan (British-Austrian) banking house against the pro-nationalist Jay Cooke bank. Cooke went bankrupt, credit disappeared, and the railroad construction Cooke and his allies were sponsoring was suspended.

In a related development, the Board of Education, by a vote of 9-1, agreed to the proposal of School Superintendent Franklin L. Smith to eliminate seven teaching days from the end of the school year. The board also agreed to eliminate 300 teaching jobs and 180 office jobs.

## Attorney repeats call to exonerate LaRouche

Months after reviewing the volumes of evidence in the Lyndon LaRouche case, California trial attorney Curtis Clark, who chairs an independent committee of jurists and public officials, recently told an interviewer for *EIR* Audio Reports, "We all felt that we had

been part of the drafting of a document that was historical in nature." The committee that Clark heads reviewed the LaRouche case last September, and stated: "We . . . have come to the conclusion that there has been a gross, even conspiratorial, misuse of prosecutorial and investigative powers by officials and agents of the U.S. government. The common purpose and concerted action of the conspirators was to secure criminal convictions of Lyndon LaRouche and his associates to destroy their political movement."

Clark continued: "Obviously, the President enjoys the executive clemency powers, the powers to pardon, and could certainly do so for LaRouche and his associates, some of whom are still in custody. The Congress has oversight responsibility for the Department of Justice, and can certainly work through their various committees to try to investigate and give fuller airing to what actually occurred in the investigation and prosecution of LaRouche and his associates."

## Envoy Gallucci defends North Korea agreement

Ambassador at Large Robert Gallucci entered into a spirited defense of the Clinton administration's framework agreement with North Korea, on Feb. 1 at a symposium sponsored by the Council on Foreign Relations. Gallucci was faced by a mostly hostile panel of questioners, led by Bush National Security Adviser Brent Scowcroft and former Nuclear Regulatory Commission member Victor Galinsky.

Galinsky, in his opening remarks, complained that, as time passes, the United States loses leverage over North Korean compliance, that North Korea's facilities remain a latent threat, and that the light water reactors to be provided under the agreement are the poorest way of generating electricity in North Korea. In response, Gallucci asserted that, if implemented, the agreement completely removes the North Korean nuclear program and the leverage remains, because neither critical reactor components nor fuel will be delivered until North Korea complies with the safeguards of the U.N. International Atomic Energy Agency as provided for in the framework agreement.

## Briefly

● **CALIFORNIA** Gov. Pete Wilson (R) said Jan. 29 that he would like to see a constitutional amendment prohibiting so-called "unfunded mandates." Abolishing unfunded mandates has populist appeal with the "Contract with America" crowd, because the financial burden of unfunded mandates often falls on states, localities, or individuals.

● **THE ANTI-DEFAMATION** League's January newsletter, *ADL on the Frontline*, reported that the ADL held a breakfast for ADL Honorary National Commissioner Alan Gerry for his catalytic role in creating the League's William and Naomi Gorowitz Institute on Terrorism and Extremism. The keynote speaker was former Director of Central Intelligence R. James Woolsey.

● **DERIVATIVES FALLOUT:** Cuyahoga County (Cleveland), Ohio, has had to slash \$14.5 million out of its \$124 million general fund budget in the wake of the collapse of its "safe" investments in financial derivatives last year. Hardest hit are agencies caring for foster children and the elderly, including \$3.2 million cut from foster care and \$1.5 million from the county nursing home. In addition, a \$26 million planned subsidy to the county health and hospital system for the poor called MetroHealth is being cut by more than half.

● **HENRY KISSINGER** pontificated to the Senate Armed Services Committee on Feb. 2, at the invitation of its chairman, Strom Thurmond (R-S.C.), who solicited the British agent-of-influence's comment on "the foundations of American national security strategy as the committee prepares to examine U.S. military planning and budgeting."

● **THE PHILADELPHIA** orchestra will perform all nine Beethoven symphonies next year in honor of his 225th birthday. It will also hold a series of workshops and classes in high schools and colleges throughout the area, according to conductor Wolfgang Swallisch.

## Editorial

### *Justice, not vengeance*

The Declaration of Independence and the U.S. Constitution assert the supremacy of natural law—the self-evidence that all men are created equal with God-given fundamental rights to life, liberty, and the pursuit of happiness. This same principle was upheld in the Nuremberg Trials after World War II where following the orders of a superior or adhering to established procedures could not be offered as a justification for committing an atrocity.

Thus positive law, the rules and procedures in a law court, must bend before the imperatives of God's law. In these terms, there are circumstances of just war, or legitimate self-defense, in which an individual may take the life of another. Vengeance is never such a circumstance.

(While capital punishment has been justified on the basis that it deters murder, experience does not prove this to be the case.)

Recently there has been a growing spirit of blind vengeance, evidenced in the popular outcry for extending capital punishment to cover more crimes, and in the growing climate of acceptability for vigilante justice. To propitiate this mood, politicians vie to pass more and more draconian crime bills, and the courts ride roughshod over the rights of the accused. A terrible instance of this occurred in the Commonwealth of Virginia on Jan. 24, when a man was executed despite the fact that the judge asked to stay the execution expressed the belief in court that the man had not received a fair trial.

On Jan. 23, a last-minute appeal by death row inmate Dana Ray Edmonds was rejected by U.S. District Judge James C. Turk. At issue was the fact that Edmonds's attorney also represented a chief witness against him at the time of his trial. Turk ruled that he did not have the authority to stay the execution for *procedural* reasons. Thus he allowed positive law—rules and procedures—to supersede natural law. No doubt he was also influenced by the popular clamor since, just two days before, he had said, "It's not right to put someone to death who didn't have effective counsel by saying it's procedurally barred. I've got to do

some praying over this."

When justice is flouted in this way by the courts, people believe it is acceptable to take whatever they think is justice into their own hands, even to meting out the death penalty. We have seen several tragic instances of this, such as the recent shootings at abortion clinics, or potentially tragic incidents where people have shot into the White House.

Admittedly some of the shooters have clearly been demented (as in the case of the clinic killings and perhaps some of the recent attacks on the White House), but that is not the whole story. *EIR* has documented the direct involvement of British secret intelligence in the assassinations of American Presidents Lincoln and Kennedy and the attacks on President Clinton. Thus, America's historic enemy, the European oligarchy, has worked to create the *climate* of disorder. The violence emerging from the ranks of the environmentalist movement has similar roots. While terrorist groups such as Earth First! formally keep their distance from more respectable environmentalists, they are paid by channels set up by Prince Philip's World Wide Fund for Nature.

In the December issue of the *Earth First! Journal*, Mike Roselle, who heads the group, called for an escalation of terror. "We don't care who is in power in Washington," he wrote, "for whoever stands on the walls of Babylon will be a target for our arrows. When we raze the citadel, it will matter not who holds the keys to the corporate washroom, or who has reserved parking at National Airport, because we will be out trashing their limos and doing donuts on the greens of their racist country clubs. What we want is nothing short of a revolution."

Martin Luther King was well aware of the danger of raising the threshold for violence when he led the civil rights movement of the 1960s. His movement succeeded because it was built upon the principle of *agapē*, God's love for man, which cherishes the sanctity of all human life, and offers compassion in place of vengeance. Until this principle rules in public life, the future of the republic is in grave jeopardy.

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**September 23, 1993** EIR Alert quotes Lyndon LaRouche on the Russian crisis: "Yeltsin may have lost his head, he has engaged in what we call, in military terms, flight forward."

**October 4, 1993** Boris Yeltsin orders assault on the Russian Parliament, killing hundreds and jailing opponents.

**January 4-6, 1994** EIR Alert describes the Jan. 1 uprising in Chiapas, Mexico as a foreign-run assault on the nation-state, a "Sendero Luminoso North."

**March 23, 1994** Mexican presidential candidate Luis Donaldo Colosio is assassinated, plunging the nation into crisis.

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