

EIR

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forecast—one year later**



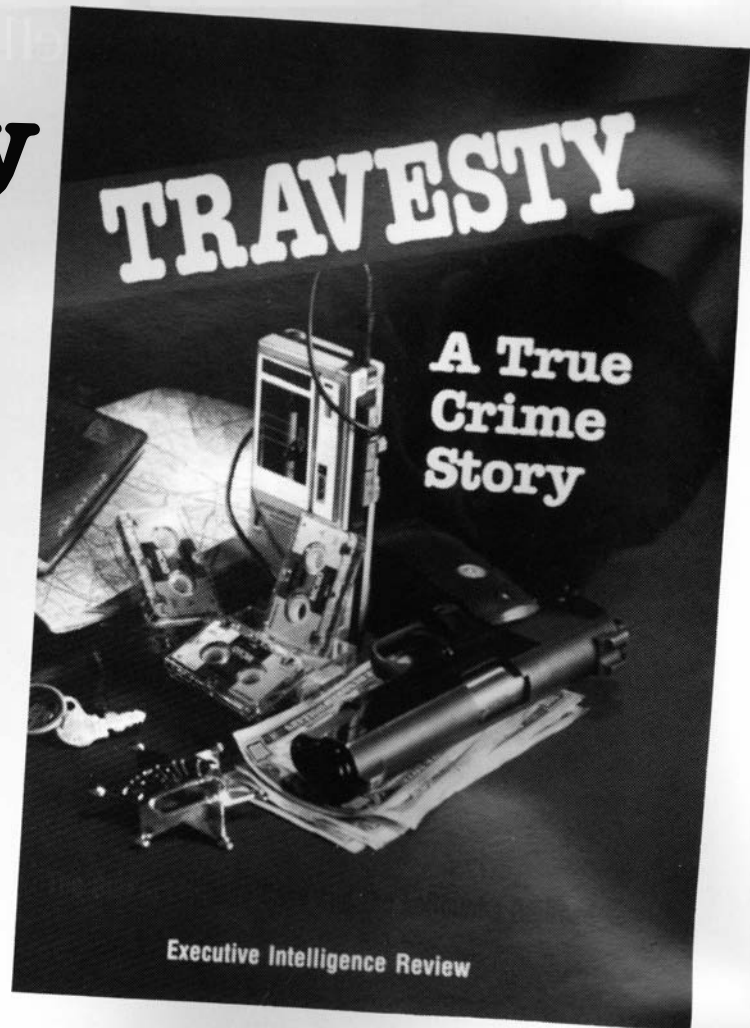
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European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Otto von Guericke Ring 3, D-65205 Wiesbaden, Federal Republic of Germany Tel: (6122) 9160. Executive Directors: Anno Hellenbroich, Michael Liebig

In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

In Mexico: EIR, Francisco Díaz Covarrubias 54 A-3 Colonia San Rafael, Mexico DF. Tel: 705-1295.

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From the Associate Editor

‘There are some people around the world who are catching on to what I’m talking about,’ Lyndon LaRouche told the *EIR* staff recently. “I think we have a handle on changing the course of history.”

This issue, chock-full of exclusive stories, will give you a good idea of what LaRouche has in mind. From the uproar against International Monetary Fund austerity in Ukraine, Nigeria, Mexico, and the Philippines, to the intervention by parliamentarian Sergei Glazyev in the Russian State Duma, there is a growing recognition that the world economy is on a course toward disaster.

One year ago, LaRouche issued his “Ninth Forecast” on “The Early Disintegration of World Financial Markets.” He has now commissioned a *Special Report*, which will be published in *EIR* soon, to prove that all the talk about solving America’s financial crisis by balancing the budget and cutting entitlements is a lot of hogwash. The real question is, why is it that the United States government, and state governments, cannot afford what we could readily afford in 1966, or even 1976? The tax-revenue base has collapsed, and the economy has become saturated with debt service and speculation.

Analyzing what has gone wrong, we will also demonstrate to you, from a scientific basis, why it is that the American System of Political-Economy is the right alternative to the present system.

This week’s *Feature* will serve to whet your appetite for that longer report, as it documents the shift in the U.S. workforce from productive to unproductive activity, and the devastating consequences of that shift.

Two other exclusive stories in this issue should be singled out. First is Linda Everett’s *Investigation* of the breakthroughs in medical science that absolutely refute the lies of Jack “Dr. Death” Kevorkian. Second is Edward Spannaus’s followup to last week’s report on the criminals in the Department of Justice. We now have the full story on why the DOJ’s Mark Richard was given a CIA award for “Protection of National Security During Criminal Prosecutions.”

Following this expanded issue, we will not publish next week, according to our usual summer schedule. We’ll be back with the issue dated July 21.

Susan Welsh

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At the recent Halifax economic summit, the assumption was that there is no systemic economic and financial crisis, but rather episodic problems, whose periodic eruptions can be dealt with by administrative means. *EIR's* analysis of the ratcheting up of the debt obligations since 1956, versus the decline of the productive labor force in the United States, shows that this not the case.

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Worldwide revolt grows against IMF austerity

by Linda de Hoyos

Lyndon LaRouche, the American statesman and economist, completed on June 24 a five-day visit to Kiev, Ukraine, where he addressed members of the Ukrainian Parliament and other policymakers on economic policy. The visit, which included his wife, Helga Zepp-LaRouche, and a delegation of the Schiller Institute, took place just at the point that leaders in Ukraine are becoming completely disillusioned with the so-called “reform” policies of the International Monetary Fund (IMF), which have been imposed on Ukraine since 1990.

In his speeches before a seminar of parliamentarians and elsewhere, LaRouche stressed the inevitability of the collapse of the present global financial and monetary system, and emphasized that apart from the effects of the looting policies carried out against eastern Europe by former British Prime Minister Margaret Thatcher and former U.S. President George Bush, which were intended to plunge the Comecon countries as quickly as possible into developing-country conditions, Ukraine was experiencing a reflection of the same economic breakdown that is occurring in every part of the world economy, and that there is no successful economy in any part of the world.

A look at the political and economic crises facing leaders in countries throughout the world confirms LaRouche’s assessment. From Russia to Buenos Aires, from Pakistan to Nigeria, there is a growing realization on the part of leaders that the internal economic crisis experienced by their countries is not the fault of the country itself, as the international banking donors and IMF insist, but is, first, a product of a worldwide economic breakdown, and second, of the structural adjustment programs (SAP) of the IMF, which only worsen the condition of the domestic economy and bring more suffering to their populations.

Ukraine: looking for an alternative

LaRouche was invited to Kiev by Natalya Vitrenko, a prominent member of the economic commission of the Ukrainian Parliament, and was welcomed by the president of the Parliament, Oleksandr Moroz. Ukraine is at a turning point, LaRouche’s hosts told him—a point of disillusionment with the policies of the IMF and seeking an alternative. Since the imposed privatizations were forced on the country three years ago, Ukraine has lost 50% of its industrial capacity and 30% of its agricultural output—a staggering collapse. IMF policies, which favored speculation rather than production, also resulted in a brain-drain, similar to that which has occurred in Russia. Ukraine’s scientists have either fled the country or are forced to work at jobs far below their qualifications. Scientific endeavor is virtually shut down. As for the general population, poverty is now at levels that are “almost unbearable.” Housing has been constricted, with families of three generations living in less than 25 square meters.

Hence, policymakers are deeply concerned over the prospect that any further privatizations of economic capacity will not only mean that Ukraine has lost its national sovereignty, but any continuation of such policies will plunge the population into Third World levels of poverty. Furthermore, Ukrainian policymakers fear that the threatened privatization of the energy sector in Russia, and its likely political consequences, will pose a threat to Ukraine’s national security.

During his five days in Kiev, LaRouche, who has uniquely forecast the current collapse, addressed a seminar composed of a group of deputies of different parties, professors, and media; gave lectures at several universities, think-tanks, and economic institutes, and gave a speech at the Institute of Productive Forces, which had been created by the great Ukrainian scientist V.I. Vernadsky in 1919.

The shrinking of the physical economy, LaRouche emphasized, is taking place in every country around the globe. In the United States, average consumption of physical goods and the income of the labor force is today half of what it was 25 years ago (see *Feature*). At the same time, and spiralling out of control since 1987, there has been a vast expansion in financial aggregates per capita and the growth curve of these aggregates has now reached a hyperbolic character. In contrast to IMF policies, LaRouche posed the concept of his 1990 program for a European Productive Triangle and extending landbridge for Eurasia, which would drastically upgrade infrastructure throughout central and eastern Europe, as the only kind of program which can bootstrap the former Comecon economies out of their current collapse.

As in Kiev, political leaders are now beginning to openly question the efficacy of IMF policies, which heretofore had been imposed on their governments without protest. According to reliable sources, the failure of the IMF's structural adjustment programs and the necessity for an alternative was to be a major topic of discussion at the heads-of-state summit of the Organization of African Unity to take place on June 26. The summit was canceled after the assassination attempt against Egyptian President Hosni Mubarak.

The failure of the IMF to meet any promises for easing the economic crisis of countries is a point of debate in many African countries. In Nigeria, the government of Gen. Sani Abacha came in with a program that drew the line against the IMF and imposed exchange controls. Now an open fight has emerged among the policymakers around on debt payments: If Nigeria continues to pay its foreign debt—most of which is accumulated interest—then domestic investment will remain starved and the physical economy will continue its collapse (see article, p. 14). On June 10, in Nairobi, Kenyan President Daniel Arap Moi told a rally of his ruling Kanu party that "henceforth the government will not swallow wholesale all conditions of the structural adjustment programs that are detrimental to the welfare of the common *mwananchi* [citizen]," reported the *Daily Nation*. Donors have called an extraordinary meeting for the end of July to discuss continuation of funds to Kenya.

In Ghana, a country put forward as an "IMF showcase" in West Africa, the government was forced to do an about-face on an IMF-demanded value-added tax, whose imposition had raised the price on some necessities by 300%. The tax led to a wave of demonstrations in Accra, with 50,000 people marching through the capital in mid-May, the largest demonstration since independence. On June 9, Finance Minister Kwesi Botchwey told Parliament that the government was suspending the tax, since "matters have reached a point where it is becoming increasingly difficult to enforce the VAT law because staff from the VAT secretariat are met with hostility wherever they go."

IMF policy is also rapidly becoming the major issue of debate in South Africa. On June 19, the Congress of South

African Trade Unions (Cosatu), the union umbrella which functioned as a major base of support for the African National Congress, brought out nearly 500,000 workers in a strike action against the government's policies of privatization. "Public assets are not the private property of a particular party or government," Cosatu President John Gomo wrote in calling for the strike, "but a heritage of the whole society. They should be protected from unilateral action taken by ruling parties." Attacking the onset of "Thatcher monetarism" in South Africa, Gomo said current economic policies would lead to the lifting of trade barriers and establishment of cheap labor export processing zones. "Apart from the social problem created by privatization, it also has a poor record of creating jobs."

Getting off the Titanic?

In Asian countries, where debate on IMF policies has previously been muted, leaders are beginning to draw a line against the Fund and its merciless constriction of the economy. In a surprise move, Pakistani Prime Minister Benazir Bhutto on June 15 publicly defied the IMF, whose policies Pakistan has dutifully followed since the 1970s, when Mahbubul Haq, current director of the United Nations Development Program, was Pakistan's finance minister and pressed Pakistan into the IMF mold. Bhutto reported to the press that her government had debated whether to go for a tough budget—as demanded by the IMF—or ease the burden on the ordinary citizen. "It was decided that this year is a year to breathe." Bhutto's economic adviser V.A. Jafarey explained that "inflation would have gone up to 30% [from 13%] if we had implemented IMF conditionalities." Bhutto indicated, according to Islamabad's *The News*, that there would be no further currency devaluation and that funds for defense had been allocated to meet the country's security needs—also a slap in the face to IMF demands.

In Manila, on June 22, a central bank official told a visiting IMF surveillance team that the Philippines would withdraw from the IMF program if the Fund insisted on "unattainable targets." The Philippines wants the IMF to ease its monetary restrictions, and has stated that even if it goes along with current IMF demands, this round of conditionalities is its "exit program" from the IMF.

And even in New Delhi, where IMF-dictated "reform" policies were met by some excitement over the last few years, the truth is beginning to come out. Poverty in India has been growing steadily at an annual rate of 1-2% since the 1990s, and now exceeds 40.1% of the population, economist Amitava Mukherjee reported to a seminar on June 27. Citing a Planning Commission study soon to be published, Mukherjee said that reform policies had widened the inequities. While overall poverty figures had steadily declined since the 1970s and gone as low as 34.1% in the late 1980s, the 1990s and the start of liberalization policies had reversed this trend, with poverty now close to the level of 44%.

'Life after the death of the IMF' seminar held in Guadalajara

by Valerie Rush

Nearly 200 leaders of political, labor, and producer organizations from Mexico met on June 16-17 in Guadalajara, Jalisco to map out a strategy for reversing the disintegration of the Mexican economy along the lines proposed by U.S. economist and statesman Lyndon H. LaRouche.

The conference, convened by the Permanent Forum of Rural Producers (FPPR) and the Ibero-American Solidarity Movement (MSIA), was entitled "Yes, There Is Life After the Death of the International Monetary Fund." It was the first of a series of such development conferences scheduled across Mexico and other countries of Ibero-America. The conferences are designed to put together a movement of workers and producers prepared to speak the truth about the death of the international financial system, its free-trade dogmas, and its genocidal institutions, such as the International Monetary Fund (IMF), and to counterpose a Hamiltonian reorganization of current national and international financial systems in order to revive national economic development.

The Guadalajara conference, held in the auditorium of the Jalisco Industrialists Club, was attended by delegates from Mexico City, and the states of Jalisco, Sonora, Michoacán, Chihuahua, Aguascalientes, Nuevo León, and the state of Mexico. The governor of Jalisco, an important agricultural and industrial state which carries significant political weight in the country, sent his personal representative to sit at the dais on the opening night of the conference. Also attending were several municipal officials, a federal deputy from the opposition National Action Party, and representatives of numerous other political organizations, including the PRI ruling party, a member of the state Executive Committee of the Mexican Labor Federation (CTM), a leader of the sugar workers union, the National Coordinator of Bank Users, the National Catholic Party, and El Barzón, another farmers' protest movement.

In a press conference preceding the Guadalajara event, MSIA leader Carlos Cota declared that their purpose was neither to support nor attack the government of Mexican President Ernesto Zedillo, but rather to pull together a political force which can change current government policy, toward one which can guarantee development. The conference occurs at a moment of crisis in the Mexican economy, where billions of borrowed dollars are being poured into a so-called

stabilization plan for the Mexican banking system, which, however, cannot be stabilized as long as the root causes of the endemic instability—speculation and usury—are not eliminated. The more these borrowed funds are poured into the banking "sinkhole," the more the nation's productive apparatus—its agricultural and industrial sectors—are being looted to pay the debt, and the more the debt becomes unpayable.

This "Mexican" crisis is being played out across Ibero-America, today most notably in Argentina and Brazil, making the example set by the Guadalajara conference a model for successor conferences across the entire continent—and indeed for the world. It comes as no surprise, for example, that a national debate over the question of debt moratorium is now dominating the pages of Argentina's newspapers (see article, p. 11).

Identifying the cancer

José Ramírez of the FPPR opened the event by introducing the governor's representative and reading greetings from farmers in the United States and from the Venezuelan Labor Federation, among others. Also read was a message of greetings from MSIA chairman in Mexico Marivilia Carrasco, who explained that she could not be there in person because she was on a related mission in Europe, accompanying two Mexican congressmen to expose what is behind "Commander" Samuel Ruiz and the Zapatista insurgency (see article, p. 36). Mexico, said Carrasco, is being destroyed between the pincers of the IMF and the ethnic separatist uprising in Chiapas which, she stressed, are one and the same operation.

The first speaker was *EIR*'s Ibero-America editor Dennis Small, who compared reactions to the current crisis of the international monetary system to those of a patient with cancer. LaRouche has identified three distinct outlooks toward this crisis, said Small. There are those who simply deny the diagnosis, who declare they are just nervous and need another cigarette. These are the ones who would just expand the speculative bubble. Then there are those who admit they are sick, but insist they only have a cold and just need to take an aspirin. These, said Small, are like some farmers in Sonora who demand only a fair price for their wheat, thank you, "and none of those extremist proposals" from the LaRouche movement.

Then, there are those—like the FPPR—who recognize that they are fighting a cancer, and who demand not only its surgical removal but measures to strengthen the body to resist it. Small hit especially hard at those who have refused to listen. In November 1993, he reminded the audience, he had first outlined *EIR*'s calculations of Mexico's real foreign debt—which were dramatically larger than the official figures—to a meeting of the Sonora FPPR. Today, everyone admits that his figures were correct, but, at the time, a huge campaign was launched to discredit LaRouche and his influence in the farm sector. Small pointed out that it was the U.S. embassy, in particular, which fostered the slanders that LaRouche was just a "foreigner" and a "criminal" who shouldn't be listened to. You can choose not to listen now and pay the price, said Small, or you can work for LaRouche's exoneration and for the implementation of his full program while there is yet time.

Many around the world are listening closely to LaRouche. The influential economist has just returned to the United States from trips to Russia, Poland, Ukraine, and Germany where he discussed his analysis and proposals with many who, like those at the Guadalajara event, agree that IMF policies are a disaster for their national economies.

Small demonstrated how the latest "success story," that of Chile, is but one more example of looting a national economy through usury. He presented his latest calculations, which show that since 1973, while Chile's index of production of producers goods rose by 35%, that of consumption goods dropped by 5% and that of infrastructure collapsed by 26%. But over that same time period, Chile's foreign debt soared by an astonishing 630%!

Mexican banks hooked on derivatives

The MSIA's Carlos Cota then presented a closeup of the Mexican banking crisis, showing how Mexico's banks are not insolvent because of arrears by producers such as those in the audience, but because the banks are themselves indebted to the foreign derivatives market. You did not cause the crisis, Cota emphasized; the international monetary system did.

The Mexican government has already paid out nearly \$7 billion to bail out the debt-bloated banks, and is planning to pour in another \$3.3 billion, Cota said. Ten billion dollars is just what the government received for privatizing those banks just a few years ago! The government says that accepting a moratorium on farm debt would be "inflationary," Cota pointed out, and yet it has already gone into debt for many billions to bail out the banks. Where is the morality in a policy that will allow an entire farm sector to go bankrupt that is needed to feed the nation's population, and yet will put its own oil wealth in hock to rescue banks riddled with the cancer of usury?

Also addressing the Guadalajara event was Jaime Miranda Peláez, a prominent farmer from Sonora who has been

a leader of the FPPR since its inception. Miranda gave a presentation on the history of the organization, and explained why it and the Ibero-American Solidarity Movement are working together to form a "pole of attraction" for workers, producers, and businessmen around the country who are ready to fight for national reform, and not just local and partial solutions. We are facing a "national emergency," said Miranda, and only those with the courage to "speak the truth" will be able to lead the nation to recovery. It matters not if the government has rejected our proposals in the past, or even rejects them now, he said. If we are not afraid to tell the truth and present our programmatic solutions to the crisis, sooner or later the government will have no choice but to adopt them (see text, p. 9).

Many questions were raised about where to go from here. The decision was made to immediately convoke a second national conference, this one in Mexico City, on July 21-22. In answer to the question on how the movement's proposals are viewed outside of Mexico, *EIR*'s Small urged that, in order to stop the IMF, you have to get the world involved. That, he said, requires the formation of an ecumenical movement similar to the one that emerged against the United Nation's Cairo conference on population last year.

At the conclusion of the two-day conference, representatives of many of the organizations in attendance signed a manifesto which blamed the bankruptcy of the Mexican banking system, and the insolvency of the nation's productive sectors, on the chain-reaction collapse of the world monetary system due to IMF policies of usury. It called for trying the IMF for crimes against humanity, for forgiveness of the Ibero-American debt as proposed by such moral leaders as Pope John Paul II, and for continent-wide integration "to put the economy through bankruptcy reorganization, and establish a new international economic and financial framework which will allow for economic recovery, as well as development of trade and cooperation among nations on a stable and fair basis."

Documentation

'Try the IMF for crimes against humanity!'

This manifesto was addressed "to the People of Mexico; to the President of the Republic; to the National Congress; to the Judiciary."

As signators of this manifesto and participants in the First National Forum: "There is Life After the Death of the IMF," held in Guadalajara, Jalisco on June 16 and 17, 1995, we

affirm that the profound crisis afflicting [Mexico's] national economy, expressed in the bankruptcy of its credit system and the absolute insolvency of productive and consumer sectors, is a product of the bankruptcy of the international financial system, caused by the usurious policies of the International Monetary Fund (IMF).

This financial and monetary system threatens to destroy nation-states, the family as the moral and physical institution of human reproduction, and human dignity.

If justice is to be served, the foreign debt of Mexico and of all of Ibero-America, must be forgiven, as proposed by prominent moral leaders of humanity, His Holiness John Paul II in particular.

We are witnessing the collapse of the dogmas of economic liberalism, based on the gnostic theories of Adam Smith. These have been brilliantly refuted by economist Lyndon H. LaRouche, Jr., who proposes a third way of global economic recovery which is neither liberal nor statist.

The eradication of the "structures of sin" based on the immoral theory which considers man a beast is therefore imperative for the survival of nations. It is imperative to establish a new world order based on the principle that man was created in the image and likeness of God, and is the repository of inalienable rights coherent with that condition of being different and superior to the beasts.

This principle above all asserts man's right to develop his creative abilities in science, technology, classical art, and culture, the true origin of the wealth of nations, sustainer of a state of law in accordance with Natural Law and a sacred objective of every truly democratic system.

This is not the time to lie. The liberal model created a gigantic and cancerous speculative bubble which grows at the expense of the assets of productive enterprises and the physical economy in general. The destruction of agricultural activities in particular, with the resulting loss in productive areas, is one of the primary causes of the planet's ecological damage and climatic chaos, as well as of the four horsemen of the Apocalypse—hunger, plague, war, and usury—who have now reached the remotest corners of the globe, leaving genocide in their wake.

Although the entire human race is threatened, the first victims are always the weakest sectors, as is the case with Mexico's 12 Indian zones, where hellish levels of starvation already exist.

We energetically condemn any action which is based on the jacobin manipulation of popular rage—a manipulation

which plays into the hands of those degenerate interests of London and Wall Street's financial oligarchy. This oligarchy seeks to dismantle the nation-state through separatism, autonomism or radical federalism, as seen in the case of the Zapatista National Liberation Army (EZLN) and its allies.

Only by breaking with economic liberalism can we reduce interest rates, apply a tariff policy which protects our productive plant, resolve the problem of debt arrears, obtain just prices for our products, maintain growing public investment, and relieve debtors' generalized pain.

The Bank of Mexico must be subordinate to the federal government, annulling the law which transformed it into a mere branch of the U.S. Federal Reserve Bank. A healthy financial policy is only possible in a mercantilist, dirigist economy in which the state's sovereign ability to generate credit can develop basic infrastructure, industry, and agriculture.

If justice is to be served, the foreign debt of Mexico and of all of Ibero-America, must be forgiven, as proposed by prominent moral leaders of humanity, His Holiness John Paul II in particular. This is not just because the debt is unpayable, but because it has already been paid.

In 1980, Ibero-America owed \$257 billion. By 1993, \$372 billion had already been paid, in interest alone; yet today, it still owes more than \$513 billion!

In 1980, Mexico owed \$57 billion. By 1993, it had already paid \$118 billion (double that amount) in interest alone; and now, it owes \$119 billion, not including the private debt, bringing the total to \$213 billion!

Mexico must recognize the failure of the current world monetary system. At the same time, the Mexican government must, together with other Ibero-American nations, promote regional integration to put the economy through bankruptcy reorganization, and establish a new international economic and financial framework which will allow for economic recovery, as well as development of trade and cooperation among nations on a stable and fair basis.

This new order must be based on a harmony of interests within a community of nations, sustained by the ecumenical principle of respect for all religions and philosophies founded on the principle that man is created in the image and likeness of God.

In this ecumenical spirit, we call on patriots of all nations to join efforts to demand a political trial of the International Monetary Fund for crimes against humanity, on the basis of that principle established at the Nuremberg Trials that they "knew or should have known" that their policies would lead to genocide.

Signed: the Permanent Forum of Rural Producers, the Cajeme Agricultural Credit Union, National Depositors Coordinating Committee (including 52 organizations), National Confederation of Small Industry, National Sugarworkers Union (Tala, Jalisco), National Citizen Council, National Catholic Party, Western Journalists Union, Ibero-American Solidarity Movement

Free us from insanity of 'free trade'

by Jaime Miranda Peláez

This speech was given by Miranda Peláez, leader of the Permanent Forum of Rural Producers, at a conference in Guadalajara, Jalisco on June 16. Subheads have been added.

We participated in convening this National Forum together with the Ibero-American Solidarity Movement (MSIA) because we are fully convinced that it is a matter of national security that the productive sectors mobilize with sufficient determination to create a correlation of forces that will enable the Executive branch to take courageous and bold decisions in breaking with the austerity conditions imposed by the International Monetary Fund and foreign creditors.

I would like to proceed from this premise in order to try to define—in accordance with our experience—what the extraordinary responsibilities are that face the productive sectors at this moment of crisis, a crisis which, as has been demonstrated in the previous speeches, is neither Mexican, nor conjunctural, but a structural crisis which is calling into question the very existence of the international financial system.

The reality which is being documented for us today poses certain questions very clearly:

Will our nation, and nations in general, survive the imminent collapse of the international financial system?

Will our government react in time by taking measures of protection to guarantee the existence of our country as a sovereign nation?

I believe that the responsibility of the productive sectors must be located in our response to these questions. I also believe that our brief but intense experience in the leadership of the Permanent Forum of Rural Producers can provide us with certain means to conceptualize the serious responsibility we must currently assume.

The Permanent Forum of Rural Producers (FPPR) is a group that was started in the summer of 1992, when a group of agricultural producers and analysts studying rural problems in the Yaqui Valley—in southern Sonora state—held a series of meetings intended to formulate a more precise understanding of the national agricultural picture, with the help of members of the Ibero-American Solidarity Move-

ment. Those meetings yielded a document which asserted that all of our activities are depressed and headed toward a growth in debt and arrears. It was also concluded that agricultural debt did not allow for a partial solution, but that what was needed were profound solutions that would positively and completely change all the variables that have led to the decapitalization and indebtedness of the agricultural sector.

This in turn led us, in the same study, to question the government's entire economic policy and to propose a change in government economic strategy, which is based on the absurd dogma of so-called "comparative advantages," which presumes that it is cheaper to import grain and food oils than to produce them in our own country.

On this basis, we prepared a series of proposals stemming from the financial problem that this policy generated, and we documented the illegitimate growth of the agricultural debt, establishing the need for a moratorium on debt and arrears as a bridge toward a financial reorganization that would place primary importance on the reactivation of the countryside and of productive plant in general.

With this analysis and series of proposals, we have, since 1992, been participating in a series of meetings in various states of the republic. We have also encouraged mobilizations by producers. In August 1993, we held a tractorcade from Sonora's Ciudad Obregón to Guaymas port (Sonora), travelling some 120 kilometers in order to force an interview with then-President Carlos Salinas de Gortari. We secured that interview, and in that private meeting, we read him a document in which we questioned the whole liberal economic model and called on the President not to sign the North American Free Trade Agreement (NAFTA).

Today we are involved in a new wave of mobilizations, and we currently have a picket line, with all our agricultural equipment, surrounding the regional office of the Finance Ministry of Ciudad Obregón.

Government stonewalling

But what I want to stress with this brief history is that during all of these meetings and discussions that we have held with agencies of the agricultural sector and also with the business sector in general, we have met with a persistent refusal to question the economic model and economic policy of the government.

This was the problem we faced in late 1993, when we participated in the national meeting of producers called by El Barzón, here in Guadalajara. At that meeting, the FPPR's proposals were supported by the producers, but the El Barzón leadership refused to propose a debt moratorium or to question the government's overall economic policy, using the interesting argument that the role of the movement was only to urge the government to come up with solutions, but not to propose what needed to be done.

I am telling you this particular story only because it is

illustrative of the kind of problem we face in defending which way our movement has to go.

You should all remember that since 1982, we were subjected to intense brainwashing to convince us that the cause of all our ills was the existence of the State; through this brainwashing we were made to accept an economic model which defined the existence of the State as a structural evil that had to be dismantled, thereby criminally stripping our own national economy of any protection. All this was done to the applause of the majority of Mexicans. Hurray, we shouted, finally we will get rid of this corrupt government! Hurray for the "moral renewal" of Miguel de la Madrid! Hurray for Salinas de Gortari who jailed La Quina [the falsely imprisoned former petroleum workers leader Joaquín Hernández Galicia]!

A structural evil

Already in 1992, everything began to decay. But we spoke with the cattlemen and told them: "NAFTA and free trade are good, but not for cattlemen, only for industrialists," and the industrialists said, "Free trade is good, but not for us, only for cattlemen and grain producers." And the grain producers praised free trade, but also said that indiscriminate imports did not favor them, etc. So if each of us individually was being destroyed by free trade, what was to prevent our concluding that free trade is a structural evil that was destroying the entire national economy?

And this is how we got to the crux of the movement we were creating, because what is happening now is that our persistence and consistency in proving that free trade is a structural evil, has relieved the mental state of certain individuals who held viewpoints that were at odds with each other: namely, that free trade is bad for me, but good for everyone else. This situation could not continue, unless the person were to suffer a mental breakdown. So, we are at the point at which we can spark a genuine revolution, in which the productive sectors and the population in general can abandon an intrinsically destructive idea and, for their own mental health, can turn to proposing and trying out solutions that have nothing to do with the liberal economic prescriptions.

This should be our principal function in organizing the productive sectors. We must approach the producer, and the businessman, and provoke a confrontation within their own minds over these two opposing perceptions of the problem, telling them, for example, "It is not Salinas de Gortari who has destroyed you; what has destroyed you is that you think just like Salinas de Gortari."

With this in mind, our organizing perspective should not be the absurd reasoning that "one must propose to the government what the government is prepared to give us," because we will be paving the road to generalized disaster with all of the tiny little supposed gains that have been spun off from current economic policy.

Some people often ask us: "Well, it is true that you have

been making good and just proposals, and have been organizing mobilizations and so forth, but what will you achieve if the government doesn't pay any attention?"

Well, it is certainly true that our achievement has not been strictly material, but our strength and our moral authority have been growing to the extent that the government has refused to pay attention. Because it is growing increasingly clear that the government's refusal to heed our proposals is the cause of the national economy's accelerated deterioration, such that our apparent defeats will turn into the fount of our greatest victory.

Today, we can see in this new wave of demonstrations the formation of a movement of producers and businessmen who are convinced that it is imperative to save the nation's productive plant from the irremediable financial collapse toward which we are headed.

Now we have the demands of the cattlemen, who, in their latest national convention, declared the agricultural debt unpayable, and said that the reactivation of the countryside would require eliminating this financial burden in addition to making substantial reforms of the central bank, implementing a credit policy subordinate to the needs of the national productive apparatus.

We also have the rejection by the producers of Sonora and Sinaloa of the bandaids the Finance Ministry is proposing to use to deal with the impact of the scandalous increase in interest rates. We also have the statement of the presidency of the Senate commission on credit institutions, which asserts that agricultural debt arrears are unpayable, and which proposes a reduction in the debt and a lowering of interest rates.

What we are now witnessing is a general agreement with the FPPR's August 1993 proposals.

So, the source of our strength lies neither in the number of our actions nor in their size, but in the moral and political determination to speak the truth, even if we must face rejection from the government and from the leaders of the business organizations.

Indisputably, the FPPR and the MSIA represent a pole of attraction in the face of the irremediable failure of the current economic policy. I want to stress that we must not think or act from the standpoint of waiting for the government to find the courage to take drastic measures; what is important now is to create the structure within the productive sectors which will responsibly take up discussion of the solutions we propose. Even if the government lacks the courage to act on these proposed changes, we should be prepared with our measures and our programs for the moment the government finds itself forced to act.

Our immediate responsibility is to intensify our role as a pole of attraction, based on the only successful principle: telling the truth.

I want to conclude these modest comments by citing the Gospel, which says: "The truth shall make ye free," and "Be not afraid."

Debt moratorium call causes furor

by Cynthia Rush and Gerardo Terán Canal

When Father Osvaldo Musto told Radio Colonia on June 19 that Argentina's government should declare a debt moratorium for one to two years, he placed the issues of national economic policy and solutions to Argentina's financial crisis at the center of national debate—right where Harvard-trained Finance Minister Domingo Cavallo would prefer it not be.

Cavallo is the chief architect of the 1991 "convertibility plan," which pegged the peso to the dollar in a one-to-one relationship and is cited as the reason for Argentina's return to economic stability and acceptance by the international banking community as a "reliable" country. But particularly since the crisis triggered by Mexico's December 1994 peso devaluation, the Argentine free-market "model" has foundered, precisely as *EIR* predicted it would, and the uproar provoked by father Musto's call underscores how precarious the country's alleged stability really is.

The International Monetary Fund is fearful enough that Argentina won't be able to comply with the targets of its standby agreement, that it has taken the unprecedented step of setting up a permanent office in Buenos Aires to more closely monitor the government's progress. And many international bankers have expressed concern over the country's ability to make foreign debt payments. They point to the fact that the only way that Cavallo could come up with the money to make payments due on June 30 was to postpone payment of salaries to state employees and of money owed to state suppliers. Some ask, if the government had such difficulty in making payments in the range of \$900 million for the first half of 1995, how will it make the \$5 billion payment due in the second half of 1995?

Especially nerve-wracking to local and foreign policymakers is the frequency with which the name of U.S. economist Lyndon LaRouche, and his proposed solutions to the economic disintegration crisis, keeps cropping up inside the country. Many commentators repeatedly use LaRouche's image of the world economy as a sinking *Titanic* to also describe the Argentine situation.

Father Musto, the current head of the Labor Commission of the Buenos Aires Archdiocese, proposed that during the

recommended grace period, funds normally allocated for payment of debt service should be used instead to "expand jobs and give credit to companies." The problem of unemployment "is sufficiently grave as to signal that we are living in a society in which work exists without the workers, and the economy without workers, and without people," he said.

Explaining that he was not expressing the views of the Catholic Church as an institution, Father Musto nonetheless emphasized that his words "are based on the teachings of Pope John Paul II on the issue of the foreign debt." In a subsequent interview with the daily *Página 12*, Musto added that while the country needs stability, "it shouldn't come as a result of complying with International Monetary Fund demands, whether on the foreign debt or anything else."

The thin-skinned Cavallo felt compelled to respond to Father Musto personally, denouncing his call as irresponsible and warning that if implemented, a debt moratorium would plunge Argentina into poverty, cut it off from foreign credit and destroy "investor confidence." He likened Musto to a left-wing terrorist, who was scaring off investors with his actions. Other free trade economists tried to dismiss Musto as just an unimportant parish priest, and even lied that the pope had never called for debt forgiveness. Kissingerian TV commentator Mariano Grondona made Musto's proposal the topic of his weekly television talk show on June 20, bringing in government economists and politicians to attack the worker-priest.

But other church leaders counterattacked, not only offering public support for Father Musto, but elaborating on the priest's accurate portrayal of the role of Cavallo's alma mater, Harvard University, in producing the inhuman free-market strategy that has destroyed every nation in which it has been applied. Musto had told Grondona that "I didn't study at Harvard," where economists are trained in "facts and figures . . . but I did study in Rome, where concerns of the heart"—that is, the plight of human beings—"come first." Msgr. Ramón Staffolani, the bishop of Río Cuarto in the province of Córdoba, told an interviewer on Radio Mitre on June 24 that most economists seem "to only come from Harvard." But now, he said, it is time for the government to listen to "others."

The June 24 *Clarín* reported Iguazú Bishop Msgr. Joaquín Piña's warning that "we can't obey the International Monetary Fund at the expense of the people's hunger." Msgr. Rafael Rey, president of the church's Caritas agency and bishop of the diocese of Zárate, told *Clarín* that "sometimes we don't understand economics but we do understand people's pain, because we are close to them." Cavallo "is a good technician," he continued, "but something is missing. We can't just be concerned with numbers."

Ferment grows

For President Carlos Menem and Cavallo, this is not the opportune moment for a national debate on economic policy.

Despite an infusion of \$7 billion in foreign credits to help prop up the banking system, the banks are essentially insolvent. More than \$7 billion has fled the system since January and the anticipated return of foreign investors has not occurred.

Moreover, almost all of Argentina's provinces are collapsing under the weight of Cavallo's draconian austerity regime. The delay in payment of wages and pensions to public employees in many provinces has provoked social protest and a situation that is ripe for manipulation by terrorists and provocateurs. In the politically and economically important province of Córdoba, for example, the passage of an Economic Emergency Law on June 22 mandating harsh austerity and payment of \$600 million in wages and pensions to public employees with special provincial bonds led to two days of protest that turned violent when members of the left-terrorist Patria Libre party infiltrated the demonstration.

Similar protests have occurred in the provinces of Salta, Jujuy, Tucumán, Río Negro, Tierra del Fuego, and Catamarca. To governors' pleas that the federal government assist them economically, Cavallo has responded with the demand that provinces immediately privatize their provincial banks and other public companies, to generate needed funds. The finance minister told Córdoba Gov. Eduardo Angeloz that the World Bank would be happy to provide him with funds, as soon as the governor privatized the Bank of Córdoba and the provincial energy company.

Signs of economic disintegration are everywhere. In the province of La Pampa, in the heart of Argentina's fertile *pampa húmeda*, farmers are auctioning off their agricultural machinery and land, at prices one-third of their value, to generate funds to pay their debts. Of the province's 10,000 producers, 4,000 are in bankruptcy.

According to the Argentine Federation of Chambers of Commerce, at least 42,000 businesses have shut down this year. The dramatic decline in sales in several key sectors of the economy tells the story. In May alone, sales of food dropped 15%; medicines, 25%; textiles, 41%. The May drop in auto sales, one of the country's most important sectors, was estimated to be as high as 80%. Brazil's recent decision to establish quotas on auto imports, if kept in place, is expected to devastate Argentina's auto industry. The 70,000 vehicles Argentina had hoped to sell to Brazil during the rest of 1995 will now drop to 12,000, according to industry experts.

Argentina's hope of offsetting its trade imbalance and preventing a worse recession by exporting large quantities of goods to the Brazilian market were also dashed on June 22 when the Cardoso government devalued its currency, the *real*. This will make Argentine goods more expensive in comparison to Brazil's, and lower Argentina's export revenues at a time when it can least afford it.

Brazil

Virtual stability, real disaster

by Lorenzo Carrasco

At the completion of one year of its "monetary stability program," the government of Fernando Henrique Cardoso is attempting to hide, with ad hoc economic indicators, the disaster which is sweeping through the Brazilian economy. The official inflation indicators—30% since July 1994—with an alleged growth in Gross Domestic Product of 9.1% in the last quarter, portray a numerical "virtual reality" very far from actual reality.

Throughout this year, and in order to achieve this virtual stability, the government has adopted three devices to "hold down" inflation. The first was to overvalue the national currency, the Real, with respect to the dollar, provoking a brutal breakdown in prices. This measure was implemented under the illusion that the country would be flooded, starting in 1995, with foreign capital. In fact, up to December 1994 the country had accumulated \$43 billion in exchange reserves.

Second, in order to keep on feeding the gluttony of the usurious banks and to maintain the influx of foreign capital, interest rates were shot up to the stratosphere—the highest interest rates in the world—after the Mexican crisis of Dec. 20, 1994. At present, the basic rates which are applied to public securities, which serve as the reference for the entire national finance system, are between 50% and 60% annually in real terms.

Third, to keep up the pretext of near-zero inflation, in a climate of absolute monetary speculation, the government defined a basic market basket at a level lower than the costs of production. To do this, it adopted the insane policy of importing basic foodstuffs in which the country is self-sufficient, thus artificially depressing prices. The same occurred in the shoe and textile industries, among other sectors. The government similarly froze rates for public services, gas, telephones, electricity, and fuel.

Operation successful, patient dead

This policy of self-dumping against domestic production indeed reduced inflation dramatically, from about 40% a month to the present 2% level, a rate that only touches those families living at the very limit of primary subsistence, who

spend 70% of their family budget for food and transportation. But even this apparent benefit will be temporary and will vanish when the effects of the depression and bankruptcy of Brazilian agriculture affect the future supplies of those products.

Yet for the rest of the population, which consumes less than 50% of their family budget on food and transportation, inflation is much higher than what the government recognizes. For example, apartment rents grew by 160% in the year of the Real plan, medical services by 70%, and school tuitions by 80-100%. In the face of this inflation, which the ad hoc indicators of the government do not report, the population resorted to their only remaining source to keep up their living standards: personal debt and installment buying, which cost as much as 18% a month in interest.

The result of this process is the plain and simple bankruptcy of families. For example, the volume of bounced checks in May was the highest in a decade, 1.4 million. Although this fell in the first 20 days of June, with more than 100,000 checks returned without funds, overall this is 370% more than the same period last year, and a record in the banking history of the country. Moreover, in São Paulo alone a million people stopped making any payments on loans this year. According to the Credit Protection Service, in the first 25 days of June 138,000 new people filed for bankruptcy, a 245% increase over the same period last year. The government and the banks, which are the users' partners, are very worried about the exponential rate of insolvency, which could cause the entire credit system to go bust. In fact, last month, the central bank of Brazil carried out a sweeping intervention to save one of the biggest Brazilian banks. According to some sources, this was Banco Economico, the oldest in Brazil.

But the calamity is no less for the agricultural and industrial producers. The effect of astronomical interest rates, with depressed internal prices, and in a climate of insane liberalization of trade, checkmated the producers of basic farm products, who will lose more than 1 billion Reals in subsidies for the sake of the banks and the government's zero inflation. The crisis is likewise pounding the shoe, textile, toy, and home appliance industries, as well as many others. In May, São Paulo industry, according to figures of that state's Industrialists Federation (FIESP), laid off 10,000 workers. From January to May, the number of preventive ("Chapter 11") bankruptcies went up by 411%, and bankruptcies in general, by 70% over those same five months last year. Nonperforming securities reached 1.2 million in that period, 84% above the previous year. In May alone, 57 companies declared bankruptcy.

As a reflection of this situation, manufacturing activity, according to the Brazilian Institute of Geography and Statistics (IBGE), fell cumulatively by 4.4% from December to April, with the largest declines, around 15%, reported in

the sectors of shoes, clothing, wood, plastic products, and textiles in general.

The hemorrhage of cash reserves

Meanwhile the high interest-rate policy is victimizing even government finances. Just in the first four months of 1995, the increase in the federal government's debt in securities rose by \$10 billion and the debt of states and municipalities another \$4 billion. In other words, this policy is costing the public coffers \$3 billion a month, calculated on the basis of 4% monthly interest on a total internal debt, in January, of 75.3 billion Reals, according to figures of the Economics Institute of the Public Sector (IESP). Thus in 1994, the public sector—Union, states, and municipalities—spent \$2.6 billion on interest payments. That is three times as much as is spent on health annually, in a country where more than 40 million people suffer from some kind of endemic disease. Out of the total sum of this interest, \$5.4 billion—10% of all tax revenues—is dedicated to paying interest on internal debt each year. With these figures, the privatization of public companies is criminal, when the resources that would be collected thereby, in the best of cases—for example Vale de Rio Doce—would barely suffice to pay half a year's interest on debt.

As to external accounts, the situation is no better. The euphoria and self-sufficiency of the government at the outset of the year is shriveling up at the same rate as cash reserves are dwindling. In May, for the seventh month in a row, the trade balance, despite increased customs duties, went into the red for more than \$600 million, and it would have been even worse except that the government added the exports of the first week in June into the data. Losses of \$5 billion were accumulated during this period. So far this year, the deficit has climbed to \$3.492 billion. The June deficit alone will probably reach \$1 billion, which will make it impossible for the government to meet its goal of a \$5 billion trade surplus for the year, needed to compensate the balance of payments and services which will register a deficit of more than \$15 billion this year.

Given that the flow of foreign capital is still negative, despite insane interest rates, the loss of reserves will go on. Since last December's financial explosion in Mexico, Brazil has so far lost this year more than \$10 billion in reserves, leaving a total of about \$30 billion. The most optimistic expectations are that only \$10 billion more will leave the country during the rest of the year on account of the balance of payments deficit.

All this obviously does not take into account the climate of world financial instability. The crisis in Argentina, or the rekindling of the Mexican bank crisis, could be the straw which breaks the camel's back of the virtual reality by which the government is masking its economic disaster. When this happens, the Cardoso government will be revealed as decrepit and crazed, in a modern version of the portrait of Dorian Gray.

Nigeria's policy debate rages at home and abroad

by Uwe Friesecke

On June 27, the National Constitutional Conference in Nigeria presented the report of its deliberations to Head of State Gen. Sani Abacha. He used this occasion in the capital city of Abuja to announce the lifting of the ban on political activities, and said that he would make public the government's plan for transition to civilian rule in October. This move will significantly undercut the worldwide activities of the so-called democracy movement against the Nigerian government.

Recently the National Democratic Coalition (Nadeco) had mobilized for a week of protests and picketing in London against the Nigerian government. This was countered by a delegation of members of the Constitutional Conference who came to London to present the real picture of Nigeria's political development. This delegation was led by Chief C.O. Ojukwu, the former Biafran leader, and Chief Abiola Ogundokun from Nigeria's southwest. They were the invited speakers at a conference organized by the Nigerian Patriots on "Our Nigeria" on the evening of June 10, and they gave a press conference in London at the Cafe Royal on June 12.

Nadeco had chosen the week of June 12 in commemoration of the annulled election two years ago, and they were not very happy to see prominent Nigerians from the National Constitutional Conference there to present a different view about Nigeria than their own. Nadeco resorted to a violent attempt to break up the evening meeting, and also rudely disrupted the press conference two days later. Thus they showed quite clearly, that their tolerance of "democracy" only applies to those who are of their own opinion, but to no one who holds different views. During the course of the two events, it became quite clear that Nadeco was using professional tactics of disruption and provocation. While they were able to create much commotion and also limited fistfights, Nadeco failed to break up the meeting or the press conference, which was largely due to the patience of the organizers of the evening conference, the Nigerian Patriots, and the forceful response of Chief Ojukwu, Chief Abiola Ogundokun, and the other speakers.

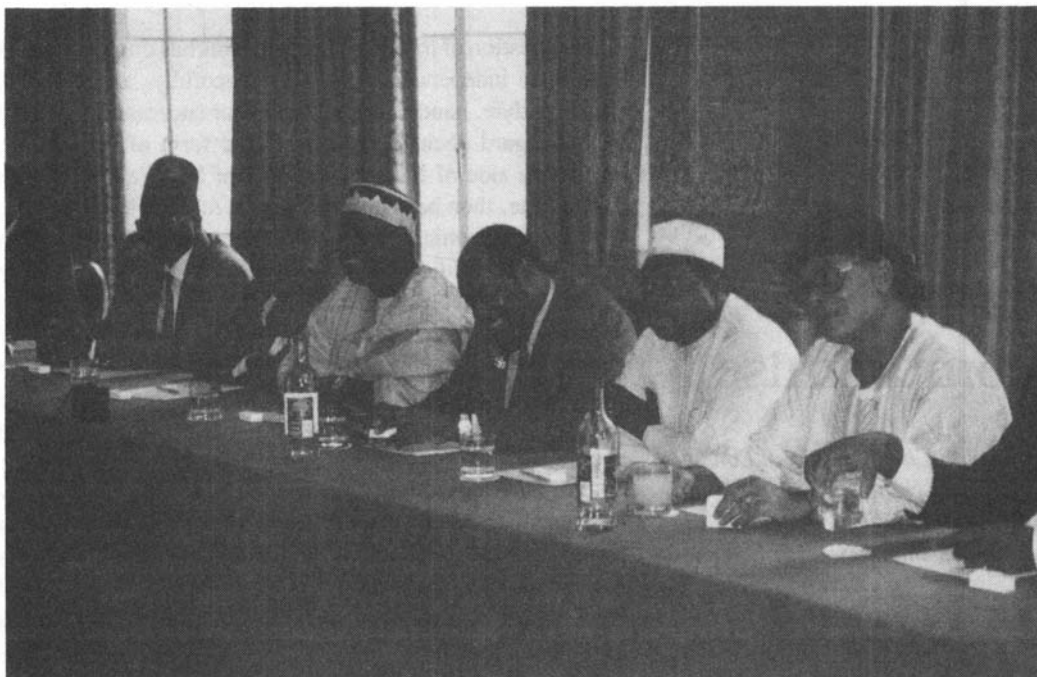
Especially Chief Ojukwu took the moral high ground in front of the audience, when he challenged his opponents to drop their abuses. "I am not frightened. I have done everything in this world. I have had enough of violence and it

doesn't solve anything," he declared. He challenged Nadeco to say what they have achieved for Nigeria, and contrasted it to what he and his colleagues had done at the Constitutional Conference. Chief Ojukwu explained that he had gone to the national capital of Abuja for the Constitutional Conference to achieve a national compromise, which will not be perfect but will be the basis to preserve peace and build the future of the country. In contrast, he said, Nadeco is engaged in pure nihilism and in fighting a war of the past. Chief Ojukwu assured the audience that he is very confident, that most of the things the Constitutional Conference recommended will be accepted by the government of Gen. Sani Abacha.

Chief Abiola Ogundokun closed the meeting, which by the time he spoke was already in an uproar, with a strong attack on TransAfrica, the group from New York which is calling for sanctions against Nigeria, and those prominent Nigerians, such as Professor Akinyemi, Wole Soyinka, and General Akinrinade, who at one time or another were very close collaborators of military regimes in Nigeria and who are now hypocritically posing as the champions of democracy.

At the press conference two days later, Prof. E.A. Opia from Delta State, also a prominent member of the Constitutional Conference, joined the group. Chief Ojukwu reemphasized that there was no alternative to dialogue and that democracy in Nigeria will only be built if Nigerians reach a national compromise first, which for him is the agreement on a rotational presidency, which is one of the recommendations contained in the report that the Constitutional Conference presented to the government on June 27.

Professor Opia for his part made a passionate plea, that the most important result of the conference was, that everybody from all parts of the country agreed to keep Nigeria united. He also expressed his optimism that the ideas of participation and power-sharing were well entrenched in the final draft of the report of the Constitutional Conference. Asked whether the real reason for the attacks on Nigeria's current government were not the anti-International Monetary Fund (IMF) orientation of its economic policy, Professor Opia declared emphatically that the government will never accept economic bondage, and he used the occasion to highlight the importance of the Petroleum Trust Fund for Nigeria's economic development. He rejected the often-voiced



Members of the National Constitutional Conference hold a press conference in London on June 12, to counteract the propaganda campaign of opponents of the Nigerian government. From right: Prof. E.A. Opiya, Chief C.O. Ojukwu, and Chief Abiola Ogundokun.

criticism of this fund by the western financial press, and commended the Abacha government for having the courage to use this fund to finally start rehabilitating infrastructure throughout the country, especially in the rural areas.

Battle over IMF program

While certain political observers in London and Nigeria noticed with satisfaction that finally some prominent Nigerians have gone to Europe and to combat the propaganda offensive of Nadeco in public, at home, in Nigeria, the debate about the future economic course of the government continued even more pointedly. The context for this was the visit of an IMF-World Bank team at the end of May. According to Reuters, the chairman of the National Economic Intelligence Committee (NEIC), Prof. Sam Aluko, wrote a letter to the minister of finance and the governor of the Central Bank of Nigeria, expressing his deepest concern over the danger of making any more compromises with those international financial institutions. According to Reuters, the NEIC criticizes, in particular, the sharp devaluation of Nigeria's currency, the naira, from 22 to the dollar in 1994 to 80-82 in 1995, which in their opinion has been responsible for the pauperization of the majority of Nigerians and the collapse of any productive activity in the country.

During the IMF's team visit to the country, Abuja was rife with rumors that they had demanded much more far-reaching compromises from the Abacha government, such as further devaluation of the naira; another increase in the prices of petroleum, kerosene, and diesel; removal of the subsidy on fertilizers; removal of the official exchange rate of 22 naira to the dollar; and unlimited liberalization of the

banking sector, including the uncontrolled freeing of the interest rates and significantly increased debt repayment to foreign creditors.

It is clear that a group of powerful Nigerians, entrenched in the banking sector and in the affiliates of multinational corporations such as Pepsi Cola Nigeria, who had pushed for the IMF's Structural Adjustment Program (SAP) back during the regime of Gen. Ibrahim Babangida, are exerting tremendous pressure on General Abacha to go back to IMF-World Bank policies. They are hysterically denying the reality of all those examples outside Nigeria, such as Mexico, Russia, and numerous African countries, where the IMF-World Bank policy has already led to disaster. Unfortunately, this group has support in certain corners of the Nigerian political elite, who do not care if they sell out their country and destroy the livelihood of Nigeria's people, if they only can enrich themselves.

But some political observers point to the irony that those people who are desperately lobbying for compromises with the IMF, will soon find that the IMF and the World Bank one day will simply not be around any longer, because they have gone bankrupt and were buried under the collapsing world monetary system. After the success of the Constitutional Conference, General Abacha, who won his credibility with the way he allowed the conference to operate, is in a stronger position than ever. Hopes and expectations for the transitional process are high. The danger of the months ahead is, that if the economy declines further and the deterioration of living conditions becomes unbearable for the people, the political gains of the last 18 months could be shattered. One hopes that the government will now use its position of strength to effect visible improvements in the economy of the country.

We have achieved a national compromise

This interview was conducted with Chief Ojukwu in London on June 11. A delegate to Nigeria's National Constitutional Conference, Chief Ojukwu was the military leader of the 1967 Biafra War. For a previous interview with him, see EIR, Dec. 16, 1994, p. 58.

EIR: You have been a member of the Constitutional Conference in Nigeria, which has just concluded its deliberations. Could you tell us about the results of this conference, what is your judgment about its success?

Ojukwu: It is somewhat premature for me to start giving results at this point in time, because we actually went in to draft a Constitution. We have drafted one, which is being printed now, and we are going to present it to the government. Naturally it would be after that, that we would be able to tell you the results, because we have no executive powers, we only can make recommendations to the government.

As far as the work itself is concerned, I am quite satisfied that a great deal of work has been done. I am satisfied that this conference started and ended in Nigeria—with the state of things, that in itself is an achievement. Then I am satisfied, looking generally over the points that have been raised and the various things we have said. We have not got a perfect solution and in any case nobody can pretend that it is only our generation that has a monopoly of wisdom for Nigeria. What we have produced is at best, I think, a national compromise. Something that will keep Nigeria together, enable us to live together and make progress. At the same time, it is a document that will enable future generations to better what we have produced. We do not expect a rigid, firm, perfect solution. It would be wrong for anybody to think in those terms.

EIR: Could you mention some of the concrete points that you think were achieved in your deliberations?

Ojukwu: Again, achievement is saying too much. We resolved during the conference that Nigeria would remain one. But we accepted that there are difficulties to that oneness. We then went ahead to design a situation, particularly the

whole question of transfer of power. This has dogged Nigeria ever since independence: how to peacefully, at the end of your mandate, hand over power to your successor? We have in that regard decided on a rotational form of Presidency, where one side of Nigeria, one half of Nigeria, would rule at one time, then be succeeded by the other side of Nigeria, with no geographical group succeeding itself. We have also set up a Constitutional Court whose task will be constantly to focus its attention on the Constitution and the Bill of Rights of our Nigerian citizens. We have tried, in all our various recommendations, to make our own suggestions justiciable, so that the citizen certainly has concrete actions he can take to rectify a situation where power has been abused.

We have looked upon our revenue generation and allocation, and we have given more emphasis to areas of derivation for revenue. We feel one of the points of friction in Nigeria is a situation in which areas find themselves to be a national cow, which somebody else milks. We have suggested a minimum percentage of any revenue accruing to the federation that must be granted back to the areas of generation and extraction. These are concrete steps. We have also recommended that schools and the entire educational system be given down to the states, so that nobody can blame anybody else for any failure in education. There are so many innovations we have made. But I must underline this, that I do not believe these are perfect solutions. But these are solutions that will prevent conflict at this time.

EIR: There were lots of discussions that the exit date for the military, which the conference demanded, was changed. What is the substance of this debate and why was the date changed?

Ojukwu: Let's make no mistake about this. I personally felt that at the time the date Jan. 1, 1996 was decided upon, it was feasible. The Constitutional Conference dragged on and we are now in June; we have not submitted the report to the government. It became in itself very unrealistic to keep to the date Jan. 1, 1996. That notwithstanding I still believe—I mean a *force majeure* could intervene, if tomorrow somebody got onto the radio and started martial music again, and "fellow countrymen and women"—it is true that it could change; but we will just be going around in the same old vicious circle. What we looked at was the practicality for peaceful change, that would give us a greater chance of stability. And we then decided, actually, contrary to what everybody is saying. In the body of our recommendations is the suggestion (recommendation) that the military government would relinquish power in 18 to 24 months at most after the report has been presented. That is actually the fact of the day.

EIR: How confident are you, that the recommendations of

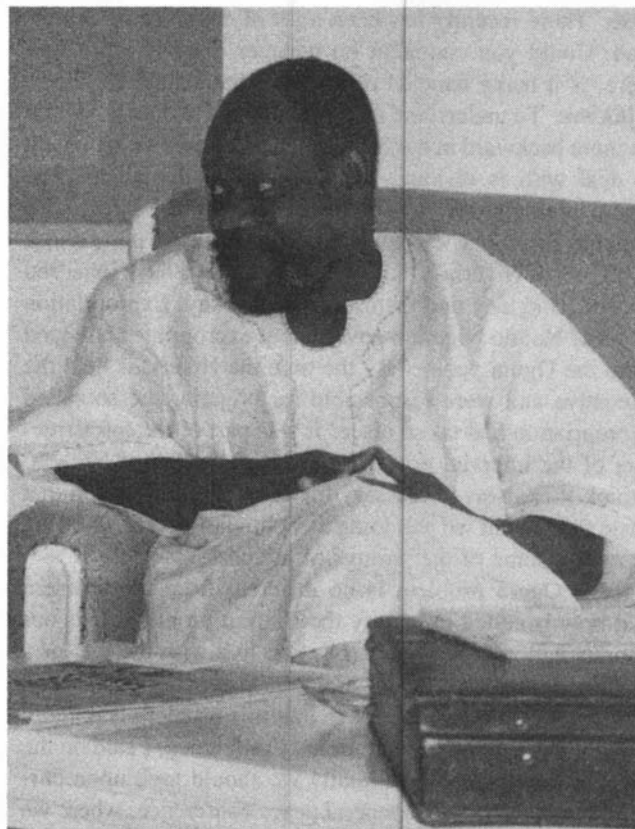
the Constitutional Conference will be accepted by the military government?

Ojukwu: A lot of people, when they say military government, don't give them any nuances and don't give them any color or anything. I am talking now about the Abacha military government, the one I know, the one we are now working with. I feel very confident about that particular military government. Should anything—God forbid—intervene before, then one would have to reconsider, review, and reappraise the situation. But from every indication and everything I have seen from my interaction with this particular government, I don't believe they will tinker with the recommendations. It will probably be dotting some i's and crossing some t's. For example, there was a recommendation that the Nigerian Army should be not more than 50,000 strong; that was the recommendation of the majority. I remember that my comment was quite clearly that that was almost treasonable, that you don't announce the size of your army in that form. And I am pretty certain that this will not be reflected. I hope it will not be reflected in action. I think we should, like every nation, look upon matters of defense generally always based on our needs, real needs. Today it might be nigh zero; tomorrow it might be a 100,000.

EIR: In the history of states, there have always been political classes, civilians who have done a lot of damage to the political process. I think also in Nigeria there are examples in which civilians can be blamed for the misfortune of the country. Do you see a danger that once the process of the political debate and the formation of political parties start, that what has been achieved could be lost in the excitement of the renewed political debate on that level?

Ojukwu: Very often one takes this whole business of nation-building as something you do in a classroom. You take an exam, and you pass or you fail—that sort of thing. I don't know. What I see is that a chance very soon will be given again for civilianizing the governance of Nigeria. I use the term "civilianizing" mainly to draw a distinction between the type of government we have now—everybody calls it military, but it is only military insofar as the final decision is taken by the military boss. But the entire apparatus of governance has civilians almost exclusively, except again where you have a provisional ruling council. After the presentation of our report, there will certainly be a rat race; the politicians will all be around, trampling across the land in search of votes. There will be an appearance of confusion, because there will be a great deal of activity. I don't think anybody really has the right to say "halt," because we have opted for a democratic system. We have opted to allow all shades of opinion. We have to try them out. If there is confusion, I don't think this is any reason for the process to stop.

It is in fact the same reason why, no matter how badly



Chief C. O. Ojukwu: "Between you and me, we are sure that we need certainly far more irrigation than machine-guns. I believe anything that can bring about roundtable discussions is infinitely better than the alternative, which is strife and bloodshed."

it has been said the civilians ruled, there is absolutely no justification for the military to take over. Yes, I expect, given the two years maximum that the Constitutional Conference suggested, the chances are better than average that the transition will take place more or less smoothly. Now that we raise this point, I have my own pet notion. One of the problems we have in Nigeria is that you always know the date of the national elections before you form political parties. That makes you clearly get a whole lot of conspirators who get together. You don't get politicians together. We have been doing this, and it's a mistake we have been making regularly. I would have preferred a situation where, all the time the military is in place, we should have political parties going through our various internal elections and selection before. Then the politicians and their parties are fit for presentation. I use the term "fit for presentation" in a general context, because there is nobody, and the only way you can judge a political party is, can it win an election or not? There is nothing else. I believe personally, when there is confusion, we should go ahead, and still get a government of civilians, no matter how imperfect that government might later appear.

EIR: There recently has been a lot of coverage of Ogoniland. Could you comment on whether there is a problem there, is it being handled right, and what should be done?

Ojukwu: To understand the problem, one should go a little bit more backward in our history. The situation we are trying to deal with is residual, residual from colonialism. The Ogoni problem derives completely from our contact with imperial Britain. The Ogoni people never at any point chose to be part of Nigeria—they happen to be. We have inherited Nigeria, and they find themselves in it, okay. Expropriation of land? No; no Nigerian government expropriated any land from the Ogoni people. By the time the Nigerians held the executive and were responsible for Nigeria, the so-called expropriation had taken place. It was part of the infrastructure of the imperial power for the exploitation of Nigeria. I think it is always necessary for people to understand that basic fact. What we are doing as politicians today, is trying to rectify some of the wrongs of the past.

The Ogoni problem is no different from the problem that now is called in history the Biafran problem. It is our various national groupings trying to live with the fact of a modern agglomerate state, a new nation being formed out of very many. I do not believe that this problem is unique. When I went to the Constitutional Conference, I said on the floor of the house, that actually we should look upon ourselves as delegates to a general peace conference, where we sit together with all the various injustices that we have all experienced, one way or the other, and try to iron them out in this peace conference, and try to get out of it a document, a peace treaty for Nigeria, that we hope will then stand the test of time. Now, if one sees it that way, you can not isolate one problem and say “this is the problem.”

The other thing I found on coming to London is that everybody has now begun even to twist history. There is the political problem of Ogoniland. There is no doubt about that. In the Constitutional Conference, we have tried to address it, because we think it is quite fundamental. You can never be contented, if you are living in a place where every day the oil from under your land is being siphoned out, where you have no post offices, you have no roads, you have no electricity, and your lifestyle hasn't changed for the past 50 years. You are bound to resent it. We looked at this and we found that, only recently, the percentage of funds derived from oil which is taken from the area that is ploughed back in development to that area, was increased to 3% of the total. We felt that this was not fair. After deliberating, we said, the derivation—and this is across the board—whatever is produced from your area, should be set minimally at 13%. We said it should be 13%. I know that some people still think that 13% is too much, because in a situation where, foolishly, the only effort we make economically is selling oil, it seems that giving 13% to an area of derivation would mean in fact that they would be getting

13% of the national product, the nation's product. But that is as a result of bad governance.

What we should do is to diversify so that every other person produces something, so that we export from every other area, so that we have a diversified mode of getting foreign exchange and hard currency. But even if it is a bit too much, even if it were, I say, it is a fee worth paying for peace. I am prepared to go by it.

Then we talk also a lot here about people in detention. Yes, there are people detained. Any country in the world, any government, has every right to maintain peace and order. In politics, like any other job, there are occupational hazards, there are lines drawn, every game has its rules and regulations. If you step over the mark, you get penalized. If you go beyond normal political agitation and go into treason, you have yourself to blame. If you commit arson and murder, you have yourself to blame. At that point it ceases to be political, it becomes criminal. I was watching on the television this afternoon the World Cup rugby. It seemed very orderly. But if somebody suddenly started playing soccer on the rugby field, than there would be chaos.

So I believe that the Ogoni problem—which actually is a painful one, where I personally see people who have suffered greatly—is being addressed. And all we need at the moment is, to give the Constitutional Conference a chance to finish off its job, present its report, and we try and make sure that the government does not interfere with the report. Because as it stands today, the Ogoni people are going to be very rich. We, the others will definitely get jealous of them. That much I know. If they would only use that money for their own development. I warn that if they don't, chaos will continue. But it will not be because of the government; it will be because of their own people's inability to manage what the nation considers rightfully theirs.

EIR: You called the Constitutional Conference a peace conference for Nigeria. You think it could be a model for people to learn something for other brutal conflicts in other parts of Africa?

Ojukwu: I believe there is no alternative to dialogue. There are too many people who make their money and their wealth as merchants of death. In Africa, we are essentially disadvantaged by nature, sickness, and so on, and we don't have to add conflict to it. We have famine, and when you are fighting, certainly you cannot cultivate. Between you and me, we are sure that we need certainly far more irrigation than machine-guns. I believe anything that can bring about roundtable discussions is infinitely better than the alternative which is strife and bloodshed. When you say “model,” you notice I hesitate. I don't like to think of what I have participated in being the model; no, it is a way forward, and I think the real solution for Africa will be found in that direction rather than the opposite direction.

British fan trade war against Japan, Clinton

by Kathy Wolfe

When an agreement was reached in Washington on June 28 to avert trade war between the United States and Japan, it set back a British plot against both nations which is being flaunted in the British media. British spokesmen openly predicted that Japan's financial system faces a 1927-style crash, and that U.S. President Bill Clinton would be destroyed by this. This was all supposed to come as a result of the May 16 threat of \$6 billion in U.S. sanctions against Japanese auto imports into the United States.

The London *Economist* on June 17 in a lead editorial wrote: "The depth of Japan's financial troubles is the worst in the world. . . . The scariest forecasts" are about to "come true. . . . Consider the scale of Japan's financial mess. Even the upwardly mobile official figures which understate the problem look terrifying. Last week, the government put bad debts in the banking system at Y 40 trillion (\$475 billion). That is equivalent to 10% of GDP. . . . The toll of bad debt mounts." The Tokyo stock market will crash and bring down Japan's major banks; "the abyss looms."

Of course, it is London which is the world's worst financial mess, given the public collapse of Barings and the crises in Hambros, Lloyd's insurance, and other pillars of the Empire. Besides, for the "authoritative" *Economist* to "predict" a crash, is wildly irresponsible. The editors know that financial managers globally will sell and dump on their advice.

The *Economist* blamed President Clinton for the entire disaster. "American policy is adding to the risk that [Japan's] economy will crash. . . . Clinton is making things worse," they conclude. "The persistent threat that quarrels over trade will escalate is unsettling markets already nervous. . . . In his economic policy toward Japan, Mr. Clinton is dicing with disaster. And for what?"

Consistent British theme

London, and not Washington, is trying to cause a financial collapse in Tokyo. The London *Times* on June 20, in a biography of the new governor of the Bank of Japan, Yasuo Matsushita, concluded as did the *Economist*: "What Japan needs is a really big bankruptcy and a run on the banks so large and so shocking that it will give the authorities the excuse aggressively to reflate the economy."

U.S. pressure on the bankrupt Japanese banks could cause a new Great Depression, British reporter Ambrose

Evans-Pritchard wrote in the May 21 London *Sunday Telegraph*. Evans-Pritchard, a British intelligence brat, was the journalist who began the "Whitewater scandal" attacks on President Clinton.

"Trade war could easily blow up" in President Clinton's face, he wrote, by causing a collapse of the U.S. Treasury and currency markets. "The Bank of Japan is helping to prop up the U.S. bond market, soaking up a third of all debt being issued by the U.S. government. If BOJ officials fail to turn up at a Treasury auction one week, there could be panic in the financial markets. . . ."

The "Japanese-American relationship is one of 'Mutual Assured Destruction' (MAD), to borrow an expression from the Cold War," he crowed. "If one side launches a missile, both sides go up in smoke. . . . It is clear that the Clinton White House does not have any natural feel for what is happening in Japan. Christopher Whelan, a former Federal Reserve official who now edits *Washington and Wall Street Review*, warns that Tokyo has turned into a 'financial black hole.' . . ."

"It is a dangerous process of deflation that can easily fly out of control, much as monetary implosion fed on itself during the Great Depression. The Japanese banks—the biggest in the world—are only a few steps away from the abyss."

Former London *Economist* deputy editor Norman Macrae also wrote in the London *Sunday Times* on May 14: "Some time in 1995-97, I expect a Wall Street crash" as a result of Washington imposing "huge anti-Japan tariffs to 'protect' America." The "ham-handed" Clinton will be blamed, Macrae predicted, and "America will choose a Republican President."

Indeed, the trade sanctions announcement by U.S. Trade Representative Mickey Kantor came at the worst time, just when President Clinton needs to work most closely with Japan. Clinton's pressing challenge is the need for the United States to take the lead in putting through a general bankruptcy reorganization of the world's money and financial system. Japanese Finance Minister Masayoshi Takemura has been calling for the United States to act with Japan to "rethink" the world monetary system.

It was Maggie Thatcher's boy George Bush who launched trade economic warfare against Japan, South Korea, and other nations, as signaled by a September 1989 Los Angeles address by Bush's CIA chief William Webster. Webster stated that successful economies such as Japan, South Korea, and Germany were no longer American allies, but, with the fall of the U.S.S.R., "now represent, in effect, a new enemy image."

Federal Reserve Chairman Alan Greenspan, who hails from the British-owned Morgan Bank, is also fueling the U.S.-Japan feud, George Friedman, author of "The Coming War with Japan," told *EIR* on April 21. "Greenspan doesn't give a damn how much trouble he causes Clinton. He views that as yet another benefit; he hates Clinton's guts. He wants to cause him a big problem."

A proposal to make Armenia into Eurasia's economic crossroads

by Rouben Yegorian and Marina Hovhanissian

Rouben Yegorian is director of the Department of Territorial and Prospective Development, in the Armenian Ministry of Construction; Marina Hovhanissian is Chief Researcher at the State Museum of History of Armenia, in Yerevan, the capital of Armenia.

1. Economic developments into the 21st century

Global economic relations were redefined following the collapse of the Soviet Union, the emergence of the independent countries of East Europe and the former Soviet Union, and the fall of the Berlin Wall.

The development of democratic and market forces in the countries of the former Soviet bloc, began to become a guarantee for the avoidance of regional conflicts and new global catastrophes. At the same time, it was realized that the wide-ranging processes of regional and global economic integration could become durable guarantees for stability regionally and in the world.

Thus, various tendencies are appearing as the world enters the 21st century: the creation of a Eurasian economic space, as well as the integration of local and regional conflict areas (for example, the Caucasus and Central Asia) into the wider political environment.

During the creation of a unified Eurasian economic space and the integration of local regions into the global market economy, there will be a range of new central issues, such as the development of integrated communications infrastructure, the free movement of labor, capital, and goods, and related issues.

The most important conceptual elements in the creation of the integrated communications, transport, and energy infrastructure will be the paths and directions of the new "Silk Road," including the construction of gas and oil pipelines, road and rail lines; and those mediator-buffer countries located at the "intersections" of these infrastructure links.

2. The role of Armenia in the process of economic integration in Eurasia, the Transcaucasus, and its surrounding region

Armenia can play an important role in the process of integration of the Transcaucasus within the wider region, and the creation of the Eurasian economic space.

On the one hand, Armenia is located at the intersection

of north-south and east-west axes of international links, at 40° latitude and 45° longitude. The east-west axis is the historical Great Silk Road. The north-south axis is the link between Russia and Europe's southern seashores, the Middle East, and India, which during the past centuries served as an important direction for international cultural, technological, and trade ties.

On the other hand, within the area in and around the Transcaucasus, Armenia, because of its geographical position, historical role, and its initiative, is regarded advantageously as an economic mediator between Europe and Central Asia; Europe, Russia, and the Middle East; the region's north and south, east and west; and Christian and Islamic peoples.

3. Program Crossroads (Khachmeruk)

Taking into account the above, the Ministry of Construction, based on the findings of this report, presented "Program Crossroads" to the Ministry of Economy in 1993. The Ministry of Economy rated and presented this project as a national project in 1994. Today, this program is viewed as an important project for Armenia at the state level.

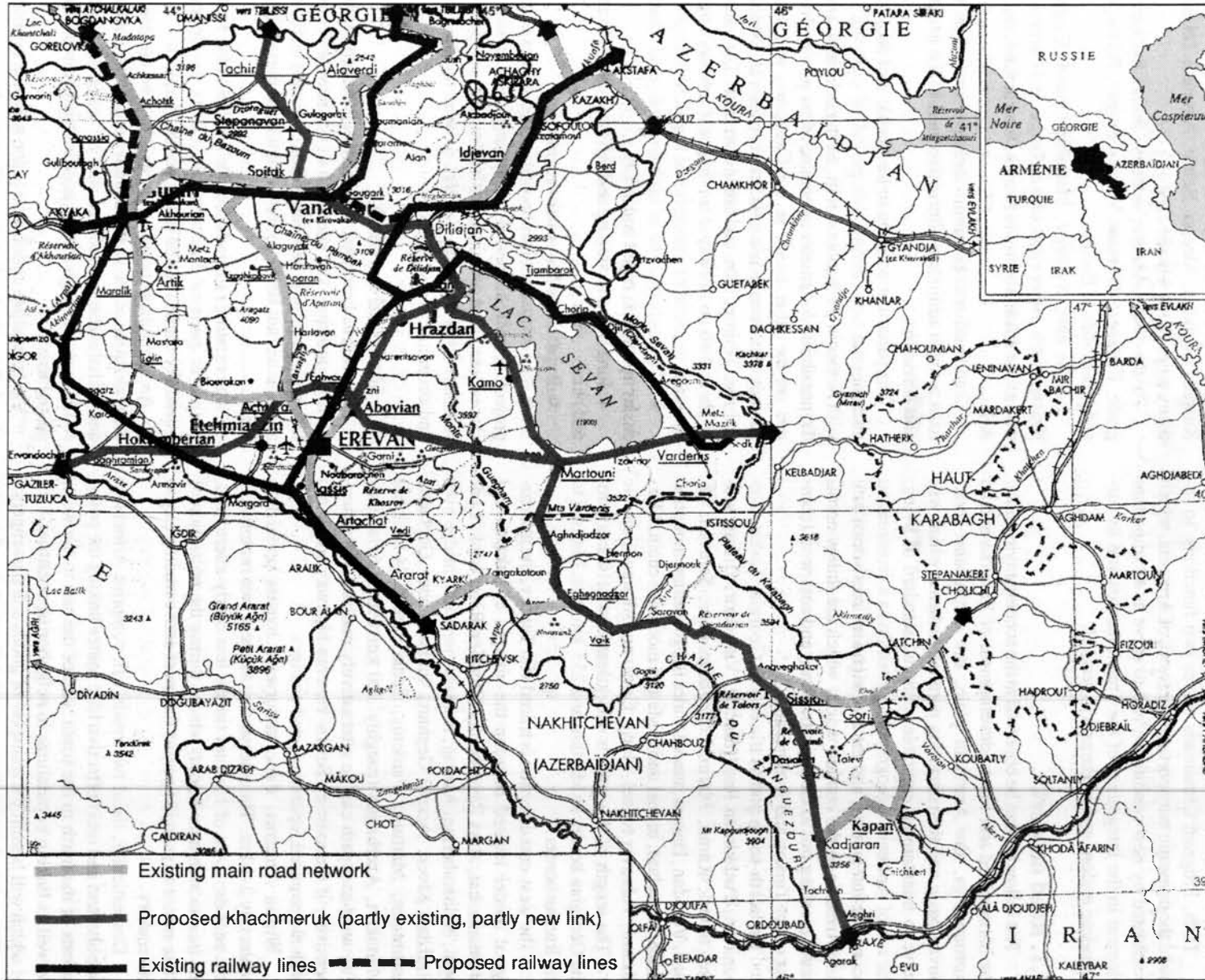
Presently this program is undergoing a thorough technical and economic analysis. Armenian specialists are in need of technical assistance from the international community to complete the relevant studies.

The core of Program Crossroads is the realization of international transport corridors through Armenia. These corridors consist of roads and/or railroads linking the transportation networks of Eurasia, the Transcaucasus, and the surrounding region. These corridors can be used to bring goods and people from Russia and Europe to the Middle East and Asian countries, and vice versa.

At the same time, Program Crossroads will benefit the development process within Armenia, and organically integrate the Armenian transportation network into the regional and global transportation networks.

The local Armenian transportation network, with its origin in the transportation network of the former Soviet Union, fulfilled that economic space's domestic and foreign linkage needs. Transport links for Armenia have become essential after the collapse of the Soviet Union: When Armenia found itself in an environment defined by new relations, when Ar-

Proposed Khachmeruk and other Armenian transport corridors



menia strove to establish good neighborly relations and to initiate new economic cooperation with its neighboring states, and when the emergence of a nationally defined policy of domestic regional development became essential.

Thus, Program Crossroads serves two functions: to rebuild the domestic transportation network of Armenia, which is dictated by new conditions; and to serve as an important element in the integration of the Transcaucasus and its surrounding region, and of Eurasia in general.

3.1. Road network

The following can be observed in the accompanying map: the harmonized and linked development of Yerevan and its surroundings, the Araratian plain, the earthquake zone, Sevan basin and the remaining parts of Armenia which will serve to maintain an equitable, national standard of living; the use of Armenia's geographical position as a crossroad in economic integration; and the two highway axes which will link Armenia to the outside world, which are drawn north-south (coming out to Georgia and Iran) and east-west (coming out to Turkey and Azerbaijan).

The north-south path is traced via: Georgia, Tashir, Stepanavan, Pushkinian Pass (tunnel), Vanadzor, Dilijan tunnel, Sevan, Kamo, Martuni, Yeghegnadzor, Saravan, Sisian, Vorodan, Darpas, tunnel under Bargushanian mountain chain, Musalam, tunnel under Meghri mountain chain, Maralzami, Vahravart tunnel, Guris, Garjevan, Akarag, Iran.

The length of this path is 465 kilometers: 210 km from the Georgian border to Martuni and 255 km from Martuni to the Iranian border.

The west-east direction is traced via: Turkey, the international border located between the villages of Pakaran and Yerbantashat, Arax River bank, Akhurian River bank, Lenoghi, Hoktemberian, Akarag, Ashtarak junction, bridge over Hrazdan River, Arzni, Geghart, tunnel under Geghama mountains, Martuni, Vardenis, Sodk, tunnel (4+4 kms) Martakert, Azerbaijan (roughly 320 km within Armenia). The west-east path can be alternatively realized more inexpensively if the existing Sevan-Yerevan highway was used, with the required reparations and changes.

Within Armenia, these motorways bypass population centers by 2-4 km. The intersection of these two motorways lies near the town of Martuni (in the less costly alternative, the intersection near Sevan) which, during the utilization of these motorways, will become the most active trading city in the country.

Domestically, these two roads will comprise Armenia's two shortest and most effective land routes linking the populations of the north to the south, and of the east to the west, as well as linking populations in neighboring countries—all of which will benefit the transport of goods and passengers.

These four-lane motorways are important for the purposes of international integration, since they will link to the road network of neighboring countries; more particularly:

To the north: Batumi, Black Sea, Tbilisi. Moscow; and Georgia, Russia, Ukraine, Baltic states and other cities of the region.

To the south: Tabriz, Teheran, Ahvaz, Persian Gulf and Kuwait, Baghdad, Aleppo, Beirut, Amman, Tel Aviv, and many cities of the Middle East.

To the west: Ankara, Athens. Sofia, Bucharest, Belgrade, Budapest, Warsaw, Vienna, Prague, Berlin, Munich, and other cities of Europe.

To the east: Kelbajar, Martakert, Baku, Caspian Sea, Krasnovodsk, other cities of Azerbaijan and Central Asia, as well as the roads leading to Russia, the Far East, and Central Asia.

Combined transportation through Black Sea shipping lines provide additional alternative links to the overall transport corridors.

This particular solution to the problem of the Armenia's international ties, during this period of differing relations with Armenia's neighbors, will, on the one hand, encourage the possibility for greater international economic integration, and on the other hand, in the Caucasus, will establish a balance of economic interests between Russia, United States, Europe, Turkey, Iran, and other countries. The construction of these two motorway axes imposes certain engineering demands required of international transit highways:

- The roads must be of high technological standards, to ensure maximum speed and safety.
- Resistance to varying and different climatic conditions and belts.
- Bypassing of population centers.
- The inclusion of technologically complex engineering projects (bridges, tunnels, junctions and exits, varying slopes, etc.) and associated infrastructure components (gas stations, food stations, hotels, service stations, customs houses, etc.).

3.2. Railroad network

The railroad network in Armenia is linked to the neighboring countries. The condition of the network is nevertheless not good; most of it dates from the start of the century, and as it has not been properly maintained during the last five years.

The existing railroads provide an alternative for the realization of parts of Khachmeruk, till its development and especially for heavy and bulky goods transport.

An immediate north-south axis can be created through the realization of the new link between Gioumri, Ahalkalaki, and Akhaltsikhe in Georgia, and by using the existing line southwards, through Massis and Eraksh towards Nakhichevan and Iran.

An immediate connection to the west can be also materialized through the line from Gioumri-Ahurian to Turkey. Through the Turkish railroad network, goods may be transported to and from the Middle East, and of course to and

from Europe. In addition, if a new link is provided between Vanadzor and Dilijan, it is possible to conceive an immediate link eastwards, through Idjevan and Sotoulou to the Azerbaijan railway network.

Given the well-developed railroad infrastructure in the former U.S.S.R. and neighboring countries, it is agreed that railroads provide a sound complementary mode (although not always very fast, and requiring transshipments from wider to standard-gauge tracks) to road transport.

In order to achieve this objective, it is important for the railroads to be improved, and for the line to be modernized, allowing for higher speeds and for safe transport.

Finally, once again, combined transportation through Black Sea shipping lines provide additional alternative links to the overall transport corridors.

4. Conclusions

Armenia needs foreign investment in the financing and construction and/or improvement of these motorways and railways (to international specifications), and the development of the relevant secondary infrastructure and of other infrastructure for services and tourism. It is desirable that other countries, international organizations, international financing institutions, and private investors participate, because this program is not oriented towards Armenia's needs, but more than that, it is a program for regional development.

Despite the fact that Armenia has initiated this program, it is desirable that other interested countries, such as Russia, the United States, Iran, Turkey, Germany, France, Greece, Japan, China, Azerbaijan, and other countries of Europe and Central Asia—which regard the processes of economic integration as a long-term issue and one which is a guarantee of durable stability in the region—participate in its realization. It would also be advantageous to create four free-trade and economic zones at the points where the transport corridors cross into and out of Armenia.

Of course, it is well known that the European Community is in parallel studying the "Europe-to-Central Asia" link through its Traceca program in TACIS.

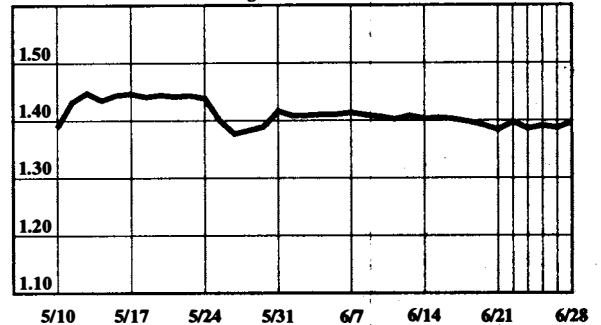
Economically, it would also be advantageous and justifiable that other infrastructure projects and links be built alongside the planned transport corridors of Program Crossroads, including: the gas pipeline running from Iran to Europe, which is planned to be built by the Iran Gas Europe Economic Interest Grouping; the gas pipelines from Turkmenistan to Europe, and also from Azerbaijan to Europe, whose constructions have been a topic of discussion for a long time; as well as the oil and gas pipelines feeding Armenia.

The Ministry of Construction is confident that this program will become an international project, and will be designed and built by numerous international specialists, companies, international financial institutions, and countries, as well as Armenian specialists and private individuals from Armenia and around the world.

Currency Rates

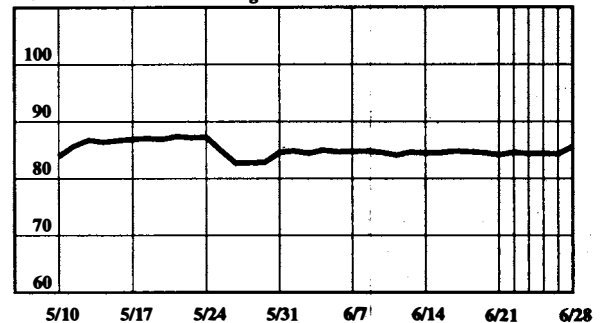
The dollar in deutschemarks

New York late afternoon fixing



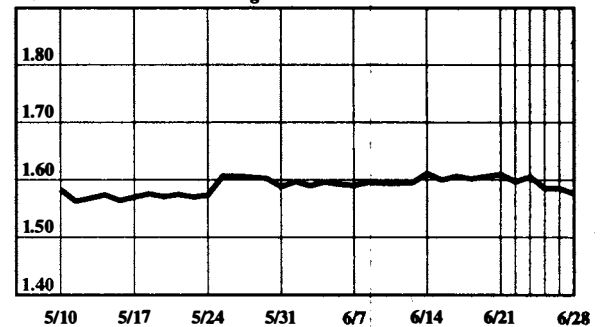
The dollar in yen

New York late afternoon fixing



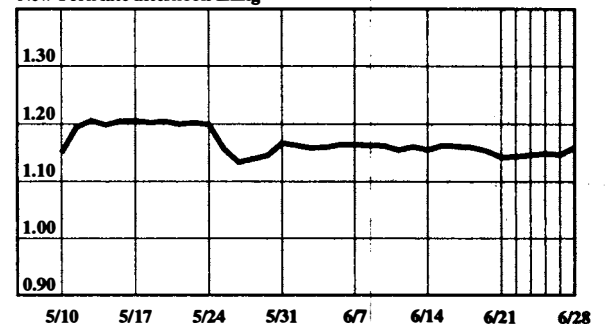
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Business Briefs

Finance

'Forum' covers LaRouche on financial meltdown

Finanz-Forum, the newsletter of the National Association of Financial Services in Germany, cited *EIR* founder Lyndon LaRouche and *EIR* financial specialist John Hoefle as authorities on the global financial crisis, in its June 1995 issue.

Dr. Dieter E. Lueder, in an article entitled "Finances and Crises," in a section on derivatives, wrote, "These are unimaginably huge amounts of money in a kind of 'soap bubble.'" According to John Hoefle, who gave a presentation in Washington in March, in the United States alone, the estimated size of derivatives contracts in the five biggest banks is \$8 billion. The *Frankfurter Allgemeine Zeitung* estimates that in Germany, the five leading banks have derivatives contracts of around 3.7 billion deutschemarks. . . . LaRouche explains that these [derivatives] are of no value for the economy; on the contrary, they pull money out of the economy."

Lueder states, "All facts considered, we are drawn to the conclusion that these are no longer isolated cases, but that we are confronted with a fundamental worldwide financial crisis."

In discussing what is to be done, he concludes, "If all this does not work, then the only possibility will be to initiate a mutually coordinated, ordered bankruptcy procedure. This should lead to a new system of financial, trade, production, and currency relations internationally. Exactly what that new system would be, would have to be explained in more detail at a later point."

Italy

Airline pilots protest deregulation policy

Alitalia pilots went on a "sick out" de facto strike on June 15 to protest the state air company's policy of deregulation. Alitalia pilots

constitute three-quarters of the 2,800 Italian pilots, and their protest paralyzed Italian airports. Alitalia pilots are not demanding wage increases, although they earn less than their German or French colleagues, but want to stop policies such as hiring Canadian or Australian crews flying on airplanes sold by Alitalia. The pilots are determined to force the resignation of management.

Capt. Eugenio Boldi explained to the Italian daily *Corriere della Sera* on June 16 that management "is trying to do with airplanes what they did in sea transport, that is, bringing a service which has European standards [down] to the level of Third World countries."

Transport Minister Caravale, a free-market economist trained in England, refused to mediate in the negotiations and ordered strikers back to work, using a law that criminalizes strikes that seriously disrupt public services. Caravale's dismissal has been demanded by the parliamentary opposition. An editorial in the daily *La Repubblica* on June 19 accused "anti-privatization" bureaucrats of the old state-owned industry of steering the pilots' initiative.

Alitalia Chairman Renato Rivero, a cost-cutting fanatic, cancelled all Alitalia flights on June 17-18 in order to increase public hysteria against the strikers. Rivero is a member of the board of the British Barings Bank, which he joined in November 1994, shortly before it collapsed.

Economic Policy

Friedrich List cited in China's economic debate

The impact and evolution of 19th-century German economist Friedrich List's theory of growth was raised in China in the debate on economic policy, in the March issue of *Economics Information*, a theoretical monthly put out by the Economics Institute of China's Academy of Social Sciences. The article was jointly written by two scholars from School of Economics in Wuhan University.

The article praised List, the "pioneer of the

German historian school of economics," as the leader of a school that has been fighting the economic mainstream in the West.

List's contribution, while refuting Adam Smith, is that he considers what Adam Smith leaves out—the productivity which includes not only material capital, but science and technology, Christianity, political-legal systems, and cultural mentality, the authors said. List forms his own economic theory of growth, with a systematic, unique, but sharp point of view, differing from the classical school of historical analysis.

The article quoted List from his major work of 1841, the *National System of Political-Economy*, and highlighted his refutation of Adam Smith.

List's economic theory of growth has a powerful interpretation which fits the reality of developing countries, and thus becomes a major challenge to the western mainstream theory of economics, the article said. The famous economist List studied almost every aspect of economics, and the questions he raised concerning economic growth also concerns all the factors of life, it said.

Space

Shuttle mission may lead to international station

Space Shuttle Atlantis, whose primary mission goal in the 10-day flight that began June 27 was to dock for five days with the Russian Mir space station, will be a stepping-stone to the international space station.

This docking mission is a dry run to develop the skills and procedures that will be required for the in-orbit assembly of the International Space Station Alpha (ISA), scheduled to begin construction with the first element launched into orbit in December 1997. ISA will be based on the merging of the world's only two manned space programs.

The Russians decided to scrap their Mir II space station follow-on, which will become the core module of the ISA. The United States, Japan, and the European Space Agency will each contribute laboratory mod-

Briefly

● **SEEKING A CURE** for "financial AIDS" was on the agenda in the June 18-19 talks between Japanese Prime Minister Tomiichi Murayama and French President Jacques Chirac, Japanese sources told *EIR* on June 19. Japanese Trade Minister Ryutaro Hashimoto coined the term in 1990 to describe the extreme financial deregulation which President George Bush and British Prime Minister Margaret Thatcher were urging on all the Asian countries.

● **INDONESIA** and Kazakhstan agreed on June 23 to increase economic cooperation, following talks between President Suharto and President Nursultan Nazarbayev in Jakarta, Reuters reported.

● **LOCKHEED MARTIN** announced 35,000 layoffs in late June, nearly one-quarter of its 170,000-person workforce. It will close a dozen or more plants. In March, Lockheed Corp. and Martin Marietta merged forming the largest defense aerospace firm in the world.

● **THE USDA** on June 12 forecast falling harvests and low stocks. World production of grain (including rice) for the crop year ending on June 30 is estimated at 1,744 million metric tons. Projections for 1995-96 are down to 1,724 mmt, which would drop world stocks from 293 mmt to 255 mmt for the coming year. This is the equivalent of 52 days' consumption.

● **FOREIGN EXCHANGE** trading around the world probably hit \$2 trillion *per day* in March, Chris Deuters, head of forex trading at Lehman Brothers, told the June 6 London *Financial Times*. Klaus Said, head of forex at J.P. Morgan, said, "We think [the April figure] will start with a two [\$2 trillion]. Some say three."

● **KLEINWORT BENSON**, a British merchant bank, is in negotiations to be bought by Dresdner Bank, the second largest commercial bank in Germany. Kleinwort Benson has been one of the most important financial arms of British intelligence.

ules and transportation vehicles. The Russians will contribute more than half of the assembly missions required for the station. While the United States will maintain the Space Shuttle as a manned capability that is able to perform various functions, the greatest part of its mission will be to construct and service the station.

Once again this year, yet another study has been done by a government agency (this time the General Accounting Office), estimating that the cost of the ISA will be tens of billions of dollars more than NASA estimates. Like many others before it, this report simply adds activities into the station cost that NASA accounts for differently, inflating the supposed cost of the station. It is designed to have the maximum destabilizing effect on the ongoing budget discussions. As space writer Kathy Sawyer pointed out in the June 24 *Washington Post*, however, the station, despite the sniping of critics, is being built, and in 30 months will start to function in space.

China

Resistance to privatization grows

Hong Hu, vice minister of the State Commission for Restructuring the Economy, China's top economic affairs official, has reaffirmed China's determination not to privatize its state-owned enterprises, the official *China Daily* reported on June 21. China will continue to reform its state-run giants, but, contrary to foreigners' anticipation, "privatization isn't the orientation for the restructuring of state-owned enterprises," he said.

More than 16,000 enterprises have been merged, and 9,000 enterprises have become joint stock companies, said Hong, who has been charged with formulating policies on state-enterprise reform. The joint-stock system is a property organization setup which differs from private ownership and doesn't conflict with socialist principles, he said.

Hong insisted that China's reform efforts do not constitute a move toward privatization, because they will "see to it that the public sec-

tor, including the state-owned sector and collectively owned sector, holds a dominant position in China's economy."

Health

Diphtheria epidemic ravages former U.S.S.R.

The widespread outbreak of diphtheria throughout the former Soviet Union "is the biggest public health threat in Europe since World War II," warned Dr. Jo Asvall, European regional director for the World Health Organization. According to WHO and Unicef officials, 150-200,000 new cases of diphtheria are expected this year.

Experts fear that the situation is out of control, and that the disease could rapidly spread into western Europe. It could then, as one put it, "leap across the Atlantic" to the Americas.

Richard Reed, a Unicef spokesman, told BBC on June 19 that "the outbreak is literally galloping out of control" in the 15 countries of the former U.S.S.R. "The human costs can be startlingly high," Reed stated. He reported that, in the Central Asian nation of Turkmenistan, the mortality rate for children under two years of age who have contracted the disease is a staggering 50%.

These WHO and Unicef officials hold the following factors responsible for the alarming spread of the disease: the breakdown of proper forms of immunological control, the precipitous decline in vaccinations since 1989 in the newly independent states of the former Soviet Union, the growing social disorder in a period of "economic transition," and the increasing "human traffic" between different countries and between East and West. Also, the normal vaccination for diphtheria, which many get in childhood, does not confer lifetime immunity; vaccinations must be repeated at least once every 10 years, health officials are now realizing.

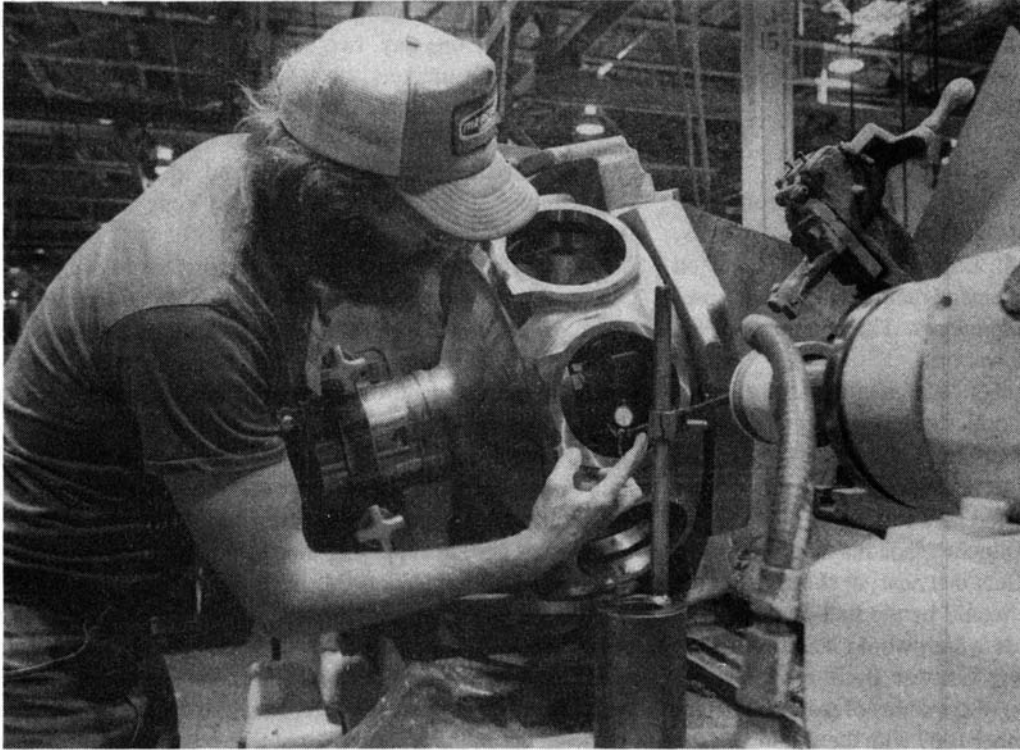
What is not discussed in the reports of these U.N. organizations, is why there has not been a massive effort by West to help the former communist countries deal with the crisis, since diphtheria is readily treatable.

LaRouche's ninth economic forecast, one year later

by Christopher White

One year has now gone by since *EIR* published Lyndon LaRouche's ninth economic forecast, "The Coming Disintegration of the Financial Markets," on June 24, 1994 (also printed as a *New Federalist* pamphlet). Posed as a test of the sanity of such officials as the Bank of England's current governor Eddie George, LaRouche put forward in that writing the conclusive proof "that the near-term disintegration of the presently bloating global financial and monetary bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization." Over the intervening months, Orange County, California, one of the wealthiest counties in the United States in terms of per capita income, has declared bankruptcy. And, now, following voters' rejection of a proposed 50¢ increase in the sales tax, the county faces imminent default on its obligations. Currency convulsions radiating out from the Republic of Mexico signalled the end of the liberal free market reforms which have made so much bloody wreckage of the world in the years since 1989. One of the City of London's oldest investment houses, Barings Bank, bankrupted itself. And still to come? The list goes on, but highlights would include: Japan's banks, saddled with over \$400 billion of soured loans, standing on the edge of collapse; all of Britain's investment banks, victims of depositor runs in the aftermath of the Barings crisis; Britain's insurance market, Lloyd's of London, insolvent; and the bankrupt public finances of at least 10 countries in the industrial world.

It can be assumed that among the heads of state who assembled for the recent summit proceedings in Halifax, Canada, there were among them those familiar enough with the import of what LaRouche has had to say. Such knowledge, whether they agree or not, can be contrasted with the briefly touted achievements of that summit of the Group of Seven countries. Among those achievements was the establishment of a special fund to deal with potential repetitions of this past Christmas's Mexican peso devaluation fiasco, and the aftermath thereto. This fund is to be based on a doubling, from \$28 to \$56 billion, of a facility within the



A precision machining and special development technician checks dimensions of the propjet fan hub. Such productive workers now constitute less than 30% of the total U.S. labor force.

International Monetary Fund.

As far as the public proceedings went, this doubled financial facility was about the only recognition the assembled heads of state and finance ministers gave to the deepening international financial and economic crisis. But behind the scenes, it is well enough known that different kinds of discussions, driven by altogether different views of the current situation, are going on.

The proposal to set up such an emergency fund represents the thinking and assumptions of one of the elements of that behind-the-scenes discussion, namely, the insistence that there is no systemic economic and financial crisis, but rather episodic problems, whose periodic eruptions can be dealt with by administrative means. The proposed fund is to be combined with the development and adoption of a set of "early warning" indicators which are supposed to provide qualified administrators with the necessary notice to act in advance of the eruption of such crises as last winter's Mexican explosion. Since the composition of such indicators will be known, it is tempting to ask who on earth would expect the proposed \$56 billion to be adequate to stem the tidal flood of flight capital that will surely be triggered as the adopted indicators start flashing their warning lights.

Early warning indicators? One could imagine someone, waking from the sleep of the dead at the sounding of the Last Trumpet to ask, "Did the alarm go off? Where's my breakfast? Am I going to be late for work?" Who needs such early warning indicators now? They ought instead to look

back over LaRouche's forecasting record of the last nearly 40 years, and ask themselves what is different about his method of approach, and the one they and their like still seem content to rely on. It is all fine and good having indicators. As long, however, as there is some correspondence between the indicator and what is indicated, and as long as the user knows what is supposed to be going on. No one in their right mind would use a street map as a guide to cooking dinner. But, when it comes to financial and economic matters, it seems that is the kind of thing most of us choose to do, every time.

There are still people around who insist that LaRouche is off the wall. There are others who agree with him: though not all for the same reasons. Among them, the *Götterdämmerung* crowd of modern chaos theory, who insist, that out of the coming collapse will emerge their new order, as well as those who do agree with LaRouche, but don't think it politic to be seen and heard in such agreement in public. And then, there are the advocates of early warning systems, who insist that there's really nothing wrong with the financial system that changes in management and administrative methods won't be able to fix, and keep on fixing.

What LaRouche said in his "Ninth Forecast" was, as he told various relevant Russian scientific institutions during the last week of April 1994: "The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur during President William Clinton's first term in

office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.”

LaRouche's record

Over the course of 40 or so years as an economist, LaRouche had produced just eight forecasts of critical events, prior to publication his ninth. Each such forecast, made on the basis of his LaRouche-Riemann method, has been subsequently confirmed by developments. The summary of his forecasts, by date, is as follows:

1) During the late autumn of 1956, he forecast the imminence of a major U.S. economic recession triggered by the bursting of the post-1954 bubble in consumer credit. The recession, known later as the “Eisenhower” recession, was acknowledged to have occurred later in 1957.

2) During 1959-60, LaRouche made his first long-range economic forecast, to the effect that near, or shortly after the middle of the 1960s, there would be the first of a series of major monetary disturbances which would lead toward the collapse of the then existing postwar Bretton Woods exchange rate system. The first of the series of major monetary upheavals erupted in November 1967 with the collapse of the British pound. The official breakup of the Bretton Woods system began on Aug. 15, 1971, when Richard Nixon broke the linkage between the dollar and gold, to let the U.S. currency float freely.

3) Campaigning for President in November 1979, LaRouche warned that the interest rate increases initiated by Federal Reserve Chairman Paul Volcker would lead to a devastating recession beginning early in 1980. And, so it did.

4) In February 1983, during the course of exploratory back-channel discussions conducted with Moscow on behalf of the Reagan administration, LaRouche told his Soviet government interlocutors, that if his strategic defense proposals were to be rejected, strains on the economies of the Comecon nations would be such that that economic system would collapse in about five years. The forecast was repeated in *EIR's* July 1985 *Special Report*, “Global Showdown.” The collapse occurred during the second half of 1989.

5) During a spring 1984 televised election broadcast, LaRouche warned of the outbreak of a collapse in the U.S. banking and savings and loan sectors.

6) In May 1987, in his first and only stock market forecast, LaRouche warned of a stock market collapse beginning Oct. 10, 1987. On Oct. 19, the Dow-Jones index fell 508 points, the largest one-day loss in its history to date.

7) On April 12, 1988, LaRouche described the phenomenon of the “bouncing ball” as the key to following relatively short-term fluctuations of the U.S. economy. The ball would keep on bouncing, but its overall trajectory would continue downwards.

8) On Nov. 23, 1991, LaRouche warned during his elec-

tion campaign, that we were in the grip of a global financial “mudslide.” “Many people,” he said, “have been looking for a definitive one-day, two-day, three-day financial crash, perhaps on the markets. . . . What they are seeing is the Great Mudslide of 1991.” And, so it went, from the continuing collapse of Tokyo's Nikkei index through 1992, to the currency crisis of the fall of 1992 and spring of 1993, to bankruptcies of financial institutions in Venezuela, Germany, Spain, Canada, the United States.

That record can be set against the pretensions of those, for example, who are now discussing setting up their “early warning indicators” of future crises, such as the one that erupted in Mexico last December. How many of them forecast that development before it occurred? *EIR* did, back in April 1994. Why would anyone think that methods which failed before would function now? But, what about a record which has been proven to be consistently right, where all others have been proven to be consistently wrong?

A year ago, in supplying the proof that, short of government action to put responsible institutions through bankruptcy reorganization, a global financial collapse had become unavoidable, LaRouche wrote that he was supplying not only a sanity test, but also a morality test for officials, and the voters who elect them to office. For, if his warnings were to be acted upon, the Ninth Forecast that he has put his 40-year record behind, would not have to occur.

A method of a different sort

LaRouche's record is based on a method of a different sort than the others. We'll see it again now, if the early warners get sufficient time to put together their package of indicators. They'll have numbers on current account balances and trade balances, government revenues, expenditures and deficits, wage income and expenditures, interest rates, and currency valuations. And they'll take their statistics, and they'll say something like, for example, in one case, “Ha! trade deficit too big, economy growing too fast, cut wage income, investment, and government expenditures to slow down growth,” or, in another case, “Ha! trade surplus too big, economy growing too fast, cut wage income, investment, and government expenditure to slow down growth.” Opposite symptoms, same medicine, just as for Mexico and Brazil last year.

They'll take statistics of monetary and pricing aggregates, and they'll do correlations between the statistics they've assembled, and they'll say what has to be “adjusted,” “cut,” “restructured” to bring their correlations back into whatever they consider to be statistical balance. That's the method of using a street map as a guide to cooking dinner. You may end up with something on your plate, but you can be pretty sure it won't be what's on the map.

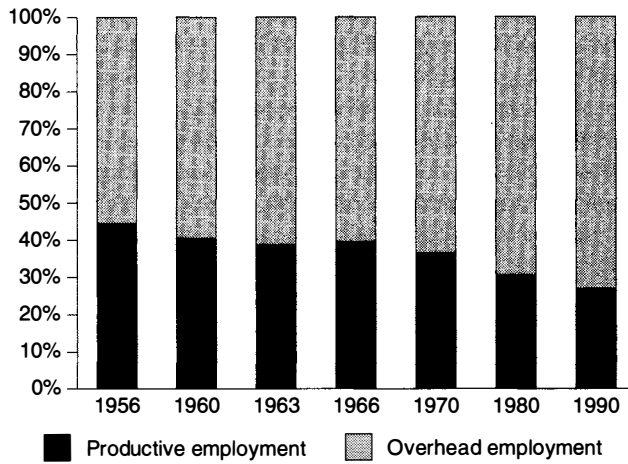
Monetary and pricing aggregates do indeed enter into economics, but not as primary data for consideration above all else.

LaRouche has started, since the 1950s, from the assump-

FIGURE 1

U.S. workforce—ratio of workers in overhead vs. productive employment, 1956-90

(percent of total labor force)



Sources: *Historical Statistics of the United States*, Bureau of the Census, 1975; Department of Labor, Occupational Employment Division, and Bureau of Labor Statistics, *Monthly Labor Review*; Department of Education, National Library of Education; Department of Health and Human Services, Bureau of Health Professions; American Nurses Association.

tion that economy is essentially human activity, to be made intelligible for human beings with the same scientific tools that distinguish mankind absolutely from the lower beasts. Ask the others to submit, from out of their early warning indicators, a proof of the uniqueness of human existence, to thereby demonstrate that human knowledge can be consciously developed for application in the pursuit of human activities. They will not be able to do it, no more than would a witch-doctor come up with a cure for cancer. And, if they can't say what is unique about human beings and human existence, neither can they have anything human to say about economy, or economics. They must converge on the view that LaRouche said would be directed against the then so-called developing countries, and increasingly against the advanced sector countries, when in 1959-60 he said that the austerity policies of Hitler's Economics Minister Hjalmar Schacht would be the establishment's policy response to the monetary turmoil he forecast for later in that decade. Since they can't argue what human beings are, they will have to follow the practice of their assumption that man is no different than any of the lower beasts. Further, if they can't say what it is about human beings that makes human economy unique, they've got no way of knowing whether an economy is doing well, or whether it might be on the verge of collapse.

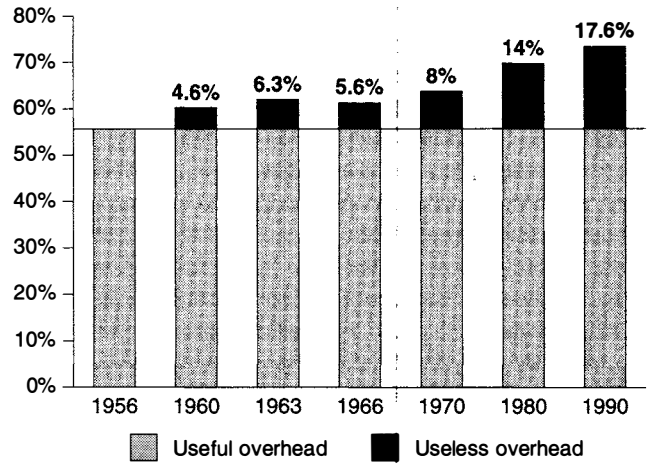
The development of man

Let's take the time-frame since LaRouche began his economic forecasts, back in 1956, to discuss further these two aspects. First we'll compare two sets of ratios. In **Figure 1**, we are comparing the evolution of the division of labor of the

FIGURE 2

Useless overhead employment in the United States, 1960-90

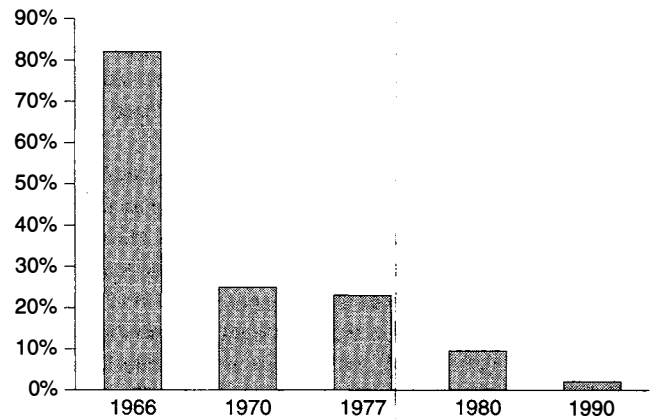
(percent of total labor force)



Sources: See Figure 1.

FIGURE 3

Falling value of U.S. merchandise trade as a percent of U.S. foreign exchange transactions, 1966-90



Sources: Bank for International Settlements surveys (1986, 1989, 1992); U.S. Federal Reserve surveys (1977, 1980, 1983); GATT.

United States labor force in selected years since 1956. In **Figure 2**, we focus more closely on one aspect of that evolution, namely, the growth of non-productive forms of employment, above the proportion so employed in 1956, when LaRouche began to issue his forecasts. In **Figure 3**, we express the value of U.S. merchandise trade as a percentage of U.S. foreign exchange transactions for 1966-90.

First, though, step back a bit. Until the Council of Florence (1439), under the influence of Cardinal Nicolaus of Cusa, set into motion the Golden Renaissance formation of the

modern nation-state, based on the development of mankind's unique creative capability to advance and assimilate scientific ideas, the characteristic of previous forms of human society had been that 85-90% of the population would be occupied in producing the food, and other primarily rural products, that would permit themselves, and the remaining 10% of oligarchic rulers, and their associated flunkies, to live. The 85-90% were to be treated as the beasts of burden. This arrangement has been the characteristic through recorded human history of that form of human society known as oligarchic.

The Council of Florence institutionalized, for western culture, and thus the whole world, the Christian conception that all human life is sacred, because all men are created in the living image of God. As the basis in law for the foundation of the nation-state, this idea of man permitted the development of institutions which could replace the prior oligarchic order.

Now, the 85-90% of the population, which, in all predecessor societies had been condemned to beast of burden chattel status could be free to contribute to mankind's development. From the first such nation-state, Louis XI's France, such conceptions radiated across the globe, unleashing a process never before seen in history, in which man's population increased from a maximum of around 400 hundred million to over 6 billion today. The proportion of the labor force required to produce agricultural primary necessities fell from over 85% to under 10%. Thus, over 90% of the labor force could be free from agricultural-type labor to contribute elsewhere, and in other ways. Ideas, developed from the circles of Cusa's Council of Florence, and Louis XI, through Leibniz and his associates in the seventeenth century, to the makers of the American Revolution, assimilated as technology into the division of labor, increased human productivity and transformed the basis of human existence in ways never seen before.

This process helps to indicate what uniquely distinguishes the human species from all lower species. Man alone has transformed himself, and the conditions of his existence, to increase his potential to increase the power of the species over so-called nature. Over the course of his existence, from the baboon-like hominid of the Pleistocene capable of merely supporting a handful of million, such increases in transforming power have produced a three-orders of magnitude increase in the population density of the species. No other species has that capability.

The Golden Renaissance marks a breaking point in that process, in that the idea of man in the image of God then institutionalized provided the unique basis for the acceleration of that rate of increase, as reflected, for example, in Gottfried Leibniz's late-seventeenth-century outline of the scientific principles to be employed in the creation of the economy of the heat-powered machine.

It is an utter absurdity to consider that the process of mankind's growth, and the development of the ideas which have made that growth possible, have no bearing on discussion of economy. It is complete lunacy to think that any system of statistics derived from monetary aggregates could

account for the transformations humans have created their history. It is complete idiocy to suppose that any system of statistics could capture anything of that process at all.

That said, turn back to the graphs. Figure 1 is based on dividing the total labor force into two principal segments. That part which contributes directly or indirectly to maintaining and improving the basis for human existence, and that part which, relative to the first, represents non-productive overhead. In the first, productive portion, we have included workers involved directly in the transformation of nature, farmers, miners, manufacturing operatives, workers in construction, transportation, and other hard infrastructure such as utilities; the teachers and health care workers, who contribute by maintaining the cultural and related potentials of the population; and the scientists and engineers, who develop the ideas which are transformed into increased human power through the work of others. This is the part of the workforce which uniquely produces wealth. The overhead section includes administrators, whether from government or business; sales functions; and so forth, and the unemployed, who provide services to the wealth-producers and their families, but do not contribute directly to wealth production themselves. They are instead "kept" as it were, out of the surplus, or profit that is produced by the wealth producers.

Now consider: In 1956, when LaRouche produced his first forecast of the forthcoming 1957 recession, the ratio between the two stood at 44.4% on the productive side, 55.6% for the overhead.

Assume then that this ratio was not just arbitrary, but rather reflects an outcome of the entirety of the process from the European settlement of North America, and the founding of the republic, though Lincoln's War for the Union, to Franklin Roosevelt's organizing of the "arsenal of democracy" to fight and win World War II. An outcome in which ideas associated with the conception of growth which has made mankind's history possible, have fought to advance against those who still wish to turn back the clock on the effects of the Council of Florence. This outcome is reflected in, for example, the near 40-fold increase in the population over the 200 years of the republic's existence, and in the reduction of the relative social cost of feeding that population from some 85% of the labor force to around 8%. Through such a process the means were created to build the cities which housed the populations which created the industries, and the infrastructure which made that succession of transformations possible.

In other words, assume that ratio between productive and non-productive workers reflects something of the creative power employed in the shaping of human history and human existence. Then follow the course of that ratio over the intervening 34 years.

The decline of the productive workforce

The 1957 recession LaRouche warned of reduced the productive component by 4% of the labor force as a whole,

or 10% of productive workers. The years from 1960 to 1966, which marked the bounds of LaRouche's second forecast, saw the productive side of the ratio stagnating, with a slight uptick in 1963 reflecting John F. Kennedy's short-lived efforts to reverse the "Eisenhower recession." The last years of the decade of the 1960s, which saw the eruption of the terminal crisis of the postwar Bretton Woods system, saw the productive part of the ratio decline by another 3% of the workforce as a whole, or 9.2% of the productive labor force. Then compare the transformation from 1970 to 1980, the year after LaRouche's New Hampshire forecast of the effects of the Volcker-Carter interest rate policy—another 6% drop relative to the workforce as a whole, or 16.5% of the productive workforce. That shrinkage is concentrated in the years after 1978. Then follows, between 1980 and 1990, the year before LaRouche's "mudslide" forecast, the elimination of another 12% of the productive workers, down to just under 27% of the workforce as a whole.

This is the backdrop to the succession of LaRouche's forecasts. Take the whole process from 1956. What do we see? That the productive part of the workforce, reduced from 44.6% of the labor force to 26.8% by 1990, has been slashed by 40%. What does that mean?

First, to maintain the same level of per-capita output, relative to the population as a whole, that prevailed in 1956, the productivity of the remaining productive part of the workforce would have to have increased by 1.66 times. That has not happened. In 1956, one worker could support a family with one wage packet. By 1990, only 10% of households of married couples were supported by the labor of one wage earner. Household size had fallen from over 3.3 per household to under 2.7. But the process—a 40% decline divided by 36 years, roughly 1% a year—has not been uniform, but has been defined by relatively abrupt shifts, each of around 10% or more, and each concentrated into a relatively short time frame. These step-function-type declines in the summary ratio of the functional division of labor in turn reflect the occurrence of the breaking points which LaRouche warned of in his succession of economic forecasts.

And, further, the process as a whole can be defined as the systematic reversal of more than 200 years of America's history, since the Constitutional Convention, and of the process since the Council of Florence in which the particular 200 years of American republican history are embedded. That in turn means that the last 40 years of U.S. history represent a systematic violation of the known principles which have underlain mankind's historical progress as a whole. The further reduction of the society's productive capacities, through asset-stripping looting, has been chosen as a course of action at each such breaking point juncture, in favor of the propagation of an anti-human financial system based on speculation and parasitism. LaRouche's forecasts since 1956 have been based on the application of his method to the interplay between these economic and financial-monetary processes. This in contrast to his opponents who, not knowing what on

earth the principles of human economy might be, attempt to predict a future course of events, from the growth of that which is inimical to continued human existence.

Figure 2 assumes that the 1956 proportion of overhead workers to productive workers is a tolerable allowance for the functioning of the economy, and scales the succeeding ratios of overhead employment to that allowance. Just as with an individual corporation, overhead in the economy as a whole is "paid for" out of gross profit, and, just as with an individual corporation, the ratio between overhead and productive costs in the economy cannot vary much from 50% to 50%, without eliminating the net profit which is the basis for investment in the future advance of the particular company or economy. Reinvestment of profit, in such a way as to cheapen the costs of production through increasing worker productivity, and thereby also the cultural and skill levels of the general population, has defined through a succession of revolutionary, and lesser technical changes, the pathway the growth of the human species has taken over the 500 years since the Council of Florence.

Extract that profit, through looting and asset-stripping, for other parasitical purposes and economic policy becomes the instrument of a killer disease, not of the furthering of human well-being. The growth of overhead above the 1956 allowance therefore represents, in part, the looting process by which the economy has been destroyed. It is a ration which is "taken out," as it were, from gross profit and the cost base which produces the profits, at the expense of the shrinking productive capacity, but is not replaced through net new investment.

Now compare the growth of that representation of the looted portion of economic potential over the 40 years. At 7% in 1956-60; at 2.8% in 1960-63; at -0.1% in 1963-66; at 4.5% in 1966-70; at 9.6% in 1970-80; and 15% in 1980-90. Note that the rate of extraction of loot from productive potential of the economy is actually increasing. Compare that increasing rate with the decline in the productive portion of the workforce. The combined destruction of the productive potentials of the economy, as represented in the changing composition of the division of labor, and the accelerating growth of the effects of parasitism and speculation within the division are what ensure that the present financial system will collapse.

That can be said without reference to financial matters as such. For the financial system is ultimately nothing but a network of claims against the wealth produced by the labor of human beings. There is no other source of wealth. Reduce the productive power of the labor force and population, and, clearly, one is also thereby setting a limit to the growth of the financial claims which ultimately must be settled against wealth production. Pyramid the financial claims, while simultaneously reducing productive capacity, and the bounds which circumscribe the limits of such looting will be drawn ever tighter.

So far we have not said anything about money values, about monetary aggregates or any of the "indicators" that one

would expect to end up in the assembly the Group of Seven leaders want put together. But we have shown how the 40-year process of economic decline, which LaRouche has forecast through its successive phases, is reflected in these two parameters of economic activity, as the violation of conditions that are necessary to maintain human existence.

Figure 3 introduces financial considerations and permits that approximation to be set against another ratio, which will approximate, in first instance, the monetary side of the process. Here we have the relationship between U.S. merchandise trade (the dollar value of imports plus exports) and foreign exchange transactions. The foreign exchange figure is estimated, for 1977, 1980, and 1990, by multiplying the Federal Reserve's estimated daily volume of foreign exchange traded by 224, the number of "trading" days in a year. Numbers for 1970 and 1966, in the absence of official statistics, were estimated by taking the ratio between foreign exchange trade and the dollar size of the Eurodollar market in 1977, and applying that ratio to the size of the Eurodollar market in the earlier years.

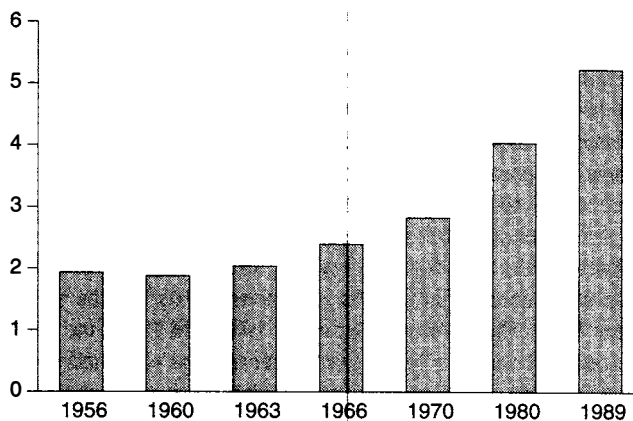
We are thus looking at the relationship between all foreign transactions using the dollar, and those transactions implied by the volume of trade. U.S. exports can be paid for in foreign currency converted into dollars, and imports with dollars converted into foreign currency. If the only currency transactions made were those which involved international trade in goods, the ratio between the two would be 1:1. There are non-trade-related foreign currency transfer, of course. But, leaving that aside, the more the ratio retreats from 1:1, the more non-trade-related currency transactions there are. As this ratio nears, and surpasses the 50% level, the more of a problem it is going to be, because it means that a country has abandoned control of its currency, and, by implication, its credit system. This transformation can therefore be taken as an indicator of the growth of purely speculative financial transactions.

Thus one can estimate that 82¢ of every dollar transaction in 1966 involved trade in goods, whereas in 1990 2.1¢ of every dollar currency transaction involved the trade of goods.

Compare the changes, by time interval, since 1966, with the comparable changes in the ratio by which overhead employment exceeds the 1956 allowance. From 1966 to 1970, the years in which LaRouche said in his 1960 second forecast, currency turmoil would sweep away the postwar Bretton Woods monetary order, the ratio fell from 82% to 25%, or the speculative component in international financial transactions increased 3.28 times. From 1970 to 1977, there was rough stability, a 1.08 increase in the speculative component. From 1977 to 1980, the interval which includes LaRouche's forecast of the effects of the Volcker-Carter interest rate policy, this more than doubled to 2.4 times, and from 1980 to 1990 it nearly doubled again to 4.5 times.

Trade flows, whether positive or negative, do not precisely mirror the functioning of the economy. After all, it is conceivable that a country could run a trade surplus, while

FIGURE 4
U.S. waterborne commerce, 1956-89
(tonnage per capita of combined imports and exports)



Source: U.S. Census Bureau, *Statistical Abstract of the United States*.

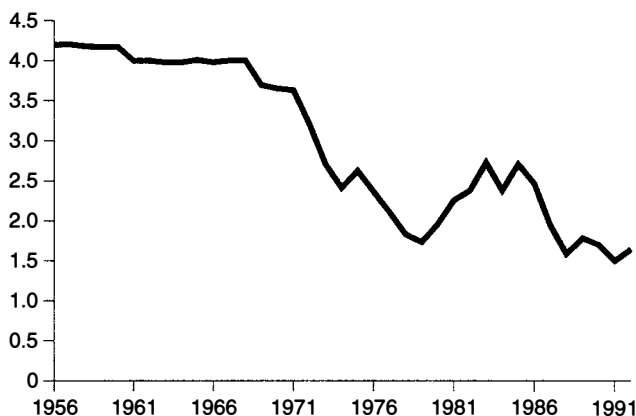
simultaneously being looted of everything movable within its economy. Equally, a country whose trade was in balance need not by that token alone be a country which is also self-sufficient, and capable of producing what was required to meet all its internal requirements. That has been, and is, the history of colonial relations down to this day, as the example of China still attests. However, it is worth pointing out, that between 1956 and 1970, the United States did run a trade surplus. In 1956, exports exceeded imports by almost 16%, in 1960 by 11.3%, in 1963 by 11.4%, in 1966 by 4.8%, and in 1970 by 0.6%. But in 1980, under the Volcker-Carter recession, this was transformed into a 7.5% deficit, and in 1990 into a 13.5% deficit.

Also to be noted, over the 34-year interval from 1966, while the non-trade-related component of foreign exchange transactions increased some 40-fold, the dollar valuation of trade increased some 16 times. In contrast, as Figure 4 shows, the physical volume of such trade merely doubled over the same time interval. The dollar value of the trade thus increases eightfold, and the foreign currency transactions five times faster again than the ostensible monetary inflation in the dollar value of the physical goods exported or imported. This, set against the decline in productive capacity represented by the decomposition of the division of labor, begins to show how the parasite has been consuming its host, or a how a merely speculative financial system was transformed into a bubble unprecedented in human history.

Economy decoupled from monetary flows

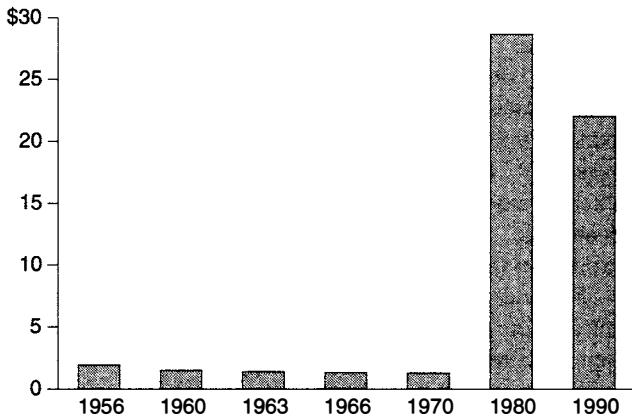
The next series of graphs show this process in different aspects. They represent, successively: the history of the dollar over the near 40-year period in which LaRouche has been making his forecasts (Figure 5); the price of crude oil (Figure 6); and then, some selected indicators of the purely financial

FIGURE 5
Deutschemarks per dollar, 1956-91



Source: International Monetary Fund, *International Financial Statistics*.

FIGURE 6
Petroleum prices, 1956-90
 (\$ per barrel of average crude)

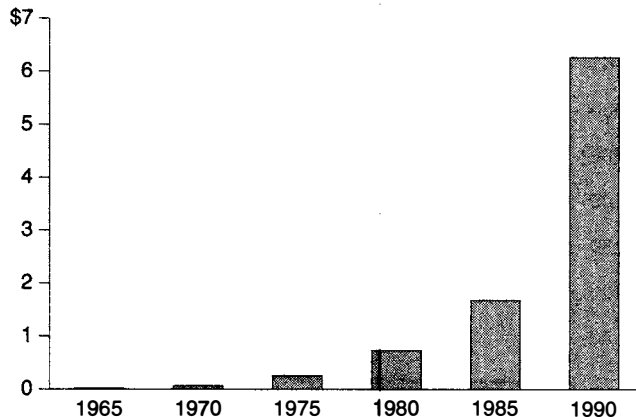


Source: International Monetary Fund, *International Financial Statistics*.

side of the process by which the financial system was turned into a speculative casino, and then into a bubble. There are portrayed: the growth of the offshore Eurodollar market, representing those financial claims against assets which are effectively outside the control of any national authority (**Figure 7**); the growth of that activity which is euphemistically called "mergers and acquisitions," which became notorious in the 1980s as the asset-stripping of productive resources and potentials through leveraged buyouts (**Figure 8**); net new investment funds raised for finance and real estate (**Figure 9**); and lastly, the growth of derivatives, those pernicious instruments whose so-called value is tied to the pricing of something else, whether more or less directly, or indirectly, as in the leveraged versions of such transactions (**Figure 10**).

FIGURE 7
Growth of the unregulated Eurodollar market, 1965-90

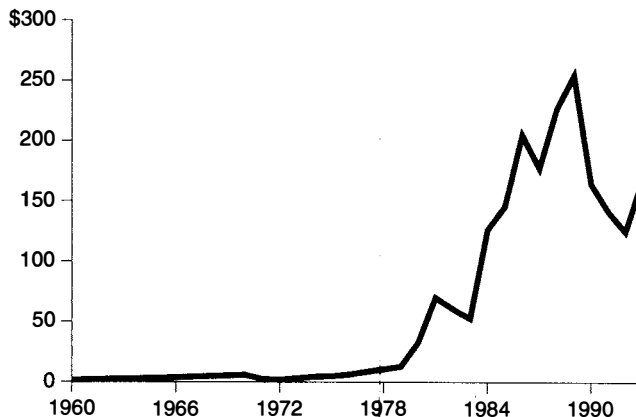
(trillions U.S. \$ equivalent)



Source: International Monetary Fund, *International Financial Statistics*.

FIGURE 8
Money in U.S. mergers and acquisitions, 1960-93

(value of funds involved for businesses of all types, billions \$)



Sources: U.S. Census Bureau, *Statistical Abstract of the United States, 1989-93*; Mergers and Acquisitions Publishing Co. Database.

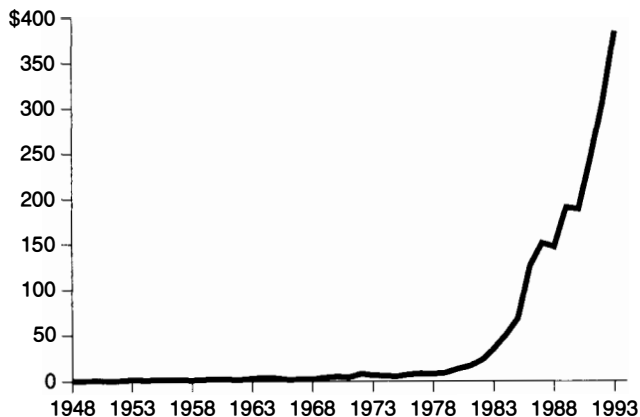
This graph series can be compared with what we have seen above, in regard to the shifting composition of the division of labor, the decline of the productive part of the workforce, the growth of that part of the non-productive workforce beyond the allowable 1956 level, and also against the growth of foreign exchange speculation as such.

First, look at all the graphs in succession. Notice that there is a clear break in each one of them in 1970. We can therefore distinguish two different worlds out of this process. Those two different worlds correspond to what LaRouche

FIGURE 9

New financing raised for finance and real estate, 1948-93

(billions \$)

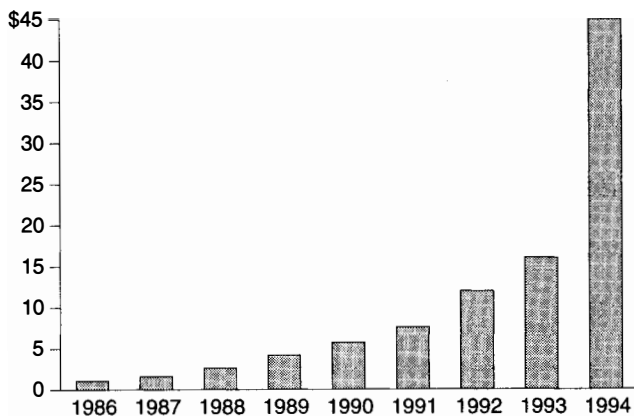


Source: U.S. Federal Reserve, Federal Reserve Bulletins.

FIGURE 10

Growth of financial derivatives worldwide, 1986-94

(notional principal amount outstanding at year end, trillions \$)



Source: Bank for International Settlements.

forecast in 1959-60 to be the upcoming crisis in which the institutions of the postwar Bretton Woods monetary system would be dissolved. There is the fag-end of the Bretton Woods system, prior to 1970, and then the deregulated Frankenstein's monster that was to become the basis for successor arrangements through the Azores and Rambouillet monetary conferences of the early 1970s, out of which the present Group of Seven developed.

Prior to 1970, the characteristics were, a stable currency, a constant gold price in dollars (currency valuations were pegged from the reintroduction of convertibility for major

currencies in the 1950s to gold), a falling oil price (more than 30% in the 14 years between 1956 and 1970); contrast that apparent stability with the increases in the Eurodollar market, in mergers and acquisitions, and the growth investment in finance and real estate, during the same years before 1970.

The offshore Eurodollar market increases sixfold, approximately, from 1966 to 1970; mergers and acquisitions double between 1960 and 1966 and then nearly double again by 1970; money raised for finance and real estate increases by 40% between 1956 and 1960, by 25% between 60 and 63, and then 1.6 times between 1966 and 1970.

Compare these changes with what then occurred between 1970 and 1980 and again between 1980 and 1990 under conditions of floating exchange rates and subsequent successive applications of the free-marketeers' policies of deregulation. The changes: Gold price increased 17-fold by 1980; the oil price 22 times between 1970 and 1980; mergers and acquisitions, 5.5 times; the Euro-market, doubling and more than doubling again. Then, a further fivefold increase in merger and acquisition activity over the 1980s, a 14-fold increase in new financing for finance and real estate over the same 10 years. Finally, the takeoff in derivatives over the interval since 1986, which, increasing from nothing, or thereabouts, to \$45 trillion worldwide in the space of a mere eight years, is of a character entirely different than anything seen before.

In the bubble phase, financial assets built up on the basis of earlier asset-stripping and looting, together with their compounded interest, are rolled into new classes of financial investment. Even as the financial and physical assets on which those claims were previously based is destroyed. Meanwhile, the wealth-producing capacity continues to shrink. Between 1980 and 1990 the speculative processes that had built from the collapse of the Bretton Woods system took on a life of their own, in a self-feeding frenzy uncoupled from any direct economic constraint, such that it is no longer possible to say, as it might have been 20 or 30 years ago: If the following is done in the financial domain it will translate into the following economic effects, or vice versa, that such a growth in real manufacturing activity will permit such an extension of credit. The two are no longer related, though pricing mechanisms, whether goods or credit, or anticipated earnings, in the same way.

The answer is straightforward

So, put money, and monetary considerations, aside. This arrangement, which has characterized the world increasingly since the assassination of President Kennedy, and massively since 1970, is doomed. The question ought to be, how can it be replaced, what is necessary to return the country and mankind to the path that has been successfully and repeatedly proven viable since the Golden Renaissance. The question ought to be instead, what is needed to ensure human reproduction?

The answer is straightforward: the output of useful goods

and services, such as food, clothing, housing, education, health, and so on. Such useful goods and services are not optional. They are necessary requirements, defined by the standards set, e.g., educational qualifications of a productive worker who can usefully contribute to the existence of the generations that are to come. Through that approach we can establish what the costs of reproducing society, in terms for example of labor equivalents, or energy equivalents. We're not talking about how these things might look in someone's financial statistics. Taking up these matters from the standpoint of the reproduction of human existence is to take them up as matters of life or death importance for all of us. Against this the bubble, and its proponents, represent the culture of death.

The required output of such useful goods and services can be systematized in the form of market baskets of consumers' and producers' goods. (See LaRouche's 1984 book, *So, You Wish To Learn All About Economics?* New Benjamin Franklin House, New York, 1984.) Such requirements can then be used, as we used the ratio of productive to non-productive workers of 1956, to assess past and future economic performance. We can thus define a society's economic performance in terms of its ability to reproduce itself, in an improved way.

Such a standard would take us beyond the functional division of labor of 1956 which we have been using as a yardstick, by introducing the question of productivity. Given such a division of labor, how capable is a society of producing the means of its own existence? We took the per-capita standards of 1967 to determine this, assembling a listing of some 225 products which are consumed by either households and people, or producing industries, and a selection of construction projects, housing, schools, hospitals, offices, and so forth, to determine what the levels of consumption of goods were back in 1967, what the bill of materials required to produce such a listing of products might be, and the extent to which the ability to produce that array of products has changed since 1967.

The requirements thus defined can be expressed, for example, in terms of the numbers of workers required to produce the requirement, or in terms of the shortfall of such workers. The following two graphs encapsulate the result. We're capable of producing less than half of what we would have considered to be, perhaps, a decent standard of living just 28 years ago. Forget about these bloated financial structures whose demise is already ordained. Reverse the destruction of society's productivity which made the speculation and the bubble possible, and it will readily be proven that life can and will go on. We would have to more than double employment in manufacturing, assuming current technologies, to produce a comparable market basket of producers goods to the one taken for granted back in 1967 (see **Figure 11**).

The same parameters can be defined by sector. The graph shows operative employment requirements to meet production of 1967-style market baskets for the textile, shoe, steel, and non-electrical machinery industries (**Figure 12**). The

FIGURE 11
Employment of operatives as percentage of actual requirement

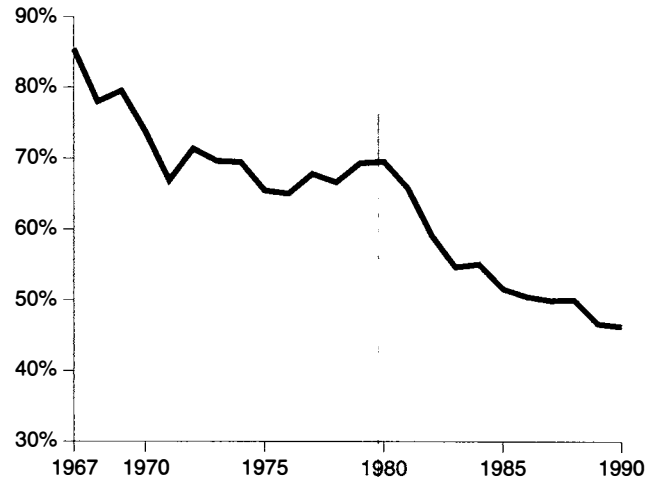
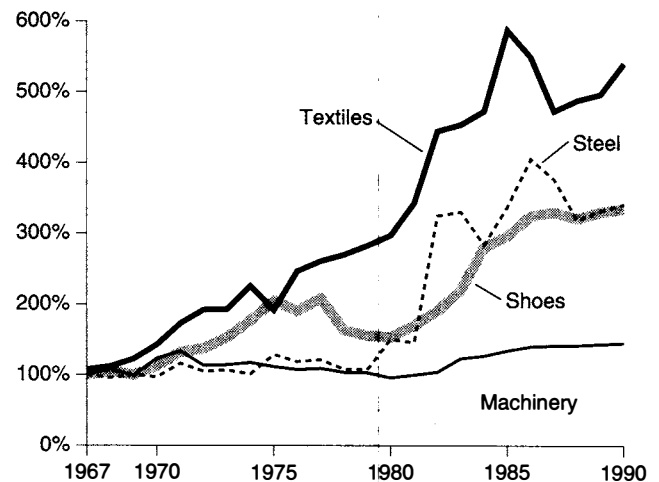


FIGURE 12
Percent of actual workforce required to produce 1967-style market basket



percentages are the magnitudes by which employment would have to be increased to meet the production level required.

Think now where the forecast of financial disintegration is coming from. It is coming from the only authority who has built up an accurate forecasting record over the span of eight previous forecasts and nearly 40 years. Isn't it about time to stop worrying about what the experts, or neighbors will say, and start to face up to the fact that LaRouche being consistently right, while others have been consistently wrong, means that what he says is going to happen, and what ought to be done about it, is something you should take very seriously?

Terror attack fails to silence Zapatista foes

by Carlos Wesley

A terrorist assault in Paris on June 20, staged by French supporters of the Mexican Zapatista National Liberation Army (EZLN), failed in its aim of preventing two Mexican congressmen, Walter León Montoya and Alí Cancino Herrera, from completing a tour of Europe and publicizing the ugly truth about the EZLN. The two legislators, who represent the beleaguered state of Chiapas in the Congress of Mexico, visited France, Germany, Italy, and the Vatican. They were accompanied by Marivilia Carrasco, leader of the Ibero-American Solidarity Movement (MSIA) in Mexico.

The visit, organized with the help of the respective Schiller Institutes of the host countries, gave Europeans the true picture about the ongoing uprising launched on Jan. 1, 1994 by the EZLN: This is not an indigenous "Mayan Indian" rebellion, as is generally portrayed by the media, but rather a grab by the *international* oligarchy for resource-rich Chiapas, said the congressmen.

Apparently fearing that the tour would destroy the tissue of lies they have spread internationally around Chiapas, thus threatening the political and financial support that important layers of European society provide to the EZLN, controllers of the EZLN ordered the June 20 terrorist assault. As the lawmakers were about to give a talk in Paris, about 20 individuals, some of them hooded with ski masks in the style of the EZLN, entered the hall, blocked the doors, and attacked the Mexican parliamentarians and the audience with chemical irritants, stink-bombs, and firecrackers. A number of conference participants were injured, including a representative of the Mexican embassy and two journalists. The majority of the attackers were French skinheads, who absconded with the list of participants. Before leaving, they spray-painted on the wall, "Land and Liberty: EZLN," "EZLN," and "Viva EZLN."

The attackers' actions spoke more loudly than words could have done. They proved conclusively that the Zapatistas are not fighting for Chiapas's "poor and downtrodden," but are part of an international terrorist operation, whose

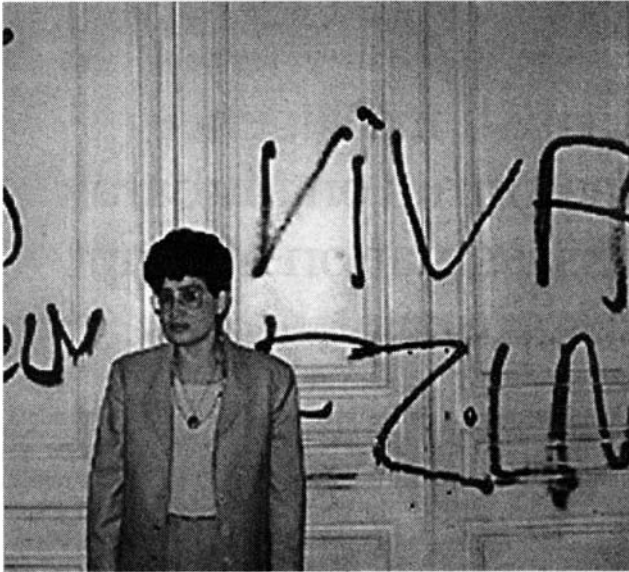
aim is Mexico's institutional and territorial disintegration. Details of the attack, and of the congressmen's message, were reported prominently by the Mexican and the international media, including Reuter and Univisión.

The attack had the effect of exposing the British sponsors behind the EZLN. Parts of an interview given to a Chiapas radio station by Hugo López Ochoa, spokesman for the MSIA, were picked up and rebroadcast throughout all of Mexico by Notisistema Mexicano. López Ochoa said that the Schiller Institute had protested to the French government for the negligence of the French police, which failed to provide protection for the congressmen. He also gave a detailed report on how the international oligarchy that is grouped around the British monarchy, has deployed and run the EZLN and its international support apparatus, acting through such individuals and institutions as Prince Phillip's World Wide Fund for Nature, the elite Club of the Isles, the Hollinger Corp. media empire, columnist Ambrose Evans-Pritchard, and the multi-millionaires Jimmy and Teddy Goldsmith.

Ruiz, the first-class terrorist

The congressional tour occurred in parallel to an organizing drive in Europe by Samuel Ruiz, bishop of San Cristóbal de las Casas in Chiapas. Ruiz, who is known to be the top commander of the EZLN's armed insurgency, was in Europe "not only to lobby for the Nobel [Peace] Prize, which would be fatal for Mexico," said López Ochoa, but to get financing for the uprising the EZLN is planning for July-August, "when the most painful part of the International Monetary Fund's economic package will be implemented."

The MSIA spokesman said that "Samuel Ruiz may have lost his Nobel because of this attack. Now Europe knows that the EZLN is not only a Mexican problem, but a European one as well." On June 22, the Chiapas daily *Es* gave front-page, banner headline coverage to the charges levelled by the MSIA spokesman.



Marivilia Carrasco of the Ibero-American Solidarity Movement stands before graffiti sprayed by French pro-Zapatista skinheads during the June 20 attack, during which a number of people were injured.

Bishop Ruiz, who subscribes to the existentialist Theology of Liberation, happened by chance to be flying to France on the same airplane as the congressmen—"but with the important difference that while Bishop Ruiz was flying in first class, we were flying in second class," quipped Congressman León Montoya in a phone interview with a Mexico radio station from Bonn, Germany on June 23.

Just as was the case with the Nobel Peace Prize that was bestowed upon Guatemalan terrorist Rigoberta Menchú in 1992, a Nobel for Ruiz would be a political warhead aimed at Mexico and all of Central America—and ultimately at the United States itself, since the effect would be a dramatic expansion of the insurgency that is feeding separatist tendencies inside Mexico, and a furthering of the Ruiz-led schism within the Roman Catholic Church.

What Indians?

At a press conference in Bonn on June 21, the two lawmakers explained that the EZLN's agenda of violence is linked to the strategic importance of Chiapas for the development of Mexico. "Chiapas has more than 15% of the potential oil reserves of the world, 10% of the uranium, and more than one-third of Mexico's strategic raw materials and resources," said Congressman Cancino Herrera (see *Documentation*). He added that Chiapas "provides 70% of the electricity to Mexico City, and supplies electrical power to 22 other states. About 80% of the country's hydro-power resources are concentrated in Chiapas."

The insurgents, conspicuously led by non-Indians, are not out to defend the legitimate social and political needs of Chiapas's indigenous population; instead, they want to drive Mexico into a fratricidal war, splintering the nation and leav-

ing it vulnerable to the international financial forces which are out to seize its vast natural resources, the Mexican lawmakers said.

The delegation met with European parliamentarians, diplomats, military and government officials, churchmen, and media representatives. They also met with "the very prestigious" Lyndon LaRouche, as he was described by León Montoya. At those meetings, Cancino Herrera dispelled the four most common myths about the Chiapas uprising:

Myth 1: The EZLN defends the Indians. *Truth:* Most of the truly indigenous population fled the EZLN.

Myth 2: The Chiapas cattlemen are racist oligarchs. *Truth:* Most are poor, and many are Indians.

Myth 3: The Roman Catholic Church supports the rebels. *Truth:* Of the three Catholic dioceses in Chiapas, two are against the armed movement. Only in Ruiz's diocese are priests actively engaged with the EZLN.

Myth 4: The Indians are the "good guys," the others are bad. *Truth:* There are good and bad Indians, just as there are good and bad Mestizos and whites.

In his June 23 interview from Bonn with Radio Red of Chiapas, León Montoya said that in Germany they had met with officials of Misereor and Adveniat, two charities linked to the Roman Catholic Church that have provided funds to Bishop Ruiz and his terrorist projects. León Montoya said that they informed officials of both organizations that the money they perhaps thought was going to help the impoverished Indians of Chiapas, was instead being used to finance violence. He said that officials of the charities took that information "very seriously."

Documentation

Excerpts from the speech which Mexican Congressman Ali Cancino Herrera delivered during his European tour.

More than two-thirds of the truly indigenous population fled from their supposed armed representatives during the 1994 uprising. . . .

The real leaders of the EZLN are not exactly Indians. The best-known of them, so-called Subcommander Marcos, is a Creole, who hails from the border with the United States. The chief of the guerrillas who took the town of Las Margaritas in January 1994, was a nun named Jeannine, of French origin and Canadian nationality. . . .

Regarding the cattlemen in Chiapas, it is evident that there is much generalizing going on. Agriculture in southern Mexico has been in crisis for years, and a good portion of the population is dedicated to raising cattle. In such circumstances, the term "cattlemen" is very misleading, because many indigenous people, even some who were with the uprising, have been cattlemen. . . .

In Chiapas, there are approximately 500 large-scale cattlemen, those who have between 100 and 1,000 head of cattle; approximately 20 have more than 2,000 head of cattle, and a few have more than 5,000 head. The major proportion of the cattlemen, more than 6,000, have 5-25 head of cattle. The last grouping has an annual income of between \$300 and \$2,500. But according to the propaganda, this sector is an "oligarchy."

Another definite factor in Chiapas is its religious composition. In real terms, the majority of the indigenous people are evangelicals who have stopped believing in the bishop of San Cristóbal. In the case of the Tzotzils, this is significant, because the great majority belong to the Orthodox Church. The bishop and his priests have no access to most indigenous communities.

The Catholic Church has three dioceses in Chiapas; two are against the armed movement, and only in San Cristóbal has the participation of priests in clearly organizing the conflict been noted.

Without a doubt, Bishop [Samuel] Ruiz is one of the direct or indirect instigators of the war. On several occasions, nuns have been caught transporting arms. The bishop himself chastises the guerrilla sympathizers for their passivity.

In the [peace] talks of San Andrés Larrainzar, Bishop Ruiz has been the voice of intransigence. . . .

The social demands of the EZLN are legitimate. . . . What no one agrees with, save a few special interests, is with the war, which will set back any solution to the problems for half a century. . . .

Now, the demands for a solution to the problems faced by the indigenous people, were changed for a political party, the PRD. The EZLN threatened to wage war if the PRD candidates—Amado Avendano and Irma Serrano—didn't win. The latter, as she admits in her book *A Calzón Amarrado*, made her fortune in illicit activities, including drug trafficking.

There is a myth that needs to be eliminated: that of the indigenous cultures. It is said that in Chiapas, the Indians are the "good guys," and the others are the bad ones. That's a way of manipulating the truth. As anywhere else in the world, there are some very good Indians, and good Mestizos also. There are Indians who are delinquents, just as there are whites and other racial groupings. . . .

What concerns us is that Chiapas has more than 15% of the potential oil reserves of the world, 10% of the uranium, and more than one-third of Mexico's strategic raw materials and resources. . . .

The guerrillas in Chiapas have no followers. Clearly, they do have some supporters among the old Stalinist left in the country. Communism . . . is waging one of its last battles in Chiapas. What is the worst, is that the militants from the former Mexican Communist Party stay in the comfort and security of their homes, away from the battle and without running any risk.

British intelligence footprints on Mubarak assassination attempt

by Muriel Mirak-Weissbach

As soon as the news broke on June 26 that Egyptian President Hosni Mubarak had narrowly escaped an assassination attempt in Addis Abeba, Ethiopia, Lyndon LaRouche raised the question, whether the attack had been the work of an intelligence agency, intent not on killing the Egyptian President, but on throwing a monkey wrench into a series of political processes in the region, and further targeting the nation of Sudan. Followup investigations in the United States and Europe provided ample information to back up LaRouche's thesis and implicate British intelligence involvement in the affair. There are three levels on which the events should be analyzed. First, the ground level *modus operandi* of the assailants; secondly, the immediate context within which it occurred; and thirdly, the broader political-strategic context, viewed from a historical perspective.

On the ground level, several disturbing aspects of the operation raise serious questions. Given that Mubarak was traveling in a heavily armored car, why did the estimated 7-9 assailants think they could achieve their aim with Kalashnikov automatic weapons? If, as press accounts reported, the assailants had heavy weaponry, including grenade launchers and explosives, in the villa where they were housed as well as in one of the two vehicles they used in the attack, why did they not use them?

Why did Mubarak, speaking to the press in Cairo on his emergency return, give such an odd account of his security situation? Mubarak was quoted in a June 26 bulletin of the Egyptian embassy, saying the circumstances were not usual on the ride from the airport into Addis Abeba. All his "personal security officers," he said, "were put in one car, which was rather suspicious." Mubarak continued, "In a blink of an eye, they got out of the car and started firing back at the attackers, gunning down three while the rest of the attackers fled." He added the curious comment, "Naturally, the attackers never expected to be fired at from our cars, perhaps they thought they were on a picnic."

According to press accounts, the gunmen opened fire after stopping the three-car motorcade with a jeep. Men who had been inside the jeep, and others placed on rooftops, fired automatic weapons at the armored car. Two Ethiopian policemen and two assailants were killed, whereas the other seven or eight succeeded in escaping. Mubarak's car immedi-

ately returned to the nearby airport, where the President boarded a plane back to Cairo.

Target Sudan

During his Cairo press conference, Mubarak initially refused to point an accusing finger at any culprits. But, in response to insistent questions from the press regarding reports of "Sudanese terrorists and weapons" found by Egyptian authorities in southern Egypt days earlier, Mubarak then expressed his view that his assailants could have been of the same stripe. According to the official Egyptian government release of his remarks, "Asked if it were possible to conceive that the attackers and the weapons they used came from Sudan, he said yes: 'This is possible. Sudan is seeking rapprochement with us but the *Turabi front* [referring to Sudanese religious leader Dr. Hassan Turabi] is working against us. I had a head of state visiting me last week who told me that *Omar Al Bashir*, the Sudanese President, told him that he doesn't have anything to do with *Turabi*. How could this happen? The state on one hand and *Turabi* on the other? This is the first time I hear something like this. Anyway the Sudanese people are good people and the anomalous situation now is the creation of the regime and *Hassan El Turabi* is part of that regime.'" According to the version in the *International Herald Tribune* on June 28, Mubarak said, "A group of Sudanese persons rented a villa on the road and gave haven to the terrorists. Either this was under organization of the Sudanese government—and I think that it is unlikely—or by *Turabi* and his group."

From the first press reports, Sudan was identified as the prime suspect, although not a shred of evidence to support this had been offered. Sudanese Minister of State Dr. Ghazi Salahuddin Attabani told the press in Khartoum on June 27 that the accusations made by Egypt against Sudan "are understandable, taking into consideration the shock at the moment, but the continuation of the charges is unacceptable." Dr. Ghazi expressed dismay at the manner in which the Egyptian President was handling the affair, making accusations without waiting for the results of Ethiopian investigations.

Sudanese calls for prudence were met in Cairo by reckless escalation. As widely reported in the press, Mubarak appeared publicly with 300 Sudanese opposition figures, based in Cairo. The Sudanese reportedly marched through the city, demanding weapons for an insurrection against the Khartoum government. Mubarak, addressing the crowd, said that although Egypt would not interfere in the internal affairs of Sudan, "if we wanted to, we could organize a coup d'état in Khartoum in ten days," according to the Paris daily *Libération*. The gist of his televised remarks was that he supported the right of the opposition to overthrow Sudan's government. His own government had issued a threatening statement the day before, according to which it was determined to "annihilate those financed and trained by foreign forces and by countries aiming at undermining the national security of Egypt."



Egyptian President Hosni Mubarak. By going along with the British Sudan-bashing operation, he is setting himself up for a real assassination.

Finally, Mubarak dragged former Sudanese President Gaafar Nimieri out of his seclusion, to have him utter accusations against *Turabi* in connection with the assassination attempt.

While the Egyptian press fanned the flames, the Egyptian military attacked a Sudanese unit in the Egyptian-occupied Sudanese region of Halaib, killing the station head and another police officer, and wounding seven. On June 29, Mubarak was quoted saying he had ordered his military to drive out the 900 Sudanese soldiers from Halaib, a virtual declaration of war.

The OAU at Addis Abeba

The assassination attempt against Mubarak was staged in the Ethiopian capital just before the opening of the Organization of African Unity summit. At the heads of state gathering, in addition to official agenda items, several crucial issues were to be discussed in informal meetings. First and foremost, British subversion on the continent was going to be tackled. As *EIR* has documented, the British, through Overseas Development Minister Lady Lynda Chalker, have been directing Ugandan dictator Yoweri Museveni, in his activities in Rwanda and Burundi, as well as in southern Sudan. There are indications that Nigeria, Kenya, and Sudan were planning to raise the British question at the summit.

Most important, there could have been a summit meeting between Mubarak and General Bashir. High-level contacts have taken place over the last months between the two governments, including at the foreign minister level, and, as both Egyptian and Sudanese diplomatic sources have con-

firmed, an understanding had been reached. Such a rapprochement would have foiled historical British attempts to pit them against each other. Overcoming long-standing strife between the two Nile Valley nations would have opened the way to solving many of their burning economic problems and reaching an understanding within Egypt with the Islamist opposition. Instead, it has been made to appear that the one was engaged in trying to assassinate the head of state of the other.

Algeria certainly would have been a topic of discussion as well. Contacts between President Zeroual and representatives of the Islamic Salvation Front (FIS) point toward a negotiated solution to the civil war raging in that country. Zeroual had reportedly discussed the perspectives for some accommodation with the FIS, in talks he held with Mubarak in Cairo, a week before the OAU summit was to start. Although the Egyptian view has not been made known, clearly any reconciliation within Algeria would have far-reaching implications for Egypt. It is well known that Dr. Turabi, who has repeatedly offered his services to mediate in these and similar crises, enjoys enormous respect among Algerian and Egyptian Islamists.

The other immediate neighbor of Sudan affected was Ethiopia. The good relations which have existed between Addis Abeba and Khartoum have been very important in countering the destabilizing thrust emerging from Eritrea, which recently broke away from Ethiopia. Both Ethiopia and Eritrea are formally members of the IGAAD, which had assumed responsibility for mediating in the British-backed war in southern Sudan against the government. Yet, Eritrea hosted a conference just ten days prior to the assassination attempt, which gathered representatives from various Sudanese opposition groups, including John Garang's Sudanese People's Liberation Army, the leading rebel formation fighting against the central Sudanese government.

London 'Economist' shows Britain's hand

A signal piece appearing in the London *Economist* just two days prior to the attempt on Mubarak, reported extensively on the Eritrean-sponsored conference, and urged outside forces to support the opposition. "America and Europe—and anyone else who cares to join in—ought to be sending their diplomats to such meetings, to show their support for change," said the British intelligence mouthpiece. The article concluded with an explicit call to arm the insurrection: "It may be necessary to make a harsh choice, and *give the opposition whatever it needs* to help remove Mr. Turabi" (emphasis added).

It is indeed the signal piece in the *Economist* which clinches the argument that British intelligence is the agency most probably behind the assassination attempt. The article, "Islam's Dark Side: The Orwellian State of Sudan," had no ostensible occasion to be published. It is essentially a rehash of time-worn slanders against Sudan, and in particular

against Dr. Hassan Turabi. If at all, the piece could have been prompted by *EIR's* June 9, 1995 *Special Report* on Sudan, which presented a radically different picture. But the message of the *Economist* is crystal clear: Mobilize forces to overthrow the Sudanese government, target Dr. Turabi above all else.

British intelligence has a burning interest in eliminating Dr. Turabi. In order to unleash what British geopolitician Bernard Lewis coined the "clash of civilizations," it is necessary to eliminate those Muslim intellectuals seeking a dialogue with like-minded forces in the Christian West, to thereby paint all Muslims as "fundamentalist terrorists." Turabi's influence has been felt not only in Algeria, but also within the troubled Palestinian camp, where Hamas and Palestine Liberation Organization leaders were to meet under the Sudanese leader's sponsorship. In 1992, a serious assassination attempt was mounted against him in the Ottawa, Canada airport, with the complicity of Canadian security forces. Now British intelligence is calling for his overthrow in the pages of the *Economist*. What better way to destabilize Sudan, and thus to snuff out its influence in the Islamic world, than to ring the country with hostile nations, and brand its leadership "terrorist"?

Britain's war against Sudan goes back centuries, as our *Special Reports* documents. In its repeated attempts to eliminate an independent Sudan, the British oligarchy has always tried to use Egypt, alternatively as its battering ram or its Trojan Horse, as in the Anglo-Egyptian Condominium at the close of the last century. London's consistent policy has been to prevent agreement between two sovereign states, Egypt and Sudan, to squelch the enormous economic potential the two together would realize.

Britain has also always counted on the cooperation of manipulable Egyptian proxies. If the assassination attempt was indeed a British intelligence operation, the message it has sent to Mubarak is, he had better pursue confrontation, in accordance with British policy. Ironically, as LaRouche pointed out in his June 28 radio interview with "*EIR Talks*": "Mubarak, by consenting in the past hours to go along with the British on this Sudan-bashing operation, is actually setting himself up for a *real* assassination."

What will happen inside Egypt is unclear. Mubarak could use the attempt on his life as a pretext for domestic crackdowns against his opposition, as Nasser did in 1956, following a simulated attempt on his life. Prior to the attack, Mubarak had fueled massive opposition by passing a new press law which makes it a crime, punishable by years in prison, to criticize the government. Not only the Islamist opposition, but virtually all professional associations in the country, including representatives of the ruling party, took to the streets to protest, in a show of force the likes of which Egypt has not seen in years. With growing internal opposition, any gamble Mubarak may try in a military confrontation with Sudan, will backfire, and Egypt could explode.

Fujimori provokes London's ire

by Sara Madueño

On June 16, after a cabinet meeting which lasted into the early morning hours, Peru's President Alberto Fujimori signed a law, passed by the Congress two days prior, which grants amnesty to military, police, or civilian persons accused or convicted of acts "derived from or originating from actions, or as a consequence, of the fight against terrorism," for participating in the coup attempt of November 1992, or for the crimes of disloyalty or offense to the nation and Armed Forces.

The amnesty law was a skillful response of the Fujimori government to the brutal international pressures put on Peru after its Supreme Military Tribunal upheld, on June 6, a lower court's conviction of Gen. Carlos Mauricio on charges of disloyalty and offense to the nation and Armed Forces, based on public statements made during the January-February border conflict with Ecuador.

General Mauricio, as a top adviser to the British monarchy's defeated candidate for President of Peru, Javier Pérez de Cuellar, was considered an "untouchable." Despite his smashing defeat at the polls, Pérez de Cuellar, a member of the International Board of Prince Philip's World Wide Fund for Nature, former U.N. secretary general, and honorary president of the Inter-American Dialogue, heads a political front, the Union for Peru (UPP), run by the very "intellectuals" who relentlessly defended the terrorists while attacking the military during 12 years of war. The UPP's number one campaign has been to paint the military as the enemy of peace, not the terrorists.

In the days before Mauricio's appeal was heard, Amnesty International declared him its "prisoner of conscience," demanding his "immediate and unconditional freedom." Sixty retired U.S. military officers signed a letter containing the same demand, while Pérez de Cuellar named the general a member of the Executive Committee of the UPP.

Despite that, not only did Peru's highest military court refuse to overturn his conviction, but it increased his sentence, from 12 to 14 months in prison.

Fury in Great Britain

But even though Mauricio and the other military enemies of the Peruvian government have been freed, London and its errand boys are livid. By freeing the officers accused of excesses in the anti-terrorist war, the amnesty law blocks

their strategy to generate an unending stream of human rights cases against the military—whether "facts" bear out the accusations or not. The amnesty, however, establishes that the Peruvian military will not be tried for winning the war against Shining Path and the other terrorists.

Coming in the midst of an across-the-board campaign against the militaries of all Ibero-America on the same spurious "human rights" grounds, London did not hide its displeasure. John Illman, Great Britain's ambassador in Lima, attacked the amnesty law for equating genuine crimes with "thought crimes." "One has to distinguish between persons who have expressed their positions, their personal ideas, and other criminals," he intoned. The London *Guardian* criticized the "autocratic style" of Fujimori, demonstrated by such "authoritarian" measures as the promulgation of the law, and warned that this "act, considered a concession to the military . . . endangers the recuperation of Peru's international position." The latter, a not-so-veiled threat that London could again isolate Peru financially.

U.S. State Department spokesman Nicholas Burns echoed the British line on June 15, criticizing "the substance of the amnesty law," as well as "the peremptory manner in which it was passed." Burns added that, with this, Fujimori "demonstrates to the world a lack of serious commitment to the protection of human rights."

The Peruvian magazine *Oiga* reminded Fujimori in its editorial on June 12 that some in London had raised death threats against him, citing the question which the *Financial Times*'s Sally Bowen had recently asked Fujimori: "What would happen with Peru if the presidential helicopter crashed, or if an assassin's bullet hit its target?"

National interests come first

Fujimori emphasized that the amnesty law was passed for the sake of "national reconciliation," calling the law "the best homage to those who fell in the fight against terrorism, the members of the forces of order, civilians, peasants, students, and also to the mistaken youth who rose up against the State. . . . The amnesty passed, which does not justify, but leaves behind, occurs in the context . . . of laying certainly painful bases for true reconciliation."

The head of Peru's Congress, Víctor Joy Way, added, "Here, in Peru, nobody legislates according to what pleases the United States, the Washington Office on Latin America [one of the most prominent non-governmental organizations defending terrorists' rights in the Americas], or Amnesty International. We legislate for the well-being of the country." The recently named archbishop of Ayacucho, Juan Luis Cipriani, endorsed the law, because it "aims to pacify, reconcile, and bring tranquility to Peruvians." He urged "that one not react out of revenge," adding, in what many considered a reference to Pérez de Cuellar, "What I ask is moderation from the politicians, who appear more to be seeking personal promotion than truth and justice."

Sovereignty is the crux of Russia's political crisis

by Rachel Douglas

When the leadership crisis in Russia flared June 21 with a no-confidence vote by the State Duma (Parliament) in Prime Minister Viktor Chernomyrdin's government, one could not help but recall that the last great clash between the Executive and Legislative branches in Russia ended in tank and heavy artillery fire. That was on Oct. 4, 1993; thirteen days after President Boris Yeltsin abolished the elected Parliament of that era, the Supreme Soviet, Yeltsin-allied military units shelled its headquarters to break the body's resistance.

This time, there is something even deeper at issue than the 1993 furor over the separation of powers and Yeltsin's lack of Constitutional authority to act as he did. The Duma's actions are not parliamentary politicking or merely a conflict between the branches of power. Rather, within many institutions of the Russian state and society as well as the Duma, there is a growing conviction that a point of no return for Russia's future existence as a sovereign nation will be reached—or may already have been passed, some believe—during 1995.

Among the decisive criteria for Russia to remain sovereign are its food security (see *EIR*, June 30, and *Documentation*, below) and domestic control of the huge fossil fuels sector of the Russian economy, especially the gigantic natural gas firm known as Gazprom, with which Chernomyrdin is personally associated. The organizers of the no-confidence motion explicitly addressed these matters. They also cited the government's prioritization of promises to the International Monetary Fund (IMF) over the national interest.

Under the rules of Yeltsin's December 1993 Constitution, a second no-confidence vote in the government, taken within the next three months (at this writing, it is scheduled for July 1, amid furious government lobbying for a compromise), will be binding if it passes. The President then would have to either appoint a new government, or dissolve the Duma and set new parliamentary elections for October.

In either event, Russia would have the occasion for a big shift in policy, away from the destructive course embarked upon in 1991 under IMF tutelage. Western governments, by

seizing this moment to stop backing up the IMF's demands for accelerated privatization and austerity in Russia, would have an opportunity to change their reputation as predators and restore good will.

DPR cites economic disaster

The small but influential parliamentary faction of the Democratic Party of Russia initiated the no-confidence vote. Founded in 1990, the DPR today is led by Sergei Glazyev, chairman of its National Committee, and Yuri Malkin, chairman of the Political Council. In September 1993, then-Minister of Foreign Economic Relations Glazyev was the only member of the government to quit in protest against Yeltsin's abolition of the Constitution and the Parliament. Now he chairs the Duma's Committee on Economic Policy. Other prominent figures in the DPR parliamentary faction are Konstantin Zatulin and the filmmaker Stanislav Govorukhin, whose film and book *The Great Criminal Revolution* documented the looting of Russia under cover of "reform" during 1992 and 1993 (see *EIR*, March 25 and July 15, 1994).

The June 21 vote was on the second no-confidence motion launched by the DPR against the Chernomyrdin cabinet, the first having failed to muster enough support several months ago. In a May 11 article in *Nezavisimaya Gazeta*, Glazyev took his fellow deputies to task for making the Duma a "government appendage." In that published criticism, Glazyev previewed the arguments he would make on the floor of the Duma in June (see *Documentation*). The government's recent proclamation of economic stabilization, he predicted in the *Nezavisimaya* article, would soon be followed by "the latest, this time probably really final, ratchet in the collapse of production—now not only industrial, but also of agriculture."

Glazyev challenged both the Duma and Yeltsin to change, implying that this was possible. "In 1994," he wrote, "the President and the parliamentary opposition sat by while our science-intensive industry was liquidated, and would not force this bungling government to resign. Will they be as

sanguine, while our domestic agriculture is bankrupted once and for all?"

When members of the Communist Party of the Russian Federation group in the Duma attempted to piggyback a petition to impeach Yeltsin, onto the no-confidence vote against the government, it failed to gather the signatures of the 150 deputies required to put that question on the agenda.

Privatization or pillaging?

During the debate on the no-confidence vote, Glazyev objected to "foreign advisers with their backers from the Russian government, [who] have put together multimillion fortunes over the past two years by reselling shares in Russia's formerly state-owned enterprises." It is this activity, according to Moscow sources, which many Duma deputies and other Russian leaders cannot forgive Chernomyrdin or former privatization chief Anatoli Chubais.

Many large Russian firms, formerly the state-owned giants of Soviet industry, have been privatized as joint-stock companies during the past three years. Vladimir Polevanov, who served a short term in charge of Russia's Committee for State Property before his open clash with Chernomyrdin led to his dismissal in January, has reported that already, industrial plant and equipment worth \$300-400 billion was sold for only \$5 billion.

Most sensitive is the privatization of Gazprom, the Russian natural gas company. Fully privatized, Gazprom would be one of the largest, if not the single largest firm in the world. Estimates of the market value of its assets range from the \$100 billion stated by some western petroleum experts up to the figure of half a trillion dollars, including proven reserves, cited by Moscow sources.

The mammoth scale of Gazprom dates from the early 1970s, when Soviet officials opted to invest the lion's share of available funds and foreign credits into building up the world's largest petroleum and natural gas industry and infrastructure. With the proceeds, the Soviet regime could finance its military budget and buy grain abroad. By 1988, oil and gas sales accounted for some 80% of Soviet hard-currency revenues.

The great projects to exploit the natural gas of west and northwest Siberia, such as the pipeline from Yamal peninsula negotiated with Germany, were plagued with problems within a decade of their commissioning, due to cost-cutting along the way. Several large explosions drew attention to these difficulties in 1989. At that time, the boss of Gazprom was Viktor Chernomyrdin, appointed in 1985 during Mikhail Gorbachov's tenure as Soviet Communist Party chief.

The natural gas industry remains one of Russia's prime assets, and the suspicion of intent to enrich themselves and their associates from the resale of its shares (a portion of which are still state-owned; other packets, as Polevanov reported in a televised interview in May, have been scooped up by individual purchasers) is one from which members of

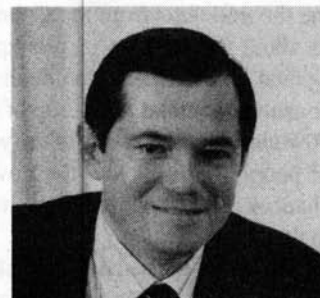
the Chernomyrdin government have not been able to free themselves.

At a recent press conference, according to a leading American specialist on Russian petroleum policy, Chernomyrdin denied that he personally held shares of Gazprom. Nevertheless, the belief is making the rounds in Moscow that the name of the prime minister's political bloc, announced with fanfare in April, should be not *Rossiia—Nash Dom*, which means "Russia Is Our Home," but *Rossiia—Gazprom*.

Documentation

The following are excerpts of State Duma Deputy Sergei Glazyev's speech during the parliamentary debate before the vote of no confidence in the Government of the Russian Federation, June 21, 1995. Glazyev chairs the Duma's Committee on Economic Policy and is Chairman of the National Committee of the Democratic Party of Russia. Transcription and translation are by Federal News Service. Subheads have been added.

Esteemed representatives of the people, I am speaking on behalf of those deputies who share a common concern for the fate of our great and long-suffering Homeland, the fate of Russian culture and science, industry and agriculture, the physical and spiritual health of our people.



Sergei Glazyev

In what vital area of life has the present government achieved positive results? In economics and finance? In social policy? In nationalities policy? In crime control? In culture and science? In defense policy? In foreign policy? In all of these areas the results put us on the brink of a national disaster or disgrace. Among those who signed a call for no confidence in the government are nine chairs of the Duma committees. I hope that each of them will be given the floor so that we can discuss the current state of affairs in our country in a many-sided and competent manner. My task is to assess the results of the social and economic policy of the government.

Irresponsibility, incompetence, and lies are the main features of the policy of the present Cabinet of Ministers. From the beginning of last year we have been hearing endless statements of good resolutions, of imaginary successes in economic stabilization and other empty talk on the part of the authorities. However, the projects of the Cabinet of Ministers

are infinitely removed from reality. None of the government's pledges in the past two years has been fulfilled.

Take the 1994 budget. It was a dismal failure and it was almost one-third in the red. Take the presidential address of 1994 which was supported by the State Duma as far as objectives of social and economic policy were concerned. None of its provisions have been fulfilled.

Take the government's commitments under the Agreement on Social Accord. No positive results can be reported on any of its provisions. The present situation is very much like that in the summer of last year when an enlarged meeting of the government was told that economic stabilization had been achieved. This statement was made against the background of a record slump in industrial output and shortly afterwards there was "Black Tuesday"¹ and the new upsurge of inflation.

Now once again we hear from the government leaders claims of success. And this at a time when real wages in the first five months of this year dropped by 29%, and official unemployment almost doubled compared with the same period last year.

No growth without investment

Every school student knows that there can be no economic growth without investment and increased demand. Only the theoreticians from the Council of Ministers keep telling us about the creation of prerequisites for economic growth against an unprecedented decline in capital investment and consumer demand. The drop of capital investment by almost 30% since the beginning of the year and the growing numbers of people living below the poverty line (to 45%) leave no chances for the creation of prerequisites of economic growth in the near future.

Contrary to the persistent statements of the government last fall about imminent stabilization of the economic situation this year, that situation is fast deteriorating. Inflation continues at an intolerably high level. Although the rate of industrial output decline has gone down to 5%, there is a clear trend for deindustrialization of the economy. Consumer goods production has dropped by 14%, and the output of many consumer durables has dropped by 30-40%. In light industry, the slump was by 40%. Output has been growing only in the extractive industries oriented toward exports.

The hardest hit this year is agriculture. Already, from the results of the first quarter, the purchases of agricultural produce have dropped by 30%. The populations of cattle and areas under cultivation are dramatically shrinking. After de facto liquidation of the production of agricultural machinery and a dramatic worsening in the provision of chemicals for agriculture, crop yields and agricultural efficiency are falling. While last year saw the demise of a lot of enterprises

producing agricultural machinery, this year may see the death of many agricultural enterprises.

What we witness is not a transition to economic stabilization, but a new phase in the structural crisis which is marked by a still deeper depression than before. Its key elements are the shedding of production capacity, growing unemployment, and plummeting real wages. . . .

Instead of a socially oriented market, the government's economic policy has given us a colonial type economy which produces almost exclusively raw materials taken out of the country in exchange for consumer goods. Socially speaking, such a policy and economic structure spell a stratification of society into socially hostile groups, and a dramatic growth of social tensions. Society is falling into those who were quick off the mark, have latched on to the sources of national rent and are making multi-million fortunes, those who cater to the interests of foreign capital, and all the rest—the majority of whom are doomed to unemployment and loss of a livelihood. . . . The huge gap in incomes between a handful of the very rich and the overwhelming majority of the population creates an insoluble social problem.

A direct result of the economic policy is not only the impoverishment, but the degeneration of the majority of society. Last year population shrank, through natural reasons, by about 1 million people. Life expectancy is growing dramatically shorter. Socially caused diseases have increased by several times by the past two years.

The lack of a program

We judge the record of the government not only on the strength of the last two years. The tragedy is not just that in the last two years we lost one-quarter of the economic and one-third of the industrial potential and have practically ruined science-intensive industries, undermined the defense capability and the possibilities of a future economic growth. Far worse is the fact that the government's new program does not offer a complex of measures to take the country's economy out of its present crisis. Moreover, the implementation of the government's guidelines of social and economic policy provokes further declining output, deindustrialization, and degradation of the economic structure. The expected fall in production and capital investments which will increase by almost 5% compared with last year will go beyond the level that makes it possible to maintain reproduction, the defense capability, and acceptable living standards for the population.

Our analysis shows that none of the declared goals of economic policy of the government will be implemented. This holds for the goals declared in the address of the President at the beginning of this year. Instead of carrying out a structural maneuver to modernize industry on the basis of modern technologies, we see its further degradation and practical destruction of the science-intensive industry. Instead of a rise in investment activity we see a decline by almost one-

1. Tuesday, Oct. 11, 1994, when the Russian ruble lost one-quarter of its value in one day.

third. Instead of the growth of the scientific and industrial potential we see the potential disappearing. Instead of a tax reform we see a renunciation of tax reform. Instead of protecting the internal market the government is undertaking a commitment to the International Monetary Fund not to take measures, well-tried measures to protect domestic producers.

Instead of putting in order the use of government property and finances we see a decision to disperse the government's share of stock in such property in order to speed up its sale through the same procedures and by the same methods which have already resulted in the sellout of government wealth at zero prices.

That the record of the government is unsatisfactory is not only our opinion. This is the conclusion of the parliamentary hearings we held in April immediately after the government's new program was adopted. This opinion is shared by the leading economic institutions and analytical centers in the country. We also speak for the domestic goods providers, the trade unions, and the employees who have long been calling on the government to resign. I think all our desks are piled high with such demands which we receive from every region in the country.

IMF promises kept

Dear colleagues, let me remind you that last fall when we put forward the demand for a change in the economic policy of the government in the interests of the domestic producers, our call was rejected, and concurrently, the government was negotiating with international organizations and adopted their requirements which are the exact opposite of what was put forward by the domestic business community and producers. The statement of the government and the Central Bank addressed to the [International] Monetary Fund which, unlike the budget, was strictly adhered to and is still adhered to, was clearly at odds with the interests of the domestic producers, and our business community, because it envisaged a unilateral commitment on the part of Russia not to apply universally accepted measures to protect domestic markets, a renunciation of an active economic policy and a curtailment of investment programs. . . .

Having decided against an independent monetary policy, the government has actually become a hostage to those restrictions which it assumed with regard to international institutions. The government does not know what to do about the ruble exchange rate today. Having violated the agreements that were concluded between the government and the Duma at the time the budget was reviewed and having decided against reducing the ruble exchange rate in proportion to the inflation rate, which is about 8% a month today, the government did colossal damage to domestic economic agents, which we estimate at over 50 trillion rubles. The exporters are suffering, the competitiveness of the domestic industries has been hurt, commodity producers are suffering,

and the population, too, because they have kept their savings in dollars.

There is another threat of the replay of "Black Tuesday" on the horizon. We do not see any plan that would avert the threat of destabilization on the monetary market. We do not see any plan for preventing another tide of foreign-exchange speculation. We do not see any plan for attracting additional free ruble funds into the development of production.

45 million paupers

The pauperization of 45 million people and the prospect of one-third of our population going hungry by the end of the year, in terms of per-capita protein consumption², is an immediate result of the government's policy. . . .

By having underestimated the expected inflation rate by 50% and thus having secured a covert source of revenue, the government is in no hurry to use that money to meet socially meaningful needs. Although the budget revenue targets were overfulfilled in the first quarter, the expenditures were almost 20% underfinanced. In particular, the expenditures on government-supported investment projects and defense contracts amounted to less than 50% of the target; the expenditures on social measures to less than 70%.

Meanwhile, the government was trying hard to build up and service their financial commitments, thus creating their own financial pyramid in the interests of privileged commercial structures. As a result, the share of the servicing of the government debt in budgetary expenditures is growing very fast, thus creating an unbearable burden for those who will come to power and will have to deal with those commitments next year.

They are trying to prove to us that the ruin of industry and agriculture and the pauperization of the population are the inevitable costs of economic reform. This is a lie. The main reason behind the high inflation rate this year is not the issue of new money, but the pricing policies of the natural monopolies. I can tell those who do not know it that in April alone the natural gas prices went up by 36%. Now it is clear where the high inflation rates come from, why energy prices are growing dramatically, and why no monetary policy measures can help check price rises.

While 10% of the population are already starving and while one out of three is impoverished, there is no money in the budget to meet essential social needs, but foreign advisers with their backers from the Russian government have put together multi-million fortunes over the past two years by reselling shares in Russia's formerly state-owned enterprises. Under the wing of [former privatization chief] Mr.

2. In a May 11, 1995 article in *Nezavisimaya gazeta*, Glazyev reported that 10% of Russians now, and an anticipated 30% by year's end, consume only 26 grams (0.4 ounces) of animal protein each day, while a minimum 30 grams is required for a person to function. The average per diem per capita animal protein consumption in Russia is 37 grams (0.6 ounces).

[Anatoli] Chubais, foreign advisers took advantage of their privileged position as organizers of the privatization procedures and themselves engaged in speculation by organizing the sale abroad of shares of Russian enterprises, worth hundreds of millions of dollars. . . . Under the laws of any so-called civilized country this is a crime. For our government this is economic reform. . . .

On balance, we can say that on the one hand there are a few multi-millionaires who have within two years grabbed a sizable slice of former government property in the extractive industries, foreign speculators who have made huge fortunes thanks to the good connections they have in our bodies of power. And on the other hand, there are 45 million paupers and 15 million undernourished people, a massive growth of crime and total corruption of the state apparatus. . . .

The country's fate for years to come

Esteemed deputies to the State Duma. I think there is no doubt in anybody's mind as to the kind of persons the executives of our government are. They are not concerned about the impoverishment of the people, the devastation of industry. They are not concerned about the prospect of famine in the country as a result of the destruction of agriculture and the drop in the real incomes of the population. They look on calmly as the industrial and scientific potential is being ruined and the sources of future economic growth are disappearing. . . .

But they are all too willing to offer privileges to foreign companies, to redistribute government property and finances. I have no doubt that we are dealing with a puppet policy which is being shaped and controlled by international organizations, which is pursued in the interests of the speculative and foreign capital and selfish corporate gain.

To consolidate that policy and their influence the government leaders now are creating their own pro-establishment party. In this way they have openly challenged the law on the civil service and the corresponding decree of the President and the law on the government.

The question is this: Why are we tolerating all that? We are tolerating the humiliation of the country and common sense, the humiliation of the interests of the larger part of society. Don't we have any responsibility for everything that is happening in the country?

We see that a policy that is suicidal for the economy and for society is being conducted, but that policy is very beneficial to those who are pursuing it. . . .

But we also see a way out of the crisis. We know what needs to be done to overcome economic depression and to achieve real economic stabilization. We have a program that contains a full set of measures that are necessary for initiating economic recovery and growth.

The question is: What are we waiting for, and what are we afraid of? Are we afraid of the President refusing to sign the law on elections to the State Duma or of him dissolving

the Duma? . . .

We should be afraid not of the dissolution of the State Duma, but of the consequences of the economic policy that is being pursued by the government. . . .

Esteemed colleagues, as a matter of fact, the fate of our country for years to come depends on us today. Either the destruction of the economy and society will continue, or we will try to put an end to that mad self-destruction. Let us put our petty fears aside: Will they dissolve us or not, will they sign the law or not, or whom will we criticize at the time of the elections? Let us remember our responsibility to the people, who in the elections unequivocally voted for changing socio-economic policy in favor of the population.

At present everyone is getting ready for the elections, setting their sights on the year 1996. But we should realize that the current year of 1995 is decisive in many respects. It is this year that they are trying to finish the recarving of property; it is this year that the colossal threat of the irreparable destruction of the scientific and industrial potential is looming large; it is this year that a depressive economic structure may take shape and determine the course of depression over decades to come.

We still have a choice. We can wait for new victims, getting used to the impotence and irresponsibility of the authorities, as we have already got used to many things over the past few years. Or else, we should at long last learn the lesson and understand that the existing Executive branch, impotent and incompetent, has become dangerous to our country. Life will sooner or later compel us to shake off slumber and come to our senses. Better sooner, and then the costs of general sobering up will be lower. The present authorities are unable to do that, and that is why we are calling for stopping the agony and for passing a no-confidence vote on the government.

In conclusion, I will say that many well-wishers would like to present the Duma and our desire to see a responsible government as a source of destabilization of the socio-political situation in the country. I would like to answer those attacks by rephrasing the well-known words of Stolypin. With an irresponsible government, we will be doomed to great upheavals and the ruin of Russia. The no-confidence vote on the government is a courageous step, the only possible constitutional step of the State Duma toward overcoming the paralysis and lack of will power of the executive. We have nowhere to retreat. The State Duma alone can stop this madness in our country. If we do not send the present government packing and do not create opportunities for revising economic policy, no one will do that.

That is why, speaking on behalf of over 100 deputies who have signed a statement of no-confidence in the government, I urge you to display civic courage and responsibility, to perform your civic duty and to pass the no-confidence vote on the present cabinet.

Will Major survive the sinking Tory Titanic?

by Mark Burdman

As the British Conservative Party's internal wars escalated during the week of June 26, it did not go unnoticed, in circles that matter in London, how warmly German Chancellor Helmut Kohl and French President Jacques Chirac greeted beleaguered British Prime Minister John Major, when he arrived for the Cannes summit of European Union leaders on June 26. That perception was reinforced, when host Chirac praised Major, during a June 27 press conference: "In the difficult position of Britain, one should not make more difficult the task of John Major, who embodies, with lots of elegance and intelligence, an England which is, at the same time, modern and traditional." Chirac reported that he had intentionally kept items off the summit agenda that might have been sensitive for a Major who is confronting a massive challenge from the anti-European so-called "Euro-skeptics" in the Conservative Party. Kohl concurred, that all contentions had been avoided, that might have created domestic problems for "our friend" Major.

Observers stress that Chirac, Kohl, and also U.S. President Bill Clinton will be hoping that Major prevails, in the short-term, in his battle inside the Tories.

This is not based on any great love for Major, who has been likened to an empty suit of clothes. Rather, first, it would be in the interest of the White House and the continental European leaders to keep at bay the Thatcherite berserkers in the Conservative Party who are leading the charge against Major. Second, these western leaders would desire Britain to have a government sufficiently weakened and malleable, that it could only minimally obstruct plans for infrastructure development in Europe, and the reform measures that are necessary to remedy what Chirac has called the "AIDS virus" of uncontrolled speculation which is devastating the world economy.

The most optimistic, but not necessarily likely scenario, is that Britain's turmoil will force into being a new notion of political self-identity among segments of the elite and population in England, Scotland, and elsewhere, and that the United Kingdom will break loose from the stranglehold of the oligarchical "Venetian Party" that has controlled the country for the past three centuries. This possibility becomes "thinkable," at a time when the global system that that oligarchy directs from London, is in an end-phase historical crisis. Chirac's praise of England in the indicated manner, might

point to outside support for such a trend.

The more pessimistic scenario, is that an arrangement will be cobbled together, in the short to medium term, between the usually irreconcilable Thatcherites and the Labour Party led by Tony Blair. They would concur, that authoritarian, austerity-oriented, "post-welfare-state" policies must be put into effect, likely under a Blair-led regime. Under such conditions, Britain would play an even more destabilizing global role than it has played under the foreign policy direction of outgoing Foreign Secretary Douglas Hurd. Recent days' mutual praise of Thatcher and Blair, points to that possibility.

'We've already hit the iceberg'

It may well be that the attempts by the leaders of the United States, France, and Germany to throw a lifeboat to Major, are already too late. On June 26, one London source characterized what is happening: "You know, the situation here in Britain is rather like the *Titanic*. I find all this talk amusing, of appointing a new captain for the ship—after we've already hit the iceberg! We hit it some time ago, and the ship has been sinking, but some people don't want to realize it. The band still plays on, but the *Titanic* goes down."

Major's strategy has been one of desperation. On June 18, he returned from the Group of Seven summit in Halifax, Nova Scotia, where questions about his domestic problems had dominated his press conference. On his return to the U.K., the British press, led by the Hollinger Corp.-owned London *Sunday Telegraph* on June 18, was filled with "suggestions" that he might soon be resigning, or with editorials that he should step aside.

Under such conditions, Major attempted a maneuver that is being called the "suicide option," or the "put up or shut up" ploy. On June 22, he resigned as party leader, using the threat that the Conservative Party would descend into chaos and be slaughtered in coming general elections, unless it stopped squabbling and rallied behind his leadership. He affirmed that if he was not reelected as party head, he would step aside as prime minister.

The next day, Hurd announced that he was resigning, effective the moment that whatever government takes shape in the coming days, carries out a reshuffle of the cabinet. The source said that "by doing this, Hurd is signaling that he is leaving a sinking ship."

Then, over the June 24-25 weekend, rumors began to circulate throughout Britain, that a member of Major's cabinet, Welsh Secretary John Redwood, would challenge Major. According to reports, Redwood worked out an accommodation with former Chancellor of the Exchequer Norman Lamont, whereby Lamont would drop his own plans for an anti-Major challenge. Lamont has sought revenge against Major ever since he was sacked as chancellor, when he was held responsible for the fiasco of Britain's September 1992 withdrawal from the European Exchange Rate Mechanism (ERM). He has since become a director of N.M. Rothschilds

merchant bank. It is certainly more than coincidence, that Redwood had also been with N.M. Rothschilds early in his career. That merchant house has played a key role in advising the British and other governments on measures to "privatize" large segments of the economy. Both Redwood and Lamont are solid "Thatcherites."

On June 26, Redwood, with Lamont standing at his side, declared that he would be resigning from the Major cabinet and mounting a challenge for the leadership.

The situation as we write on June 28 is as follows: After Redwood's nomination is technically certified on June 29, the ballot for Conservative Party leader takes place on July 4. To win, Major requires a majority of the 329 Tory parliamentarians who are eligible to vote, and must also have 15% more votes than his challenger. The vote is by secret ballot, giving greater scope for all sorts of intrigues. Under these circumstances, abstentions become all-important; were there to be a significant number of them, combined with a bloc of Redwood votes, he could be denied the required 165 figure.

Should Major fail, there will be a second round of voting on July 11. His position will, in any case, have been so undermined, that it is unlikely he would contend further rounds. Other cabinet members could then jump in. London sources speak of an ensuing "battle of the Michaels," between President of the Board of Trade Michael Heseltine, regarded as a moderate on economic issues and relations with Europe, and Secretary of State for Employment Michael Portillo, a hard-core Thatcherite.

Rees-Mogg's bloody drama

Redwood himself was praised to the skies by former Prime Minister Baroness Margaret Thatcher, at the Washington, D.C. National Press Club on June 26. She recalled that he had served as the director of her 10 Downing Street policy unit, during 1984-86.

Redwood was also lauded by former London *Times* editor Lord William Rees-Mogg, in a June 26 *Times* commentary. In that piece, Rees-Mogg took a number of nasty digs at Major, under such headings as "John Major Has Set in Motion a Drama He Cannot Control. The Second Act Is About To Begin." He likened Major to the main character in a 1713 play, *Cato*, by Joseph Addison, in which the Roman Cato "commits suicide in Act Five." In the real-life drama now unfolding, Major was losing control over the script, with the "new facet of the plot" being the entry of "serious challenger" Redwood into the race. "The drama is beginning to get out of hand," his lordship stressed. "Most Conservatives would prefer the red meat on offer from Redwood, to Major's nut cutlets," he claimed. Redwood stands for "traditional values, market economics, less government, and lower taxes."

Rees-Mogg is a chief spokesman for the Club of the Isles, an elite grouping led by the British House of Windsor. He has repeatedly insisted in recent articles, that the "welfare state" must be dismantled. His partner in crime, Sir Peregrine

Worsthorne, in a May 21 London *Sunday Telegraph* commentary, argued that the implementation of Rees-Mogg's prescriptions would require a "form of authoritarian politics" so that "cruel belt-tightening [and] bitter medicines" could be "forced down the throats of body politics." The devastating implications of such policies were otherwise exposed by *EIR*, in a review of a new book by two Thatcherite "New Right" ideologues (see *EIR*, June 30, p. 68).

Sir Henry and the twilight of the oligarchy

The backdrop to the mouthings that Rees-Mogg typifies, and to the political intrigues now taking place in Britain, is an incredible density of highest-level Club of the Isles activity in and around London at this time.

On June 19, as the attacks on Major from within Britain were reaching a crescendo, Thatcher was invested with one of Britain's highest chivalric honors, the Order of the Garter. Lord Peter Carrington presided over the ceremony. The June 20 *Daily Telegraph* depicted her in a color photograph, decked out in the costume of the Order, looking like a pompous goose, while her husband, Sir Denis, looked laughingly on.

Also on June 19, former U.S. Secretary of State Henry Kissinger and wife were the guests of honor at a dinner hosted by Hurd. The next day, Kissinger was dubbed, by Queen Elizabeth II, "Honorary Knight Commander in the Most Distinguished Order of Saint Michael and Saint George (KCMG)," an honor granted "in recognition of Kissinger's contribution toward Anglo-American relations," in the words of a June 13 British Foreign Office press release.

Sir Henry was given a place of honor in the queen's carriage, to attend the Royal Ascot races. A Buckingham Palace spokesman declared that it was "most unusual" for an honorary knight to be so "honored," especially as the Royal Ascot is the social event of the season for Britain's high society. The June 21 *International Herald Tribune* ran a front-page photo of him in the carriage, accompanied by the queen and Royal Consort Prince Philip. Looking every bit as ridiculous as Thatcher the day before, Sir Henry was wearing a top hat, as was Philip.

That evening, Kissinger was one of a multitude of guests invited to the wedding party of Jemima Goldsmith, daughter of billionaire wheeler-dealer Sir James Goldsmith, and Pakistani cricket star and playboy Imran Khan. The party continued throughout the week of June 26, as 1,300 invited titled nobility and their political and financial retainers descended on London for the wedding of Greek "Crown Prince" Pavlos to American-born heiress Marie-Chantal Miller, daughter of a British billionaire.

But the mood in such circles may not be entirely upbeat. The *Götterdämmerung* atmosphere prevailing in the higher echelons of the Conservative Party, reflects the twilight-of-the-gods mood in an oligarchy that knows that the seeds of its own destruction are contained in the rapidly accelerating process of disintegration of the global financial system.

Italy at the crossroads

The "Conservative Revolution" in Italy: from the Northern League to "Clean Hands." Conclusion of a series by Claudio Celani.

Part I, in the June 23, 1995 issue, described how Italy has been governed since 1993 by unelected technocrats from the Banca d'Italia (except for the short interlude of TV magnate Silvio Berlusconi), whose aim is to so drastically weaken the power of the central State, as to make it possible to physically dismember the Italian nation.

The oligarchy creates the League

As we stated at the beginning, Mussolinian Fascism is only one of the many jacobin populisms that the oligarchy has used in history to gain and maintain its power.

The Northern League (Lega Nord) is a modern form of this same phenomenon. Even if most of Italy's political forces have embraced issues and elements of the Conservative Revolution, the birth and the growth of the League is a case study for grasping how a jacobin movement can be created from nothing and increase its consensus by inducing mass psychosis in the population.

The League was formally born in the Veneto region in 1979, as a movement that claimed a territorial identity corresponding to the old Republic of Venice. The leaders of Liga Veneta ("liga" is Venetian dialect for the Italian "lega," league) believe in the special qualities of the Venetian people, supposedly particularly skilled in trading and therefore more able to produce wealth than inhabitants of other Italian regions. This ideology was picked up by centers such as the Cini Foundation (whose president until last year was the chairman of Olivetti Corporation), which organized meetings in Venice in the 1980s in order to promote the rise of an anti-State movement with the potential to grow on a mass scale.

To achieve that purpose, they needed two ingredients: racism against southern Italians (many of whom emigrated to the North in the 1950s in search of jobs) and the characterization of the ruling class as "corrupt and pro-South." The racist campaign started in 1983, when the Liga got 4% of the votes in the political elections.

In January 1983, the *Gazzettino di Venezia* published a letter signed by a certain Maria Pia Forcolin, who wrote that the blood donated by southern Italians contaminated the Venetian race, because it comes from "inferior and degenerate races." The letter went on to state that "Venetian women

must be prevented from marrying *terroni* [derogative for southerners], thus generating bastard offspring." Mrs. Forcolin was clearly an invented name. But the *Gazzettino* editors, in publishing the letter, had unleashed a hysterical debate.

When Umberto Bossi founded the Lega Lombarda (Lombard League), after having been converted to "federalism" by the head of Unione Valdostaine (the Val d'Aosta regionalist party) Bruno Salvadori, his movement did not have much political success and had to fight for survival. In 1986 the Liga Veneta kept Bossi from closing shop with a 50-million-lira loan. The following year brought a qualitative leap: The Lombard League broke through in the provinces of Bergamo and Varese, north of Milan. A very important player entered the game, helping to destroy the League's political opponents through "corruption" scandals: the first "Clean Hands" operation, conducted in Bergamo by Antonio Di Pietro from 1981 to 1987.

'Clean hands' or black hands?

Antonio Di Pietro was a young policeman of limited cultural background and a crude conception of law and order. His unorthodox methods of fighting small-scale criminals brought him a modest success in Milan, where at a certain point he decided to become a prosecutor. His idol was Francesco Cossiga. When all of Italy's magistrates decided to strike after President Cossiga publicly insulted them, Di Pietro was the only one who reported for work.

Di Pietro was picked up by the Cossiga faction and used as a dupe in the "Conservative Revolution." Bergamo was Prosecutor Di Pietro's laboratory for experimenting with the methods he would later apply in Milan. Anti-corruption investigations were used not so much to achieve justice, but rather as part of a strategy whose main feature is a media campaign to manipulate the attitudes of the population. The script is always the same: Since politicians take kickbacks from private companies in return for favoring them in bidding for public jobs, it is not hard to catch a few of them in the act. In Bergamo, a daily newspaper, *Bergamo Oggi*, regularly leaked "exclusive" information on Di Pietro's alleged secret investigations, and used them to support a campaign against "the political class" as a whole. The target of

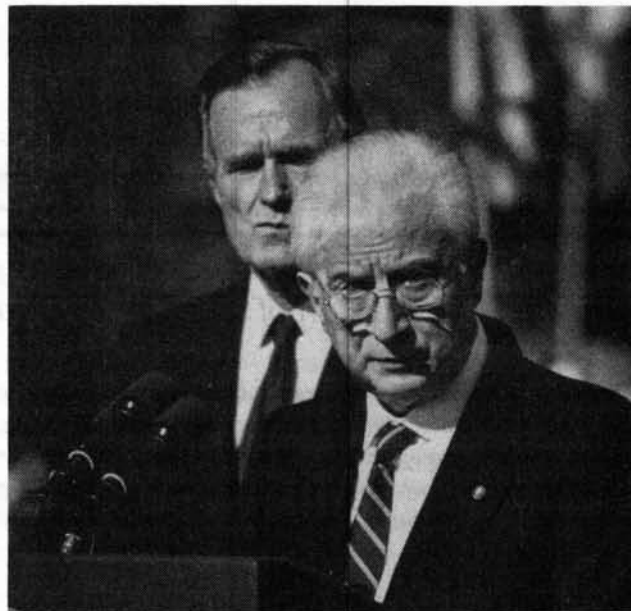


Di Pietro's investigations in Bergamo was the Socialist Party, a very easy one since its leaders cultivated a public image of "arrogance of power." No wonder that in 1986 the League's votes in Bergamo skyrocketed.

Bergamo, a city which has been under the oligarchical rule of the Republic of Venice for 300 years, has a long tradition of jacobinism as a form of social control. When Giuseppe Garibaldi started his Sicily expedition, in 1860, Bergamo supplied the strongest contingent of "Red Shirts." More than a century later, in the 1970s, when terrorist movements spread on a threatening scale in Italy, Bergamo was again the city where the largest number of terrorists came from: 130 in all.

The real power in the city of Bergamo—the financial oligarchy which had supported the rise of Craxi's Socialist Party to break the strength of the two mass-based parties, the Christian Democracy and the Communist Party—was untouched by Di Pietro's investigations. The apex of this power structure was Giampiero Pesenti, owner of a large empire of corporations, banks, and insurance companies. Pesenti, like the Agnellis and the De Benedettis, answers to Enrico Cuccia, the chairman of Mediobanca and manager, on behalf of the City of London, of most of Italy's oligarchical family fortunes.

In Bergamo, Antonio Di Pietro won a social promotion:



"The Northern League received from Cossiga, the highest authority of the State who turned against the State, formidable support in their recruitment campaign." Left: 1994 campaign posters in Milan for the populist/racist Northern League proclaim: "1994, The Dictatorship Falls; Free the North; Federalism at Hand," and "There's a Revolution to Finish." Right: Italy's Francesco Cossiga was backed by George Bush at the White House in 1989, when both were Presidents of their respective countries.

He was allowed to marry into the family of lawyer Arbace Mazzoleni, the former protégé of Francesco Carnelutti, the attorney who, as we reported in Part I of this article, smoothly made the transition from carrying out the reform of the Civil Code ordered under Mussolini in 1941, to heading the law firm that handled the postwar political trials in Rome. The Mazzoleni family belongs to Bergamo's elite, together with the Counts Pecori-Giraldi.

In 1987 Di Pietro was transferred to Milan. Thanks to a new reform of Italy's criminal law, which gave extraordinary powers to prosecutors, especially pertaining to pre-trial detention, Di Pietro was ready to start what would be called the "Clean Hands" investigation and made him a national hero in the minds of millions of deluded Italians. The signal for Di Pietro came in 1991 when, as part of the Thatcher-Bush strategy against Germany and Italy, President Cossiga started a public smear campaign against the Parliament and all national institutions, calling the political parties "Cosa Nostra." The ruinous impact of Cossiga's behavior was underestimated by his former colleagues. Only the Communist Party, the PCI, opened an impeachment procedure, but it failed because the Christian Democracy wanted to avoid an early institutional crisis. Thus, every day Cossiga spewed out his insults in the press and television, against the government (especially Giulio Andreotti), the Parliament, the political

parties, and the courts, accusing all of them of being "corrupt" and serving personal interests instead of the common good. The Northern League received from Cossiga, the highest authority of the State who turned against the State, formidable support in their recruitment campaign.

Cossiga at the same time had a covert agreement with the "Venetian" faction in the Communist Party, which had always seen in the Catholic Church and the Catholic party, the Christian Democracy, their enemy. This faction was ready to support Di Pietro's operation aimed at the destruction of anti-communist political parties and won the majority in the PCI, which in the meantime officially abandoned the name "communist" and called itself PDS (Democratic Left Party). Thus, the head of the Milan Court, leftist Saverio Borrelli, gave the green light to Di Pietro and created a pool of three more prosecutors for him: Francesco Davigo, Gerardo d'Ambrosio, and Gherardo Colombo.

Prepared for months, Di Pietro's spectacular "Clean Hands" operation started officially on Feb. 17, 1992, with the arrest of Mario Chiesa, the manager of a Socialist Party-linked hospice. The real turning point came in the April 5 political elections, when the Northern League reaped the protest vote, fed by a real economic crisis but also by the Cossiga-Clean Hands uproar. Bossi's League emerged as the second party in northern Italy, and the first party in the major urban centers of Milan, Pavia, Varese, Como, and Sondrio, plus tens of minor cities.

Supported by "public opinion" and the League vote, in the following months the Clean Hands operation demolished the anti-communist parties. About 2,000 politicians, local administrators, and managers were arrested in one year. Out of all this, only one trial was held, concerning illegal financing of the Christian Democracy and the Socialist Party coming from the ENI and Montedison corporations, for which the two party leaders, Bettino Craxi and Arnaldo Forlani, were held responsible.

Clean Hands is a media operation. As in Bergamo, Di Pietro et al. are assisted by a bevy of press and television journalists. Especially the daily *Corriere della Sera* and the weekly *Espresso*, belonging respectively to the Agnelli and the Caracciolo groups, played a key role in leaking records of interrogations of politicians, which were obviously given to them by Di Pietro's office. Nobody ever cared to investigate how the press systematically got secret information from the prosecutor's office. Instead, the political class underwent a trial-by-media and every politician or public manager investigated was forced to resign under pressure of "public opinion," even before being indicted.

Another role was played by the newspaper *L'Indipendente*. Its publisher was Vittorio Feltri, the same publisher of the newspaper *Bergamo Oggi* during Di Pietro's stay in Bergamo. *L'Indipendente* ran the most demagogic coverage, supporting Northern League campaigns against centralism and using Di Pietro's operation to call for dumping the whole

political class. Di Pietro was helped in his investigation on illegal party financing by Kroll Associates, the so-called "Wall Street CIA."

Former Turin city councilman Sergio Scarrone, in reconstructing the short experience of MARP (Movement for Piedmont Regional Autonomy) which initiated a League-like movement in Piedmont in the 1950s, recently stated: "What did we lack in order to be successful? Scandals, Di Pietro, and Clean Hands."

Miglio, the guarantor for the League

Italian voters would not have voted for a movement headed by a zombie such as Umberto Bossi just because of scandals hitting established parties. You needed somebody to "guarantee" for Bossi. Here some "notables" joined the League camp, to leave it afterwards, when it had played the role it was supposed to play.

One such notable is Gianfranco Miglio, a former instructor at Milan's Catholic University and so-called constitutional expert. Miglio joined Bossi in 1989 and elaborated the primitive secessionist League demagogy into the so-called "federalist project." In 1994, once the first phase of the "Conservative Revolution" was over and after the League, in order to keep its popular base, shifted from the alliance with the right-wing bloc into an alliance with the PDS, Miglio left Bossi with fanfare.

Before elaborating his project of "federalist constitution," with a Switzerland-like Italy, divided into three cantons, Miglio dreamed of a "Decider" who could suspend the Constitution for ten years, during which Pinochet-like sacrifices would be foisted on the Italians. Today, Miglio cultivates his image of cruel punisher of "corruption," but he started his career with a person who became legendary as the king of the corrupt: Eugenio Cefis. Cefis, a partisan with British-controlled guerrilla formations during World War II, was put on top of ENI, the Italian state oil company, after the founder, Enrico Mattei, was assassinated in 1962. Cefis brought back Miglio (who had already been at ENI and was forced to leave because of disagreements with Mattei), with the task of re-educating the ENI managers. Re-educate means that they should start to believe not in national welfare as Mattei believed, but simply in "profit." That is exactly the beginning of corruption. Today, after having contributed to corrupting the State, Miglio, an Anglophile by training and a philosophical follower of Thomas Hobbes, wants to abolish it. A book by journalist Giorgio Ferrari tells an interesting episode: In spring 1945, when Winston Churchill visited Lake Como, in search of the famous Mussolini papers where allegedly his own letters to the Duce were kept, he was hosted at Villa Miglio, in the village of Damaso. Of course, for Italy the war was finished, but the country was still full of armed Fascists. Therefore Churchill did not choose any villa. The Miglios must have belonged to a safe circle. Miglio's father had bought the house from the sister of Sydney Sonnino,

a famous, early 20th-century politician whose mother was British, and a cult object for Italy's Anglophile free-marketeers (and the Cossiga group to which Miglio belongs), to be counterposed to the "Statist" tradition of Giovanni Giolitti. Contrary to Giolitti, who wanted to keep Italy neutral in 1915, Sonnino signed, as Italian foreign minister, the Triple Entente with Britain, and gave Italy 1 million deaths.

Besides Miglio, other important academic backing for the League came from the Thatcherite American Edward Luttwak, from Georgetown University's Angelo Codevilla, and from British establishment mouthpieces such as *The Economist*.

Luttwak, author of a book entitled *Technique of the Coup d'Etat*, is promoted by circles like the Sella Foundation of Monteluca, led by a descendant of Count Quintino Sella. Sella was the prime minister under whom, in 1870, the Piedmontese conquered the Papal State and entered Rome. He was the first budget-cutter in the history of united Italy. Count Maurizio Sella, who divides his time between Milan and London, is the owner of the largest single-family-owned bank in Italy, Banca Sella. Sella invited Luttwak to hold an anti-State conference at his foundation, introducing him as an adviser to President Clinton. In the same way, Luttwak was publicized by *L'Espresso*, which ran two of his pro-League articles in August 1993.

Even the son of the last King of Italy, Victor Emmanuel IV, declared on March 17, 1993, to the daily *L'Indipendente*: "Our country is undergoing a terrible crisis . . . the Leagues are the only clean and modern thing. They are the normal popular reaction to the clique of Italian politicians built up to cheat the people."

Today Count Sella is no longer a Leaguist but he heads the "Freedoms Association" (Associazione per le Libertà) where he collected members of Parliament belonging to all so-called moderate parties. The aim is to prepare the future right-wing Liberal Party, to counterpose to the left-wing Liberal Party.

The leftist conservative revolution

Bossi's Northern League is now allied with the "Left," composed of the PDS and what the Italian press calls "bushes," an archipelago of smaller parties including the left-wing split from the former Christian Democracy. Although the alliance has a tactical nature and, as things now stand, the allies will try to kill each other the first chance they have, inside the PDS there is a strong "Conservative Revolution" faction which is pushing for the League program.

Head of this faction is the mayor of Venice, Massimo Cacciari. A candidate to lead the future left-wing Liberal Party, otherwise called Democratic Party, Cacciari has been a follower of the proto-Nazi philosopher Friedrich Nietzsche since 1968 when, around the magazine *Quaderni Rossi*, he participated in the creation of Italy's drug-sex-rock movement. Today, Cacciari is behind a club around the Adelphi

publishing house, led by occultist Roberto Calasso and born out of the salon of the famous Anglophile banker Raffaele Mattioli, the founder of Cuccia's Mediobanca.

One of Adelphi's specialties is the "left-wing" interpretation of Nietzsche. Adelphi published Nietzsche's complete works in Italian. In his book *Gli Adelphi della Dissoluzione*, author Maurizio Blondet demonstrates that Adelphi's cultural message is openly satanist. Blondet interviews Cacciari, who declares that he hopes for the coming of the Antichrist. "The Pope must stop being the Kathecon," Cacciari bursts out, explaining that Kathecon is "what holds back the Antichrist from its full manifestation." Coherent with his nihilist philosophy, Cacciari calls (like the League) for a Constitutional Convention to rewrite Italy's Constitution in, of course, a "federalist" approach. And like his right-wing American colleague Newt Gingrich, leftist Cacciari believes in the "Third Wave," the coming of a cybernetic society which will replace the industrial one, and the disappearance of the working class.

The Berlusconi phenomenon

Although media magnate Silvio Berlusconi won the 1994 political elections because he appeared to many as the most reasonable alternative to the League's irrationalism and the PDS-supported "prosecutors' jacobinism," the movement he founded (Forza Italia) carries the same self-destructive germ, called populism.

Berlusconi tried to ride the free-market mania and the League's fiscal revolt, at the same time imposing his personal imprint and slowing down privatization. This irked the City of London. But Berlusconi increased an aspect of the Conservative Revolution inaugurated by Cossiga, a populist style which puts more emphasis on the emotional relations between the "leader" and the population, than on the representative system formed by Parliament and the political parties.

Berlusconi plays into the manipulation of public opinion by identifying his enemies as "communism." To state that a PDS-supported government is communism is ridiculous. As a matter of fact, the PDS supported both the Ciampi and the Dini governments, which are not communist but International Monetary Fund governments. Berlusconi, instead of exposing the alliance between the IMF and the post-communists, accuses the "communists" of running the jacobin prosecutors' party. There is a bit of truth in all he says, but the end result is false. In the present situation, the only alternative is a development perspective, which means war with the IMF and the City of London, to which the non-jacobin faction in the PDS could also be recruited. In the 1994 election campaign, Berlusconi promised to create 2 million jobs and went so far as to publish a program of large infrastructural projects in his newspaper, including the bridge over the Strait of Messina. But the most prominent Forza Italia economic spokesman is Antonio Martino, the only Italian member of the Mont Pelerin Society.

Bildt aids the British in the Balkans

The Swedish nobility is always eager to do London's bidding, no matter the cost.

Anyone who had any illusions that the new European Union mediator in the Balkan war, the former Swedish prime minister, conservative Carl Bildt, would mean an end to the British pro-Serbian policy, should consider Bildt's reaction to the United Nations' mediator, the former Norwegian Social Democratic Foreign Minister Thorvald Stoltenberg's pro-Serbian remarks about so-called ethnic cleansing, i.e., genocide carried out by the Serbs in their war of aggression against Bosnia.

Stoltenberg said the following to a group of Norwegian journalists: "Ethnic conflict—I do not believe that—they are all Serbs, or are they not? The Muslims are Serbs converted to Islam, and many of them who are clothed as and call themselves Croats, they are also Serbs."

This stupid remark shows once again the cynical outlook of the Socialist International, which should surprise no one.

Izet Serdarvic, the Bosnian ambassador to the Nordic countries, responded that "Stoltenberg, by this remark, had become a liability to the mediation process, and therefore Stoltenberg should resign." Serdarvic told the Oslo newspaper *Arbeiderbladet* on June 24, "It would be better that Carl Bildt continued on his own."

What did the "neutral" Swede Bildt do? Bildt's response was that Ambassador Serdarvic had become a liability to his country, and that he, Bildt, intended to bring this up with the Bosnian government, through its foreign minister.

As if this insult were not enough,

Bildt arrogantly claimed that the group of journalists who heard Stoltenberg, had all signed a statement saying that Stoltenberg had been wrongly quoted in the first place. That created an uproar among the journalists, who denied ever having signed such a statement. That forced Bildt to back down, saying that there had been some misunderstanding concerning the signed statement. But Bildt has shown no intention of making a public apology to Bosnian Ambassador Serdarvic.

This incident is rather telling, concerning who Carl Bildt is, and also helps explain why he, as a "neutral" Swede, has been sent in to clean up the mess that the two British lords, David Owen and Peter Carrington, had left behind. In his function as a "neutral" Swede covering up for the British, Bildt is not the first one doing so in the 50-year history of the United Nations.

In key U.N. policy areas, such as family planning, Sweden has supplied the United Nations with an endless supply of bureaucrats. Sweden has also supplied an impressive number of international mediators since the end of World War II. The three most important and best known ended up being killed. First, Count Folke Bernadotte, mediated in 1948 in the Middle East; second, U.N. Secretary General Dag Hammarskjöld, in 1961 in the conflict in the Congo; and, third, Prime Minister Olaf Palme, in 1986 in the Iran-Iraq War. History viewed in that light tells a grim picture and also tells us that the Swedish political establishment, left or

right, is prepared to pay any price for being one of the chosen, as a junior partner in the game of British geopolitics.

Bildt's personal background is a textbook example of how one works oneself up in the Swedish nomenklatura as an apparatchik. As a young politician in the conservative student movement, Bildt became the personal secretary of conservative leader Goesta Bohman in the early 1970s. Bohman was the party leader for the moderates. Bildt ended up marrying Bohman's daughter, and became the party leader in 1985.

During the early 1980s, he was groomed as the conservative answer to the ever-dominant Olaf Palme, particularly in areas of international and security policy, and that is still reflected in his mentality. Bildt is in a certain way just a copy of Palme. Bildt was launched as the speed-reading political whiz-kid, who already in his thirties, had an international reputation as someone who spoke regularly with the big European politicians. He is said to be one of German Chancellor Helmut Kohl's favorite discussion partners. He talks to Kohl at least once a week. In that respect, he may be even more important to the British.

Two questions remain to be answered. First, who burned Bildt and exposed the British scenario by tricking him into believing that there existed a signed statement by these journalists, and why didn't he check it out before he made his arrogant statement to the media?

The second question is, will Bildt and "neutral" Swedes once more become the stupid pawns to be sacrificed by the British in their geopolitical chess game, disregarding that Carl Bildt, Olaf Palme, Dag Hammarskjöld, and Folke Bernadotte all are part of the Swedish nobility?

International Intelligence

British worried about Vatican-Islamic alliance

The British oligarchy is very concerned that the "Vatican and Islamic countries" are becoming locked into a "bitter dispute" with the other participants at the upcoming U.N. Women's Conference in Beijing. An article in the June 28 *Times* of London entitled "Anti-Abortion Drive Threatens U.N. Women's Summit," reported that British politicians and aid agencies fear that the Vatican's insistence on an emphasis on motherhood rather than sexual rights "could undermine the spirit of the Peking [Beijing] gathering and even reverse the achievements of the Cairo conference last year."

The *Times* quoted Baroness Gould of Potternewton, a member of the Council of Europe's delegation to the conference, "I think there will be a really fierce and serious debate about family planning and abortions . . . which could undermine all the work done at Cairo." Referring to the Vatican's attempts to get the words "the right to life itself" inserted in a section of the document on the rights of girls, Baroness Gould said: "We have a real battle to make sure those words do not get in the document. The fight won't stop at Peking—when we come back, the challenge is how we implement and interpret the plan."

An aide to Baroness Lynda Chalker of Wallesey, Overseas Development Minister (i.e., Minister for the British Empire), said that Chalker "will make every effort to assure that the language of Cairo will not be undermined."

Meanwhile, Msgr. Diarmuid Martin, secretary of the Pontifical Council for Justice and Peace and head of the Vatican's delegations to the U.N.'s conferences at Cairo and Copenhagen, as well as among the leadership at the New York preparatory committee for Beijing, told the Catholic Press Association convention in Los Angeles on June 2 that the Vatican "does not go to conferences to cause controversy," as CNN charged at Cairo, but to be a "witness to the fact that social policy can only be based on respect for an integral vision

of the human person." His remarks were published in *Origins*, CNS Documentary Service, on June 22.

He said the term "solidarity" is helpful for grasping the church's role at these meetings, and that this should be contrasted with the "individualist" and "isolationist" views which predominated at Cairo and Copenhagen.

Schiller Institute delegation in Croatia

Michael Liebig from *EIR* Wiesbaden (Germany) and Elke Fimmen from the Schiller Institute visited the Croatian city of Split in mid-June.

Liebig spoke in the public meeting hall of the Liberal Party in Split, on "The Real Motives of British Politics in the Balkans," to about 60 members of the city's elite. Both the British and the German honorary consul attended the meeting, as well as Split radio and a journalist from *Slobodna Dalmacija*.

Liebig explained that there does not exist something called "the West." Instead, there always was a cleft between continental Europe and Great Britain, "that Protestant island out in the Atlantic," as Charles de Gaulle used to call it. He went through the features of British rule, going back to Venice, which had also strongly dominated that part of the Adriatic Sea. He explained why in 1989 the British had nightmares when communism collapsed and why they acted to set the Balkans war into motion. Developing the fundamental rift between Clinton and the British, the change in French politics, and the defeats for the British on the financial front, he concluded that this defines a much better chance in the future for both Croatia and Bosnia to act than ever before.

In the Croatian capital of Zagreb, a Schiller Institute seminar was held, where Liebig was joined by Dr. Josef Miklosko from Slovakia and Croatian-Canadian Steve Crkovic. Before about 40 people, Dr. Miklosko appealed for help to reverse the witchhunt against the LaRouche movement

in the United States. Crkovic presented a paper by Lyndon LaRouche on his creative discovery, which he has translated into the Croatian language.

Colombian MSIA leader receives death threat

On June 27, Maximiliano Londoño Penilla, president of the Colombian chapter of the Ibero-American Solidarity Movement (MSIA), received a death threat in Bogotá. The threat, the third made against Londoño in the space of a month, was transmitted by phone at approximately 8:15 p.m., to his home. A male voice asked if "this were the home of Maximiliano Londoño." He then threatened, "Tell him to shut up. Or doesn't he care about his wife and children?"

A week earlier the MSIA leader had received another threat by mail. It consisted of a book of condolences known in Colombia as *sufragio*, lamenting his death. Previously, in the early morning hours of April 23, an anonymous caller delivered a threat by phone: "Tell Maximiliano Londoño Penilla to watch out, because we're going to make ground meat out of him."

In a press release issued June 28, the MSIA reported that so far this year, a dozen incidents have directly threatened the existence of the organization, and its leaders and members in Colombia. These include burglaries and assaults on members and their homes, attempted robbery of vehicles, and failed attempts to break into the MSIA's office.

The campaign to silence the MSIA intensified a month earlier when Colombia's National Electoral Council decided to revoke the MSIA's status as a legally constituted organization.

The MSIA has distinguished itself inside and outside Colombia as the most implacable voice against the drug trade and its terrorist allies. Over the past two months, in which the issue of the battle against the Cali drug-trafficking cartel has shaped the decisions of Colombian President Ernesto Samper Pizano, Londoño Penilla has issued

Briefly

various concrete proposals, based on American statesman Lyndon H. LaRouche's thinking and program to definitively eradicate drug trafficking and narco-terrorism.

Londoño stated: "Should anything happen to me or my family members or associates as a result of this escalating harassment and threats, this will have profound national and international repercussions, in terms of measuring the real political will of the Samper government to fight against narco-terrorism. Let me reiterate that I trust that President Samper will give instructions to the appropriate security agencies, all of which have received detailed reports on these threats, to insure that the MSIA can freely carry out its political activities."

Moscow newspaper highlights LaRouche

"Lyndon LaRouche in Moscow" was the headline of a page 2 article in the issue of the Moscow newspaper *Zavtra* (Tomorrow) for the second week in June. Author A. Baturin summarized one of LaRouche's public appearances in the Russian capital the week of June 5, with an emphasis on "the huge 'bubble' ('pyramid') of financial derivatives, ready to pop now."

Baturin provided his own gloss on LaRouche's briefing: "The intellectual elite in the West was never of one mind. . . . From time to time, political mobilizations of the economy, connected with wars or crises, made it possible to concentrate resources in promising long-term directions, to carry out a structural maneuver, to raise the overall efficiency of the economy. But then control reverted to the financial oligarchy, the political elites were corrupted . . . growth rates fell."

The latest survival ploy of the oligarchy, Baturin elaborated, is the "Conservative Revolution" of Karl Popper and Friedrich von Hayek, the ideology of which was developed by the Club of Rome with its notions of "limits to growth" and "post-industrialism."

LaRouche's presence in Moscow "to

give a whole cycle of lectures," said the *Zavtra* article, "should have attracted the attention of all our strategic opposition [people], who are genuinely interested in searching for alternative paths of development."

Zavtra is the successor of *Den* (Day), the National Salvation Front-linked newspaper shut down in October 1993. Apart from its political affiliation, *Zavtra* has become widely read and respected in Russia as a source of political intelligence and criticism of economic policy.

Red-Green alliance set back in Frankfurt

In spite of combined efforts of Germany's Social Democrats (SPD) and the Greens (who did not even present a candidate of their own), their candidate, incumbent Mayor Andreas von Schoeler lost the June 25 elections in Frankfurt am Main. Von Schoeler received only 45.9% of the vote against his Christian Democratic challenger, Petra Roth, who won with 51.9%.

Von Schoeler's SPD and the Greens still hold the majority of seats in the municipal parliament of Frankfurt, which is up for vote in spring 1997. Early mid-term elections were called because several SPD members voted against a Green party candidate pushed by von Schoeler for a key municipal post. In a fit of pique, von Schoeler called these dissidents "pigs" and called elections for mayor, the first by direct vote.

A catalyst in the elections was the candidacy of Michael Weissbach, an ally of Lyndon LaRouche. He defined the usurious Frankfurt-based bankers and their international monetarist collaborators, the Greens, and the organized crime networks as the enemy in the campaign. Elements of that were at least verbally used also by Roth.

The high voter turnout, 55.8%, and the parallel erosion of the SPD's electoral base, shows that voters wanted to oust von Schoeler. He had been a longtime enemy of the LaRouche movement in Germany, along with his wife, Ulrike Holler, a senior editor at the Hesse state radio.

● **BURMA** will receive upgraded anti-drug cooperation from the U.S., Lee Brown, director of the White House Office of Drug Control Policy, announced on June 21. The June 22 *Los Angeles Times* story says the U.S. holds that Burma is the single largest source of heroin and opium in the world, largely attributed to warlord Khun Sa, whose operations have been the target of a recent full-scale offensive by Burma's military government.

● **A PALACE COUP** took place in the Persian Gulf state of Qatar on June 27, with the son of monarch Sheik Chalifa Bin Hamad Al-Thani taking power. Qatar has been playing a mediating role between Iraq and other Arab states.

● **UGANDAN** dictator Yoweri Museveni, who runs threats against neighboring Kenya, Burundi, Sudan, and Zaire on behalf of the British, is displaying his political weakness. The constituent assembly, mostly Museveni stooges, on June 20 rejected any immediate return to multi-party democracy and ruled out multi-party elections for at least five years.

● **'AVVENIRE,'** the Milan Catholic paper, ran an article on June 24 exposing the complicity between the drug cartel and the permanent high officials at the U.S. Department of Justice. The article targets Michael Abbell and his cohort John Keeney, among those identified in *EIR's* June 30 *Special Report* on the overdue DOJ cleanup.

● **BENAZIR BHUTTO**, the Pakistani premier, will ask the British government if they intend to permit self-exiled MQM leader Altaf Husain "to use their territory for inciting an armed insurgency in Karachi," she said in an interview with Voice of Germany. The MQM has promoted drug-gang warfare in Karachi. Her remarks were reported June 27 in the *Times of India*.

Kevorkian's victims needed medical science, not suicide

by Linda Everett

In late April, the U.S. Supreme Court rejected without comment petitions to hear the first two appeals in "physician-assisted suicide" cases to reach the nation's highest court. The first case was brought by Jack Kevorkian, the Michigan psychopath responsible for the deaths of 23 known victims; the other, by the American Civil Liberties Union of Michigan on behalf of two terminally ill patients who want a doctor's help to kill themselves. The high court's refusal to hear the cases forestalls, only momentarily, a national policy that would establish some variation of direct killing of sick, elderly, and mentally ill individuals as an accepted "medical" practice. That policy, which Americans increasingly defend as "a patient's right," is exactly the same Nazi protocol that we fought to defeat in World War II—the 50th anniversary of whose defeat we commemorated this year.

How is it, that, in those 50 short years, Americans have come to clamor for the legal right to die by carbon monoxide poisoning under Dr. Death's gas mask—an updated version of Nazi poison gas "baths"?

Less than a generation ago, we, as a nation, recognized the value of each individual life and mobilized in a mission to put men on the Moon and to provide the most advanced medical capabilities possible for the world's people. Today, Americans have largely shrugged off that history of responsibility and commitment to their fellow citizens, to endorse a national medical "protocol" cooked up by the psychopath Kevorkian, who, like a satanist, sees all that is "good" beginning with the end of human life. After all, this is the ghoul who wants to auction off human organs to the highest bidder as a way to cut the federal deficit.

The movement for "physician-assisted suicide," like that

for "death with dignity," is based on lies that have polluted not only most of society, but the ranks of medical practitioners as well. Instead of a society that once mandated an era of man-made medical miracles, today we see a variation of the "invasion of the body snatchers"—except it's the population's use of reason that is snatched first, leaving them mouthing Kevorkian's mantra: "Nothing else can be done. There is no hope—death is the only answer."

So, instead of the latest treatments that medical science could offer, Kevorkian's victims chose to believe a pack of lies.

One phone call might have saved this life

Consider the fate of **Mrs. Margaret Garrish**, 72, of Royal Oak, Michigan, who died on Nov. 26, 1994 after inhaling carbon monoxide through Kevorkian's portable gas chamber. This tragic murder, orchestrated by Kevorkian attorney Geoffrey Fieger, exposes the depth of depravity and sheer hatred of medical science involved.

Garrish had osteoporosis, rheumatoid arthritis, and peripheral vascular disease, with partial amputation of both legs. Kevorkian, who had his medical license suspended in both California and Michigan, said Garrish had been his patient for two years. His treatment consisted of videotaping Garrish, focusing the camera on the stumps of her legs, and prompting her to tell about her pain; how her doctor refused to give her pain medication; and how, unless a doctor gave her help, she would commit suicide. After her plea was televised on the nightly news, her doctor gave her a morphine patch, which worked for some months.

Seven other physicians called Fieger's office, to offer

their help without pay, to find a specialist in Detroit who could help. Another offered to fly Garrish to a Houston pain clinic or fly up to examine her in Michigan free of charge. Fieger ignored their calls, messages, and faxes—all the while complaining on television that he couldn't find a doctor to help her. Fieger, whose lucrative association with Dr. Death nets him tens of millions of dollars in malpractice settlements a year, later dismissed the doctors as "insincere, money-grubbing publicity seekers." Of the victim, Fieger said: Why would she want to live, she's lost her legs?

Kevorkian said he didn't need any doctors, since the morphine patch didn't work, and the doctors had nothing else to offer Garrish. He was wrong, but he killed her anyway. Then, Kevorkian, who was unemployed as a pathologist for most of his adult life, announced, "I'm a medical policeman. I can guide the traffic," by referring patients to appropriate specialists.

Too bad he never tried the Arthritis Foundation in Michigan. They would have told him that even the worst case of rheumatoid arthritis can be so dramatically improved with new treatment and drug combinations that are available now for everyone, even children, that within a generation, no one need suffer limb damage or pain from this disease again. Dramatic results are possible even for those who suffer significant functional disability or have very aggressive disease.

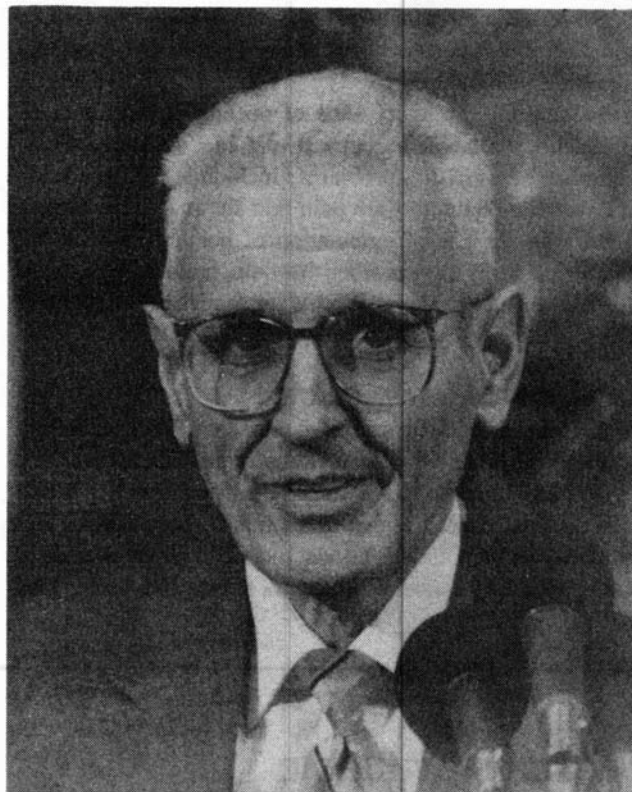
To bring the highly inflammatory response under control, the patient's system is flooded with prednisone, then weaned from it. Often the chemotherapy drug metheltrexate is administered, which has shown 50% improvement in joint pain and swelling in 50% of patients studied. This combination has been shown to alter the course of the arthritis, especially in children. Since rheumatoid arthritis is an auto-immune disease, in which the body rejects its own tissue, some treatments have included a combination of metheltrexate and cyclosporine, the drug used to reduce a patient's immune system from rejecting a transplant; or, with azulfidine, a drug used to treat another auto-immune disease: AIDS.

The Arthritis Foundation's board-certified rheumatologist publicly offered to treat Garrish, but his offer was ignored by Fieger. Instead, the foundation was inundated with calls from hundreds of arthritis patients who were terrified that they faced the same fate as Garrish.

Other physicians who offered to help the despondent Garrish were pain specialists, Dr. John Nelson of Traverse City and Dr. Pavan Grover of Houston, both of whom are familiar with dozens of effective treatments for all types of chronic and acute pain.

Consider just one, the implantable pump.

When Eugene Frederick, 65, a veteran of the Korean War, was diagnosed with kidney cancer, he was treated for the disease, then spent two years in intractable pain. He spent days crying in bed, begging his family not to touch him. The cancer had metastasized to his spine; he was diagnosed terminal, likely to be dead within three months. Yet, his



"Dr. Death" Jack Kevorkian: His victims believed a pack of lies, yet the medical breakthroughs are at hand that could have relieved their suffering and prolonged their lives.

doctor refused him pain medicine for fear of addiction. When he was told to live with the pain, Frederick decided to use his .45 or to call Dr. Death. A new doctor ordered a regime of 2,000 milligrams of morphine daily. It put him in a stupor, with no relief.

When Frederick went to the Center for Advanced Pain Management at Houston's Memorial Hospital Southwest, Dr. Pavan Grover implanted an epidural catheter into his lower back, under the skin. It was hooked to an external pump that continuously released a tiny amount of morphine directly into his spine where it was needed. Only 20 mg of morphine was used, one one-hundredth of what the patient previously had taken—yet, he had *total* pain relief. He took his grandchildren fishing, drove a car, visited relatives. Once Frederick's pain was controlled, Dr. Grover said he had never seen a patient who wanted to live so much.

Frederick, moved by his own experience, wanted to spend his time educating people that there was an alternative to Dr. Death. He wanted to tell Garrish himself. Six months before she was killed, he had Dr. Grover fax a letter, then call, Fieger's office explaining to Garrish that pain relief was possible, and that suicide was not the answer, as he himself had found out. He asked to speak with her personally. Fieger, complicit in the murder, blocked all communication with Garrish.

Frederick outlived his prognosis by a year. He died on Nov. 26, the same day that Kevorkian killed Margaret Garrish.

Frederick's discovery, one of dozens of multi-faceted approaches available for treatment of pain, could have solved a number of Garrish's problems, including her depression and even the phantom limb pain that she may have experienced after the partial amputation of her legs. Specialists have found several approaches that help, including the use of an epidural *before* the limb is removed, and nerve stimulation afterwards.

Treatment for cancer patients

But, what treatment and pain relief could have helped the eight or nine other Kevorkian victims who had cancer?

Ronald Masur was gassed to death on May 16, 1993, after his lung cancer spread to his bones. **Lois Hawes** was murdered on Sept. 26, 1992, just months after she was diagnosed with lung cancer. While it is not clear whether they

would have been candidates for the National Cancer Institute's (NCI) high-priority clinical trial (meaning the treatment studied is very promising) for patients with lung cancer (Study #INT-0115), information on NCI's trials, other lung cancer treatment, and newest pain management protocols is readily available (1-800-4-CANCER). NCI's International Cancer Information Center also produces two cancer databases with summaries of state-of-the-art cancer treatment and ongoing clinical trials, investigational or newly approved drugs.

Gary Sloan had colon cancer and died on March 4, 1991, after an alleged friend constructed and used Kevorkian's murder machine with diagrams Kevorkian had sent to him in California. If Kevorkian were a legitimate physician, he would have told Sloan about NCI's high-priority trials that are studying the most effective treatment for colon cancer.

Faced with life-threatening cancer, Masur or any of Kevorkian's victims, whatever their disease, may have had the chance to use experimental drugs approved by the U.S. Food

What's available in pain management

In 1994, the Agency for Health Care Policy and Research (AHCPR) in Rockville, Maryland, part of the U.S. Department of Health and Human Services, produced clinical practice guidelines for management of acute, post-operative pain and cancer pain among patients of all ages. The guidelines for clinicians and patients are available through the AHCPR or the National Cancer Institute (1-800-4-CANCER).

Prior to the AHCPR pain studies, a relatively new specialty of pain management developed out of the recent recognition that pain, especially debilitating chronic pain, can cause a host of secondary problems which persist long after the original injury or trauma is resolved. Thus, specialists from the fields of psychiatry, neurology, physical therapy, and anesthesiology all opened clinics offering pain relief treatments perfected by—and often limited to—their particular field. A neurologist might offer a spinal implant or nerve block, but for a situation in which a much less invasive, less radical approach might have worked equally well. And, like any field, there are sham operators who prey on desperate individuals. Most promising are those clinics or hospitals that utilize a team of specialists who can offer a multidisciplinary approach to assess the pain's cause and to determine how best to treat its symptoms.

'A whole new life'

Consider the case of Norma G., a 66-year-old woman, who contracted polio as a child. At age 13, she entered a hospital, living there for the next two and half years, during which she underwent five corrective surgeries and fusions of her spine for severe scoliosis. She went on to marry and have children, while the curvature of her spine intensified, curving her spine into, she says, a pretzel, crushing her ribs into her lungs, intestines, and other organs. Over the last decade, muscle spasms so wracked her body that sleeping pills, huge amounts of muscle relaxants, and the ten doctors she consulted over as many years offered no relief. The pain was so intense, she could no longer stand, walk, or eat. She used a wheelchair, became bedridden, then suicidal. She would try one more doctor, at a hospital's multidisciplinary pain-management clinic.

Norma says she didn't believe in miracles, but says this doctor gave her a whole new life. She now works a 12-hour day, "actively" baby-sitting her grandchildren (they're all under nine years old!). She would have been a candidate for a nerve block, but the severe compression of her spinal nerves precluded that. Instead, she takes methadone, a synthetic form of morphine, with another medication to counteract drowsiness. She has experienced no side-effects. Norma says people who last saw her five or ten years ago, don't recognize her.

While doctors increasingly recognize that high-dose pain medication for cancer or post-operative discomfort does *not* automatically create the psychological addiction in a patient that was once feared, it is also the case that there are now a growing number of more sophisticated

and Drug Administration's treatment IND (Investigational New Drug) program. The FDA can link patients with new drugs submitted for approval.

Stopping cancer with one injection

Scripps Research Institute in San Diego, California has developed a new therapeutic approach that prevents the metastatic spread of virtually all types of tumor cells in man by eliminating their access to the blood supply needed to grow. A single injection of LM609 was found successful in targeting blood vessels entering tumors, while leaving normal blood vessels unaffected. This selective and systematic obliteration of vascular cells ultimately leads to regression of preestablished human carcinomas of lung, breast, pancreas, brain, and larynx, and of melanomas. Researchers intend to move this breakthrough through the pipeline and begin human trials within the year.

It is likely that **Jonathan David Grenz**, who had throat cancer, would have benefitted from such clinical trials. Grenz

was Kevorkian's 15th victim, dying on Feb. 18, 1993 after being emotionally devastated by his mother's death and his own cancer. An NCI high-priority trial is studying three different treatment protocols for laryngeal cancer.

Could other trials, treatment INDs, or established treatment protocols have helped Kevorkian victims **Stanley Ball** and **Mary Biernat**? Both had cancer, both were murdered on Feb. 4, 1993. They might be alive today had someone called the National Cancer Institute-designated Comprehensive Cancer Center at the Michigan Cancer Foundation in Detroit (313-833-0710).

The center, one of only two nationally, participates in all of NCI's clinical trials and provides state-of-the-art diagnosis and therapy methods. It was here that AZT, the first FDA-approved drug for the treatment of AIDS, was created. The center's many facilities include its headquarters at the Detroit Medical Center and its seven university-affiliated hospitals, Wayne State University, and the Vaitkevicius Magnetic Resonance Imaging (MRI) and Spectroscopy Center, where re-

options—other than opiates or narcotic-induced comas—available for relief. Norma's doctor explained that long-term use of methadone—the substitute for heroin addiction—would not be appropriate for most people, but it was right for Norma.

Here are a few of the other options available:

Intraspinal drug infusion therapy. Even intractable pain that does not respond to conventional therapies can be controlled without sedation by means of a pump that dispenses minute amounts of anesthesia directly into the spinal cord. The one-inch-thick pump can be refilled every four months with a needle through the skin into the port at the center of the pump. The dose, rate, and timing of the medication to be released can be programmed and adjusted by holding a small computer over the skin to transmit the adjustments by a radio signal.

Adjuvants. Tricyclic antidepressants (at doses too low to treat depression) have been hailed for their ability to restore a patient's normal nighttime sleep. When administered with certain pain medications, their analgesic or pain relief potential is enhanced.

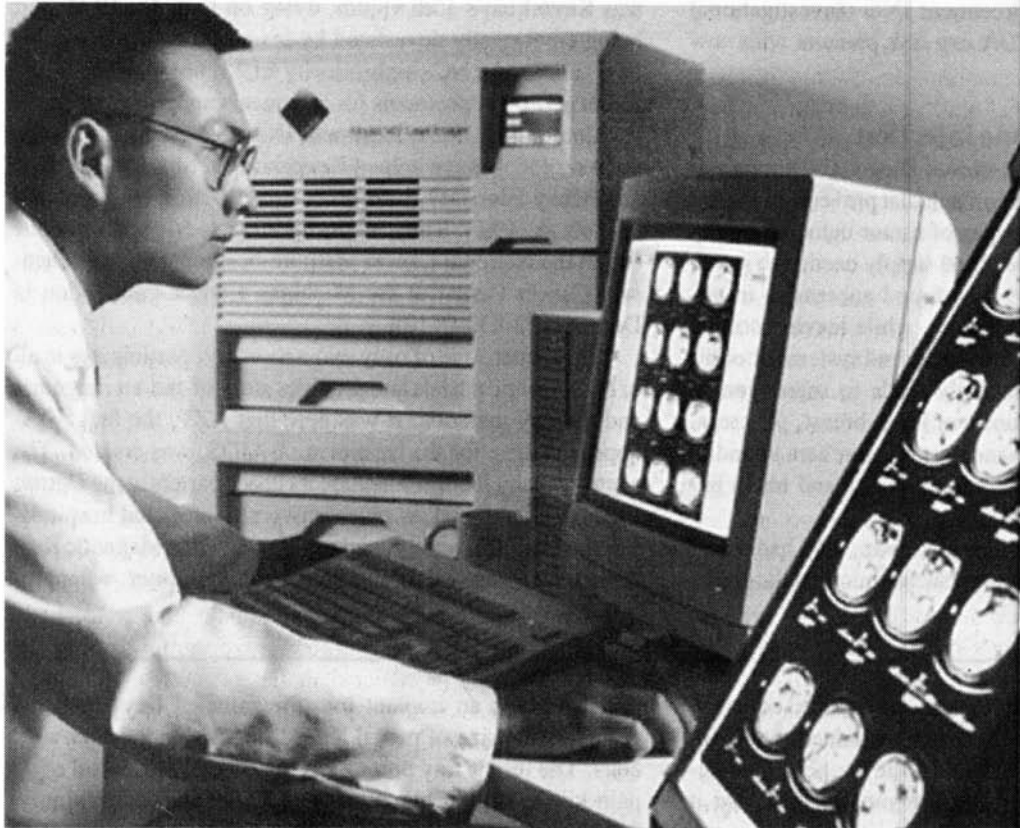
Radiopharmaceuticals. For metastatic bone pain from thyroid, prostate, breast, and bone cancers, radiopharmaceuticals like Metastron (strontium-89) are injected, and follow the same biochemical pathways of calcium in the body into the mineral structure of bone. The uptake of Metastron is enhanced at sites of bone malignancy, and its retention in these sites is prolonged compared to normal bone. The result is total or near total pain relief for up to six months, without sedation.

Implants. One of the newest therapies in investiga-

tional trials is an implant into the spine of tiny plastic cylinders the size of pencil lead, filled with adrenal cow cells. The tube's tiny pores allow a continual dispersal of pain-killing substances called enkephalins and endorphins through the person's system, but the pores are too small for the proteins of the body's immune system to get in and reject the implant. Manufacturers think the implant will help end-stage cancer patients for whom pain can be unrelenting.

Nerve block. In cases of severe nerve damage or for control of intractable pain, an injection of a local anesthetic can be given into the surrounding nerve or directly into the spine. In some cases, an injection of an anti-inflammatory, cortisone, is injected with the anesthetic. When other options fail or are inappropriate, the nerve causing the pain may be destroyed through a variety of means. With cryoanalgesia, doctors freeze the nerve, destroying it, while leaving its shell or architecture intact to allow it to grow back. For example: the case of a 30-year-old nurse who was forced to stop work after a severe fall damaged nerves in her tailbone. When doctors froze the damaged nerves, she returned to work pain free.

Spinal Cord Stimulation (SCS). Patients with severe, chronic pain in the legs, arms, or lower back have benefited from a small implanted device that stimulates the spinal cord with tiny electrical signals that interfere with the transmission of pain signals to the brain, thus reducing the sensation of pain. SCS can be used to relieve pain sensations associated with amputations (phantom limb pain) or "failed back" patients (where spinal surgeries failed).—*Linda Everett*



Polaroid Corp.'s Helios 1417 Laser System for medical diagnostic imaging. Americans once believed in progress, including continuous advances in medical technology for the benefit of all mankind. Today, we are being sold the propaganda that human life is "too expensive."

searchers use two natural forces—a magnetic field and radio waves—to study the behavior of cells and how they react to disease and treatment.

Martie Ruart, murdered on Feb. 18, 1993, might also have been alive today with one phone call. Ruart, found to have a golf ball-sized tumor in her duodenum, delayed having it removed. It eventually spread, causing the removal of part of her stomach and pancreas. She refused further treatment, opting for a self-help course to “promote a greater belief in her own healing powers.” Further surgery and a “strict regime of vegetable juices, coffee enemas, and thyroid supplements” did not turn back her cancer.

Beyond the actual curative cancer treatments and clinical trials, Kevorkian’s victims could have benefitted with a new pain treatment, called **Metastron**, which knocks out most bone cancer pain for most patients for up to six months. **Metastron** is a solution of radioactive strontium-89. Once injected into the blood, it migrates to the same outer layer of bone to which painful metastatic prostate, pancreatic, or breast cancer spreads. It irradiates the cancer cells and lessens the pain. Eighty percent of the 600 patients studied found relief, some complete relief. Treated patients are less prone to develop new painful metastases: About 59% of patients were free of new metastases after three months; 30% cut analgesic (pain relief medication) use; all had a better quality

of life—as indicated by the patients who were well enough to hike across Ireland! Specialists at the June 1995 conference of the Society of Nuclear Medicine reported that the cancer-killing beta rays of strontium-89 may possibly stop the cancer from progressing (strontium-89 is just one of several beta-particle-emitting agents available to relieve pain). It has enabled advanced prostate cancer patients, groggy from heavy use of narcotic pain relievers, to become virtually drug-free after a strontium injection.

This remarkable treatment, produced by Medi-Physics/Amersham, was available for years before the psychopath Kevorkian took the lives of:

Jack Miller, murdered Jan. 20, 1993. He had bone cancer.

Donald O’Keefe, murdered Sept. 9, 1993, just two months after his first and only treatment for bone cancer. His family said he was bedridden from pain, yet neither he nor his family ever contacted his doctor for treatment of his pain or his deep depression.

Dr. Ali Khalili, murdered Nov. 22 1993. Khalili had bone cancer, but had refused even the first chemotherapy or radiation treatment. He did have an implanted pump providing a very low dose of pain medication which could have been easily and safely increased. He was also on anti-depressant medication.

In another tragic case, Metastron might have saved the life of Kevorkian victim **Catherine Andreyev**, had she called anyone—but Kevorkian—for help. Within 24 hours of calling Kevorkian, Andreyev was transported across state lines from Pennsylvania to Michigan and killed. Kevorkian attorney Michael Schwartz told the press that Andreyev had been “a victim of agony, torture, and torment for six years.”

The facts: Andreyev beat breast cancer in 1986, had a lump removed in 1989, returned to working two jobs, singing in several church choirs, and traveling. Cancer was found in both her lungs in December 1991, but she worked two jobs for another six months.

Schwartz told the press: Andreyev “had no hope for normal life . . . her every day was wracked with excruciating pain . . . each day had been an additional day of horror and dread.”

The facts: Up to the day before she died, Andreyev’s house was filled with visitors bearing videos or Italian or Chinese dinners. She never needed more than a morphine or Duragesic patch (which, when placed on the skin, releases pain medication into the patient’s system). The dosage of the patch could have been increased to three higher levels of medication whenever she wished. Her nurse also assured her that a morphine drip, which would allow Andreyev to control the level of pain medication needed, was available as well. Why did Andreyev call the depraved Dr. Death? Whenever her pain medication needed adjustment, she grew irritable and depressed. Her nurse was due to adjust her medication on the morning of Nov. 23, just hours after she was gassed to death.

The National Cancer Institute has two ongoing high-priority clinical trials for treatment of Stage II and Stage IIIA breast cancer.

Give patients relief, not death

On Feb. 15, 1993, Dr. Death used his portable gas chamber to take the life of **Hugh Gale**, 70, who had chronic emphysema. Kevorkian’s attorney Michael Schwartz told the press that Gale could no longer walk and could not go out of his house. “He was on oxygen 100% of the time.” Are these adequate reasons to take a human life? There are farmers who work their fields every day, all day, in their tractors with a portable oxygen tank strapped to their backs. It is not clear whether Gale’s physician, who said Gale was terribly depressed, ever treated him for depression or attempted experimental treatment for the emphysema. Another Kevorkian victim, **Marcella Lawrence**, murdered on Dec. 15, 1992, also had emphysema.

They both may have benefitted from a surgical procedure called volume reduction, for chronic obstructive pulmonary disease (caused by emphysema or bronchitis). A surgeon actually staples the bottom portion of each extended lung or excises the diseased portion, reducing by 20% to 30% of the volume of each lung. Physicians at the Division of Cardio-

thoracic Surgery at Washington University School of Medicine in St. Louis, Missouri, found that the reduction in the total lung capacity gave patients like Gale and Lawrence marked relief in the shortness of breath that so disables them, forcing them to sleep upright at night. It also significantly improved exercise tolerance and quality of life. Volume reduction was first performed 35 years ago; it was recently revived by researchers now modifying the procedure.

Majorie Wantz, murdered on Oct. 23, 1991, had suffered severe chronic pain for years. Records show that she suffered from depression, suicide ideation, and an obsession with pelvic pain, the source of which was unknown. An autopsy performed by Chief Coroner for Oakland County Dr. L. Dragovic found no sign of disease. Wantz had been involuntarily institutionalized twice in the two years prior to her murder. Because of her suicidal tendencies, proceedings were again initiated to have her institutionalized, but she left the facility against medical advice. In his two years of “treatment,” Kevorkian never addressed Wantz’s mental illness nor did he “treat” her for pelvic pain. She refused any physician’s treatment or pain therapy program prior to her death. Last year, physicians announced success in treating previously undiagnosable pelvic pain in women with the same surgery generally used to relieve patients of leg pain due to varicose veins.

Sherry Miller died of Kevorkian’s treatment on Oct. 23, 1991. She had multiple sclerosis (MS), as did **Susan Williams**, murdered on May 25, 1992, and **Elaine Goldbaum**, murdered on Feb. 6, 1993. Miller said she was “disgusted with life” and was despondent because she had been virtually helpless and dependent on her parents since her divorce years ago. Kevorkian attorney Fieger, who said that Miller suffered from “terminal, malignant” multiple sclerosis, claimed she had “nothing to live for” and had “a life of no meaning.” Kevorkian says people with MS “are going to die anyway. . . . So, what’s the big deal?”

MS is a chronic, sometimes progressive neurological disease in which the patient’s immune system mistakenly attacks the fatty coating that insulates the nerve cells of the spinal cord and brain, thereby blocking the transmission of nerve impulses from the brain to muscles and body parts. People with MS can have nearly normal life-expectancy, with symptoms of fatigue, slurred speech, visual impairment, and sometimes, paralysis.

While Kevorkian is asking, “Who in their right mind would try to stop a cripple . . . who can’t even talk from killing himself?” several new treatments that slow the progression of MS have come on line. While there is still no cure, Betaseron, a genetically engineered form of the immune system hormone beta interferon, produced by Berlex Labs in Wayne, New Jersey, has been approved for treatment. Betaseron appears to reduce the frequency of and severity of exacerbations (new MS symptoms or worsening of old ones) experienced in relapsing-remitting MS, which

affects about 140,000 people in the United States (about 40% of the total MS population).

In 1994, Biogen Inc. of Cambridge, Massachusetts introduced its genetically engineered form of beta interferon, which has proven effective in U.S. and European trials in delaying by 75% the average time a patient becomes disabled over a two-year period. Biogen filed with the FDA for approval of Avonex in May 1995. Teva Pharmaceuticals of Israel has also introduced a drug, copolymer-1, which significantly slowed the immune system's attack in human trials. Patients may benefit from a combination of these drugs in their treatment, since they work differently.

But, Kevorkian's victims, no matter how much daily assistance they needed, could have accessed the enormous resources of either the Living and Learning Center in Lansing, Michigan, which helps anyone of any age with any disability (even if they are so incapacitated that they can control only *one* muscle in their body) to vocalize full sentences and to write using commercially available augmentative communication devices; or, Michigan's Alliance for Technology Access, which has 3,500 adaptive devices that zip zippers, adapt personal computers with oversized monitors, and offer free software and hardware options to enlarge texts and increase contrast to allow the legally blind (as was one of Dr. Death's MS victims) to read and type.

Living with Lou Gehrig's disease

Such adaptive or assistive devices are often basic tools for individuals with amyotrophic lateral sclerosis, or Lou

Gehrig's disease. ALS is a neuromuscular degenerative disease in which the nerves supplying the muscles break down, causing a wasting of the muscles in the hands, arms, and legs. But, Kevorkian provided a different "treatment" for four of his victims who had ALS: **Marguerite Tate**, murdered Dec. 15, 1992, died depressed and estranged from her family; **Thomas Hyde**, murdered Aug. 4, 1993, "just gave up"; **Merian Ruth Frederick** was murdered Oct. 22, 1993; and **Nicholas John Loving** was murdered May 12, 1995.

While there is no cure for ALS, results from the largest-ever Phase III trial indicate that Rilutek (riluzole) is the first compound to prolong survival since the disease was first described in 1869. The trial was a multinational study conducted at 31 sites in Europe and North America. Enrollment began in December 1992, with Phase II trials conducted earlier—within a timeframe that could have included Kevorkian's victims. The FDA is now reviewing the application of Rhone-Poulenc Rorer, creator of Rilutek, for treatment IND, usually a 30-day process.

On June 12, 1995, Cephalon, Inc. announced a Phase III clinical trial in which a new therapy, Myotrophin, demonstrated less disease severity, 25% less deterioration, slower progression of the disease, and better functional ability in ALS patients receiving the drug than patients receiving a placebo. Myotrophin, a recombinant human Insulin-like Growth Factor-1 or IGF-1, alters the course of this devastating disease. IGF-1 is a naturally occurring protein found in muscle and tissue, which mediates regeneration of the

The Passy-Muir valve

Patients who need long-term ventilator support or a tracheostomy undergo a surgical procedure called a tracheotomy, in which a small opening is made through the neck into the windpipe, just below the larynx or voice box. A tracheal tube is inserted, keeping the tracheostomy open and allowing a ventilator link-up. The ventilator pumps air directly in and out of the windpipe. Tracheostomies may be performed for medical reasons other than ventilator support. But, in either case, because the air bypasses the nose, mouth, and vocal cords, the individual can no longer make a sound.

The Passy-Muir one-way valve allows air to be inhaled through the tracheostomy, but closes once air is inhaled. The trapped air is forced up through the vocal cords and nasal passages, allowing the person to speak as the air is exhaled through the larynx.

The tiny (and cheap!) one-way valve has helped thou-

sands of people with brainstem damage; spinal cord injuries; chronic obstructive pulmonary and cardiac diseases; neuromuscular diseases that cause respiratory paralysis, like muscular dystrophy; Guillain-Barré syndrome; poliomyelitis; ALS, or Lou Gehrig's disease; and musculoskeletal diseases or damage.

Not only has the Passy-Muir valve allowed communication so critical during therapy after a stroke or accident, but it also assures that children as young as two months don't skip their pre-speech vocalizing and crucial speech development. Children whose medical condition warrants a tracheostomy or ventilator are now able to participate at school. Since the patient's ability to swallow, to smell, and to taste food improves with the Passy-Muir valve, so does the appetite, thus allowing often-needed weight gain. The one-way valve improves ventilation, as well as the patient's overall health.

David Muir, inventor of the Passy-Muir valve and one of the longest-surviving muscular dystrophy patients, died in 1990, at the age of 28. (Contact: Passy-Muir, Inc., Irvine, Calif., 1-800-634-5397.)

peripheral nervous system and its recovery from injury. IGF-1 supports the survival of motor neurons and accelerates the regeneration of damaged motor neurons. Studies show that it promotes sprouting and function of peripheral nerves.

The developers of IGF-1, Cephalon Inc. of West Chester, Pennsylvania and the Chiron Corp., say they are committed to expanding patient access to Myotrophin (1-800-797-0705). The FDA designated Myotrophin an orphan drug treatment for ALS in October 1991, making it available for ALS patients. It may also have treatment IND status.

Before her death, Merian Frederick wrote of her longing to be able to communicate, to converse with friends, to write letters. She could have, with the most basic, inexpensive adaptive devices, and more sophisticated aids.

The prediction of death from ALS within three to five years is often given with a finality that stops patients from fighting back. Consider British cosmologist Stephen Hawking, who, for all his entropy theories, has managed to elude their application to his own battle with ALS. He was diagnosed with ALS when he was 21 years old and bored with life. Hawking says it was the diagnosis and its prognosis of death within three years, that made him realize that life was worth living. Since his diagnosis *33 years ago*, Hawking has married, had three children, written books, and gallivanted around the globe in his motorized wheelchair to give lectures using the latest models of speech synthesizers.

The alternative to "giving up" when faced with a prognosis of total paralysis, was best demonstrated by a young man, David Muir, who turned his rage about his dependence on a ventilator into a dandy little invention that has since helped over 100,000 people who, like Mrs. Frederick, desperately wanted to "converse with friends."

In 1984, when college student Muir suffered a respiratory arrest that necessitated his continued use of a ventilator, he wrote about how bitter he initially felt. He had accepted the fact that he was unable to walk or use his arms; he had accepted his muscular dystrophy. But, like many individuals who need mechanical ventilation, David initially considered refusing it, saying he would rather die than be stuck in a room, "tethered" to a machine. That's not true, of course, since portable ventilators can go anywhere you care to take them. But Muir said it was the fact that he would be unable to speak once he was on the ventilator that sent him into "an abyss of despair"—until he thought of a way around the communication problem.

His idea was to revamp the valves in his ventilator circuit, making the valve linked to his tracheostomy a one-way valve that would allow people using a ventilator or tracheostomy to speak for the first time! The one-way valve, known as the Passy-Muir valve, provides medically useful benefits to patients of all ages, as well as joy to parents who had never heard their infants or toddlers cry or giggle because their tracheostomy or ventilator prevented it (see box).



Pierre and Jeremy Adler, two-year-old twins using the Passy-Muir Tracheostomy Speaking Valve. The device allows children to develop speech normally.

Can't play bingo? Call Dr. Death

In his Oct. 27, 1992 appearance at the National Press Club in Washington, D.C., Kevorkian told reporters that "any disease that curtails life, even for a day, is terminal." (Little wonder that one woman got his suicide help after she complained that her medical problems stopped her going to bingo.) But, Kevorkian's pronouncements are topped by British citizen Derek Humphry, who founded the Hemlock Society U.S.A. to make it legal in the United States for anyone, of any age, to get euthanasia, at any time, at any place, for any reason.

His 1991 book, *Final Exit*, in which he gives explicit details on how to commit suicide or murder, was found next to the bodies of scores of suicide victims. Humphry leads the euthanasia mob with the admonition that whenever a medical condition interferes with your hedonistic lifestyle, be prepared to take action: Get your cache of lethal pills and plan your good-bye party. He writes that "caring" health professionals must consider the following "unbearable" problems a patient may face when he or she asks you, the doctor, for euthanasia help: sleeplessness, shortness of breath, fatigue; nausea and vomiting; incontinence; excessive salivation; thirst; perspiration; hunger; coughing; constipation; itching; dependence on others; hiccups; weight loss; and loss of dignity. Why bother looking for ways to relieve these symptoms? If the "expert" killer Humphry announces to millions of distressed patients that they are reason enough to commit suicide, then, the victim surmises, "no relief exists."

When Kevorkian says that arthritis is a "terminal" illness; when he killed Mrs. Garrish because of her osteoporosis (which Humphry says is a "terminal" illness), the "expert" discourages millions of people, even in the face of new, as well as existing, effective treatments.

While Humphry called osteoporosis a terminal disease in his book, there are women who were originally crippled by the disease and languishing in a wheelchair, who got to their feet and walked about for the first time in years after a program of weight training was initiated! Besides the approved hormone replacement therapy, experts believe that several new kinds of therapies are likely within two or three years. Merck and Co. has found that their new drug alendronate has increased bone density considerably in their studies of women with the disease (awaiting FDA approval). A University of California study, released in February 1995, indicates that the hormone parathyroid can actually reverse bone loss due to osteoporosis (human trials of this hormone are now under way). But perhaps one of the most exciting breakthroughs is a new, injectable bone-mineral substitute that vastly improves treatment of the large bone fractures caused by osteoporosis every year.

The bone substitute, known as Skeletal Repair System (SRS), actually forms like natural bone right within the body—without systemic rejection or adverse side effects (see box). In fact, the body can't tell the difference between SRS and natural bone. Because SRS is injectable and solidifies

within minutes, it eliminates the need for surgery. Patients are able to walk within days of having their hip fractures repaired with SRS. The FDA has approved SRS for multicenter clinical trials in the United States to treat wrist fractures. However, it is being used in Europe for everything from reconstructing faces (after head-on collisions) to an experimental reconstruction of one patient's spine.

You've been duped

A recent poll indicates that Americans are ready to legalize murders like those reviewed here, via legislation proposed in at least a dozen states. They're ready to change the laws of western civilization and of this country, based on the lies that the ghoul Kevorkian is peddling.

The information about the medical breakthroughs and new forms of pain management mentioned here is by no means complete, since we haven't even mentioned possible uses of optical biophysics in curing diseases like AIDS. It was gleaned, not from professional journals, but from media reports. Yet it makes the case that Americans have been duped by Kevorkian's "no hope" pessimism all the more damning. It is not a coincidence that the resurgence of the

The great potential of artificial bone

At the February meeting of the American Association of Orthopaedic Surgeons, researchers with the Norian Corp. of Cupertino, California announced a new "injectable" artificial bone which may soon become the treatment of choice for millions of people who suffer broken hips, wrists, and shins every year. The new material not only heals these tough fractures quickly and more safely, but it can repair the brittle bones and fractured vertebrae caused by osteoporosis; stabilize failed fusions of spinal vertebrae; and has the potential to revolutionize the cranial and oral surgical methods used in difficult facial reconstructions, like the jaws and upper palates, of auto accident victims.

The artificial bone, known as Skeletal Repair System (SRS), forms carbonated apatite—the main mineral constituent of natural bone—directly within the body. Once the shattered bone is reset, doctors guided by X-rays inject the SRS, which has the consistency of toothpaste, into a fracture site. Doctors have about five minutes to mold the material, which is non-toxic and does not shrink like plastic bone cements. There is no heat or toxic chemical released into the body with its use. Because it hardens

within minutes, it eliminates the need for open surgery to affix the rods and metal pins that are used to stabilize large bone fractures. Within 12 hours, SRS becomes as strong as natural bone; therefore, patients are immobilized in casts for a fraction of the time needed in current treatments.

Patients are more willing to walk within days of having their hip fractures repaired with SRS, because it produces a rigid internal fixation of the bone to whatever hardware or pins are used. According to Dr. Brent R. Constantz, co-author of a study on SRS published in *Science* on March 24, this shorter period of immobilization turns out to have added benefits. Patients enter physical therapy sooner, and do not lose as much muscle mass and tone. Furthermore, the longer that frail, elderly women are hospitalized for hip surgeries, the higher the mortality rate, usually due to some other condition, like pneumonia.

In February, SRS was approved by the U.S. Food and Drug Administration for clinical trials in treating wrist fractures in 12 U.S. hospitals. It will offer a dramatic improvement of wrist fracture repairs, especially for older patients with osteoporosis, for whom this is a common fracture. Their brittle bones continue to crush after the fracture and crumble around the hardware needed to stabilize the repaired bone. Bone fragments tend to fall out of correct anatomical alignment, even in well-set casts. The bone heals, but in the wrong position, which severely diminishes the patient's hand motion, the grip strength,

“right-to-die” movement in the United States started with the British hospice concept. That, too, was a swindle: Accept a painless, early death, there’s nothing else to be done—that is, within the confines of the medical resources allotted in the post-industrial decline of England.

The perspective that made America a world leader in medical science largely turned on the concept that each individual, made in the image of the Creator, is capable, with the best of our nation’s resources, of continuing that process of creation—to create miracles like the medical breakthroughs mentioned here. That each individual, even in their sickness, is so cherished, is a fundamentally different worldview than that which bows to the disease, or to nature, as Prince Philip of the House of Windsor espouses. It is that mentality that is turning ours into a nation of killers, where medical ethicists make millions writing and lecturing on when it is “ethical” to kill.

‘Euthanasia begets euthanasia’

People are being killed, not only with great fanfare by Kevorkian, but silently, every hour, by freelance killers who, like ERGO!—the Hemlock Society’s sister organization—

provides diagrams and classes on how to suffocate your companion who has AIDS, or by sons and daughters who promise to “help” their parents “when the time comes.” These children end up watching their fathers or mothers gasping under a plastic bag for breath, while they hold their parents’ struggling hands down until they lapse into death. Such deaths are an initiation into a culture that willingly accepts “suicide” over any belief that life is sacred. As one reporter explained in a recent article in *New Yorker* magazine, “Euthanasia begets euthanasia.” He tells how he, his brother, and his father helped his mother commit suicide during her fight with cancer, and how, like others he met at a Hemlock Society meeting who had “helped” relatives and friends to die, he is sure he will die the same way. After he had tucked away his mother’s leftover Seconal tablets for when his turn at suicide arrived, his father was also hunting for them frantically for the same reason.

Is that the legacy you wish to leave your children? Without a battle to put this country back on economic track as a world leader, thereby becoming once again, a beacon of hope for all people, it may be the only legacy you have to leave them.

and the patient’s independence. Now, surgery is no longer needed, since SRS can simply be injected into the fracture site, making the bone and stabilizing device rigid within minutes. The result is that SRS patients, in a cast for two weeks, attain 80% of their normal grip strength three months after a wrist fracture. Current treatment gives patients only 75% of their normal strength one year after fracture, with a six-to-eight-week use of an external fixation device for complex fractures.

There are about 1.5 million fractures due to osteoporosis every year in the United States, and they usually occur in the hip, tibia, or wrist. When SRS is injected into the porous spongy inner shell of these large bones thinned by osteoporosis, it interpenetrates the spongy interstices and interlocks with them, inducing new bone growth. Dr. Constantz told *EIR* that the body cannot distinguish SRS’s chemical composition and crystal structure from that of natural bone. So, SRS acts like a living bone graft in a spinal fusion—with new bone formation and blood vessels developing through it, a process that replaces SRS with real bone within weeks. Norian Corp. hopes to use SRS to augment the type of fixation screws used to stabilize fusions of spinal vertebrae. These (pedicle) screws sometimes loosen or fall out. But, when they are augmented or set with SRS, this cannot happen.

In the Netherlands, where SRS is on the market, doctors are finding ways to use it to improve treatment of common large bone fractures, like that of the upper shin or tibia.

In some cases, during open surgery and the implanting of \$2,000 worth of instrumentation (large plate and screws), doctors reestablish the joint with SRS as a void filler. This is important because without the contour of the joint reestablished, the fracture heals improperly, causing arthritis that may require whole knee replacement. Other surgeons use only a few screws with SRS to stabilize the bone, because SRS becomes structural immediately.

In a further evolution of its use, doctors with the most experience with SRS no longer use surgery at all. They use an arthroscope in the knee joint to see inside the knee and to see the fracture. With a simple stabbing incision below the knee, doctors use an awl to push the fragments back up, to reapproximate the joint surface. They then inject the SRS, and cast the leg for a couple of weeks, at which point the patient begins physical therapy.

‘This is a job for SRS!’

Dutch surgeons recently sought U.S. doctors’ advice on treating a young man whose spinal vertebrae had crumbled, causing him to shrink 31 centimeters in height (the length of his head), which in turn caused him breathing difficulties—exactly what women with osteoporosis experience. The doctors acted quickly when told, “This is a job for SRS!” They used SRS to fill the spinal voids caused by the bone loss—in effect reconstructing his spine.

Norian SRS will greatly improve the lives of the 30 million Americans affected by osteoporosis.—*Linda Everett*

British elites jump on Wilson bandwagon

by Jeffrey Steinberg and Kathy Klenetsky

Several weeks after the Oklahoma City bombing on April 19, Lord William Rees-Mogg, the London *Times* editor-in-chief turned weekly columnist, who has been the leading "Clinton-basher" among Britain's Club of the Isles aristocracy, conducted a fact-finding tour of the United States. Upon his return to England, he penned a column, sadly noting that the Conservative Revolution's favorite candidate for the 1996 Republican Party Presidential nomination, Sen. Phil Gramm of Texas, was "unelectable." Gramm's problem, he lamented, "is that people do not like him. His colleagues do not like him in the Senate, and voters do not like him on television . . . he sounds and looks like a curmudgeon."

Within days of Lord Rees-Mogg's pronouncement, the American airwaves were jammed with stories about Senator Gramm's investments in pornographic films, his efforts to win early release for a convicted drug felon, and other sleazy actions way out of line for someone courting the votes of the Christian Right.

While there is no evidence linking the Rees-Mogg assessment to Phil Gramm's run-in with the American news media, the timing is noteworthy. The trashing of Gramm, furthermore, created an early vacuum within the ranks of GOP frontrunners, with Senate Majority Leader Robert Dole (Kansas), no favorite of the Mont Pelerin Society crowd within the party and in London, suddenly looking more and more like a breakaway winner in the GOP 1996 primaries.

Lord Rees-Mogg, the publisher, along with Oxford grad James Dale Davidson, of the American populist newsletter *Strategic Investment*, did, however, make his own choice known for the GOP nod. And it wasn't Bob Dole, whose bellicose confrontation in January with British Prime Minister John Major over the Bosnia conflict placed him right behind Bill Clinton on London's hate list.

In the same May 4, 1995 London *Times* column in which

he pronounced Gramm's Presidential bid "dead on arrival," His Lordship waxed eloquent over California Gov. Pete Wilson. "If [Gramm's] lack of personal appeal rules him out, and I have found not a single Republican who warms to him as an individual, the race will be between Mr. Clinton and Mr. Wilson. . . . Many Republicans would probably prefer a more ideological and less pragmatic candidate. But he has some key assets: He has been a strong governor, he is an open market conservative, a successful campaigner, an able man, and he does not come from Washington. The odds look as good as a Presidential candidate ever enjoys at this stage. Mr. Wilson probably now has a better than even chance of beating Mr. Dole for the nomination. If nominated, Mr. Wilson has a better than even chance of beating Mr. Clinton in 1996."

Lord Rees-Mogg was not just speaking as a distant admirer. On May 1, he was present at the Willard Hotel in Washington for a Wilson campaign fundraiser, and was personally most impressed with the governor's wife, Gayle Edlund Wilson.

A month later, on June 5, the Hollinger Corp.'s *Daily Telegraph* ran its own glowing endorsement of Wilson for President in a two-thirds page piece by Washington bureau chief Stephen Robinson. Robinson described Wilson as the candidate whose views most closely mirror those of the American people, and labeled his 1994 gubernatorial election victory one of the great come-from-behind victories in history.

Bush-leaguers jump in

By the time Rees-Mogg completed his fact-finding jaunt and pronounced Wilson the Club of the Isles' "favorite son" candidate to defeat Clinton, the Wilson campaign organization had already been buttressed by the arrival of a small

army of veterans of the George Bush apparatus.

These included Craig Fuller, who served as chief of staff to Bush when he was vice president, and now functions as manager of Wilson's campaign; Robert Mosbacher, secretary of commerce during Bush's Presidency, and now a partner with Bush and Bush's secretary of state, James Baker, in a Houston-based business; Richard Bond, former deputy chief of staff during Bush's vice presidency; Stuart K. Spencer, the veteran professional political consultant who oversaw Bush's 1992 reelection campaign; and James Lake, a consultant to Bush's 1992 campaign.

Wilson's campaign has recruited Massachusetts Gov. William Weld as its finance chairman. The scion of an old New York family that earned its fortune as Tory junior partners of the British in the China opium trade, Weld was thrust into national political prominence in 1986, when, with then-Vice President Bush's backing, he was promoted from U.S. Attorney in Boston to Assistant Attorney General in charge of the Criminal Division. His credentials: He instigated and oversaw the railroad prosecution of Lyndon LaRouche.

Bush himself has not yet endorsed a Republican candidate, but he was an outspoken supporter of Wilson's gubernatorial bid last year. Sources close to Bush report that he is angling to be the Republican Party's self-annointed "king-maker," and he has dreams of parlaying a Wilson victory in 1996 into a spot on the 2000 GOP Presidential ticket for his son George Bush, Jr., the current governor of Texas.

Even Henry Kissinger, recently knighted by Queen Elizabeth II for his decades of slavish loyalty to the House of Windsor and the Club of the Isles, has been sighted on the West Coast attempting to whip up support for a Wilson candidacy.

In keeping with this vote of confidence from the Thatcherites and the Bush-leaguers, over the past year, Wilson has sought to transform himself from a "moderate" Republican who championed homosexual and abortion rights and embraced environmentalism, while opposing California's anti-property tax Proposition 13, to a demagogic advocate of the main tenets of the Speaker of the House Newt Gingrich's "Contract on America."

That metamorphosis began during Wilson's 1994 gubernatorial reelection effort, when he turned a 20-point deficit into a win at the polls, largely by jumping on the anti-immigration bandwagon. Wilson became a champion of Proposition 187, voted up by California voters last November, that prohibits illegal immigrants from receiving any social services, including medical care and schooling, except in emergency situations.

Since then, Wilson has repeatedly cited Prop 187 as an example of the Confederacy-inspired "states' rights" approach he has enthusiastically embraced.

Shortly after his reelection, Wilson gave a speech in Washington, D.C., at the Heritage Foundation, one of the bastions of the Conservative Revolution, in which he asserted

that the success of the racist Prop 187 proves that California is a "sovereign state," and "not a colony of the federal government."

Gramm's X-rated campaign

It is no secret that some of President Clinton's campaign advisers had been quietly hoping that Phil Gramm would sweep the GOP Presidential nomination in 1996. While the *Los Angeles Times* dubbed Pete Wilson, a notoriously dry public speaker, "robo-pol," Lyndon LaRouche had labeled Gramm "Forrest Gump's evil twin." Many Democratic pollsters believed that Gramm would pose the least serious challenge to the President's reelection.

Gramm's early fall did not come in reaction to the fact that he was peddling an extreme brand of Conservative Revolution austerity that would make Hitler's Economics Minister Hjalmar Schacht smile in his grave. Gramm was caught in a porno scandal at a particularly embarrassing moment: the day he appeared side-by-side with Christian Coalition head Ralph Reed to embrace that organization's "Contract with the American Family."

The story broke in the June 5, 1995 issue of the *New Republic*, under the byline of John B. Judis. It seems that in 1974, Gramm had poured \$15,000 into a pornographic movie about the Nixon White House, called *White House Madness*. Through his brother-in-law, Gramm was introduced to the work of director Mark Lester, who had already earned a reputation for his 1971 pornographic spoof on Nixon, *Tricia's Wedding*, which starred a San Francisco troupe of gay female impersonators called the Coquettes.

Lester later made a pornographic film, *Truck Stop Women*, that so titillated Gramm that he sent off, unsolicited, a \$15,000 check to back the film's distribution. The film was already oversubscribed, but Gramm was promised a piece of the action in Lester's next film, *Beauty Queens*. Gramm, according to his former brother-in-law, read the script and loved the film; however, Lester shelved the project in favor of a sequel about Nixon. Again, Gramm plowed through the script, gave his blessing, even though the movie was likely to be slapped with an X rating by the industry rating board, and placed his money on the project. Already planning to run for public office, Gramm arranged to have his investment in *White House Madness* conduited through the wife of a fellow faculty member at Texas A&M.

After the entire international media jumped on the original *New Republic* story, *New Yorker* writer Sidney Blumenthal obtained a copy of the Nixon movie into which Gramm sank his \$15,000. It included a sexually explicit scene in the Oval Office.

In a Presidential election campaign in which Bob Dole has already made an issue out of Hollywood's corrupting influence on America's younger generation, Phil Gramm was obviously the wrong man in the wrong place at the wrong time.

School privatization 'experiments' fail

by Charles Tuttle

Education Alternatives, Inc. (EAI), the Minneapolis-based outfit touted as the leader among the much-advertised "emerging industry" of education management organizations, has run into trouble, as educators and parents, wary of their privatization schemes, recently voiced protests in Baltimore, Maryland and Hartford, Connecticut. The cities are the company's prize contracts, examples of the greatest inroads nationally of the Conservative Revolution doctrine for privatized schooling which is keeping EAI's fledgling operations afloat.

Severe scrutiny is now focusing on EAI's modus operandi of projecting inflated educational expectations along "reform" lines to secure public funds, while getting rid of teachers and imposing ever more austere management to maintain its profits. EAI won its deal with Hartford last fall to run all the city's public schools, and EAI has since proposed cutting 300 staff positions while increasing class sizes. Like most cities suffering from disintegrated, post-industrial economies, Hartford is struggling with a \$171.1 million education budget, and EAI is attempting to shift millions away from teacher's salaries (last year's budget devoted 80% to staff salaries) into cheaper computers, textbooks, and superficial building repairs, displaying deceptive, quick-fix "improvements" yet all the while preserving profit opportunities.

Raucous debates have ensued in past weeks over plans for this year's budgetary appropriations, as Superintendent of Schools Ed Davis has resisted the EAI-proposed teacher cuts, along with many other so-called reforms. Ironically, the wife of Mayor Michael Peters, who was key in arranging the hiring of EAI, stands to lose her school paraprofessional job under the proposals.

EAI Chairman John Golle now says he wants to renegotiate its five-year management contract with Hartford, and is seeking to have EAI paid a set fee or percentage of the public till in the future. The city challenged numerous expenses upon receipt of its first set of bills from EAI in early May, which included nearly \$150,000 in travel expenses, \$1.6 million for the rental of two condominiums, and hundreds of thousands in unsubstantiated construction costs. Golle also now says EAI "never intended to actually seek payment" for some aspects of the bills.

The company announced a net loss of \$243,000 (amounting to 3¢ per share) for its third financial quarter, which ended March 31. Filings with the Securities and Exchange Commission revealed that EAI said it expects "reimbursable expenses" of \$2.8 million for the 1994-95 school year in Hartford—the same expenses that Golle now says are "negotiable." The report said EAI had generated a "sufficient savings" to offset a projected school appropriations deficit of \$4.7 million, but was uncertain where it would find money in the budget to cover its own \$2.8 million in operating costs. EAI's predominant revenue in the past has derived from sales of company-owned financial securities.

In no position to bargain, EAI will likely accept whatever Hartford's school board agrees upon, even if that includes few of the company's recommended changes. The crucial fact now at risk of coming to the fore, if the board doesn't accept the sort of change that EAI advocates, is the nagging question, "Why have the company here at all?"

Is this any way to educate children?

Baltimore, with its "sweetheart deal of a lifetime" with EAI, pushed through by a frenzied "reform" mob during the summer of 1992, is now acknowledging extreme doubts. Even Mayor Kurt Schmoke has admitted disappointment with results from EAI's outcome-based, multi-intelligences "Tesseract Way" learning methods. Test scores have fared poorly for EAI-run schools in comparison with district schools, and Schmoke is facing a tough reelection battle from among EAI's harshest critics. The press, usually the staunchest of reform advocates, has revealed that EAI has siphoned off \$18 million in extra funding to run its 12 schools within the 182-school system in the past three years. Closer examination of the contract showed that EAI, based on inflated enrollment projections that were never realized, was allowed to pocket most of the extra proceeds that resulted from a \$270 per student surplus. EAI's contract demanded that it be paid the same as the district's projected allotment per student, but EAI schools don't have to pay for higher-cost special education such as vocational or alternative schools within their Tesseract framework. Schmoke now says he misunderstood the EAI "cost-neutral" proposal to mean EAI schools didn't need more money, i.e., he hoped that the city wouldn't have to increase funding to pay for it.

Superintendent Walter Amprey, an EAI adherent, has admitted some doubt as to the effectiveness of the Tesseract program, while maintaining a "it's too early to tell" stance on the poor (and previously deceptively bolstered) test score results. Amprey insists that EAI is no different than companies that sell the city school supplies and that the system "paid to learn" from EAI. In keeping with the America/Goals 2000 "reforms," Amprey says the Tesseract (EAI) "experiment" has been worth the cost as a model for moving money and authority away from the board of education to the schools themselves.

Local budget crises spell harsh austerity

by Mel Klenetsky

Taking the budget axe to the meat of such municipal and county government structures as Los Angeles County, New York City, and Washington, D.C. fits in well with the policy prescriptions that the Gingrich "Contract with America" advocates have put forward for the federal budget; yet, few of these balanced-budget fanatics have considered the impact of these measures, both economically and from the standpoint of the social and political turmoil that such harsh austerity will necessarily unleash.

Days after the June 19 announcement of proposed budget cuts by Los Angeles County Chief Administrative Officer Sally Reed, 1,000 demonstrators marched on the Los Angeles County Hall of Administration in protest. "Reed to L.A.'s Sick: Drop Dead!" was emblazoned on the signboards. Placards and slogans targeted Reed, whose proposal to slash \$1.2 billion to close the deficit now appears before the five county supervisors.

Reed's plan is an \$11.2 billion Los Angeles County budget that proposes laying off 18,255 county employees and closing down the L.A. County-University of Southern California Medical Center, along with four comprehensive health centers and 25 neighborhood health centers. Additionally, 12-15 out of the county's 87 county libraries will be closed. Reed rounds out her plan with \$65 million in cuts from the sheriff's office, a 20% cut in the municipal and Superior Court budgets, some 2,300 layoffs for the welfare staff, and a cut of \$7 million for the parks that would necessitate closing 30 parks, including six public swimming pools.

Axing health care for the indigent

Two-thirds of the job cuts, 12,600, and \$655 million out of \$1.2 billion of the proposed budget cuts come from the Department of Health, and the closing of County-USC Medical Center represents the biggest chunk of that. County-USC Medical Center requires \$1.3 billion modernization upgrades, including meeting new earthquake codes, which is one reason Reed has put the medical center on the chopping block, despite the fact that the hospital contains one of the county's three burn centers, treats most of the county's AIDS victims, and delivers 10,000 babies per year to high-risk mothers.

County-USC Medical Center has more than 65,000 inpatient and 850,000 outpatient visits per year. Terry Bonecutter, chief operating officer of Children's Hospital Los Angeles and 13 other Los Angeles county administrators indicated they would help solve the immediate and long-term shortfalls. Health Director Robert C. Gates, however, indicated that previous studies by the Los Angeles Medical Association revealed that private hospitals could not absorb the projected emergency room visits, leaving 200,000 such visits unaccounted for. Forty percent of the patients treated at County-USC are indigent, compared to 2% in the private hospitals, which shows who would suffer most under the Reed plan.

Analysts estimate that an equal number of "indirect jobs" will be lost as a result of the cuts: that is, given the 18,255 proposed cuts from the county workforce of 88,811, another 18,000 indirect jobs could be lost in the restaurant and service sectors.

In 1978 California voters passed Proposition 13 which places a cap on property taxes, thereby creating a revenue gap for counties like Los Angeles. The gap was filled by state revenues, which have more recently dried up, due to the collapse of the defense, aerospace, and computer-electronics industries in California. Since 1991, the state has been officially declared in a deep and prolonged recession. More than 20% of the residents are on public assistance in Los Angeles County alone. In 1993, state officials, desperate to balance their budgets, shifted more than \$1 billion in property taxes from the county to the state's coffers.

These specific developments reflect part of the problems for Los Angeles County, but, like New York City and Washington, D.C., it faces the same basic budget crisis that the federal government faces. Physical economist Lyndon LaRouche, in his radio interview with "EIR Talks" on June 28, defined the problem from the standpoint of a 50% collapse of productivity and consumption levels of the typical American, in the past quarter-century, which has led to the collapse of the tax revenue base.

"Now, any official of a state, local, or federal government who pays attention to figures, can tell you that the problem of the federal budget, and of the state budgets, and of the local budgets, is that the tax revenue base has collapsed," LaRouche stated. "That means that we're poorer, and we're poorer by about 50% in real terms, than we were 25 years ago. . . . What we have to do, is to stop this silly discussion about 'cutting the budget,' and begin cutting out some of those policies like the derivatives policy, which are responsible for our mess, and go back to becoming a productive nation again."

New York's budget is no model

New York City has had an Emergency Finance Control Board since 1977. The budget crisis for the city publicly blew up in 1975, when the city was forced to establish the

Municipal Assistance Corporation, sell Big MAC bonds, and begin a massive austerity program. When the Financial Control Board was set up for the nation's capital this year, effectively ending the 22 years of home rule, New York City was held up to Washington as some sort of model of fiscal soundness. But, look at New York City's current problems, 20 years after Big MAC. The case of New York City underscores the budget-cutting folly that LaRouche describes.

New York Mayor Rudolph Giuliani has proposed a \$32 billion city budget that calls for the deepest cuts seen since the Great Depression. These cuts include \$101 million in so-called welfare reform, \$30 million more for a total of \$75 million from the municipal hospital system, a delay in commercial rent tax-cuts estimated at \$65 million, and an estimated \$165 million in cuts in overtime, hiring delays, and non-personnel spending. Giuliani's cuts are designed to fill an estimated \$3.3 billion budget gap.

The city budget calls for the Board of Education to spend \$7.28 billion for the next fiscal year, down \$470 million from the current fiscal year. Inflation, higher enrollment, and contractual obligations leave the gap for this proposal at \$900 million. As plans were put forward, outgoing Schools Chancellor Ramon C. Cortines, resigning because of his disputes with the mayor and because of the budget cuts, announced that the 32 community school districts and the high schools they serve, would have to spend \$125 million less in the coming fiscal year in order to comply with their part of the proposed cuts. After-school programs, a shorter school day, and layoffs of teachers, guidance counselors, and assistant principals are among the many ways that districts will deal with the cuts. The central board will go for administrative cuts and seeking concessions from the teachers union. The City University of New York has announced that it will raise tuition by \$750 per year at the four-year colleges to \$3,200 and \$400 per year to \$2,500 at the community colleges.

The Transit Authority of New York City, according to documents released by the Straphangers Campaign, will reduce services to achieve savings. Subway riders will have to wait 2 minutes longer during the rush hours for 10 subway lines starting this fall, and 57 bus routes will undergo route changes that will increase waits.

A major feature of Giuliani's budget plan involves selling the city's reservoirs, water tunnels, sewers, and sewage treatment plants to the New York City Water Board, a public authority created 11 years ago to run the system, for \$2.3 billion. Giuliani planned to use \$400 million from the sale for construction projects, including \$200 million for repairs of leaky roofs, peeling paint, and collapsed buildings for the school system. The Water Board would raise the \$2.3 billion by selling its own bonds.

City Controller Alan G. Hevesi announced on June 28, that he would block the plan as a risky "fiscal gimmick"

that could erode the city's control over the upstate watershed. "We have a great water system," Hevesi said. "It is the best asset we have in the City of New York. I'm not sure there's any circumstance where it's justified to transfer the title."

Giuliani's budget also includes an estimated \$200 million surplus from the 1995 budget and other uncertain projections, which has led many to point out that the budget will have to be reexamined within three months. New York City's budget was redone twice last year, once to patch up a \$1.1 billion gap.

Gingrich crowd takes aim at D.C.

Washington, D.C. is another city facing major budgetary problems. The D.C. budget for 1995 is \$3.35 billion, and Mayor Marion Barry is trying to close a \$722 million budgetary gap. Barry has just received a \$146.7 million loan from the U.S. Treasury, to which it had to resort after Wall Street downgraded its bonds to "junk status." In January, the newly elected Barry inherited what he thought was a \$400 million deficit from the Sharon Pratt Kelly administration. Year-end audits in 1994 showed the deficit at more than \$700 million. During her administration, Kelly had cut 2,000 jobs through layoffs and attrition. In 1993 she adjusted the city property tax year by pushing it back three months, thereby getting 12 months of spending with 15 months of taxes and giving herself an extra \$170 million. By 1994, Congress intervened, forcing Kelly to cut \$140 million in spending, a move that did not bode well for D.C. services, or for her reelection efforts.

Marion Barry inherited both the budget mess and a Gingrich-dominated Congress. As the "Contract on America" crowd moved their legislative agenda forward, they used pressure to bring the Barry administration under control, creating a financial control board headed by Andrew Brimmer, a former Federal Reserve Board member, whose mandate is to oversee D.C. finances and rein in spending.

Barry's latest draft proposals include a 2% commuter tax, which requires congressional approval. In addition, Barry proposes payroll cuts, furloughs, reduced services, and other measures to reduce the deficit. The effects of these cuts, previous and proposed, are epitomized by the testimony of Police Chief Fred Thomas before a House Judiciary Subcommittee on Crime. Thomas said that crime had begun to rise again, after a significant drop last year, because the budget-cutting process had demoralized his under-equipped department, pointing to a recent pay cut and restrictions on overtime as factors. Police officers in the nation's capital are among the lowest paid in the region, he said. Efforts to improve operations by installing field computers, which would reduce time to process arrests from 4 hours to 40 minutes, have been set back by cuts, despite the \$10 million he has spent over the past two years for computers. The volume of crime is up 10%.

Money laundering becomes higher priority in war against drugs

by Joyce Fredman

Two prominent law enforcement executives stressed the importance of a concentrated effort against drug money-laundering, in interviews on June 26. Both the president of Interpol and the director of the Federal Bureau of Investigation in Puerto Rico have emphasized the need to aim high in order for the war on drugs to be effective, and high means the money.

Going after the money-laundering networks has become a more and more prominent feature in the past few years. "Operation Dinero," disclosed last December, grabbed headlines with its multi-agency sting of the Cali Cartel. Thomas Constantine, head of the Drug Enforcement Administration, said at the time of the arrests, "The laundering of illegal drug profits is as important and essential to drug-trafficking organizations as the very distribution of their illegal drugs. Without these ill-gotten gains, traffickers cannot finance the manufacturing, transportation, and distribution, or the violence, murder, and intimidation that are essential to their illegal trade."

More recently, the indictment of former Justice Department lawyers, such as Michael Abbell, raised the specter of so-called establishment types protecting and facilitating the drug mafia.

Bjorn Eriksson, president of the International Criminal Police Organization (Interpol), recently spoke in Zambia at the 13th African Regional Conference. In his speech, he warned of the dangers facing nations that have adopted policies of "economic liberalization," i.e., free trade. "By exploiting the liberalized market economy," criminals "buy professional assistance from lawyers . . . [and] have gained a high position in the society by the business in which they have invested their proceeds from crime. In this position, it is more easy for them to associate with politicians and thereby to influence important legal decisions, for example actions against money laundering."

Eriksson, who became president of Interpol last fall, is the Commissioner of the National Swedish Police, a position he has held for the past seven years. Prior to that, he was head of Swedish Customs. In a recent interview, Commissioner Eriksson, who has a wife and two daughters, reiterated some of the points he has traveled the globe discussing.

It is indeed heartening to hear law enforcement officials espouse views which this news service put forth in 1978, with the publication of *Dope, Inc.* Considered to be radical at the time, the book noted that only by hitting at the money laundering can the drug traffickers be stopped.

Interview: Bjorn Eriksson

EIR: What money figures did you give?

Eriksson: The turnover worldwide is expected to be \$400 billion, of which 25% is estimated to be money-laundered, in the legal banking system.

EIR: Can you elaborate?

Eriksson: If we start with the African angle of it, I mentioned that there was a clear risk for Africa, that they would get more and more involved in it. Partly because with South Africa as a base and the surrounding countries with some facilitation, you have a communications system, you have a network. . . . You could add to this that a country like Zambia, for example, [went] from, I think it was two commercial banks, up to, was it 40, during the last 10 years. There are a lot of indications that this might be a very hot place.

If you take money laundering in a more general sense, I, and many people with me, always argue that the only point where you can reach the big fish, so to speak, is actually the money. Because normally they don't participate in drug trafficking and, consequently, it's very difficult to get them "hooked" on that aspect. And you can see that in their security system. Normally if you're talking about the drugs, you have a producer, a distributor, and a seller, and they all have different levels, which makes it up to 10 or 12, or 13 levels between the actual big fish and the little man on the street who's buying. Whereas, when you talk about money, there is only one or two persons in between, because you can't take the risk of having too many people involved. And consequently, that's the weak point.

EIR: Is there anything else you would like to add?

Eriksson: The conclusion of this is, of course, that organizations like Interpol, have a say. I know I am speaking as president of Interpol, because being a global worldwide organization we have some advantages over the regional organizations, just due to the fact that we cover the globe. There are many moves nowadays between the continents, and I think this is something Interpol should take advantage of.

Interview: Richard D. Schwein

Puerto Rico has emerged, unfortunately, as one of the leading strongholds for drug running. In March of this year, 27 out of 29 members of the Puerto Rican Senate submitted to drug tests. The governor, Pedro Rossello, had asked the U.S. Department of Justice to investigate allegations that four legislators are linked to the drug business itself. One of the senators, suspended as vice president of the Senate, was accused of “transferring millions of dollars to banks in Switzerland, the Cayman Islands, and Panama.”

One of the key fighters on the anti-drug front there is Special Agent in Charge, FBI San Juan, Richard D. Schwein. Known as the “director” in Puerto Rico, Special Agent Schwein handled “Operation Golden Trash,” the indictment of a large-scale cocaine-trafficking and money-laundering ring based in Colombia. Schwein has been with the FBI for 38 years, and has been stationed for the past 13 months in Puerto Rico. He is originally from Cincinnati, Ohio, and has been married for 35 years. He has two children, one of whom is also an FBI agent, and two grandchildren.

Recently, *El Nuevo Día*, a Puerto Rican daily, drew attention to the problem when it quoted Schwein saying that “Puerto Rico is the main drug-laundering center in the world . . . megamillion of dollars’ problem.” SAC Schwein clarified his comments to this reporter.

EIR: What exactly did you say, and what did you mean?

Schwein: I said that Puerto Rico is among the leading places for money laundering, which it certainly is—it’s big, big business here. Whether it’s number one or number ten, I don’t know, nor does anyone else. I meant, and sometimes the translation isn’t very good, it is a *major* money-laundering center.

EIR: Can you give us an instance?

Schwein: For example, we indicted a case about six months ago which involves somewhere around 80 people who laundered somewhere between \$40 and \$80 million. We ran an operation against them and were very successful.

But the reason Puerto Rico is [so ideal], is its location, off the coast of South America; we have an American banking system, and once you’re in country, there’s no customs prob-

lem. Flights between here and the mainland are [considered] domestic flights. So all of that makes it very attractive for money laundering.

EIR: In the same paper, it was asserted that the governor of Puerto Rico, Pedro Rusello, stated that Puerto Rico is more fertile ground for drug traffic than Florida. Again, this wasn’t in quotes, so I’m not clear exactly what was said.

Schwein: I would not want to comment on what the governor said or on what he meant, but yes, Puerto Rico is very fertile ground.

EIR: Many say that the United States needs to do more in this area. Now, I have interviewed people in the Office of National Drug Control Policy, including Director Dr. Lee Brown, and I know they have been setting up these High-Intensity Drug Trafficking Areas (HIDTAs), including one in Puerto Rico. So it seems to me as though the United States, especially now, is making substantial efforts in this area.

Schwein: Great efforts, yes, very great efforts. Our staff has, as has the DEA; and we have HIDTA, which is just being implemented now. It’s a target-rich environment, however. We have a lot of targets to work on.

EIR: Yes, I saw what is happening with the Senate—the level of alleged corruption. Can you explain for our readers what jurisdiction the United States has over that?

Schwein: Federal jurisdiction applies to the citizens of Puerto Rico, like it does to the citizens of Ohio. Everybody here is a U.S. citizen by birth.

EIR: So these Senate members or anyone else—

Schwein: If there is political corruption, we work on it and the U.S. Attorneys indict it and prosecute it, and it would be handled here just like it would be anywhere else. Under the corruption laws, under our white collar crime program.

EIR: And where would that take place?

Schwein: We have U.S. District Court here; this is America. Puerto Rico is a commonwealth, of course, semi-self-governing in that it has a governor and a legislature, like Ohio or Alabama. But all federal laws apply here. And everyone here gets treated just like everyone else who is a U.S. citizen, as far as the federal law goes. We have seven federal judges, a United States Attorney, a United States Marshal, FBI, and DEA. There’s just no difference, other than geographical. . . .

EIR: It seems that money laundering in particular is more and more in the limelight.

Schwein: Oh yeah! It’s the money, who’s got the money. Money laundering has to be an integral part of any drug investigation. That’s where the real profits are. Without the money, where would they be? You have to go after that.

How DOJ official Mark Richard won the CIA's 'coverup award'

by Edward Spannaus

In our last issue, in the article by this author entitled "John Keeney, Mark Richard, and the DOJ Permanent Bureaucracy," *EIR* reported that Mark Richard, the number-two career official in the U.S. Department of Justice Criminal Division, had received an unusual award from the CIA in 1986. It is called the "Central Intelligence Award for Protection of National Security During Criminal Prosecutions."

EIR has now learned why Richard was recognized by the CIA. In response to a question from this writer, CIA Public Affairs officer Mark Mansfield conducted an inquiry, and then responded that Mark Richard had received that award "in connection with his outstanding work in the case against Ronald Rewald."

Asked if any other prosecutors had ever gotten this award, the CIA spokesman said he was not able to say who else had gotten the award, but he added: "We don't give it out lightly."

This writer has since spoken with most of the attorneys involved in the defense of Ronald Rewald and his subsequent appeals. None of them was aware of the award, and, in fact, most of them seem only vaguely aware of who Mark Richard is. But when the honor was described, one attorney involved in the case quickly remarked that it should be entitled "the Coverup Award."

To the list of abuses of justice and coverups catalogued in the *Special Report* in our last issue, must be added the case of Ronald Rewald. This case further demonstrates the corruption of the encrusted permanent bureaucracy in the Department of Justice, and shows why it must be cleaned out at once.

The CIA opens a new front

In 1978, after having been convicted of a minor investment scam in Wisconsin, Ronald Rewald moved to Honolulu, Hawaii, and opened an investment company there. Simultaneously, he made contact with the local CIA chief, Eugene Welch, and had Welch and his wife to dinner. He met Welch's replacement as head of the Honolulu CIA office, Jack Kindschi. Rapidly, Rewald and his family became extremely close to Kindschi and his wife. Rewald was given a "secret" security clearance in the fall of 1978, and before long, his new company, Bishop, Baldwin, Rewald, Dillingham & Wong, was laden with intelligence agents, retired military officers, and other assorted spooks.

The firm Bishop Baldwin was used by the CIA both as a cover for its agents, and also directly for intelligence gathering throughout Asia where the company solicited investments. Rewald said later that the CIA commingled its funds with funds from legitimate investors, so that the covert funds could not be traced. Many of the CIA officers and agents invested their own funds in the operation as well. Rewald lived well, and socialized with politicians, movie stars, and the like, including Vice President George Bush. When Adm. Stansfield Turner headed the CIA, he used Rewald's car and driver when he came to Honolulu.

In 1982, the IRS began an investigation of Bishop Baldwin, which was stalled by the CIA's intervention. In 1983, a local consumer protection agency began an investigation into Bishop Baldwin; when the probe was publicized on local TV, now-retired CIA officer Kindschi pulled out \$170,000 from the company's accounts. By this time, the IRS, the U.S. Securities and Exchange Commission, and other agencies were all interested.

Rewald was forced to file for bankruptcy, and, in the spring of 1984, he sued the CIA. He said in his suit that he had established the firm at the CIA's direction, and that some of its subsidiaries were "used completely and exclusively for CIA operations." Rewald said in an affidavit that "I am, and for the past five years have been, a covert agent for the Central Intelligence Agency." He also asserted that "there are 10 employees in Bishop Baldwin who are full-time covert CIA agents."

The CIA denied everything—or almost everything. It denied that it had any role in running Rewald's company, admitting only that it had "a slight involvement" with the firm.

Mark Richard's team

That was just the beginning. In late-August 1984, Rewald really got hit. He was indicted on 100 counts of mail fraud, securities fraud, tax evasion, and perjury. According to Jonathan Kwitney's book *The Crimes of Patriots*, Rewald was held in prison on a \$10 million (!) bail, and a federal judge put restrictions on his visitors. At the request of the CIA, Rewald's lawyers were barred from repeating what he told them by a gag order. Case records, normally public records, were sealed, and Rewald was ordered not to discuss the CIA.

Nothing about the case was handled normally. One of the

MARK M RICHARD
912 Burnt Crest Lane
Silver Spring, Maryland 20903
(O) 202-514-2333 - (H) 301-439-4555

A. PERSONAL DATA

1. Date & Place of Birth: November 16, 1939, New York, NY
2. Marital Status: Married to Sheila A. Richard -
Three children, ages 23 - 31

B. PROFESSIONAL EXPERIENCE

Since graduating from law school in 1967, I have been employed by the Criminal Division of the United States Department of Justice in a succession of responsible positions as set forth below:

1. June, 1991 - Present:
Deputy Assistant Attorney General overseeing our Office of International Affairs, Internal Security, Terrorism, and the Office of Special

D. AWARDS AND PUBLICATIONS

1. 1992 - Department of Justice Distinguished Service Award
(Highest Department Award)
2. 1991 - Distinguished Executive Award Granted by President Bush
3. 1991 - Attorney General's Exceptional Service Award
4. 1989 - Fellow - Harvard Law School - Center for Criminal Justice
5. 1986 - Distinguished Executive Award Granted by President Reagan
6. 1985 - Meritorious Executive Award Granted by President Reagan
7. 1986 - Central Intelligence Award for Protecting National Security During Criminal Prosecutions
8. October 1981 - Legal Award - Association of Federal Prosecutors

Justice Department's top experts on classified information and national security cases, Theodore Greenberg, had been flown in from Alexandria, Virginia to handle the grand jury proceedings and the indictment. As we noted in our last issue, Greenberg had aided Mark Richard in the coverup around the Terpil-Wilson case; he had also handled numerous other espionage and intelligence-related cases in the Eastern District of Virginia (which district includes the Pentagon and the CIA).

Greenberg wasn't the only arrival from Virginia. A few days after the Bishop Baldwin case hit the press, a lawyer named John Peyton joined the staff of the U.S. Attorney in Hawaii. Peyton was no ordinary lawyer either: For about five years, up until 1981, he had been the chief of the litigation section of the CIA; then he is reported to have worked on George Bush's South Florida Task Force on narcotics—known to be riddled with intelligence agents. Then he showed up in Honolulu for the Rewald case—just by “pure, utter coincidence,” he told *Wall Street Journal* reporter Kwitney.

There was obviously a third, less visible member of the team: Mark Richard. Richard is the Justice Department's official liaison to the CIA. In any case involving the intelligence agencies and classified information, much of the action is behind-the-scenes and carried on secretly—even out of the view of the defendant and his attorneys. Submissions are made to the court *in camera* (in secret) and *ex parte* (without the defendant and his attorneys being allowed to participate). Thus, the defendant does not even know what the judge is being told about him. According to those involved in the

Rewald matter, there were many such *in camera* submissions made to the court.

A deaf and blind jury

To those familiar with the trial of Lyndon LaRouche and his associates in the Eastern District of Virginia (Alexandria) which took place three years later, the 1985 trial of Ronald Rewald will bear an uncanny resemblance. Let us divert for a moment to recall some of the pertinent features of the LaRouche case.

In the LaRouche case, the judge issued an order directing that evidence as to “intelligence or security activities directed at the finance and political activities of persons and organizations will not be admitted.” The judge also barred any reference to the fact that the government had initiated an unprecedented involuntary bankruptcy proceeding, which had shut down and padlocked three publishing companies run by associates of LaRouche. Under the terms of the government-initiated bankruptcy order—obtained in an *ex parte, in camera* proceeding of which no record was kept—the companies were prohibited from repaying lenders who had made loans to the companies to assist their political activities; the government then indicted LaRouche and his associates for failing to repay those very loans!

In Rewald's case, the judge ruled that Rewald's ties to the CIA were irrelevant to the charges against him. The judge declared that he “saw nothing in the documents to indicate that any of Mr. Rewald's involvement with intelligence activities explains any of the financial actions.” Therefore, no evidence concerning the CIA was permitted in the trial.

What was permitted was an endless parade of Rewald's “victims” before the jury, including a blind man and a cancer victim who claimed that Rewald had stolen their life savings.

Then another group of “victims” took the stage: former CIA officers. An article in the Washington magazine *Regardie's* described the scene as follows:

“ ‘I don't want to appear a patsy,’ said Jack Kindschi, a retired CIA station chief, ‘but I dropped my guard. I was raised in the small farm town of Platteville, Wisconsin, where no one locked their doors.’ ”

“With tears in his eyes, Kindschi told the jury he had invested his 86-year-old mother's life savings in Rewald's investment firm and lost it all. The Kindschi family was taken for \$300,000. . . .

“ ‘Mr. Kindschi was taken in hook, line, and sinker,’ said prosecutor John Peyton. ‘In fact, the CIA became Rewald's victim as well.’ ”

Other accounts demonstrate that Kindschi was hardly the naive victim he painted himself to be. He had “retired” from the CIA in 1980 to become a consultant to Bishop Baldwin, and he brought his successor as head of the CIA's Hawaii office into Bishop Baldwin as a consultant also. He helped prepare promotional brochures for Bishop Baldwin describing the firm in glowing terms as “one of the oldest and largest privately held international investment and consulting firms

in Hawaii. . . . Over the last two decades we have served the investment and consulting community with an average return to our clients of 26% a year."

Knowing full well that the company had only been created in 1978, Kindschi wrote: "The brick and mortar foundation of Bishop, Baldwin, Rewald, Dillingham & Wong has been deeply rooted in Hawaii for more than four decades." Kindschi also knew that Rewald and Wong were the only named partners who existed; "Bishop," "Baldwin," and "Dillingham" were just old-line names picked out of the Hawaii social register.

But, with such a parade of "victims," and Rewald's inability to present any evidence to the jury regarding the CIA's involvement, the outcome was a foregone conclusion. The jury quickly found him guilty on all counts.

Rewald was sentenced to 80 years in prison—a sentence so outrageous that it only compares to the 77-year sentence meted out to LaRouche's co-defendant Michael Billington after Billington was unjustly convicted of "securities fraud" by the state of Virginia.

Rewald's partner Wong must have seen the handwriting on the wall. He didn't put up a fight, pled guilty, and received an 18-month sentence, and, according to sources, he only served six of the 18 months.

One source familiar with the case explains the discrepancy between the 80-year (960-month) sentence imposed on

Rewald, and the 18-month sentence on Wong, as a result of the fact that the judge didn't like the defendant Rewald, didn't like his defense strategy, and certainly didn't like the CIA being tarnished. Wong, on the other hand, "rolled over and took a deal."

Was Rewald telling the truth? A former United States Attorney for the Eastern District of Virginia, William B. Cummings, thinks he was. "Rewald clearly was telling the truth when he said he was working for, or under the auspices of, the CIA," Cummings said recently. "He was clearly a front-man for them." Cummings says he cannot comment on the alleged criminal conduct charged to Rewald, but he is certain about the CIA's involvement—which was kept from the jury.

The keeping of that information from the jury is the crucial issue—and that is where Mark Richard comes in. Mike Levine, a federal public defender who represented Rewald at the trial, was recently informed about Richard's award from the CIA. Levine said that the award should be "for keeping relevant, and critical, information from a jury."

Under current federal sentencing guidelines, Rewald's sentence would have been less than 10 years, and probably less than 5. His real crime seems to have been to tell the truth about a rogue CIA operation. For attempting to tell the truth, he got an 80-year sentence. For keeping him from doing that, Mark Richard got an award.

The dirty role of Ted Greenberg

Two of the most dramatic events preceding the Alexandria trial of Lyndon LaRouche were the 400-man raid on the offices of LaRouche's associates in October 1986, and the involuntary bankruptcy in April 1987. In both events, the hand of Ted Greenberg subsequently became visible.

Two truckloads of documents were seized in the October 1986 raid. The trucks were immediately driven to Henderson Hall, to a secure building at U.S. Marine Corps headquarters in Arlington, Virginia. How was this arranged? Through the Special Operations Agency at the Joint Chiefs of Staff, using the secret channel through which CIA requests for military support are directed to the Defense Department. In a letter to the director of the Joint Special Operations Agency, Assistant Attorney General William Weld stated that "Assistant United States Attorney Theodore Greenberg, from the Eastern District of Virginia, has informally contacted [deleted] to inquire about the availability of secure space."

The Justice Department's top bankruptcy expert,

David Schiller, testified in a hearing that he had consulted with Greenberg about the bankruptcy seizure in the LaRouche case.

"Mr. Greenberg had prosecuted the Rewald bankruptcy," Schiller testified, describing how Greenberg had called him for advice on the Rewald case. Schiller then testified that "he thought the approach that I took in the bankruptcy in Alexandria [LaRouche] was innovative and interesting . . . and that he would want to call and talk to me about it from time to time."

Greenberg went on to head the Money Laundering Section at Justice Department headquarters. In February of this year, he was detailed to the staff of Independent Counsel Donald Smaltz, the special prosecutor investigating former Secretary of Agriculture Mike Espy. This is not so strange when one realizes that Smaltz is based in Little Rock, Arkansas, and is working in tandem with Whitewater special prosecutor Kenneth Starr. With allegations flying all over the place of CIA drug-running and money-laundering out of the air field at Mena, Arkansas, the trick is obviously to find a way of nailing President Clinton without exposing the covert operations run out of Arkansas by George Bush, Oliver North, and elements of the CIA in the mid-1980s. It is an assignment for which Ted Greenberg is eminently qualified.

Congressmen cool to British defense minister

British Defense Minister Malcolm Rifkind met a cool reception from congressmen at a meeting of the West European Union, held on Capitol Hill on June 21. Rifkind railed against the growing U.S. opposition to Unprofor (U.N. protection forces) operations in Bosnia.

Sen. John McCain (R-Ariz.), in his opening remarks, insisted that Bosnia was "not a failure of NATO," but rather "a failure of the U.N. because it cannot either enforce or make peace." McCain said that there was tremendous opposition in Congress to the new Rapid Reaction Force (RRF), with many members skeptical about funding it. Although the idea of the RRF was to "beef up" U.N. operations to enable the forces to fulfill the U.N. mandate, "we haven't seen what the RRF would do except more of the same," he said.

In response, Rifkind snidely remarked that "those who are not involved in the operation shouldn't criticize those who are on the ground in Bosnia. . . . The British, the French, and the Dutch have to prove to themselves and their publics whether it's worth sending young men to go face to face with the Serbs. . . . This is a much more difficult question than merely sending money."

The RRF was an idea put forward by French President Jacques Chirac following the kidnapping of U.N. peacekeepers by the Bosnian Serbs in retaliation for NATO air strikes. Even the Clinton administration, which is supporting the RRF in "solidarity" with its NATO partners, has expressed growing concern that the RRF will indeed be "business as usual" for Unprofor.

In response to a question on June 23, State Department spokesman Nick Burns said, "We have not

reached a conclusion in the Security Council about the mandate of the Rapid Reaction Force. . . . Discussions continue with the Dutch, with the French, and with the British and, frankly, we are not hearing consistent views from all three countries about the specifics of the mandate."

Both the Senate and the House have passed resolutions calling for lifting the arms embargo, which would enable the Bosnians to counteract the tremendous advantage the Serbs have in heavy artillery. Rifkind received a further snub when Senate Majority Leader Bob Dole (R-Kan.) could not find time for a meeting with him.

Christopher cautions Congress on Jerusalem

In a letter dated June 20 and sent to House Speaker Newt Gingrich (R-Ga.) and Senate Majority Leader Bob Dole (R-Kan.), Secretary of State Warren Christopher labeled the Senate measure (S. 770), which calls for moving the U.S. Embassy in Israel from Tel Aviv to Jerusalem, "ill-advised" and "potentially very damaging" to the success of the Mideast peace process.

The secretary of state warned that the step "would disrupt the negotiating process and the promotion of Middle East peace," an issue, Christopher underlined, that has been one of President Clinton's "key priorities in foreign policy."

Christopher wrote, "Our support for Israel will remain strong and steadfast, and we will work actively to help Israel achieve peace with her neighbors. . . . Given the extraordinary progress of the last two years, that objective appears, for perhaps the first time in history, to be within our reach." Therefore, he concluded, "we

must not take steps that make it more difficult to achieve that historic end." Such a measure at the present time would be the death-knell for the Mideast peace accords because Jerusalem is a holy city for Muslims and Christians as well as for Jews. The Palestinians also consider Jerusalem the capital of Palestine. In order to move the peace process forward, Israel and the Palestinians took the issue off the table, postponing any decision on Jerusalem until 1996.

Foster nomination falls victim to electioneering

The nomination of Henry Foster to become Surgeon General is stalled. On June 22, a final vote in the Senate to break a filibuster launched by Phil Gramm (R-Tex.) to block his confirmation, failed, garnering only 57 of the 60 votes needed. Gramm, a presidential candidate, was desperately trying to play up to the Christian Coalition on one of their pet issues—abortion.

Meanwhile, some Republicans are using the ruckus over the nomination as a pretext to "zero out" the Office of the Surgeon General entirely, possibly by merging it with the post of assistant secretary of health. Senate Majority Whip Trent Lott (R-Miss.) has called for abolition of the position. And in the House, Robert Dornan (R-Calif.) and 33 other members have called for House conferees on the budget resolution to accept the Senate's call for abolition of the post, which they described as "unnecessary" and "largely symbolic."

President Clinton said the Gramm obstructionism on the Foster nomination "sent a chilling message to the rest of the country."

Nunn questions value of NATO expansion

Sen. Sam Nunn (D-Ga.), in a speech to a NATO seminar in Norfolk, Virginia on June 23, questioned the wisdom of NATO expansion. He said that while the advantages of expansion can't be ignored, "the serious disadvantages must be thought through carefully." He warned that "if NATO enlargement stays on its current course, reaction in Russia is likely to be a sense of isolation by those committed to democracy and economic reform, with varying degrees of paranoia, nationalism, and demagoguery emerging from across the political spectrum." Russia could still threaten European stability by putting pressure on Ukraine and the Baltic countries, and could threaten the rest of Europe by putting its remaining nuclear forces on a higher alert status, he warned.

At the conference of the Western European Union, on Capitol Hill on June 21, Clinton administration officials affirmed NATO's Partnership for Peace program as an essential part of U.S. foreign policy. Amb. Richard Holbrooke, assistant secretary of state for European affairs, said, "All of the countries of eastern Europe are looking to western Europe and the United States to extend an institutional embrace," and that, even though this is a long and complicated process, "we're committed to that process."

Assistant Secretary of Defense for International Security Affairs Joseph Nye, Jr. called the Partnership for Peace program "an institution that will exist long after some countries in eastern Europe have joined NATO." It provides a way for nations to have a relationship with NATO.

There is little opposition to Partnership for Peace, but regarding the expansion of NATO, however, the ranks are indeed divided. Even Nye insisted that NATO expansion has to

be done in a "gradual and transparent way," so that Russia will understand what is happening. Russia should have a voice in this process, he said, but not a veto.

Tax cut gets go-ahead from conferees

Republican leaders in the House and Senate struck a deal on June 22 to cut a variety of income and investment taxes by \$245 billion over the next seven years. The accord was announced by Speaker of the House Newt Gingrich (R-Ga.) and Senate Majority Leader Bob Dole (R-Kan.), who both cast it as the final agreement on the budget negotiations that have taken three weeks.

The proposed tax cuts would include a \$500-per-child tax credit for most families, a reduction in the capital gains tax, a new Individual Retirement Account, elimination of the marriage tax penalty, and business tax breaks.

This tax cut, originally slated to be \$354 billion by the House, had been the main bone of contention between the House and the strict budget deficit reductionists in the Senate, with many Republicans fearing that a such a "tax cut for the wealthy" would not sit well with the voters in a budget that otherwise gouges major areas of necessary social spending. Aimed at eliminating the deficit by 2002, the plan would curb the growth of Medicare by \$270 billion, slash Medicaid growth by \$180 billion, reduce interest subsidies on student loans by \$11 billion, and cut farm subsidies by \$13 billion. The \$250 billion a year in discretionary spending that includes education, housing, transportation, the environment, and other domestic

areas which are largely hard and soft infrastructure, would lose \$190 billion in funding over seven years.

In commenting on the Republican budget on June 20, President Clinton warned that it would cause "unnecessary pain." The legislation would also entirely eliminate the Commerce Department, a key institution in President Clinton's overall foreign policy initiatives, including the Mideast peace process.

Conservative Revolution targets vaccinations

Rep. Scott Klug (R-Wisc.) has introduced legislation that would eliminate Vaccines For Children, a program which was set up by President Clinton in 1993 in order to close the gap in immunization and to reach children in impoverished areas who previously were not helped by vaccination programs.

The program is expected to spend millions of dollars this year providing children on Medicaid or whose health insurance provider will not cover vaccines, with free vaccine against the leading childhood killer diseases, including measles, mumps, polio, and whooping cough.

At Klug's request, the General Accounting Office had conducted a study of the program, and its report had been highly critical.

Speaking on ABC's "This Week with David Brinkley" on June 25, Vice President Al Gore said that it was "troubling to see the United States way down on the list of countries around the world in terms of vaccinating children against diseases." Gore said the administration might be willing to make some changes to improve the program, but would not agree to scrap it.

National News

RTC report vindicates Clintons on Whitewater

A report submitted to the Resolution Trust Corporation (RTC) "corroborates most of President and Mrs. Clinton's assertions about their Whitewater real-estate investment," the *Wall Street Journal* claimed on June 26. The RTC, set up to oversee the fate of U.S. savings and loan institutions which went bankrupt during the mid-1980s, was investigating the Clintons' financial dealings in Arkansas with Madison Guaranty Savings and Loan, and the Whitewater Development Corp.

According to the *Journal*, the RTC report shows that the Clintons were initially only passive investors in Whitewater Development Corp., and had no active role until after 1986. Money transfers from Madison Guaranty to Whitewater prior to 1986 are alleged to have contributed to Madison's collapse. The report also verifies, the *Journal* stated, that the Clintons did lose the \$46,000 they claim to have lost in the Whitewater venture.

The *Journal* noted that the report's findings have added significance due to the fact that it was authored by Jay Stevens, who was retained by the RTC despite being a Republican critic of Clinton. If the *Journal's* account is accurate, the RTC report would cut the ground from under the original Whitewater allegations against the Clintons. It might also provide the answer to why Whitewater special prosecutor Kenneth Starr and his army of FBI agents are going so far afield in their Arkansas witch-hunt and indictments.

Arkansas governor slams Whitewater prosecution

Following his June 22 arraignment for alleged campaign finance irregularities, Arkansas Gov. Jim Guy Tucker made his own observations concerning the corruption of Whitewater special prosecutor Kenneth Starr and his promoters. Tucker noted that

Sen. Lauch Faircloth (R-N.C.), a rabid opponent of President Clinton who has pumped up even the tiniest allegations of scandal into massive rhetorical balloons, had in fact helped arrange Starr's appointment to replace the previous independent counsel.

"Of course," Tucker declared, "since this independent counsel represents tobacco company interests as part of his million dollars a year income, not counting the \$100,000 a year he gets from taxpayers for his job, it's not surprising to see a tobacco state congressman, who was instrumental in [Starr's] appointment by Judge Sentelle, make such charges." Tucker was apparently referring to the fact that Starr is representing the British-owned Brown & Williamson Tobacco Co. in a case before the Washington, D.C. Circuit Court of Appeals, at the same time that he is acting as the Whitewater independent counsel.

Tucker went on to blast Starr's investigation as one "where you investigate people and go through persons' lives, try to put together a charge and then charge them with it. . . . Now, when you're granted that kind of power in private life or in public life, there is a need to use with restraint the power granted. This has not only been absent restraint, it has been overflowing with abuse."

Governor Tucker called Starr "a very thin-skinned man" who "wants to be a United States Supreme Court justice. He's made no secret of his ambition for higher appointment by the next Republican administration. This is his ticket to that higher appointment."

Governor Wilson sped up L.A. County bankruptcy

California Gov. Pete Wilson, widely billed as the front-runner for the GOP Presidential nomination, played a major role in accelerating the Los Angeles County financial crisis, the *Los Angeles Times* claimed on June 25. Mustering its powers of hindsight, the *Times* noted that Wilson's previous siphoning off of county property tax revenues—to cover some of the state's massive budget shortfalls—left Los Angeles County

unable to pay its own bills.

California's state budget deficits began skyrocketing in the late 1980s, and dramatically worsened due to wholesale shutdowns of its aerospace and electronics industries during George Bush's occupation of the White House. In 1993, Governor Wilson rammed through measures enabling the state to seize major chunks of local property tax revenues and toss them into the expanding sinkhole of state debt. More than \$1 billion was dragged out of Los Angeles County.

Mike Antonovich, a 15-year veteran of the Los Angeles County Board of Supervisors, told the *Times* that "if the state had not confiscated the \$1 billion in tax revenues, we wouldn't have the crises that we have today." The county also expected to receive \$600 million in federal and state aid this year, which never materialized.

No adjusting of the books, however, can rebuild the collapsed economic base which has driven all levels of government into virtual bankruptcy. County officials are currently wrestling with proposals to eliminate \$1.2 billion worth of public services, in hopes of securing a \$1.3 billion loan from Wall Street. The county already carries a debt of \$7.9 billion.

Conservative guru sees 30-year Republican rule

Grover Norquist, president of Americans for Tax Reform and a crony of House Speaker Newt Gingrich (R-Ga.), told a luncheon meeting of the American League of Lobbyists on June 27 that the ruling Republican coalition will last as long as 30 years. One of the key premises in Norquist's scenario is that more Democrats will die than Republicans.

Norquist described the Republican coalition as a collection of groups "who only want the government to leave them alone," citing the National Rifle Association, taxpayers' rights and property rights groups, small businessmen, and the so-called Christian Coalition as leading elements. The Democratic coalition, Norquist claimed, is not only shrinking, but consists of groups

who are at each others' throats. Unlike the one formed under President Franklin Roosevelt, the current Democratic coalition "is based on interests, not religion or trade union issues, and is therefore less likely to change."

Norquist's version of a peek into the future went way beyond tea leaves in forecasting decades of GOP domination. If the Republicans go through with their plans to cut a trillion dollars from the federal budget by the year 2002, Norquist predicted, the result would be a shift of 4 to 6 million jobs from the public sector to the private sector. That would build the Republican majority, since "the people who hold these jobs will be objectively Republicans."

That reasoning may not have fully convinced the lobbyists, but Norquist had not yet delivered his *coup de grâce* to political prognostication. He unabashedly declared that "2 million people a year die in this country, and 1.2 million of them are Democrats. That means there's a 400,000 net loss of Democrats every year."

Riot over conditions at 'private' prison

The Conservative Revolution's dream of replacing the government penal system with dirt-cheap, privately run prisons has already become a nightmare at one such facility. About 300 illegal aliens held at the Esmor Immigration Detention Center in Elizabeth, New Jersey, rioted for nearly six hours on June 18 to protest their abysmal conditions. During their rampage, the detainees smashed furniture and broke windows, until subdued by nearly 200 police officers using pepper spray, Associated Press reported.

According to the *New York Times* on June 21, inmate unrest was the result of the intense austerity imposed by the Esmor Correctional Service, which ran the facility solely for profit. The *Times* interviewed former employee Carl Frick, the first warden of the detention center, who said Esmor officials instructed him to lie to immigration officials who were investigating conditions at the facility. According to the *Times*, Frick was directed to tell them a doctor had been

hired, when in fact he could find no doctor willing to work for the low wages Esmor was offering.

He was also instructed to renegotiate a food-service contract, because \$1.12 a day was considered too expensive for an inmate's meals. An attorney for the Lawyers Committee for Human Rights told the *Times*, "This facility was run on the cheap with guards hired off the street with no training."

The detainees, who were awaiting deportation hearings, and in most cases had applied for political asylum, caused an estimated \$100,000 worth of damage to the center, making it uninhabitable. They were moved to other Immigration and Naturalization Service facilities in New York, Pennsylvania, and Maryland. The INS had agreed to investigate after U.S. Rep. Robert Menendez (D-N.J.) asked the Justice Department in May to look into charges of abuse.

Reich punctures hoax of 'family values' pushers

Addressing the National Baptist Convention in San Diego on June 21, Labor Secretary Robert Reich took to task proponents of "family values" who use the words to generate political divisiveness rather than solutions to real problems.

"It used to be," he said, "that someone could walk directly from the high school graduation ceremony to the factory gate, and then get a decent job that would last a lifetime." Today, however, Reich noted, "almost all families work, and they are working harder than ever," yet more and more families are "getting nowhere."

Reich attacked the "sirens of cynicism" for using "divide and conquer" tactics, and made direct references to Republican Presidential candidates Pete Wilson and Pat Buchanan. Frequently, Reich said, the strategy of those who invoke the words "family values" is to "ignore the real problems, get anxious people scared and mad at each other, and hope this fear puts enough points on the board to win when the buzzer sounds."

Briefly

● MARGARET THATCHER

spent some extra down time with Fed chairman Alan Greenspan, at a farewell party for British Ambassador Robin Renwick in Washington on June 26. The *Washington Times* reported that, besides stroking a few other Bush puppies at the event, Thatcher spread pillows on the floor and settled down to a half-hour chat with Greenspan. Thatcher was allegedly in the United States to promote her new book, *The Path to Power*.

● HENRY KISSINGER

met recently in New York with Hollywood actor Paul Sorvino, who wanted to size him up before playing Fat Henry in Oliver Stone's forthcoming film "Nixon." According to an item in the June 21 *Washington Post*, Kissinger told Sorvino, "You're fatter than I am." Having read the script, Kissinger also told him, "I'm a slimeball in it, but at least it's not a big part."

● DONALD NIXON, Jr.,

nephew of the late President Richard Nixon, has been detained by Cuban authorities, Associated Press reported on June 23. "Don Don," who had worked closely with top narco-financier Robert Vesco, was in Cuba arranging "for a pharmaceutical test there," according to AP.

● VIRGINIA PRISONERS,

under a directive effective July 1, will be required to pay \$5 for health care visits, and an additional \$2 for any medication dispensed other than aspirin. There are few exceptions to the policy. Prison inmates make approximately \$7 a week, which must also cover such purchases as shaving cream and toothpaste, if they have no other source of funds.

● THE LAW PARTNER

of Anti-Defamation League national commissioner Murray Janus pled guilty to sexual assault on June 19. Richmond, Virginia attorney James Baber was accused of asking a woman who was a potential client to perform oral sex in lieu of a fee. Janus, charged with bribing Baber's accuser with \$10,000, pled not guilty.

Editorial

Fifty years too many

The United Nations is presently facing financial bankruptcy. This, and its manifest bureaucratic inefficiency, are being used by some as a reason to try to shut it down. The truth is that it should be shut down, not for financial reasons, but because it has been morally bankrupt since its inception—or one might say its misconception.

A good deal of the responsibility for the founding of the U.N. lies with Franklin Roosevelt, who originally conceived of it as a way of containing the British by formalizing the wartime relationship among the Big Four: the United States, the United Kingdom, the Soviet Union, and China. According to his son Elliott, Roosevelt's intention was to use the U.N. to dismantle the British and French empires.

He certainly did not envisage the immediate post-war emergence of the Cold War, nor the fiction subsequently concocted, that he and Winston Churchill had forged a "special relationship" between their two nations.

In 1943, Elliott Roosevelt accompanied his father to the Teheran summit. In his book *As He Saw It*, Elliott quotes FDR: "When we've won the war, I will work with all my might and main to see to it that the United States is not wheedled into the position of accepting any plan that will further France's imperialistic ambitions, or that will aid or abet the British Empire in its imperial ambitions."

Franklin Roosevelt made several miscalculations. He overestimated his own health and his ability to determine the shape of the postwar world. More significantly, he apparently did not understand the plans of the British circle led by Bertrand Russell to use the atomic bomb to force the establishment of a one-world government. Russell's vision of a United Nations with teeth became the U.N. we know today.

On Sept. 1, 1946, Russell wrote a scathing attack on Roosevelt's conception of the U.N., in the *Bulletin of the Atomic Scientists*. The title of the article was, "The Atomic Bomb and the Prevention of War." Russell wrote: "It is entirely clear that there is only one way in which great wars can be permanently prevented, and

that is the establishment of an international government with a monopoly of serious armed force. When I speak of an international government, I mean one that really governs, not an amiable facade like the League of Nations, or a pretentious sham like the United Nations under its present constitution. An international government, if it is to be able to preserve peace, must have the only atomic bombs, the only plant for producing them, the only air force, the only battleships, and generally whatever is necessary to make it irresistible. . . .

"The monopoly of armed force is the most necessary attribute of the international government, but it will, of course, have to exercise various governmental functions. It will have to decide all disputes between different nations, and will have to possess the right to revise treaties. It will have to be bound by its constitution to intervene by force of arms against any nation that refuses to submit to the arbitration."

Russell would certainly have applauded the U.N.'s role today in the former Yugoslavia. In the Balkans, the British have forced through a policy of using the U.N. Blue Helmets to strengthen the Serbian position and prevent the Bosnians from defending their nation.

It is by no means coincidental that the Serbians, recipients of Britain's wholehearted support, have carried out a policy of racial purification, modelled upon Hitler's racialist policies. These same policies were supported by the British oligarchy prior to World War II. These same policies are now carried out more discreetly under the aegis of U.N. efforts to reduce the populations of Asia and Africa, to a level deemed appropriate to their would-be new overlords.

In a 1992 interview, British Foreign Secretary Douglas Hurd told a reporter for the London *Independent* his views on U.N. policies toward the former colonies. "When bits of Africa collapsed in chaos in the last century," he said, "colonial powers came in and there was the scramble for Africa. But that's not on; they're not going to do that again, and therefore it is only going to be the U.N."

It is time to correct Roosevelt's blunder and dismantle this abominable institution.

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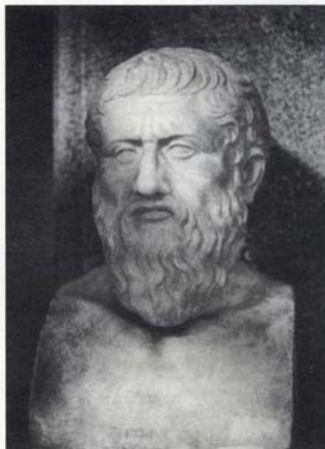
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