

EIR

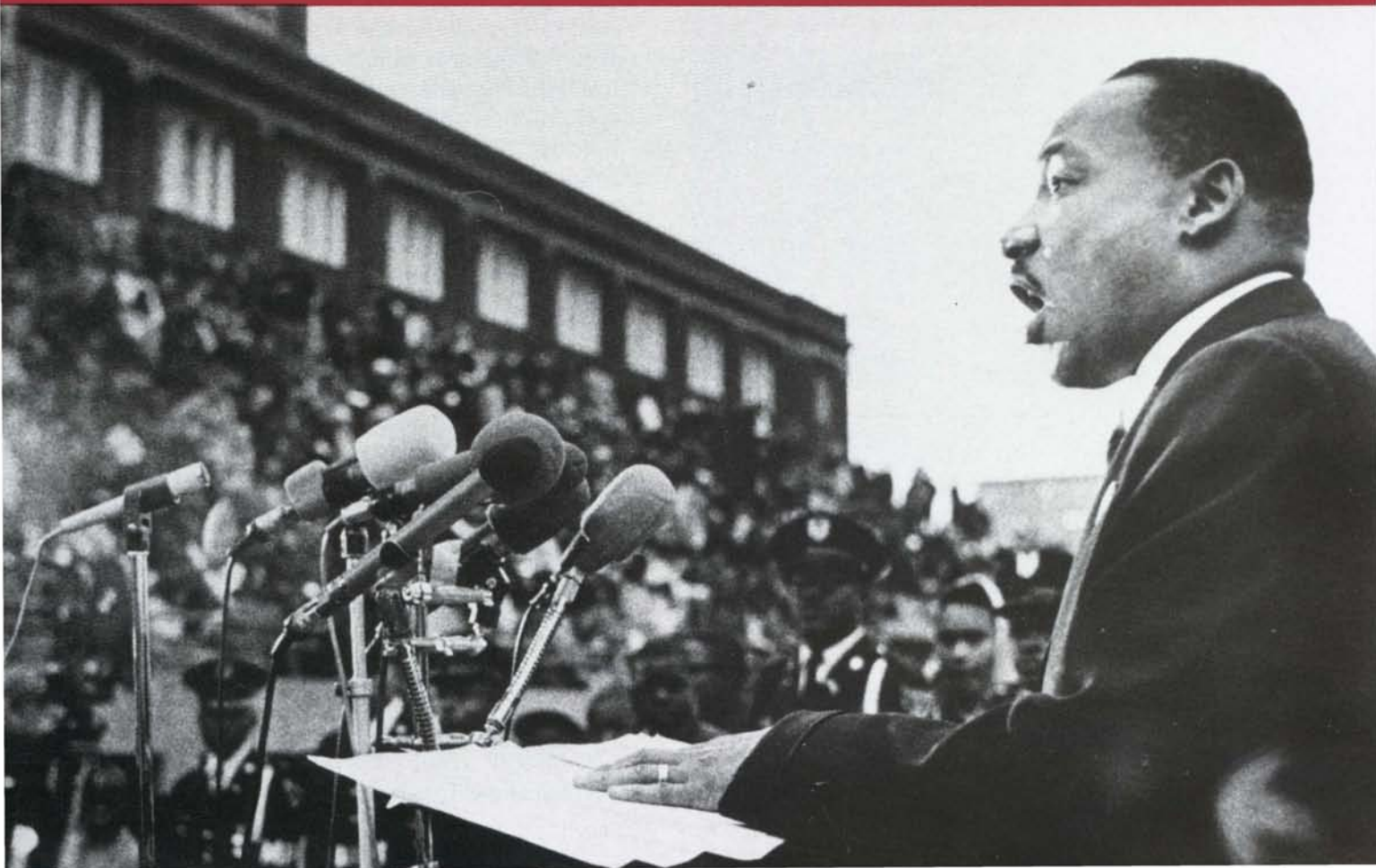
Executive Intelligence Review

February 3, 1995 • Vol. 22 No. 6

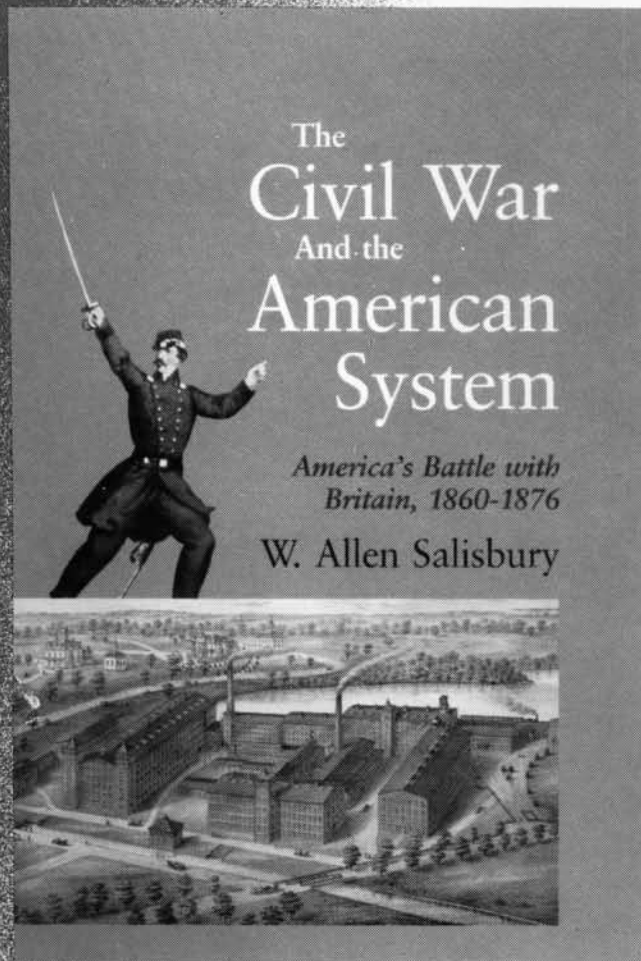
\$10.00

Sir Michael Rose fades from the Balkans
LaRouche option weighed in Ibero-America
Nigeria's 1995 budget: no 'U-turn'

The unfinished mission of Martin Luther King



The Anglo-American
“special relationship”
wasn’t always what
it is today . . .



\$15

plus \$3.50 shipping first book;
\$.50 shipping for each additional book.

The
Civil War
And the
**American
System**

tells the truth—for the first time—about the “Civil War,” which was in fact the battle between the American System of economics and the British system of free trade.

Today the heirs of Adam Smith and the British Empire are pressing for worldwide “free trade,” a system which led to slavery in the 19th century, and is doing so again today.

Utilizing a rich selection of primary-source documents, Salisbury reintroduces the forgotten men of the Civil War-era battle for the American System: Mathew Carey, Henry Carey, William Kelley, William Elder, and Stephen Colwell. Together with Abraham Lincoln, they demanded industrial-technological progress, against the ideological subversion of British “free trade” economists and the British-dominated Confederacy.

Order today from the publisher:

EIR News Service

P.O. Box 17390

Washington, D.C. 20041-0390

or call **Ben Franklin Booksellers**

(800) 453-4108 (703) 777-3661 fax (703) 777-8287

Visa and MasterCard accepted

EIR

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editor: *Nora Hamerman*

Associate Editor: *Susan Welsh*

Managing Editors: *John Sigerson,*
Ronald Kokinda

Editorial Board: *Melvin Klenetsky, Antony Papert, Gerald Rose, Edward Spannaus, Nancy Spannaus, Webster Tarpley, Carol White, Christopher White*

Science and Technology: *Carol White*

Special Projects: *Mark Burdman*

Book Editor: *Katherine Notley*

Advertising Director: *Marsha Freeman*

Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Agriculture: *Marcia Merry*

Asia and Africa: *Linda de Hoyos*

Counterintelligence: *Jeffrey Steinberg,*
Paul Goldstein

Economics: *Christopher White*

European Economics: *William Engdahl*

Ibero-America: *Robyn Quijano, Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

Rachel Douglas, Konstantin George

United States: *Kathleen Klenetsky*

INTERNATIONAL BUREAUS:

Bangkok: *Pakdee Tanapura, Sophie Tanapura*

Bogotá: *José Restrepo*

Bonn: *George Gregory, Rainer Apel*

Buenos Aires: *Gerardo Terán*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Mexico City: *Hugo López Ochoa*

Milan: *Leonardo Servadio*

New Delhi: *Susan Maitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 333½ Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451.

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.

Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

Copyright © 1995 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Second-class postage paid at Washington D.C., and at an additional mailing offices. Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

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

From the Editor

Let's not take our eyes off the Mexican debt bomb, which was the subject of last week's cover feature and a followup package (*Strategic Studies*) in this issue. Since the "news" can only be covered truthfully as "current history," the inescapable reality which defines today's world news is that the meltdown of the world's financial system has thrust the authority of Lyndon LaRouche's approach to economics and the "Hamiltonian-Listian" tradition into the center of attention of policymakers.

For example, the *International* section leads with two stories from the eastern side of Europe, the former socialist sphere—first, the coming phase-shift in the Balkans, and second, the events in Russia. Take special note of Michael Liebig's exclusive report on the Bosnia/Croatia strategic situation, which differs very noticeably from the muddled, British-inspired coverage you will read in other media. The coming pullout of Unprofor troops there has a lot to do with the crisis in Russia; and the crisis in Russia, as the following article shows, has everything to do with the miserable failure of "reforms" hitched to the prestigious world monetary system which is now collapsing into a shambles.

With all this in mind, it is needful to focus on models of individual greatness who, in past moments of history, have been able to chart a path out of crisis. Two such great Americans are highlighted in the *Feature*. One is Frederick Douglass, the former slave who died one hundred years ago this February. The other is Dr. Martin Luther King, a genius of our own era. After his death in 1968, the civil rights struggle was left incomplete, because the economic train called "progress" was left standing in the station. A movement led by Mr. LaRouche and his wife Helga Zepp-LaRouche, who founded the Schiller Institute in 1984, is fighting to get that train started again.

Our *Feature* report tells about an exemplary project for literacy ("Exhibit A") which the Schiller Institute is carrying out in Washington, D.C., in cooperation with Amelia Platts Boynton Robinson, known for her especial heroism and sacrifice in the Selma March of 1965. On President's Day weekend in February 1995, the institute will host its most important conference yet, in the vicinity of the nation's capital.

Nora Hamerman

EIR Contents

Interviews

8 Paul Ogwuma

The governor of the Nigerian central bank discusses the Abacha government's efforts to stabilize the country's financial situation.

17 Amelia Boynton Robinson

For nearly six decades, Mrs. Robinson has been a leader in the civil rights movement. It was she who invited Dr. Martin Luther King to Selma, Alabama in 1965, to register blacks to vote. Today she is vice chairman of the Schiller Institute.

63 Howard Cullum

Mr. Cullum was Virginia Secretary of Health and Human Resources under former Gov. L. Douglas Wilder, and also served as Virginia's Mental Health Commissioner. He is currently a consultant in the health and disability field.

65 Wilmer Parker

The chief of the Drug Division of the U.S. Attorney's Office in Atlanta, Georgia, Mr. Parker is a specialist in prosecuting international drug money-laundering organizations.

Photo credits: Cover, *Washington Post*, reprinted by permission of the D.C. Public Library. Page 8, EIRNS/Uwe Friesecke. Page 15, EIRNS/Tom Szymecko. Page 17, Hawkins Studio, Tuskegee, Alabama. Pages 18, 19, 28, 33, EIRNS/Stuart Lewis. Page 23, Library of Congress, Prints and Photographs Division. Pages 24, 50, EIRNS/Philip Ulanowsky. Page 29, EIRNS/Carlos Wesley. Page 31, Unicef/Claudio Edinger. Page 63, Richmond Newspapers.

Strategic Studies

26 LaRouche option weighed in Ibero-American debt crisis

27 Argentina: Next on the chopping block?

30 Brazil: the illusion of being different

34 'Exchange controls saved Venezuela'

41 Peru's 33 years of regression

Departments

11 On the Green Front A fishy tale.

56 Dateline Mexico Civil resistance in Tabasco.

57 Northern Flank Boutros "Hitler" Ghali visits Sweden.

72 Editorial Pity the poor panda.

Correction: In our issue of Jan. 20, we reported (p. 12) that an interview with Lyndon LaRouche had been published in the final 1994 issue of the Chinese journal *Strategy and Management*. The article was not actually an interview, although published in question and answer format. Rather, as the introduction stated, it was a report of the author's impressions of his discussions with LaRouche.

Economics

4 Figaro is singing a different tune

Echoes of Lyndon LaRouche's "Ninth Forecast," on the coming disintegration of the world financial markets, are coming from the banks of the river Seine.

6 Nigerian government announces 1995 budget: no 'U-turn'

8 IMF is pressuring Nigeria, says central bank head An interview with Paul Ogwuma.

10 Currency Rates

12 Business Briefs

Feature



Dr. Martin Luther King, Jr., speaking on March 12, 1967 at Cardozo High School in Washington, D.C.

14 **The unfinished mission of Martin Luther King**

Lyndon LaRouche addresses the Schiller Institute's Martin Luther King Conference in Washington.

17 **We have to pass the torch on to the next generation**

An interview with Amelia Boynton Robinson.

21 **Frederick Douglass: 'Knowledge unfits a child to be a slave'**

Denise M. Henderson presents one of the leading figures of the civil rights movement in the 19th century.

22 **Douglass: Education will subvert the slave system**

International

44 **Balkan war on verge of shift as Sir Michael Rose departs**

The long-anticipated departure of the British Unprof or commander will likely usher in a new phase in the war in Bosnia-Hercegovina.

46 **No end in sight to war or economic collapse in Russia**

48 **N. Ireland MPs hold peace process hostage**

49 **A candidacy against the nomenklatura**

Jacques Cheminade, a pre-candidate for the New Solidarity Federation in the French presidential elections, analyzes the current political scene and explains why he is running for office.

52 **German Club of Life demands: Euthanasia, never again!**

54 **Perry visits Asian subcontinent to help ease tensions**

58 **International Intelligence**

National

60 **The state of the union: Clinton caught in the middle**

Beware of trying to draw any particular conclusions from the President's speech, about what the next 12-18 months of the Clinton administration will look like.

62 **No quick fix in sight for the CIA**

63 **Virginians are not thinking through the budget cuts**

An interview with Howard Cullum.

65 **Prosecutor takes aim at higher levels of drug money laundering**

An interview with Wilmer Parker.

68 **Congressional Closeup**

70 **National News**

Figaro is singing a different tune

by Chris White

It is "indispensable that the big powers in the world put into place a new monetary system that forbids the jumping around of money." This was one of the conclusions drawn from present monetary and financial turbulences by Antoine-Pierre Mariano, in his Jan. 26 lead editorial in the Paris daily *Le Figaro*.

Entitled "A Dangerous World," Mariano's review of the current global situation was intended to support the view that, as he put it, "anything can explode at any time." His second conclusion was that a "fragile equilibrium" has been created through the early warning procedures of the world central banks, which are in permanent cooperation with each other. According to Mariano, this cooperation shows that crises "can be nipped in the bud." This "fragile equilibrium" might hold for some time. But the question, he asks, is for "how long?"

Echoes of LaRouche

Echoes, then, from the banks of the river Seine, of American economist Lyndon LaRouche's Ninth Forecast, "The Coming Disintegration of the Financial Markets." Now being circulated nationally throughout the United States, LaRouche's Ninth Forecast proves conclusively that there are only two outcomes to the present, deepening world crisis: Either the present international monetary system is put through top-down bankruptcy reorganization by act of governments cooperating to that end, or that same international monetary system is doomed to collapse.

Strange it is, then, to find that the *Le Figaro* editorialist asserts that, since a new world monetary system would mean the end of the reign of the dollar, it cannot therefore be imposed on the United States. Since the dollar is, at first sight at least, the U.S. currency, it is straightforward for him to

assume that the United States would resist any reorganization of its own currency as a diminution of its own power.

Such a view might sound reasonable where such editorials are read. But the author is overlooking what might well turn out to be crucial. Yes, indeed, it can readily be conceded that, at present, there is no evident support from U.S. institutions for the kind of perspective he has introduced. There is, to be sure, a growing, panicked recognition that events, such as the crisis which erupted with the massive devaluation of the Mexican peso, in the week before Christmas, do have the potential to spin out of control, with worldwide, as opposed to local or regional consequences, and, that the mouth and ego of the Robespierre of the U.S. Conservative Revolution's fascist shock troops, House Speaker Newt Gingrich (R-Ga.), might contribute political impetus toward that feared eventuality.

But, what about the case that, under changed circumstances, what was previously unimaginable might not only be possible, but also do-able?

For example, why wouldn't the *Le Figaro* editorialist want to take up the question: How is it that, over the last 25 years and more, the loudest, clearest, and most consistent voice the world has had for what he now says is the desirable, but unfeasible, solution to the international crisis, has been that of Lyndon LaRouche? And that the included purpose of LaRouche raising his voice, consistently, in that way, has been to assist in creating the circumstances in which precisely the United States will be capable of contributing to the desired outcome?

Cumulative authority

This record, the cumulative authority on which the Ninth Forecast is based, spans, actually, the period from 1959-60, when, in his Second Forecast, LaRouche projected the mid-to late-1960s monetary eruptions which would spell doom

for the post-World War II Bretton Woods system. This did come about, on that one day, Aug. 15, 1971, when President Richard Nixon, Treasury Secretary John Connally, and Assistant Treasury Secretary Paul Volcker decoupled the dollar from its gold-peg.

LaRouche's record continued to accumulate, through his subsequent six forecasts, from his Oct. 16, 1979 warning of what the same Paul Volcker, then Federal Reserve chief, would accomplish with his high interest rate policies, to LaRouche's Nov. 23, 1991 "mudslide," Eighth Forecast. "Many people have been looking for a definitive, one-day, two-day, three-day financial crash, perhaps on the markets, with the Dow Jones, sometimes called Davy Jones Index, crashing 500 or 1,000 points or more. What they are seeing is the Great Mudslide of 1991."

The Great Mudslide continued through 1994, through the bankruptcy of financial institutions in Venezuela, Germany, Spain, and elsewhere, to the collapse of California's Orange County and the effective bankruptcy of the Mexican republic at the end of 1994.

Why *Le Figaro's* editorialist would not want to take up such matters is reflected in another editorial, dealing with the same subject matter, from a slightly different standpoint. This one appeared the next day, Jan. 26, in Germany's leading daily, the *Frankfurter Allgemeine Zeitung*. Here we find the question posed from that standpoint of what ought to be done to rein in the "invisible hand" of the so-called free markets. Ought these markets to be re-regulated to eliminate their dangerous excesses? Won't regulation, or re-regulation lead to other problems?

For example, it is clear that some kind of credit facility is needed to overcome speculation of the sort that has surfaced in Mexico. But, might not the creation of such a facility bring into existence the monetary equivalent of a world policeman? These ruminations are set against the backdrop of a review of "bubble economy" debacles from John Law's Mississippi and South Sea companies of the early 18th century, to end-of-19th-century American railroad blow-outs, to the present round, whose epicenter appears to be Mexico, but which stretches worldwide, down to Argentina, across the Pacific to China, and the countries of the western side of the Pacific Rim, through Russia, Italy, Spain, Sweden, and back to Canada.

What both the editorialists are doing is making the matter of what happens or ought to happen to world monetary arrangements a purely technical one—as if action of some more or less enlightened group of bureaucrats or technocrats might come up with the kind of agreement desired. As if, to go further, technical action in the domain of money and finances per se might have some effect or consequence.

There are no technical solutions

They ought to read the proof LaRouche develops in his Ninth Forecast. Because what they are looking for, does not

exist. There are no technical solutions to the dangers they describe as flowing from current potential breakdown conditions. There are only political solutions. Hence, Mariano's fallacy of composition in attempting to attribute a policy commitment to the United States, without considering what he must know, or could easily find out, that it is a U.S. politician, namely LaRouche, who has put forward the solutions Mariano says he is looking for, and who has fought for them, worldwide, as well as in a succession of U.S. presidential campaigns.

To insist on the technical is to miss the whole point. Wealth creation and money are not the same thing at all. Bankrupt monetary systems cannot be replaced except from the standpoint that the wealth-producing powers of the creative potential of human labor are primary, not money and prices per se. We now have a money or quasi-money bubble moving into an historical collapse phase, precisely because of the political insistence that those creative powers which make humans unique ought not to figure in such decisions, but that all such decisions ought to be made on the swinish basis of "buy cheap, sell dear," and that the way to attempt to preserve the financial order is by driving, for example, all labor costs down toward the level of the Chinese coolie labor employed in the sweatshops of Guangdong.

For example, what is the dollar, in the so-called global marketplace that the world's credit and financial system has increasingly become over the few years since the interval 1987-89? Can the dollar, employed one way or another, in the \$2 trillion-plus daily trading volume on currency bond and commodity markets, any more be properly characterized as the U.S. dollar? Is the emission of such credit, and therefore of future promises to pay (whatever other currency, instrument, or commodity), in the hands of any U.S. authority, never mind the matter of whether such emission occurs in ways mandated by U.S. constitutional law? Are dollars generated from often illegally derived deposits in offshore centers, like the Cayman Islands, Bahamas, Aruba, the Marshall Islands, Hongkong, Luxembourg, the Channel Islands, or the Isle of Man, to be treated the same as dollars generated within the United States?

Yes, indeed, the bubble is primarily denominated in dollars. But, why should the United States be forever committed to defending something which is both threatening its own very existence, and standing as an obstacle to the sovereign actions available to remedy the deepening mess? Is such a matter one of purely financial technicalities? Or is it not a matter of how the United States decides to govern itself? To put the matter of the needed new monetary system on the table, as it were, without mentioning the one figure who has done more to bring that about than anyone else, is tantamount to leaving the field clear to those who insist that the bubble they created on the wreckage of the U.S. dollar in 1971 be maintained at all costs. LaRouche's Ninth Forecast proves where that attitude will lead us all.

Nigerian government announces 1995 budget: no 'U-turn'

by Uwe Friesecke

On Jan. 14, Nigerian Head of State Gen. Sani Abacha announced the country's new budget for the year. The Nigerian government apparently felt forced to reverse some of the stringent control measures that it had adopted last year to stop the destructive effects of the International Monetary Fund-guided economic policy which the Babangida regime had initiated during the 1980s. This was promptly characterized by the London *Financial Times* as a "policy U-turn" in favor of the much-discredited liberal economic model of the IMF and the Paris Club of western banks. On the surface the new policy might appear as such, but a more thorough analysis reveals a different strategic dynamic, which is responsible for the new elements in Nigeria's 1995 budget.

According to reliable sources close to the government in Abuja, the pressure from western IMF and banking interests was just so much, that the government felt it had to compromise on some questions, like allowing a parallel free market for the currency, the naira, to be able to prevent a bigger disaster. Apparently the IMF worked through different private lobbying groups within Nigeria and threatened a renewal and tightening of economic sanctions, which the government feared would have thrown the country into chaos. But already the Nigerian government is faced with the fact that the IMF's understanding of compromise means only that the other side, i.e., Nigeria, fulfills the deal, while it, the IMF, is demanding more. Said the *Financial Times*: "Until General Abacha accepts the need for a market-driven exchange rate for the whole economy, skepticism will rightly continue about his administration's competence."

Guided deregulation

General Abacha announced a number of budget measures as "guided deregulation" and "liberalization." He appealed to the private sector, which apparently lobbied much for such liberalization, to lead the way of the needed economic mobilization. The most important liberalization measures affect the exchange rate and foreign investment policy.

"The exchange rate policy in 1995 is designed to maintain the current official rate and at the same time permit the Central Bank of Nigeria to intervene in the autonomous market. To this end, the autonomous market will now be permitted in Nigeria and inter-bank autonomous market shall be allowed to operate freely," Abacha said in his budget speech. Also,

the Exchange Control Act of 1962 is being repealed to "allow the inflow of funds and foreign investments." In 1994, all foreign currency was concentrated into the accounts of the central bank at a fixed rate of 22 naira to the dollar. No parallel free market was allowed, but the private sector was offered a designated amount of foreign exchange. According to sources, Nigeria has been bled dry of foreign currency over the last months, affecting badly the manufacturing sector in particular. Now, private persons like industrialists can buy foreign currency on the open market at the so-called market rate, which for now stands at about 85 naira to the dollar, whereas the government, for its transactions like oil revenues or debt payments, will continue to stick to the rate of 22 naira.

The intent of this policy is to attract hard currency and foreign investment. To the same end also, the Nigerian Enterprises Promotion Decree of 1989 is repealed. That decree limited the amount of equity foreign multinationals could hold in joint ventures with Nigerian enterprises. The critical question here, to which government sources point, is how these policy changes will be implemented by the ministries in charge. They are quite aware of the obvious danger of removing all restrictions on inward and outward flow of currency: It could lead to massive capital flight and thus a further weakening of the capital base of the economy. Also, unlimited ownership of equity and unlimited rights to repatriate profits would detract from rather than add to the wealth of the country.

As a sign of good faith to the IMF, the new budget also closes down dedicated oil accounts, which the government used for special projects and which supposedly were the source of much corruption.

From Abacha's language, it is clear that these measures are designed to win approval from the IMF and to ease the pressure from foreign creditors: "Nigeria's total external debt stood at \$29.43 billion at the end of October 1994. The country's external debt portfolio has remained a source of serious concern to our economic development efforts. However, Nigeria will continue in 1995 to devote about 30% of the total foreign exchange earnings to debt service. . . ."

"The main focus of Nigeria's relationship with the World Bank group and the International Monetary Fund in 1995 will be to conclude negotiations on the Medium-Term Economic Program. The negotiations will be given added impetus in

1995. The finalized MTP should not only entitle Nigeria to concessional debt relief, including debt write-off, but also to highly concessional resources from multilateral and bilateral sources. With all these measures taken in this year's budget, including economic reforms, we believe we are more disposed toward receiving debt concessions, including debt write-offs as have been extended to some other developing countries."

Government action for development

While doubtful compromises vis-à-vis the liberal economic model are being made, a careful study of Abacha's speech also shows the government's intent to continue on the path of serious efforts to develop the Nigerian economy, which was begun with the 1994 budget. This is most obvious from two aspects of the 1995 budget, the emphasis on agriculture and the design of a special trust fund, financed from the extra earnings the government receives from last October's rise in fuel prices.

Building on the success of 1994, where the aggregate index of agricultural production increased by 1.6%, in contrast to a decline of 1.9% in 1993, Abacha "directed all state military administrators to give special emphasis to agriculture." A total of N 2.7 billion (\$120 million) in the budget is earmarked for the development of agriculture and solid minerals. The government is committed to complete the facilities for local fertilizer production, and has abolished the customs duties on agricultural and water chemicals to make their import easier. "This is a call on the nation to go back to the land, the historic base of our natural wealth and group endowment," said Abacha. The purpose of this policy is to make Nigeria self-sufficient in food supply and to begin to earn foreign currency from other sources than only oil exports. Similarly, a new emphasis is given to exploiting Nigeria's vast mineral resources, for which a Ministry of Solid Minerals Development is being established.

The special fund from the higher price of petroleum products is estimated to receive about N 61 billion this year. A board of trustees to administer the fund will be inaugurated shortly. This money will be utilized for specific urgent programs including roads, railroads and water ways, education, health, food and water supply, security services, energy, and rural development.

Within the constraints of a tight budget, certain measures are designed to alleviate the pressure on the general population. Tariff reductions on essential goods like salt, sugar, and milk have been implemented. Duties on textbooks and educational material have been abolished. Finally, a Ministry of Women and Social Welfare will be established with the explicit task of setting up a department to take care of the welfare of disabled persons. Already those measures have come under attack by western press as increasing "wasteful spending."

On policy toward government-owned enterprises, the

compromise line of the new budget becomes most obvious. "There are certain enterprises which require high managerial and technical expertise if they are to operate profitably. Government has therefore decided that it is in the best interest of the country that these enterprises are not sold off at least for now," Abacha said. But the government is offering these enterprises for a 10-year lease to "both local and foreign entrepreneurs." The list includes Nigeria's four oil refineries, two petrochemical plants, the steel mills, fertilizer factories, paper manufacturing plants, and the national airline. These are all strategic industries and the lease offer may well lead to the outright selloff to foreign interests.

The government's dilemma

Knowing the commitment of the majority of Abacha's government for putting an end to the economic disaster of previous governments, and taking into account other examples of western arm-twisting, it is clear that the IMF, World Bank, and creditor banks' blackmail of Nigeria over the last six months must have been extraordinary, and possibly included the threat to cut off food imports. They apparently exerted pressure through private circles inside Nigeria, probably including groups within the military, and confronted the government with massive unrest in the context of a general collapse of the economy.

The question now is whether an unavoidable compromise will lead to throwing the principles of sound economic development overboard entirely. This is exactly what the IMF demands through its fanatical free market commentators in the *Financial Times*. But there are strong warning voices close to the government in Nigeria, which are pointing to the endless series of IMF-Paris Club policy disasters of recent months, such as Russia, Tanzania, and, lately, the collapse of the Mexican "model."

The western media are trying to drive a wedge into the cabinet of General Abacha, by portraying the new budget as a sign that a pro-IMF group around Central Bank Governor Paul Ogwuma has won over the group of dirigists led by Professor Aluko and Works Minister Lateef Jakande. Reliable sources in Abuja deny this and insist that the budget, including its compromises vis-à-vis the IMF, reflects the view of the cabinet as a whole.

Nigeria's leaders, as were so many before them, are faced with an arrogant attitude of a dominant western banking group that is clinging hysterically to enforcing a neo-colonialist economic model, even though it is collapsing all around the world. If the current Nigerian leadership of General Abacha's government would seriously retreat from their 1994 commitments and go back to implementing an IMF structural adjustment policy, they would turn a tactical retreat into a rout, and produce exactly the political and social disaster that they were trying to avoid. But hopes are that military leaders do not retreat before an enemy (the IMF) when the enemy has just experienced its Waterloo (Mexico).



IMF is pressuring Nigeria, says central bank head

Paul Ogwuma, governor of the Central Bank of Nigeria, was interviewed by Lawrence Freeman and Uwe Friesecke in the Nigerian capital of Abuja in November 1994.

EIR: Could you give us your view of the state of the Nigerian economy, how it is performing at the moment, and where it is heading?

Ogwuma: The economy, as it is performing at the moment, is a bit subdued. We would have preferred a better performance in the economy than we have at the moment. This year the growth rate is probably at about 2%, whereas last year the growth rate was about 5%. So, the economy is a bit weak. But we are hoping that come next year, we will have a better growth rate and better resource money going into the economy.

EIR: What measures will be taken that will lead to this increased growth rate?

Ogwuma: I would not want to preempt the government policy for 1995, but the government generally would take stock of what has happened in 1994. Specifically, we would like to see some increase in capacity utilization, we would like to see some increase in employment, we would like to see some increase in the areas of inflow of foreign exchange into the country.

EIR: The Abacha government has stabilized the naira at 22 to the dollar. Has that worked, or is there still a great deal of black market speculation going on? Is the naira now a stable currency for Nigeria?

Ogwuma: Officially, the rate is stable. But the market rate has been rather weak generally. The naira has not been as strong as one would have expected. Everything is not just the economy. You look at the political situation; there have been industrial disputes, and problems in capacity utilization. But more importantly, there hasn't been adequate availability of foreign exchange in the country, and that has affected the value of the naira, it has affected the growth rate in the economy, it has affected inflation, and has affected employment.

EIR: What plans or programs does Nigeria have for increas-

ing the flow of foreign exchange into the country?

Ogwuma: Up to now, our economy has been a mono-commodity economy. We have depended mainly for foreign exchange earnings on crude oil export. But the intention of the government is to emphasize other activities that could bring in foreign exchange. The government at the moment is looking at mineral exports. We are also looking at agricultural produce for export. More importantly, the government is also looking at the LNG [liquefied natural gas] project which should be taking off in about three years time. Recently, the contracts have been signed with Shell and other promoters who are going to be our partners in the LNG projects. The government would like to see that the sources of the availability of foreign exchange are broadened beyond that of crude oil export only.

EIR: Recently the government has fixed the rate of petrol at 11 naira a liter. How do you think that will affect the economy?

Ogwuma: As you know, Nigeria is one of the countries with the lowest price of fuel or petrol in the west African region. In fact, all over the world Nigeria has the lowest price for fuel. Most of the users of fuel, their prices will go up, particularly transporters, some agricultural producers, and also people who use it for generation of power. The most important thing is that there should be a more efficient use of fuel. At the moment, there is a lot of wastage of petroleum and gas. There was a time when Nigeria was taking a lot more crude oil for local refining. We would like a situation where if the utilization of petrol is efficient, then we would probably have more crude oil for export. It will increase the revenue of the country, but if the petrol is used more efficiently, then it will be better for the country.

EIR: With the increase in fuel prices, are you concerned that there will be a chain reaction of inflation due to this increase?

Ogwuma: The level of inflation is not likely to be very adversely affected in this case, the reason being that most people have really been paying this kind of rate anyway.

In the past, the availability has been very difficult and people had been paying much higher than the government rates. So I believe that this has already been discounted in

the price structure.

EIR: Nigeria has lowered interest rates. What are the positive effects of this?

Ogwuma: I am not so sure it is going to be as low as 20%. When we have inflation rates as high as we have had in Nigeria—which is in the region of about 50-60%—then if you have an interest rate as low as 20%, you have a false negative interest structure. The main effect of this, therefore, is that people are probably going to borrow money too cheap, and they are going to borrow much more money than they need for their normal operation and, of course, this is going to affect inflation yet again. I don't think the government has really made up its mind what the interest structure is going to be in 1995. If we are able to get more revenue to balance the government budget, then the rate of inflation would come down. If the inflation rate comes down, then it will likely affect the rate of interest in the economy as a whole. If one is talking about the lowering of interest rates, that will help investments in industry, commerce, although it is questionable whether it would generate internal savings. A lower rate of interest is likely to increase the economic activity in the country in the future.

EIR: Could you tell us what inflation and the current interest rates are?

Ogwuma: The current lending rate is at 21% and is fixed there. The deposit rate is fixed at between 12% and 15%. The rate of inflation is roughly at about 60%.

EIR: I'd like to move on to the effects that Nigeria suffered under the International Monetary Fund's Structural Adjustment Program. What was the effect of the deregulation of the banking system and what has the government done to correct that?

Ogwuma: The banking system was deregulated, and the number of banks multiplied by about threefold. Of course, that created a lot of problems and headaches for the supervisory authorities. One would like to say that the laws also were not amended in good time. If the laws had been amended sooner, some of the inefficiencies and malpractices in the banking system would not have occurred. Also, a lot of people mistook deregulation for a license to be irresponsible. A lot of the banks became distressed, a lot of the banks were mismanaged, and a lot of banks were overtrading. So there were a lot of problems. Another thing was that the type of structural adjustment we had encouraged expenditure levels people could not really support. We had deficits, deficit financing, deficit budgeting for about four years running, and that meant that we were fanning exchange rate problems, fanning unemployment, fanning inflation, fanning capacity problems in the industrial area.

So all these problems were compounded, it was not just that the banks were alone in the problem of deregulation. But

the banks bore the brunt of it in the end. There was also a lot of policy inconsistency. In the final analysis, a lot of the banks are distressed, and the present administration is doing everything possible to ensure that the level of banks that are in distress is reduced.

EIR: The naira was massively devalued over an 8-10 year period. Did this lead to a lot of speculation and flight capital from Nigeria?

Ogwuma: Yes. It led to quite a lot of speculation and capital flight. Policy inconsistencies also lead to capital flight, because people are not sure what the new regulation will be. We also had expected a lot of investment in the country, but the investment did not materialize following the structural adjustment.

EIR: Could you tell us your assessment of the effects of the Structural Adjustment Program?

Ogwuma: The deregulation aspects of it did work well, but what happened, all the various functions and regulations did not function satisfactorily. For instance, if you have a Structural Adjustment Program, one would have expected that there would be monetary discipline, but there was no monetary discipline, and consequently we were running huge deficits for four years consecutively. That is one of the reasons why the SAP did not work. But under the SAP program, the country had a reasonable growth rate. There was increase in the banking system, the financial system was a growth area, and virtually the economy as a whole was in a growth period.

EIR: During the 1980s, Nigeria paid off \$10-12 billion in debt, but now Nigeria's debt is over \$30 billion. What actions are you contemplating to reduce the debt or payment of it?

Ogwuma: In 1993, there were no debt repayments. In 1994, there have been no major debt repayments, particularly to the Paris Club, and as a result of this, the debt has increased. What happened in years past, is that Nigeria paid the debt, but we also had to contract new debts for development. In the past, we have not been able to meet our debt repayments. We are going to be in discussion with members of the Paris Club; before we do that, we have to have the IMF medium-term program in place. We need a medium-term program. Up to 1992 and 1993, we had a reasonably good relationship with the IMF and World Bank. What was missing at that time was an adjustment in the petrol price, which has just happened. Now that the price of oil has been regularized to a certain extent and once the exchange rate problem is handled, together with the interest rate, we will be able to negotiate with the IMF on the medium-term program. And then we can discuss with the Paris Club.

EIR: Numbers of countries have brought up the question of debt reduction. Have you given any consideration to those alternatives?

Ogwuma: Yes, we are in discussion with creditors in that regard. But for debt relief to take place, we have to have a medium-term program with the IMF. Once the medium program is finalized, then we can talk about debt relief with members of the Paris Club.

EIR: How does Nigeria get loans for development, if the government has to pay so much money for the debt?

Ogwuma: For the moment, foreign exchange earnings have to go to debt service. If you left it alone, 60% of foreign exchange earnings would go to debt, which is why the government decided to bag it at 30% of foreign exchange earnings. What we intend to do is to ensure that the totality of the debt we are incurring is reduced to the barest minimum. But in any case, it is not so much the debt itself but what the debt is used for. I myself am not opposed to Nigeria incurring more debt if we need to, provided that particular debt is being put to the best advantage.

EIR: Is Nigeria incurring new loans and new debt now?

Ogwuma: The lenders are not lending us money at this time, because we do not have the IMF program in place. However, there are some new monies coming in, related to projects, in petrol and an LNG project. These are coming from national financial institutions, the U.S. Eximbank, the Eximbank of Japan, the British, and the French.

EIR: But the international banking consortiums are not going to lend you any more money until a medium-term program is approved by the IMF?

Ogwuma: As far as the international banking community is concerned, that is the London Club, we did have an arrangement with them, and that was about three or four years ago. But at this point, we are not interested in going to them, because the rates are high, the terms are short, and it is not conducive to development. We would prefer loans coming in from development institutions, rather than from the London Club.

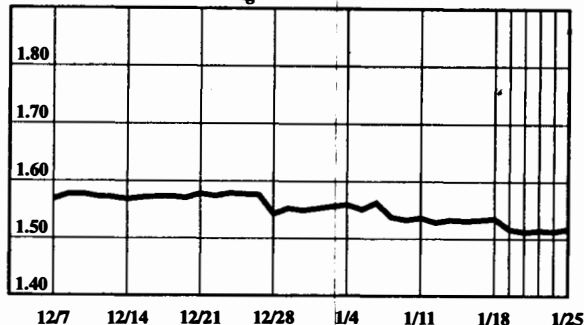
EIR: What do you think is the most important thing that should be done to improve the Nigerian economy in the short term?

Ogwuma: The most important thing is to really continue steadfastly in deregulation. The situation where you have a structural policy will not work. If, for instance, the government continues with deregulation and continues with monetary discipline and budgetary discipline, then the economy should be better in the years to come. . . . Capital markets should be deregulated in such a way that people can really invest in Nigeria. And the investments should be able to leave. There should be no exchange controls. Once you can bring in money and take out money efficiently, then there will be no capital flight. We must continue with the deregulation of the economy.

Currency Rates

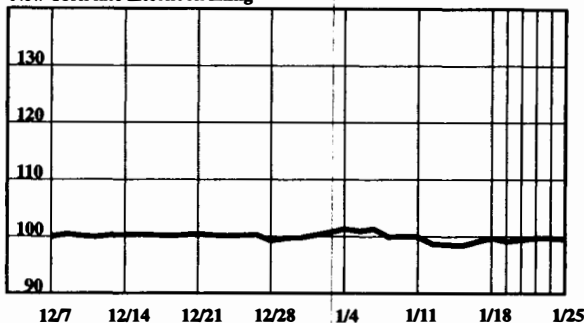
The dollar in deutschemarks

New York late afternoon fixing



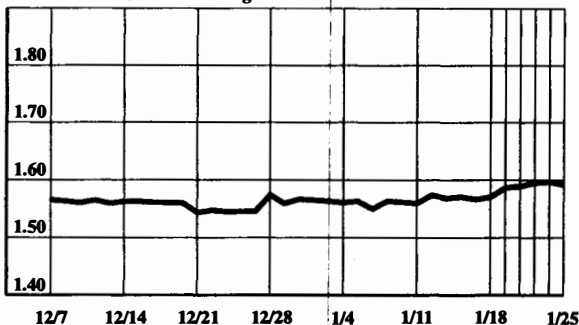
The dollar in yen

New York late afternoon fixing



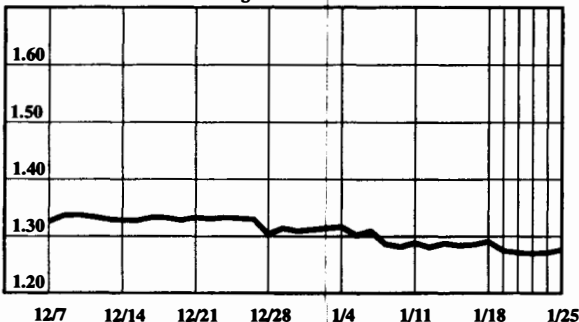
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



A fishy tale

The state of Idaho is in an uproar over a judge's ruling to place the "rights" of salmon above those of human beings.

Those who think they have seen everything may wish to travel to Idaho. As this column was being written, thousands of miners, ranchers, and loggers there were on the verge of being thrown out of work because of a fish. Actually, the fish is the excuse: They are facing this disaster because of stalling by two federal bureaucracies, an insane judge in Hawaii, and a suit filed by the Sierra Club Legal Defense Fund. At the center of this storm is the belief that salmon have more rights than do human beings.

The story reached a crisis point on Jan. 12, when U.S. District Court Judge Dan Ezra ruled on a suit brought by the Sierra Club Legal Defense Fund for "failure of the Forest Service to review forest plans . . . in light of the listing of salmon as endangered." Judge Ezra ruled that no economic activity could be carried out in the area until this issue were resolved. The backlash caused by the early implementation of this court order forced the judge to allow a temporary stay until Jan. 28. This is supposed to allow the National Marine Fisheries Service to carry out a review of the National Forest Service plans to protect the salmon. However, no one expects the review to be done on time.

Judge Ezra's ruling bars all economic activities in six huge national forests in Idaho, which together are larger than the state of Maryland. The ruling states that all grazing, logging, mining, and road-building activities in central Idaho must be halted until further notice.

The state of Idaho is in an uproar, with thousands of people taking to the

streets to demonstrate. The national forests affected are: Nez Perce, Sawtooth, Payette, Salmon, Boise, and Challis. The ruling will shut down 190 active mines, deny 532 grazing permits, and prohibit the logging of tens of millions of board feet of timber under contract.

Judge Ezra, who sits in Hawaii, stated in his ruling: "It is clear that the USFS [U.S. Forest Service] must be enjoined from announcing, awarding, permitting or conducting any new timber sales, range activities, mining activities or road building projects until formal consultation on the LRMPs [land and resource management plans] is completed. Under the circumstances, the court is also compelled to enter an injunction against all ongoing and announced activities."

There has been no discussion of the fact that the greatest threat to the salmon comes from the enormous increase in the population of sea lions. These voracious salmon-eaters are wiping out the fish as they return to spawn. The seal population exploded following a ban on all hunting of marine mammals because of their "threatened" or "endangered" status.

Idaho Sen. Dirk Kempthorne sent a desperate plea to President Clinton on Jan. 20 to stop the execution of Judge Ezra's ruling. The letter implored the President to "act quickly and decisively to resolve this internal disagreement within the federal government, complete the required approvals, and relieve our own citizens from this crisis."

Kempthorne told Clinton that

"men and women are being immediately laid off from their jobs in mines, lumber mills and throughout the service industry by direct order of the U.S. Forest Service." Within a few days, he said, many families "may not be able to feed themselves or their children, or even to heat their homes." Kempthorne asked Clinton to "explore the possibility of emergency aid to these affected communities for the immediate future to provide for their basic needs."

Bumper stickers with the slogan "Hungry and Out of Work? Eat an Environmentalist," have appeared on cars all over Idaho. In many threatened towns, almost as many people have turned out to protest as there are registered residents. A local veterinarian told 350 demonstrators at the town of Challis, "Our lives are about to explode and disappear." Chuck Wildes, forest supervisor for the Salmon-Challis National Forest, was so afraid that he had to be pushed to the stage to address the crowd and explain to them the plans of the Forest Service.

On the other side, environmentalists are gloating. According to the *Idaho Falls Register*, environmentalists are saying that "as painful as it may be for ranchers to quit grazing livestock, loggers to quit cutting logs or miners to quit mining ore . . . the Forest Service has to fulfill its job under the Endangered Species Act."

Judge Ezra's ruling sets a very dangerous precedent. The decision is based on the failure of two federal agencies to collaborate with each other. As an Idaho industrialist told *EIR*, this means that all the green "moles" in the federal government can make sure studies are not carried out, leaving the door open for their associates in the environmental groups to sue and shut down all production in any part of the United States they wish to target.

Business Briefs

Nuclear Energy

Chinese will supply uranium to Indian plant

The Department of Atomic Energy of India (DAE) will be supplied with enriched uranium from China for its two 220-megawatt boiling water reactors at the Tarapur Atomic Power Station, the agency said on Jan. 4. The supply of low enriched uranium was part of a commercial contract between DAE and the Chinese Nuclear Energy Industry Corp.

The Tarapur plant will be operated with a fuel core of low enriched uranium and mixed uranium and plutonium oxides (MOX). The phased introduction of indigenously developed MOX fuel in Tarapur began last June.

According to press accounts, the sale of the low enriched uranium by China to India has the approval of the International Atomic Energy Agency, whose safeguards would apply.

Tarapur, which was constructed in 1969 and was a bone of contention between India and the United States during the Carter administration in the 1970s, had been getting fuel from the United States and France. The fuel shipments were stopped in October 1993, when the 25-year fuel supply contract expired. The Indians are confident that the plants are good for another 10-12 years of full-scale operation.

Russia

Back science-intensive industries, says Glazyev

Sergei Glazyev, Duma Economic Policy Committee chairman and chairman of the National Committee of the Democratic Party of Russia, warned in a press conference on Jan. 18 that without state intervention, and without an economic policy oriented toward production instead of the money supply, Russia's "manufacturing industries will be finished as a key sector of the Russian economy. This applies primarily to engineering and light industry, but also, more generally, to the entire con-

sumer sector. We absolutely disagree with such a scenario."

The results of the 1995 budget already can be clearly calculated, Glazyev said. "They include the final deindustrialization of the country, its ultimate transformation into a raw materials appendage, and the disappearance of any potential of future economic growth."

Glazyev noted that "there are no defense conversion credits under the present draft budget. . . . Defense conversion and science-intensive industry constitute the key area of economic restructuring, and the implementation of those policy lines constitutes our main hope for the resumption of economic growth."

"I will remind you that 70-90% of economic growth in the present economy is generated by science-intensive industries. In our country, science-intensive industry was integrated into the military-industrial complex. Accordingly, there will be no economic growth without its conversion. That is why we will be pressing for the restoration of defense conversion credits."

Vietnam

Foreign firms refuse to pay minimum wage

The chairman of the Vietnam State Committee for Cooperation and Investment charged in January that eight strikes in enterprises in which foreigners have invested were triggered by the companies' violation of the minimum wage laws. The legal minimum wage in Hanoi and Ho Chi Minh City is \$35 per month, and \$30 elsewhere. More than 600 foreign joint ventures now operate in the country. Most strikes occur where there is no labor agreement, contract, or trade union.

The number of strikes has increased steadily, particularly in the garment industry. There were 32 strikes in the first 10 months of 1994, eight more than in all of 1993. Some 21 strikes were in Ho Chi Minh City, the main manufacturing center. However, 17 strikes were in state-owned companies. So far, the government has remained silent on proposals, including from the Vietnam Confederation of Labor, to raise the minimum wage to \$40-50 per month,

"which would raise foreign investors' costs considerably," Reuters commented.

Meanwhile, on Jan. 19, Citibank became the first American bank to open a branch office in Vietnam since the U.S. withdrawal in 1975.

Eastern Europe

Don't scrap military industry, Belarus warns

"I do not favor scrapping the military-industrial complex," Belarus President Alexander Lukashenko told the press, after signing a peace pact and a \$50 million arms deal with the People's Republic of China on Jan. 18.

Beijing will buy \$50 million in military equipment from Belarus, mainly involving advanced optics and guidance systems, items that were the principal Belarussian contribution to the former Soviet Union's military infrastructure. "We have worked out new conceptions to expand our military industry. China is one of our major partners. We hope for close cooperation between the military-industrial complexes of our two countries," Lukashenko said on Jan. 19.

In a joint communiqué signed during President Lukashenko's visit to China, the two nations pledged themselves to non-aggression, non-interference in each other's internal affairs, equality, mutual benefit, and peaceful coexistence.

Finance

Leuschel warns of 'permanent crash'

Roland Leuschel, head of the Belgian Banque Bruxelles Lambert, warned of a "permanent crash" in financial markets and of the potential for "generalized panic," in an interview in the Jan. 20 French weekly *L'Événement du Jeudi*.

Leuschel differentiated between the idea of a "great global crash" of the 1929 and 1987 varieties, and the kind of "salami crash, in slices," that we are seeing now. This began with the bond market losses of last year, which

saw \$3-3.5 trillion in losses in financial markets, with the money simply "evaporating into thin air." Nobody can predict when the next phase will take place, he said, but there is no doubt that "a part of the crash has *already* taken place, and other episodes will follow." Nobody can predict the exact form this will take, "but turbulence is inevitable."

For the moment, "thanks to the massive intervention of the American authorities," catastrophe triggered by the Mexico crisis has been avoided. "But tomorrow, what will the reaction of the public be? Will we be able to avoid a generalized panic?"

The underlying, undeniable problem, Leuschel said, is that each day there are \$2-3 trillion in financial market transactions, but only 1% of the transactions have anything to do with "trade in goods and services. No central bank, no government can control such a market." Since 1990, the U.S. Federal Reserve has been busily creating "artificial wealth, based on nothing. There are no miracles; bubbles always end up bursting."

The magazine commented, "Fortunately, the worst is not always guaranteed." Leuschel responded, "That reminds me of the story about the fund manager who tells his client, 'I have good and bad news to tell you. The bad news is that you lost 50% of your investment portfolio. The good news is, this doesn't mean a crash has taken place.'"

Middle East

Nuclear an alternative after 2000, says Jordanian

The use of nuclear energy for desalination is an alternative solution to the water shortages in the Middle East, but not till the next century, Dr. Munther Haddaddin, the leading Jordanian representative on the Mideast Regional Development Working Group (Redwig) and a co-chairman of the Rift Valley Development Project, said in response to a question from *EIR* at a meeting of the Washington Institute on the Middle East in Washington on Jan. 12.

"Nuclear desalination is definitely not out," Haddaddin said. "There will be a new generation of reactors using nuclear fission out

on the market early next century which will be easier to control and smaller than 500 megawatts. By that time the option will be seriously considered."

On the canal projects to connect the Mediterranean to the Dead Sea and Dead Sea to the Red Sea, Haddaddin said that the group is awaiting a feasibility study in the fall. "The alternative Mediterranean Sea to Jordan River to Dead Sea is what Jordan would prefer. . . . But you have to look at the economic and environmental costs. In the Med-Dead alternative, the economic factors speak in its favor. If you add the environmental costs, it could become more expensive. In the Red Sea-Dead Sea alternative, the environmental factors are all favorable, as are the demographic factors," he said. "These canal projects will carry us into the next century, but we will always need fresh water as the population grows and the area develops."

Economic Policy

IMF praises Algeria as 'model' student

The International Monetary Fund and the World Bank maintain that Algeria "has been a model student of economic reform" and IMF Managing Director Michel Camdessus insisted recently that Algeria had "scrupulously" abided by IMF requirements, the Jan. 20 London *Financial Times* reported. The comments are widely viewed as a political statement of support for the regime, which has taken a hard line against opponents in the ongoing civil war.

The IMF is said to be pleased with the fact that the budget deficit has declined from 9.3% of gross domestic product to 5.4% over the last year, and that inflation is said to be 30%. Economic growth was reportedly 0.1% last year, compared to -2.2% in 1993.

The IMF failed to mention the cost in human lives, which is running at the rate of 500 to 1,000 deaths a week in the current bloody civil war. In support of their "model," the IMF will extend another \$1 billion credit in order to service Algeria's \$26 billion debt, which is over 100% of export earnings.

Briefly

● **CHINA** said on Jan. 17 that it had executed some of the 2,665 people convicted of intellectual property piracy since 1991. The campaign primarily has targeted violators of copyrights of audio and visual products, software, and publications. So far, no protest from human rights groups has been reported.

● **THE GERMAN** Banking Association is using the Hell's Angels to boost its image. One ad shows a rocker saying, "I prefer conservative types of investment." Similarly, Volkswagen has designed a 1995 model that will be advertised with symbols borrowed from the Rolling Stones' album "Voodoo Lounge."

● **PIPER JAFFRAY'S** Americas Income Trust, which buys U.S., Mexican, and Canadian bonds, has lost 55% of its share value since it began operation on Jan. 31, 1994, and 20% since Dec. 20. Piper said it will cut its monthly distribution to fund stockholders by 41% in February, the Jan. 20 St. Paul, Minnesota *Pioneer Press* reported.

● **BANKERS TRUST** New York Corp. has forgiven \$72 million owed to it by clients who lost money on derivatives, \$46 million more than previously reported. But it also classified \$351 million in derivatives as non-performing loans, allowing it to post a \$101 million profit for the fourth quarter of 1994.

● **CAMBODIA** received \$83 million in aid from the European Commission on Jan. 18, which will be "focused mainly on rural development, primary education, human rights, and the reinforcement of the country's institutional capacity," the EC said.

● **INDONESIAN** President Suharto urged Thailand to buy its CN-235 turboprop commuter plane, in exchange for rice, Foreign Minister Ali Alatas said on Jan. 6. Thai Foreign Minister Thaksin Shinawatra said he would encourage Thai business to invest in Indonesia.

The unfinished mission of Martin Luther King

by EIR Staff

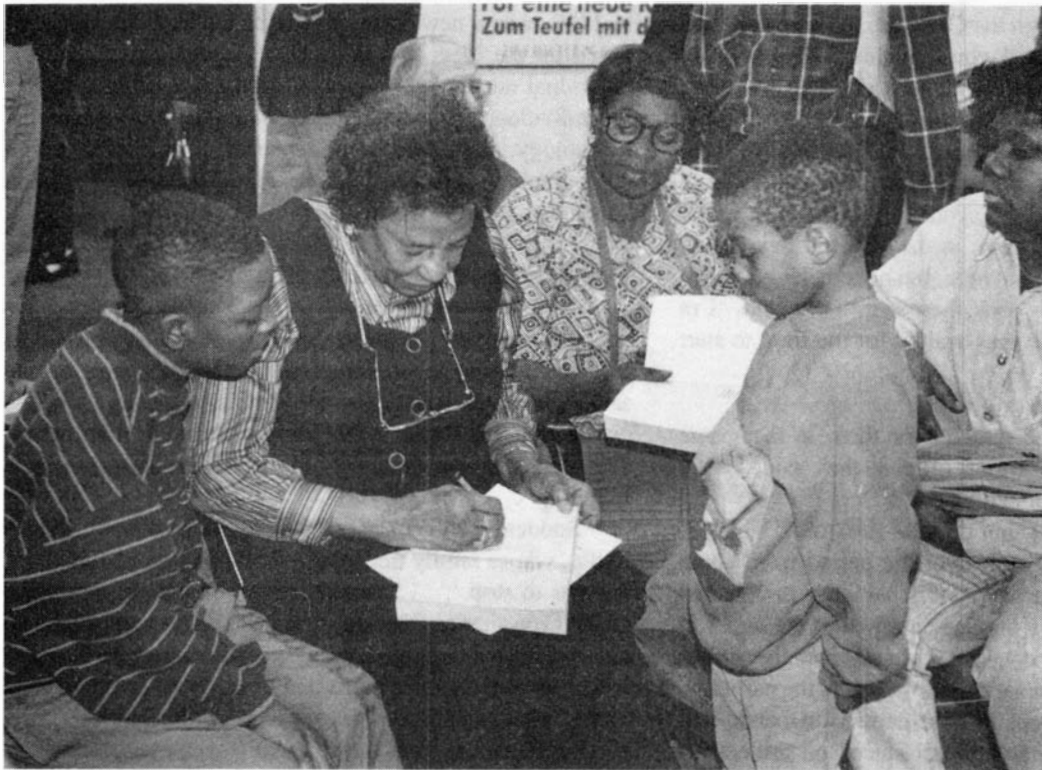
In a series of conferences and theatrical performances in Washington, D.C. during the month of January, the Schiller Institute celebrated the memory of Dr. Martin Luther King, Jr. by rallying forces for the next stage of the fight for economic development and civil rights for all people. "We are not here to reminisce," said institute representative Lynne Speed to a meeting on Jan. 16, held at the D.C. mayor's office building. "We are here to find strength in the history of what has been achieved and to continue to expand that achievement."

The institute sponsored a Martin Luther King Conference on Jan. 18, the fifth in a series of national conferences on economic development and the science of physical economy. On Jan. 14, more than 1,700 people attended a performance at Howard University of the play *Through the Years*, written in 1936 by Schiller Institute Vice Chairman Amelia Boynton Robinson, a heroine of the civil rights movement who catalyzed Dr. King's intervention into Selma, Alabama in 1964 (see interview, p. 17).

Economist and statesman Lyndon LaRouche, addressing the Martin Luther King Conference, emphasized that during the next 18 months, we are facing a turning point in world history. "The conflict between good and evil," he said, "the impulse for progress and the impulse for the satanic, oligarchical tradition of the gods of Olympus, are in a conflict, and they can no longer peacefully, pragmatically, cohabit the same planet. The system in its present form is doomed; and therefore, the opportunity exists to introduce a change. These are going to be times of trouble, times in which not only institutions will collapse, but *ideas* will collapse."

To address the question of how this crisis is to be solved, LaRouche painted five images, starting with that of Martin Luther King himself.

"I want to bring Dr. Rev. Martin Luther King back to life, in a sense," LaRouche began, "in the sense that there is a part of him I probably know better than many people who were close to him while he walked the Earth. I never had the chance to speak to him, never even the chance to shake his hand, though I



Amelia Boynton Robinson, a friend and collaborator of Dr. King, autographs copies of her autobiography, "Bridge Across Jordan," in Chicago, in February 1994. The message of Dr. King's movement was to create justice and economic development for all people, worldwide. As vice chairman of the Schiller Institute, Mrs. Robinson is continuing that fight today.

lived through the same events through which he lived. And yet, I know him in some ways better than most of the people who were close to him, because I know his *development*. I know a transformation from a dedicated young preacher coming out of Atlanta going to Boston, coming out of Boston University, going from there to take up a parish, then being elevated by a happenstance, almost, to assume a position of leadership, and going through succession of crisis after succession of crisis. . . .

"In making the last public address of his life, in reflecting upon the cup of Gethsemane, he walked to the podium, before thousands of people, and said, 'I am drinking the cup. I wish to live, but I am drinking the cup.' And he laid forth a mission.

"The difference between Martin and many other people who might envy his position, is that they don't understand one thing: that they would have had to give up something in themselves, *a reluctance in themselves*, to make each of those successive steps by which he stepped upward. Faced with a challenge from which many people would pragmatically have retreated, he moved ahead. He found the next higher level of action to carry out. And he not only decided to carry it out, because many of his associates also decided to carry out the action with him; but what he decided, was *to present the conception of the action to the people in ways that the people would grasp the idea*.

"In this way, Martin Luther King, coming from leadership of an obscure church in Alabama to national leadership

and to his assassination, showed the same quality we recognize as that of genius in science. The difference between Martin and many other people, is that he was a genius. He probably didn't know it at the beginning, but he found it out in each of the steps that he had to take in order to keep the movement going.

"It wasn't just the steps of personal courage; a lot of other people showed personal courage. They moved their body forward. They went out and organized, and they moved their body forward in that way. *But they didn't move their mind forward*; Martin was the instrument who did that for them."

What Dr. King was doing in general, LaRouche added, was not new. "The civil rights movement was not a creation of the late 1950s and 1960s. The civil rights movement has existed as long as there was slavery in the United States. There was always somebody fighting for the same thing; and the level of fight against slavery in the middle of the nineteenth century, was on a higher intellectual level in many respects, than was the fight for civil rights in the twentieth century."

The difference was that Martin "typified for the movement *the message* of the movement. And the message of the movement was a call to Americans and people around the world, to create a condition of justice for all persons by [the 1964 Civil Rights Bill], and not to stop with civil rights."

The ticket to progress

But then what happened?

"As I've said many times, after Johnson passed the Civil

Rights law, or got it through the Congress, people were told that civil rights had won, had won something, anyway. And you could get a ticket, you could get a ticket to progress, because that's what Martin was talking about. . . . So the people got their tickets. They were surprised to have them given to them at the train station, like railroad tickets. And they got on the train. And they could sit in the front or the back or the middle of the train, as they chose, they found; with some argument here and there, but nonetheless, in principle, they could. So they took their seat. They said, 'I'm sitting on my rights.' And they waited for the train to start moving.

"It never moved.

"The dust gathered and settled upon them. A man came through who looked like a train official, they said, 'What happened? When's the train going?'

"The railroad was just shut down—1968-69. There had been a cultural paradigm shift over the period from about 1966 through 1968, a paradigm shift which was centered within the extreme radical movements within the anti-war movement and around it. That cultural paradigm shift changed this nation from a nation committed to the participation of the citizen in the benefits of scientific and technological progress. Instead, what was introduced on the cutting edge of politics, was neo-malthusian post-industrial society, and 'don't be stuck with your own sex, change it at pleasure,' things like that."

The second image that LaRouche presented throws this paradigm shift into sharp relief, describing the current situation in Washington:

"There's a building in this city which is occupied by an institution called the Heritage Foundation, sometimes called the Heretic Foundation. And in this institution, there is a Clockwork Orange facility where they turn elected congressmen into zombies. From this building recently, there emerged a crowd of these glassy-eyed, chanting zombies, marching like the Night of the Living Dead down the streets, toward the Longworth Building on Capitol Hill. And in the front of the procession, there was a knuckle-dragging specimen called Rush 'Bozo' Limbaugh, bumping his knuckles along the street as he led them to intellectual purity in the basement of the Longworth Building.

"These are called the 'neo-conservatives.' Now, these are not going to be very popular people, because they're the first burglars that ever stole grand amounts of money without using burglar tools. They're privateers."

But they can be defeated, LaRouche said, provided we have a clear idea of who they are and what they represent. They are an *instrument* of something that is evil, LaRouche said, developing his third image, the image of all mankind prior to the fifteenth century in Europe. This is oligarchism, in which more than 95% of humanity lived in a condition of slavery, prior to the Renaissance. But what the Renaissance introduced, through the influence of the Council of Florence

in 1439, was a new form of state called a commonwealth, based on the idea, as Louis XI of France put it, that the individual must live for the kind of society which lives for the individual. As a result of the development of science and technology, there was a fundamental change in society's demographic characteristics, and the growth of population zoomed over the past 500 years.

The collapsing world financial system

The fourth image that LaRouche developed is that of the collapsing world system. We no longer have a commitment to scientific and technological progress, to education, he said. "For over 500 years, the general trend in European civilization has been technological progress, until about 1960-65. That was the policy of the United States, from its founding. . . .

"Suddenly, someone comes along from England, Prince Philip, whose family tree is full of monkeys, and says, 'No, this has to stop.' . . . Since about the middle of the 1960s, about 1966, under Johnson, there was a reversal: the introduction of what was called the cybernetic society, or the post-industrial society. And since that time, by 1971, the United States' net expenditure for basic economic infrastructure, was net negative. That is, we spent *less* in maintaining and improving infrastructure, than the cost of maintaining it in its previous state. We've lost railroads, we've lost water systems, we've lost urban systems. Our cities are junkpiles. Why? Because we did not restore, renew, replenish, replace, the things that we were using up."

A personal challenge

In his fifth, concluding image, LaRouche developed "Martin Luther King's idea": that all people are created in the image of God, and that the policy of society must be brought into accord with that fact.

"The moment of truth is approaching," he said. "And when we look at Martin, we remember him not only for his ideas, but we remember him for that which made him a leader, and we try to find in ourselves the equivalent quality.

"When you are faced with a challenge, with the threat of defeat, do you, like Sancho Panza, go practical on us, and do you concern yourself only with your own personal position; *or* do you bring that within you, that creative power which is the distinguishing power of man in the image of God, and do you apply it to the problem that we face, to participate in developing the ideas which, given circulation, can give a movement the identity it requires to do the job which it is destined to do, and must do?"

"Can you find in yourself some of that quality of Martin? Can you develop and purify yourself, to find in yourself, something of that quality of Martin, rather than Sancho Panza? If you can, if enough can, then we can win. And the time has come to win. And the time for preparation is growing very short."



We have to pass the torch on to the next generation

Mrs. Robinson has been a leader in the civil rights movement for nearly six decades, beginning as a state extension service agent in the 1930s in rural Alabama, where she met her first husband, S. William Boynton. Together, the Boyntons led the fight for fundamental human rights as well as the right to vote for African-Americans in Alabama. Mr. Boynton suffered an early death, in large part due to the stress of the fight, but Mrs. Boynton (now Mrs. Robinson) continued the struggle.

In 1965, as the civil rights movement under the leadership of Dr. Martin Luther King began to grow, she invited Dr. King to come to Selma, Alabama, to register blacks to vote. The rest is history. On March 7, 1965, during a march from Selma to Montgomery, Alabama, state troopers on horseback charged the marchers. Mrs. Boynton was gassed and clubbed and left for dead on the Edmund Pettus Bridge. The picture of this hideous incident went out around the world on television and shocked the human conscience. The civil rights movement quickly became a mass movement and forced the passage of the Voting Rights Act and the Civil Rights Act of 1965. Amelia Boynton Robinson was—and continues to be today, as vice chairman of the Schiller Institute—one of the nation's greatest heroines in the fight for justice for all mankind.

This interview was conducted on Jan. 20 by Marianna Wertz.

EIR: You just returned home from a stay in Washington, D.C. where your play *Through the Years* was performed for the first time in full in the nation's capital. You also spoke before thousands of students. Could you give us a sense of how you think these events have helped to shape the situation in Washington and helped the children there?

Robinson: I think it's really marvelous. It is something that hasn't been done before. While it was perhaps in small numbers, people have been touched, the students particularly. But when it comes down to an organization like Schiller Institute, dedicating its entire program to the youth, the disadvantaged youth, it's something that you cannot express. When you see the attitudes of the young people, and the hope, and the determination to come out of that shell and that surrounding, mentally, I don't know whether I can say too much about it, other than that it was wonderful.

EIR: What kind of questions did you get in the schools where you spoke?

Robinson: I spoke to students in the middle school and below. I found that those kids are angry. They are angry because of the fact they feel like they are not a part of the system. They feel like they've been targeted. They live in communities where they have seen so much going on. They're just angry.

For instance, I asked the class, what would you like to be when you get to be an adult? So many of them said, "I want to be a policeman." Then I asked one fellow, why do you want to be a policeman? "So I can kill somebody."

I had others who said that they had relatives and friends who were killed and they want to get back at them. Then some of them asked me, when I told them about the beating on the [Edmund Pettus] Bridge, why did you let them beat you up? Where were your friends? Where was the gang? Why didn't you hit back?

So you can see, within these kids, there's a whole lot of animosity. There's a whole lot of hate.

EIR: Do you think the play addressed that?

Robinson: I think it was better than having a course in school. Number one, these young people felt like they are needed, they are wanted, and they have something to contribute to the mainstream. And that means a whole lot, because there they are, staying in disadvantaged communities where they think, "I don't see anything but killing, I don't see anybody rising." And I think that when they realize Joshua [the hero of *Through the Years*], who was born a slave, who rose to be a congressman, and having done so much, and even the contribution that the children made, I think it gave them hope. Some of them are more determined to fight mentally to reach the top.

EIR: Lyndon LaRouche commented that the reason that your play is so powerful is because it tells the truth.

Robinson: Absolutely. That's an advantage of having lived a long time. I'm very proud of my having lived as long as I have, because it gave me the opportunity to make contact with people. Back there, when I was in Savannah, Georgia, my folk would take in so many people who had nowhere to go. Many of these people would talk about slavery, because



In this scene from "Through the Years," performed at Howard University in Washington, D.C., Parson Jones preaches to a secret meeting of slaves in the woods, telling them how Moses brought the children of Israel out of bondage.

they had been slaves. Unfortunately, I didn't get a paper and pencil and put everything down. But so much of it was impressed upon me, to the extent that I never forgot it.

Through the years, in working with people and being an African-American, where there are so many things that I have encountered, I put it in the play or the book [her autobiography, *Bridge Across Jordan*]. The story of Joshua, which encompasses also a part of my family—

EIR: Is that your great uncle?

Robinson: Yes, Robert Smalls [a Reconstruction-era congressman]. That part was built around him. Everything in that play is something that was told to me by people who were involved in or experienced that particular trouble, or it was somebody in the family. Everything is true; it's history.

EIR: Many of the children in the audience and in the cast said that they did not know their own history.

Robinson: No. Number one, it's the system that does not want people to know their own history. As you know, African-Americans are targeted more than any other nationality or race. If they did know their history, it would help African-Americans to feel as though they have a rich background. They never say anything about the beautiful parts of Africa and the contributions Africans made thousands of years ago. There were Africans with roots in South America, in Mexico, long before Columbus came to America. They don't want you to know that.

If they were to tell the people—both black and white students—the contributions that we have made in the traffic light, the refrigerator, so many other things, I think they would be a different type of kid. They would come up differently. But

as long as they say that you came from slavery, as if nobody else was enslaved but Africans, it makes them think that they have no background. It's just like saying to a child, you're nothing, you've never been anything, your people weren't anything, and you'll never, never be anything. This is what America is doing to African-Americans particularly.

I think the play has been a lesson in history that they never will forget. Not only that, it touched also a lot of young people and a lot of adults. I had a young man who was sitting next to me. Well, he wasn't a young man, he seemed to have been about 40. I noticed when we had the scene of the cotton-picking and Mandy [Joshua's mother] being whipped, he was sniffing. Finally, he said to me, "Do you have an extra tissue that I can have?"

So it does more than something that they would see today and the memory is gone tomorrow.

EIR: Marion Barry is now mayor of Washington and is confronted with a financial crisis in which he is being told to implement draconian budget cuts and layoffs by the banks that hold the city's debt, and so far he is reluctantly doing it. Mayor Barry sent a letter welcoming you, whom he's known since the 1960s, and also the play, to Washington. What should he be doing now?

Robinson: Well, I don't know how diplomatic he is, and what he has in his mind. When I look at the Pike statue [the statue of Ku Klux Klan founder and Confederate Gen. Albert Pike, which stands in Judiciary Square in Washington, D.C.], and I see that the only window in the mayor's office faces that statue, that every time he goes to the window, he has to see the Pike statue, I think it was done to mentally degrade him. I don't think it was an accident, I think it was

done on purpose.

You can see that the government is actually fighting to keep the African-Americans down. One out of every four black males in Washington is or has been either incarcerated, on is on probation or parole. Now if he has something in mind and he is diplomatic in what he's doing, I have to give him credit. I think that, in this particular case, he will come from the other end, and like a boxer, I think he's waiting to give the blow that will perhaps open up everything or will show that he's not being handled.

EIR: I'm sure your play strengthened that resolve in him.

Robinson: I hope so. And I wish he had been there.

EIR: He did send official greetings.

Robinson: Yes, and it was beautiful.

EIR: You're a board member of the Martin Luther King Center for Non-Violent Social Change in Atlanta. Could you say a few words about the controversy surrounding Coretta Scott King, who I know is a good and close friend of yours?

Robinson: About three years ago we had a discussion in the board meeting, that they were trying to force her to retire. She had her son take over the reins as president. Dexter King was rather young and he had not had enough experience, so she had to take it back. She did this because of the fact that they were forcing her, in a way, to retire. Now that Dexter King is much more experienced and older and capable of taking over, and he's working with her, the National Park Service—

EIR: Which controls the Pike statue in Washington, D.C.?

Robinson: Yes. The National Park Service has been bringing tourists down to the center. Now they are trying to force the center to give up all that space where we have the King center, to move across the street and let them have that place. Not only that, and this is shocking: They want to *buy the crypt!* Dr. King's crypt.

EIR: They want to inter his memory with his bones!

Robinson: Yes. That's the saddest thing. But, when I look at what the government does, you can't trust them any more than you can trust the Ku Klux Klan.

During the Christmas holidays, I went down to Harris Neck, 50 miles south of Savannah, Georgia. That story makes you know that, with all of these islands being taken away from African-Americans, with all the property that has been taken away, they're no better now than they were right after slavery.

What the government did in the 1940s was to have representatives come down to Harris Neck, which is an island. There was one family that had a factory there, a shrimp factory. There were other little industries there, because it is right on the water and this body of water goes out to the ocean. A very attractive area.



Before the performance of "Through the Years," Kehembe (Valerie Eichelberger) sings an aria from Handel's "Messiah."

When we went down there, we wanted to talk to somebody, and they led us to the oldest man who lived there. He told us this story.

The federal government, during World War II, said, "We need this section for a landing strip. We have to have it, but when the war is over, you'll have the opportunity first to get your land back." They gave some of those people three days to get out, some got ten days, to get off the place. Of course, thinking that they were going to get their land back, they just went on and pitched houses in a little ghetto off the place.

The strip was built, but the bombers sank in it. They could not build it up enough to use it. Then, instead of coming in and contacting the people the way they did when they got the land, they gave the land back to the county. And the county gave the land to anybody who wanted it.

The next thing the people of Harris Neck heard was that the area was going to be used for a bird sanctuary! But the birds were all gone, because when the bombers came, the birds left for good.

So, now they are sitting in these little ghetto houses and when you go into this area, the place is paved. You find, as you go around, plantations, beautiful signs. You can't see the houses, because they're way back on the river, but you find John Doe Plantation, etc. on the signs. And the sad thing about it is, some of those people were given \$5 an acre. Only one man was given \$25 an acre. But we saw a sign for a plantation sale: ten acres for \$32,000.

EIR: March 7, 1995 is the 30th anniversary of the march across the Edmund Pettus Bridge. There's going to be some kind of celebration of this historic event, which led to the passage of the 1965 Voting Rights Act. Can you tell us what

is planned?

Robinson: I went to one of the planning meetings recently. First, I was very surprised that we had so many people who were racists back then and who put stumbling blocks in folks' way, and now they're on the board. I questioned them. There was one fellow who is supposed to make plans for one of the important events, and the first thing I said was, "Before doing anything, I suggest that you call the board back and have them approve it, because things are going on that people don't think about."

For instance, last year, when we had the demonstration—we have it every year—Mayor Smitherman [who was also mayor in 1965 and absolutely opposed to voting rights for African-Americans] had a meeting and a big celebration, because he had implemented a walking tour in the same section where the church is that we marched from. And there's a museum there, a white, segregated museum. I went to that museum, because the murals that we had in the community center for black people were in that museum, and they said they were made for them.

But I found also that the contributions and pictures of black people were in another section altogether. In other words, you see the white contributions here and you go there to see the black contributions.

EIR: What's going to happen in the 30th anniversary cele-

bration this March?

Robinson: They're going to reenact the whole thing.

EIR: State troopers and all?

Robinson: State troopers, yes. They're supposed to come into the church like they did before. They're supposed to have somebody representing Sheriff Jim Clark. They're going to have the tear gas, the horses.

EIR: How many of the people who were there in 1965 are still alive?

Robinson: Oh, it should be a lot, because they were children. They did a fantastic job in those days.

EIR: Will you be marching?

Robinson: I will be marching a part of the way. What I suggested, and they took the suggestion, is that, since there's been more than one generation since 1965, that they have a torch, and they pass the torch. For instance, maybe I will march with two or three of the oldest people for a certain distance with the torch. Then we'll give it to those representing the next generation. And then the next generation. And when we get across the bridge, when we culminate the march, then we'll give it to some of the very youngest people we have. Because if we carry the torch, it means nothing unless we're going to pass it on.

Bridge Across Jordan

by Amelia Platts Boynton Robinson

From the civil rights struggle in the South in the 1930s, to the Edmund Pettus Bridge at Selma, Alabama in 1965, to the liberation of East Germany in 1989-90: the new edition of the classic account by an American heroine who struggled at the side of Dr. Martin Luther King and today is fighting for the cause of Lyndon LaRouche.

"an inspiring, eloquent memoir of her more than five decades on the front lines . . . I wholeheartedly recommend it to everyone who cares about human rights in America."—Coretta Scott King

Order from:

Schiller Institute, Inc.

P.O. Box 20244 Washington, D.C. 20041-0244

or call Ben Franklin Booksellers

(800) 453-4108 (703) 777-3661 fax (703) 7778287

Visa and MasterCard accepted.

\$10 plus postage and handling (\$3.50 for the first book, \$.50 for each additional book). Virginia residents add 4.5% sales tax.



Frederick Douglass: 'Knowledge unfits a child to be a slave'

by Denise M. Henderson

Frederick Douglass was one of the leaders of America's nineteenth-century civil rights movement, and one of Abraham Lincoln's chief lieutenants in the fight to save the Union. A former slave and leader in the fight against slavery, Douglass found himself a leader in the fight for the U.S. Constitution itself. His understanding of the anti-slavery struggle as a struggle for the Constitution, arose out of his own intellectual integrity and willingness to think through profound ideas and to think for himself, whether others agreed or not.

As a "self-made man," as he described himself, he knew the importance of education, from the simple act of teaching a slave to read, to the development of the ability to think for oneself. His life story is a shining example of the high intellectual and moral caliber of leaders of the civil rights movement of his day.

Unfortunately, today, despite the fact that Douglass was among the handful of Lincoln allies who guaranteed the success of the Union Army in the Civil War, he has been confined once again to the ghetto, so to speak, by the creation of "Afro-centrism"—something he would not tolerate were he alive today.

It is our hope that with this article, and as part of the centennial celebrations of Douglass's death, we will be able to remove the chains from Douglass's memory and restore him to his proper place in U.S. history.

Childhood: 'Why am I a slave?'

Frederick Douglass was born on the Eastern Shore of Maryland in February of (probably) 1817, though his date of birth was not recorded. It is generally assumed that he was the son of his master.

As a baby, he was allowed to live with his grandmother, with whom he had been left by his mother, whom he only saw once. When he was six, he was brought to the "big house," given barely enough food to get by, and destined to be trained for field work on the plantation.

Very early on, Douglass developed a passionate hatred for slavery. He knew that the distorted relations between human beings on the plantation were not right. By the age of nine, Douglass says, he was inquiring "into the origin and nature of slavery. Why am I a slave? Why are some people

slaves and others masters? These were perplexing questions and very troublesome to my childhood. I was very early told by some one that '*God up in the sky*' had made all things, and had made black people to be slaves and white people to be masters. . . . I could not tell how anybody could know that God made black people to be slaves." Douglass added, "I was just as well aware of the unjust, unnatural, and murderous character of slavery, when nine years old, as I am now."

In 1825, Douglass, who was about eight at the time, was sent to live in Baltimore with his master's cousin, Hugh Auld, and his wife. The move to a city, one of the major industrial and shipbuilding centers on the U.S. East Coast, was to give Frederick a chance to expand his horizons both mentally and physically. It was at the Aulds that Douglass came to a more conscious understanding of his hatred of slavery and his love of learning.

Douglass developed a passion early on for reading, a passion which, ironically, was provoked by the debased conception of his master, Hugh Auld. Douglass called Auld's lecture to his wife, on why she should stop teaching the boy to read, "the first decidedly anti-slavery lecture" he ever heard, and a revelation which drove him to learn as much as he could.

In *The Life and Times of Frederick Douglass*, the great man explained: "The frequent hearing of my mistress reading the Bible aloud . . . awakened my curiosity . . . to this mystery of reading, and roused in me the desire to learn. Up to this time I had known nothing whatever of this wonderful art, and my ignorance and inexperience of what it could do for me, as well as my confidence in my mistress, emboldened me to ask her to teach me to read. . . . My mistress seemed almost as proud of my progress as if I had been her own child, and supposing that her husband would be as well pleased, she made no secret of what she was doing for me. Indeed, she exultingly told him of the aptness of her pupil and of her intention to persevere, as she felt it her duty to do, in teaching me, at least, to read the Bible."

What was the reaction of the presumably God-fearing, Christian slave-owner, Hugh Auld? "Of course he forbade her to give me any further instruction, telling her in the first place that to do so was unlawful, as it was also unsafe, 'for,'

said he, 'if you give a nigger an inch he will take an ell. Learning will spoil the best nigger in the world. If he learns to read the Bible it will forever unfit him to be a slave.' ” Apparently unaware of the rather extraordinary admission he had just made, Auld continued, “ ‘He should know nothing but the will of his master, and learn to obey it. As to himself, learning will do him no good, but a great deal of harm, making him disconsolate and unhappy. If you teach him how to read, he’ll want to know how to write, and this accomplished, he’ll be running away with himself.’ ”

“Such was the tenor of Master Hugh’s oracular exposition, and it must be confessed that he very clearly comprehended the nature and the requirements of the relation of master and slave,” added Douglass.

Auld’s “exposition,” Douglass wrote, “was a new and special revelation, dispelling a painful mystery against which my youthful understanding had struggled, and struggled in vain, to wit, the white man’s power to perpetuate the enslavement of the black man. ‘Very well,’ thought I. ‘Knowledge unfits a child to be a slave.’ I instinctively assented to the proposition, and from that moment I understood the direct pathway from slavery to freedom. It was just what I needed, and it came to me at a time and from a source whence I least expected it. . . . Wise as Mr. Auld was, he underrated my comprehension, and had little idea of the use to which I was capable of putting the impressive lesson he was giving to his wife. He wanted me to be a slave; I had already voted against that on the home plantation. . . . That which he most loved I

most hated, and the very determination which he expressed to keep me in ignorance only rendered me the more resolute to seek intelligence.”

The full story of Douglass’s struggle to learn to read—how he collared white boys on the streets of Baltimore asking them to spell out words for him, and the other stratagems he used—can be found in *The Life and Times of Frederick Douglass*. But just as Douglass was not interested in being turned into someone’s beast of burden, he was also not *learning for the sake of learning*. Douglass was incapable of keeping his knowledge to himself. Even knowing the risk that he as a slave ran if he were to teach other slaves—he could be sold farther South to the hideous Mississippi or Louisiana plantations, or legally murdered—he taught other slaves when he was sent back to Maryland’s Eastern Shore.

Speaking out

At the age of 13, Douglass purchased out of his own pocket money *The Columbian Orator*. The great oratory he found in that 50¢ book was to give Douglass the basis for being able to speak publicly against slavery when he escaped North in 1838.

The 1820s and 1830s was the age of great oratory in America. These were the decades of such expert speakers as Daniel Webster, John Quincy Adams, and John Calhoun. The issues before the American republic were profound: slavery, and the danger of secession by the U.S. South in the late 1820s. *The Columbian Orator* became a bible for the young

Douglass: Education will subvert the slave system

On Dec. 1, 1850, Frederick Douglass gave a speech called “The Nature of Slavery,” in Rochester, New York, in which he emphasized that the slave who had been bestialized by his master, was still a man, and that one of the great weapons that could be put in the hands of that slave, was the right to learn.

“The slave is a man,” said Douglass, “ ‘the image of God,’ but ‘a little lower than the angels’; possessing a soul, eternal and indestructible . . . and he is endowed with those mysterious powers by which man soars above the things of time and sense, and grasps, with undying tenacity, the elevating and sublimely glorious idea of a God. It is *such* a being that is smitten and blasted. The first work of slavery, is to mar and deface those characteristics of its victims and which distinguish *men* from *things*, and *persons* from *property*. Its first aim is to destroy all sense of high moral and religious responsibility. It reduces

man to a mere machine. It cuts him off from his Maker, it hides from him the laws of God, and leaves him to grope his way from time to eternity in the dark, under the arbitrary and despotic control of a frail, depraved, and sinful fellow-man. . . .

“Nor is slavery more adverse to the conscience than it is to the mind. The crime of teaching a slave to read is punishable with severe fines and imprisonment, and, in some instances, with *death itself*. . . . The great mass of slaveholders look upon education among the slaves as utterly subversive of the slave system. . . .

“It is perfectly well understood at the south, that to educate a slave is to make him discontented with slavery, and to invest him with a power which shall open to him the treasures of freedom; and since the object of the slaveholder is to maintain complete authority over his slave, his constant vigilance is exercised. . . . Education being among the menacing influences, and, perhaps, the most dangerous, is, therefore, the most cautiously guarded against. . . . As a general rule, then, darkness reigns over the abodes of the enslaved, and ‘how great is that darkness!’ ”

man, who was searching for words to express his thoughts. It was a book designed for those who wanted to learn to speak out, in the manner of the great orators, on issues which affected the souls of men. It was a book for those who wanted "to impart profound and impassioned conceptions respecting man and nature," as the English poet Percy Bysshe Shelley would have said. And that was precisely what Douglass was impelled to do.

He wrote: "The reading of these speeches added much to my limited stock of language, and enabled me to give tongue to many interesting thoughts which had often flashed through my mind and died away for want of words in which to give them utterance. The mighty power and heart-searching directness of truth, penetrating the heart of a slaveholder and compelling him to yield up his earthly interests to the claims of eternal justice, were finely illustrated . . . and from the speeches of Sheridan I got a bold and powerful denunciation of oppression and a most brilliant vindication of the rights of man."

Concluded Douglass: "Light had penetrated the moral dungeon where I had lain, and I saw the bloody whip for my back and the iron chain for my feet, and my *good, kind* master was the author of my situation. The revelation haunted me, stung me, and made me gloomy and miserable. . . . I saw that slaveholders would have gladly made me believe that, in making a slave of me and in making slaves of others, they were merely acting under the authority of God, and I felt to them as robbers and deceivers. The feeding and clothing me well could not atone for taking my liberty from me. . . ."

Escape to the North

Douglass was soon returned to the Eastern Shore, to be turned into a field hand. But at the age of 16, another turning point occurred in his life which made it only a matter of time before he decided to escape North. This was his dramatic, two-hour physical contest with William Covey, the slave-breaker to whom he had been hired out, in order to break his will and turn him into a manageable field hand. Having been pushed far enough by this slaver, Douglass fought him. After two hours, Covey let go of him. "This battle with Mr. Covey, undignified as it was . . . was the turning-point in my life as a slave," wrote Douglass. "It brought up my Baltimore dreams and revived a sense of my own manhood. I was a changed being after that fight. I was nothing before—I was a man now. It recalled to life my crushed self-respect, and my self-confidence, and inspired me with a renewed determination to be a free man. A man without force is without the essential dignity of humanity. Human nature is so constituted, that it cannot honor a helpless man, though it can pity him, and even this it cannot do long if signs of power do not arise."

Finally, on Sept. 3, 1838, with the help of the Underground Railroad, Douglass escaped. While sitting on Kennard's wharf, waiting to leave, Douglass wrote that he "saw men and women chained and put on the ship to go to New



Frederick Douglass with his grandson Joseph Douglass, a concert violinist. The two played duets together.

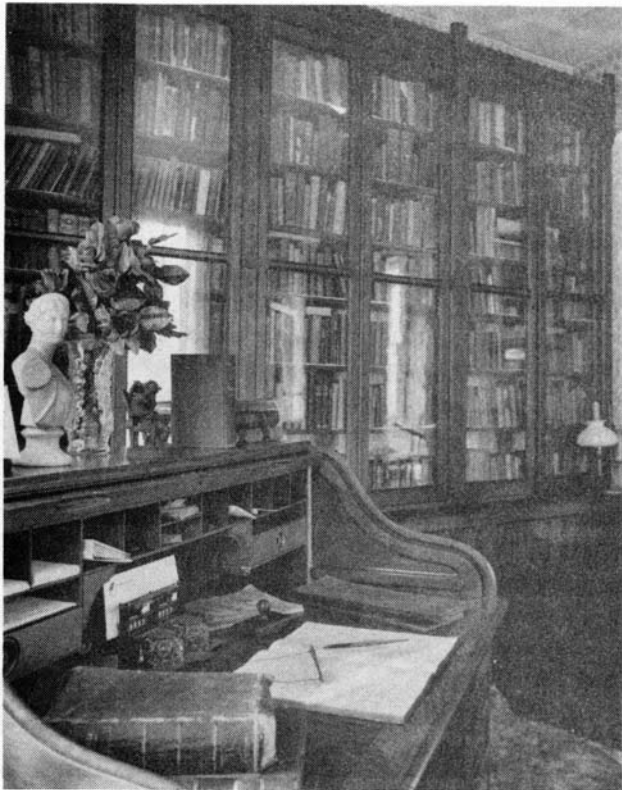
Orleans. I then resolved that whatever power I had should be devoted to the freeing of my race. For 30 years, in the midst of all opposition I have endeavored to fulfill my pledge."

Douglass settled in New Bedford, Massachusetts, with his wife, Anna Murray, and worked at various skilled jobs for several years. In August 1841, after speaking extemporaneously at his first abolition meeting, Douglass was embraced by William Lloyd Garrison and the abolitionists. Douglass, along with several other freed slaves, was to become a featured speaker on the abolition circuit. This was despite what some abolitionists viewed as Douglass's great "handicap": Although Douglass said he had been a slave, he was not only literate, but an articulate speaker.

Certainly, the influence of Douglass's study of oratory, could be heard in his speeches. Wrote the editor of the Concord, Massachusetts *Herald of Freedom* in 1841, "As a speaker he has few equals. It is not declamation—but oratory, power of debate. He has wit, arguments, sarcasm, pathos—all that first rate men show in their master efforts. His voice is highly melodious and rich, and his enunciation quite elegant, and yet he has been but two or three years out of the house of bondage."

Defense of the Constitution

Throughout the 1840s, Douglass was close to William Lloyd Garrison's abolitionist faction. Garrison (like the Brit-



Douglass's library at Cedar Hill, his home in Washington, is now maintained by the National Park Service. The illiterate man is a slave, he believed, whereas the literate one can become a citizen of a free republic.

ish aristocracy, which had been trying to destroy the U.S. republic since its founding) advocated disunion with the South, which would have meant the breakup of the United States into at least two sections, perhaps more. Garrison's reason for doing so, was his contention that the U.S. Constitution was *inherently* pro-slavery. Garrison was famous, in fact, for burning the U.S. Constitution in public.

But at about the time that Douglass began to publish his own newspaper, in 1847, he began to take a more intellectually mature standpoint. Starting not from the issue of slavery, but from the issue of the *creation of the U.S. republic*, Douglass by 1849 had broken with Garrison.

In *The Life and Times*, Douglass describes the intellectual process he went through over the issue of the Constitution: "I was then a faithful disciple of William Lloyd Garrison, and fully committed to his doctrine touching the pro-slavery character of the Constitution of the United States. . . . With him, I held it to be the first duty of the non-slaveholding states to dissolve the union with the slaveholding states, and hence my cry, like his, was 'No union with slaveholders.' . . ."

"My new circumstances [i.e., as a newspaper publisher] compelled me to re-think the whole subject, and to study with some care not only the just and proper rules for legal interpretation, but the origin, design, nature, rights, powers,

and duties of civil governments, and also the relations which human beings sustain to it. By such a course of thought and reading I was conducted to the conclusion that the Constitution of the United States—inherited to 'form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty'—could not well have been designed at the same time to maintain and perpetuate a system of rapine and murder like slavery . . . that the Constitution of the United States not only contained no guarantees in favor of slavery but, on the contrary, was in its letter and spirit an anti-slavery instrument, demanding the abolition of slavery as a condition of its own existence as the supreme law of the land. . . ."

And in his 1857 reply to the infamous *Dred Scott* decision, Douglass noted that the slaveholders "do not point us to the Constitution itself, for the reason that there is nothing sufficiently explicit for their purpose; but they delight in supposed intentions—intentions nowhere expressed in the Constitution, and everywhere contradicted in the Constitution."

From the day the Civil War began, Douglass, both in his newspaper and on the speakers' platform, agitated with President Lincoln and anyone else he could to allow freedmen in the North to enlist in the Union Army. He also denounced the policy of the Union Army of returning slaves to their masters, even in captured areas of the South, and called for encouraging the desertion of slaves in the South. He also pressured the embattled Lincoln to issue the **Emancipation Proclamation** in 1862, a year before Lincoln consented to do so.

In 1863, Douglass was crucial in organizing several regiments of Colored Troops from Massachusetts and other states, including the famous 54th Regiment, in which his son Lewis enlisted.

Douglass played a crucial role in the Civil War years. He was an agitator, a morale-booster, a fundraiser. He brought those abolitionists who were wavering under the republican banner.

After the war, Douglass began to realize that Reconstruction was as much of a fight as the Civil War had been, that the "Year of Jubilee" (1863, the year of the Emancipation Proclamation) had turned into a year of embattlement. Reconstruction soon was a hollow phrase, replaced by populist and conservative legislators in both the Republican and Democratic parties who were determined to "hold the line" when it came to the rights of the newly freed slaves. As a result, Douglass founded a new newspaper, *The New National Era*, to address postwar political conditions.

Until his death on Feb. 26, 1895, Douglass was a factor in American politics. Whether an administration agreed or disagreed with Douglass, it was forced to recognize the grand old man as a voice of reason who was listened to with respect, not merely by blacks, but by many, many voters. He held numerous government posts, and until his death lived by the words "Agitate! Agitate! Agitate!"

Although in his late 70s, Douglass was to find himself agitating with Ida B. Wells and others against the lynching of blacks in the South. The promise of Lincoln had faded away, and American blacks would have to wait for the appearance of another great leader, Martin Luther King, to achieve their freedom. But Douglass was certainly a key figure who prepared the way for King.

Universal education

Throughout his life, one issue which Douglass understood as non-negotiable, was that of *universal education*. In the 1890s, when Jim Crow laws took hold and lynchings of blacks were becoming common, Douglass knew that if the black American was not to have full equality, then he would have to become educated in order to fight for that right.

Thus, Douglass, who during the war had toured the North giving a speech on "The Mission of the War," after the war, toured schools and colleges, to foster the literacy of the citizens. He appreciated the difference between ignorant voters and those who were informed of their rights and privileges, and who could thus in turn appreciate the rights and privileges of the so-called downtrodden. His message was always the same: that the illiterate man was a slave, and the literate one a citizen of a free republic.

Douglass read avidly, including Shakespeare, Robert Burns, and other key English-language poets. When invited to address the Robert Burns Anniversary Festival in Rochester, New York, he noted, "Though I am not a Scotchman, and have a colored skin, I am proud to be among you this evening. And if any think me out of my place on this occasion [pointing at the picture of Burns], I get that the blame may be laid at the door of him who taught me that 'a man's a man for a' that.'"

Beyond poetry and oratory, Douglass had learnt another language, the language of music, both through singing ("Sometimes Douglass took out his fiddle, sang Scottish songs of which he was very fond, and played a few tunes," wrote Mary Church Terrell), and playing the violin. In 1838, while still a slave in Baltimore, Douglass, with the Aulds' permission, hired himself out to the Merryman family. One of his duties was to conduct one of the Merryman's children to the E.M.P. Wells School. Apparently, either some teacher at the school or Douglass's future wife, Anna Murray, a free black, took an interest in Douglass, who is also reported to have been a good singer, and began to teach him the violin.

He made sure that when he finally escaped North, he had his music books. When Frederick and Anna Douglass arrived in New Bedford, they couldn't pay the coachman who had taken them there. Instead of objecting, the driver "took our baggage, including three music books—two of them collections by Dyer, and one by Shaw—and held them until I was able to redeem them by paying to him the sums due for our rides."

Throughout his life, Douglass continued to play the vio-

lin, and he and his grandson Joseph, who became a concert violinist, played duets together.

In 1886, at the age of 69, Douglass visited Europe for the second time. In Genoa, Italy, he stood transfixed before Paganini's violin, not because of the physical instrument itself, as he wrote, but because "there are some things and places made sacred by their uses and by the events with which they are associated, especially those which have in any measure changed the current of human taste, thought, and life, or which have revealed new powers and triumphs of the human soul. The pen with which Lincoln wrote the Emancipation Proclamation, the sword worn by Washington through the war of the Revolution, though of the same material and form of other pens and swords, have an individual character, and stir in the minds of men peculiar sensations. . . . [This violin] had even stirred the dull hearts of courts, kings, and princes, and revealed to them their kinship to common mortals as perhaps had been done by no other instrument."

One of Douglass's articles, "What Are the Colored People Doing for Themselves?" which appeared in his first newspaper, *The North Star*, made the point that despite prejudice, African-Americans could still develop their potentials. "It should never be lost sight of, that our destiny, for good or for evil, for time and for eternity, is, by an all-wise God, committed to us; and that all the helps or hindrances with which we may meet on earth, can never release us from this high and heaven-imposed responsibility. It is evident that we can be improved and elevated only just so fast and far as we shall improve and elevate ourselves."

Douglass was not speaking lightly; he had lived the very words he wrote.

He continued: "The fact that we are limited and circumscribed, ought rather to incite us to a more vigorous and persevering use of the elevating means within our reach, than to dishearten us. The means of education, though not so free and open to us as to white persons, are nevertheless at our command to such an extent as to make education possible; and these, thank God, are increasing. Let us educate our children, even though it should us subject to a coarser and scantier diet, and disrobe us of our few fine garments. 'For the want of knowledge we are killed all the day.' Get wisdom—get understanding, is a peculiarly valuable exhortation to us, and the compliance with it is our only hope in this land. It is idle, a hollow mockery, for us to pray to God to break the oppressor's power, while we neglect the means of knowledge which will give us the ability to break this power. God will help us when we help ourselves."

Frederick Douglass had already learned at the age of 10, that the difference between a slave and a human being was the ability to be able to communicate ideas freely. And whether he was conscious of it or not at that point, he had singled himself out to become the champion of those who had no voice. The goal for which he fought is as vital in our day, as it was in his.

LaRouche option weighed in Ibero-American debt crisis

by Cynthia Rush

As we reported in last week's feature on the explosion of the Mexican debt bomb, the crisis in that country has sent out financial shock waves to the rest of the Ibero-American continent. Included in this section are case studies of four countries—Argentina, Brazil, Venezuela, and Peru—which, with the exception of Venezuela, have adopted the “miraculous” Mexican economic model at the behest of the International Monetary Fund (IMF) and other foreign usurers. Peru, Brazil, and Argentina are now frantically trying to convince foreign investors that they are “different” from Mexico, even while taking desperate measures to stave off domestic banking crises and cover up the ample evidence of just how vulnerable they are to a Mexican-style blowout.

A case in point is Argentina, whose convertibility plan, which by law establishes a one-to-one parity between the peso and the dollar, is being hailed by Wall Street and neo-conservative circles as the type of “currency board” or dollarized system that could stabilize Ibero-America's currencies. Yet investor confidence in the Argentine model hasn't been sufficient to prevent capital flight into the markets of neighboring Uruguay, to the tune of \$2 billion, leaving the banking system bordering on insolvency.

So much for the “stability” of the vaunted currency board proposal. As Ramón Lecuona of the Latin American Monetary Studies Center in Mexico points out, a currency board is simply the revival of 19th-century British imperial policy, the real purpose of which is to eliminate sovereignty over economic and monetary policy and subordinate Mexico to the control of the IMF and the Swiss banking law which underlies it. Its board of directors would consist of five people, three chosen by the IMF and two by the country government. Thus the IMF and Swiss bankers would determine Mexico's economic policy.

In its editorial of Jan. 23, the *Wall Street Journal* recog-

nized that the question to be answered is whether the crisis in Mexico—and by implication elsewhere in Ibero-America—is merely the result of some “discrete mistakes” or whether “it is somehow the inevitable outcome of opening an economy, privatizing, and the like.”

To Wall Street's distress, some Ibero-American leaders are now weighing the analysis and policy recommendations outlined by American statesman Lyndon LaRouche and this magazine, which for over two decades have warned that continued adoption of the free-market lunacies demanded by international bankers would lead to precisely the financial meltdown now occurring. Although Mexican President Ernesto Zedillo has made dangerous concessions to foreign usurers in an effort to stabilize his nation, his remarks on Jan. 23 that Mexico's crisis was linked to a “global” financial breakdown reflects the impact of LaRouche's widely circulated “Ninth Forecast” (“The Coming Disintegration of Financial Markets,” *EIR*, June 24, 1994).

On Jan. 17 in Mexico City, *EIR* Ibero-America Editor Dennis Small and Mexico City correspondent Carlos Cota presented the conclusions of a Spanish-language *Special Report*, “Mexico: The Debt Bomb Explodes; Who Will Be Next? LaRouche's Ninth Forecast,” before media, professionals, businessmen, and other interested citizens. A press conference and three-hour seminar on the subject were prominently covered in the country's most respected newspaper, *Excelsior*, under the headline “EIR Analysts Say the Insolvency of the New York and London Banks Is the Cause of Latin America's Financial Crisis,” while the financial daily *El Financiero* also covered the events prominently, as did local radio and television. A conference on the same topic took place in the Dominican Republic on Jan. 25, and similar presentations are scheduled to take place soon in five other Ibero-American nations.

Argentina: Next on the chopping block?

by Cynthia Rush

In the aftermath of the Dec. 20, 1994 devaluation of the Mexican peso and the ensuing crisis throughout the Ibero-American continent, Argentine Finance Minister Domingo Cavallo and President Carlos Saúl Menem frantically repeated that “Argentina is not Mexico,” and vowed that there would never be a devaluation of the Argentine peso. Shaken by a dramatic plunge in the Buenos Aires stock market—29% since Dec. 20—a sharp decline in the value of Argentine debt bonds including Brady bonds, and a full-fledged banking crisis, Cavallo hauled out detailed graphs and statistics to establish the “differences” between the two nations’ economies and pleaded with foreign investors to show confidence in his economic program by not withdrawing their funds.

But the only thing that distinguishes Argentina from Mexico is that Argentina is, if anything, in a *much worse* situation than Mexico was before the devaluation, and, as numerous Wall Street analysts and economists have warned, it is likely to be the next country to explode. Cavallo has not only copied every wrong thing that Mexico has done, but, as Menem likes to boast, has done it twice as fast as Mexico did under President Carlos Salinas de Gortari. This should surprise no one. Domingo Cavallo and the former Mexican finance minister responsible for the current debacle, Pedro Aspe, go back many years together, to their days as students in Boston—Cavallo at Harvard and Aspe at MIT—where they became good friends. Before Cavallo became Argentina’s finance minister, he used to sit in on Aspe’s meetings with his economics team to learn about the Mexican “economic miracle.”

Not only do these two share a commitment to the free-market lunacies they have each imposed on their nations, but they also share an intimate friendship with David Mulford, U.S. Treasury undersecretary under George Bush and now an executive at Crédit Suisse First Boston, who has served as adviser and mentor to both men. Architect of the infamous Brady debt reduction plan which is now being shredded under their noses, Mulford is currently coordinating Cavallo’s dealings with the Wall Street banking community and has launched a “Vamos Argentina” (“Let’s Go Argentina”) publicity campaign to sell the virtues of Cavallo’s plan to save his model in 1995. As Brazilian journalist Carlos Chagas recently wrote in the daily *Tribuna da Imprensa*, in a play on words with Cavallo’s name which means “horse” in Portuguese: “Argentina is headed, on horseback [a Cavallo], over the same cliff [as Mexico].”

But no amount of publicity will prevent Argentina from blowing up. Now it is only a question of when, not whether, the explosion will occur.

There is no national currency

Two factors suggest that the blowout could occur soon. One is the fact that since March 1991, the Argentine peso has been pegged by law to the U.S. dollar in a one-to-one parity—Cavallo’s famous Convertibility Plan. By prohibiting the central bank from issuing new money unless it is backed by gold or dollar reserves, this dollarization plan took credit generation out of the government’s sovereign control and handed it over to the U.S. Federal Reserve, making the peso a “sick man” and the dollar virtually legal tender inside the country. The lines of citizens standing outside the country’s banks today anxiously waiting to trade in their pesos for dollars is not only a testimony to the completeness of the dollarization scheme, but of the fact that average citizens still don’t believe Cavallo’s claims that the peso is “as good as the dollar.”

As the daily *Clarín* accurately put it in November 1992, the Cavallo model meant that domestic economic policy, particularly the quantity of money in circulation as well as interest rates, “would depend fundamentally on international fluctuations and the policies adopted *outside the country*.” Lawfully, because the fixed-parity system offered little risk to foreigners, the country has also become a playground for speculative stock market and derivatives-related “investments,” replacing normal banking and other economic activities related to production. Argentina has the dubious distinction of entering the “post-industrial” era without ever having fully developed its own industry! Entirely dependent on foreign capital flows into the country, the model—and the country’s ability to sustain its \$8 to \$10 billion current account deficit, included in which is its debt service bill—collapses when the capital begins to flee as it is now doing. This is a carbon copy of the formula for the Mexico debacle.

Secondly, privatization—the selloff of the public sector demanded by foreign usurers—is not an option for Argentina the way it still is for Mexico and especially Brazil. The Menem government has *already* sold off “Grandma’s jewels” in such crucial companies as the formerly state-owned oil company Yacimientos Petrolíferos Fiscales (YPF) and a large number of other state-owned companies, generating a cumulative total of \$20.5 billion. Cavallo announced on Jan. 9 that he is now prepared to sell off all remaining state assets, including the strategically vital National Atomic Energy Commission (CNEA), the Yaciretá and Salto Grande dams, the Bahía Blanca petrochemical complex, and the Futaleufú and Pichi Picún Leufú and a number of smaller hydroelectric and energy-generating projects. He even sweetened the offer with a debt-for-equity plan permitting Argentina’s depreciated debt bonds to be used to pay for 100% of the value of stock in the privatized companies, whereas previously they could be used only to pay for a portion of the total. However,



Finance Minister Domingo Cavallo's name has become synonymous with the destruction of the economy, on Wall Street's orders.

the total of these sales is not likely to exceed \$3 billion, if that.

The cow has no milk

The finance minister argues that what is happening in Argentina today is just a "summer storm," rather than a reflection of the insanity of his precious model and the rottenness of the whole international financial system. So, in his Jan. 10 meeting before 200 investors and bankers at the St. Regis Hotel in Manhattan, Cavallo hysterically promised to "deepen" the model, promising that "if we find any regulation which distinguishes pesos from dollars, we shall eliminate it." On Jan. 11, through Decree 22638, that is precisely what the government did, among other things, allowing banks to hold reserve ratios either in pesos or dollars.

He vowed that the government would demonstrate that it merited investor confidence by generating a \$3 billion surplus in 1995, by "implacably" reducing government spending, slashing what remains of the state sector, increasing tax revenues, and coming up with a balanced budget for 1995. The 1995 debt service bill of \$5.2 billion (in amortization and interest) will be met by issuing at least another \$5 billion in dollar-denominated debt paper and using revenues from privatization.

In a worst-case scenario, the economy would grow by 4.5%, he said, and by 6% under better conditions. The trade deficit will not exceed \$4.7 billion in the more negative scenario and \$1.5 billion in a positive one; exports will increase

by 20% and imports by 10%. If more austerity is ruthlessly imposed, he argued, Argentina can survive.

Cavallo's projections are illusory, for two reasons: Argentina is already in a deep recession, as a result of the last several years of neo-liberal reforms, and its population and what remains of the productive sector will not sustain, either economically or politically, the brutal austerity that the minister is contemplating. This becomes especially relevant because Argentina's presidential elections will be held in May 1995, and Menem is desperately seeking reelection. Will he really be prepared to kill off retirees by further reducing the payments they are owed by the government? Will he risk social explosion in the provinces especially?

Official unemployment already stands at 12% and underemployment at 10%—more than 20% of the economically active population, or 2.8 million people. Most telling in this rich agricultural nation is the fact that the consumption of beef, a staple of the national diet, had dropped from 68 kg per capita in October 1993 to 62.8 kg one year later—a decline of 7.7%. Overall, the agricultural sector, traditionally the source of Argentina's export revenues, is in crisis, unable to obtain parity prices for its products. At least 40,000 small and medium-sized companies are on the brink of bankruptcy; regional economies, subjected to a domestic austerity regime, are devastated. Several state banks, such as those in San Juan and Córdoba, are bordering on insolvency.

As one member of Cavallo's own team bluntly told *Noticias* magazine, "If capital inflow slows down, the danger isn't devaluation, but recession."

A September 1994 report produced by the Argentine Industrial Union (UIA) included some alarming numbers on the state of national industry. Currently, the capital goods sector uses only 26% of installed capacity; over a one-year period, exports of machine-tools dropped 38% and imports increased by 132%. Exports of agricultural machinery dropped to one-tenth of what they had been. Tractor production has dropped from 12,322 units in 1984 to 2,916 in 1993, of which 42 were sold abroad. Production of railroad machinery has all but ceased, as has ship production. Several other sectors have stopped production to dedicate themselves to imports. "Fifteen 'uncompetitive' petrochemical plants have closed their doors forever, tossing out 30% of their workforces in the process," the UIA document reports.

The banking system is sinking

Add to this the reality that *the Argentine banking system is insolvent*. Best reflecting the insanity of the speculative cancer which has taken hold of these nations' economies, banks no longer lend money for productive investment but make their profits in the "bicycle" of trading in bonds and debt paper as well as leveraging and other derivatives operations, relying on foreign capital to do so. What credit is available is prohibitively high at 20 to 25% interest rates, for smaller banks and enterprises as well as individuals.

The Banco Extrader, one of two banks and two brokerage houses which have entered into bankruptcy reorganization in the last few weeks, handled 7% of the national market in debt paper. It also reportedly engaged in questionable offshore practices in the Cayman Islands as well as leveraged speculative operations. Its total losses were \$70 million.

The newspaper *El Cronista* reported on Jan. 6 that the banking crisis really began, not in December 1994, but in the middle of the year, when it became more difficult to get foreign financing; once the Mexican crisis hit, and depositors began to withdraw their funds or move into dollars, the ensuing bank run threatened the existence of many smaller banks. The second bank to go under, Banco Finansur, lost half of its deposits, \$45 million, in just two weeks.

According to *El Cronista*, the “irregular”—or problematic—debt held by the entire banking system increased from 45% of its patrimony in January 1994 to 58% in August. In the 12-month period between September 1993 and 1994, loans at risk of default increased by 25%. According to a new banking law which was scheduled to go into effect on Jan. 1, banks are being asked to increase their reserves against loan defaults.

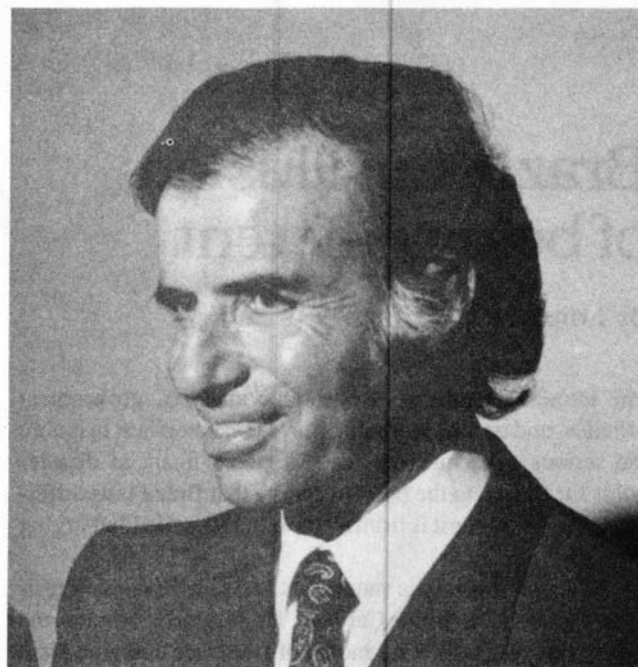
The much-publicized “safety net” originally set up by five large banks and then broadened to include several more, is, according to many reports, non-functional. The central bank was to have allowed the large private banks to lower their reserve ratios on the condition that these funds be re-lent to banks with liquidity problems. But according to Finansur executive Marcelo Ruíz Huidrobo, in his bank’s case, the safety net couldn’t respond with the speed required by the run on the banks. Others have complained that the process is extremely selective—that only banks with good chances of repaying the loans are receiving assistance.

As of Jan. 12, the central bank announced a reduction of bank reserve ratios in a desperate measure to inject \$1.5 billion in liquidity into the system.

And the foreign debt?

As one astute local commentator noted, the Achilles’ heel of Cavallo’s model is the foreign debt. A series of negative factors adds up to an inability to sustain the current account deficit. Foreign funds are drying up; the cost of foreign loans are increasing because of higher international interest rates; there will be an increasing difficulty to find buyers for Argentine debt paper. Setting domestic interest rates high to attract foreign capital courts disaster.

As *EIR* noted in its May 1994 study on the Ibero-American debt blowout, Argentina’s *real* foreign debt at the end of 1993 was \$106 billion, much higher than the official figure of \$70 billion. This is due to the category we described as “internationalized internal debt”—the nominally domestic or internal debt which really constitutes a *foreign obligation* because it is denominated in U.S. dollars. This “internal debt” actually functions as if it were a foreign debt, in that it



Argentine President Carlos Menem, who is facing a re-election campaign, is at pains to insist that “Argentina is not Mexico.”

can flee the country at a moment’s notice.

At the end of 1993, that figure stood at an estimated \$33 billion—\$14 billion of it public and \$19 billion of it private, denominated in dollars, plus another \$3 billion in foreign-held peso-denominated debt. Today, that figure has risen significantly, although exact data is unavailable. It is likely that the total real foreign debt of Argentina at the end of 1994 was in the range of \$125 billion.

The trend of flooding the country with foreign imports has continued to increase, in line with Cavallo’s “economic opening.” The estimated 1994 trade deficit is \$5.8 billion, almost double 1993’s \$3.5 billion figure. Exports were \$19.1 billion and imports \$25.9 billion, the latter a jump from 1993’s \$16.8 billion.

Projected 1995 debt service, including amortization and interest is \$5.2 billion; how will it be paid? Cavallo intends to issue at least \$5 billion in debt bonds on the international markets. In 1994, \$3.7 billion of debt paper was placed on the markets, in order to cover \$2.9 billion in debt service. In the last 70 days of 1994, the government issued \$2.8 billion worth of bonds, \$1 billion of it in the first two weeks of December. The suspicion is that this latter issuance was to cover a fiscal deficit much higher than what the government was admitting to. Last October, the Federal Tax Commission revealed that the finance minister had delved into the nation’s pension funds to cover a Treasury deficit.

This all adds up to a formula for financial explosion and economic catastrophe—and political defeat of Menem in the upcoming elections.

Brazil: the illusion of being different

by Lorenzo Carrasco

The immense majority of economic analysts, government officials, and trained journalists have done their best to ignore the serious consequences that Mexico's financial disaster holds for Brazil, to the point of stating that Brazil is as different from Mexico as it is from all the other so-called "emerging markets."

At least in his public statements, the new Brazilian President, Fernando Henrique Cardoso, has refused to admit to the reality that the neo-liberal model of free trade and globalism shattered to pieces when the Mexican crisis exploded last December. For Brazilian officials, and for President Cardoso himself, who idealized and imposed the monetary stabilization plan for the national currency, the *real*, based on the argument that Brazil would be the "emerging market of 1995," it is proving difficult to awaken from their pleasant dreams to recognize that from here on, international capital will only flow into the country if Brazil shows a readiness to hand over its patrimony, in particular the state oil company Petrobras.

It is, of course, possible that some officials in private are recognizing what they refuse to admit in public, as there is evidence that some glimmers of reality have penetrated certain circles. For example, the Brazilian press has reported that the economic advisers closest to the President think that if Argentina should sink like Mexico, Brazil will necessarily follow the same path.

But in public, there are no such hints of realism. After the mini-crash of the Brazilian stock exchanges on Jan. 10, Finance Minister Pedro Malan finally officially recognized that the Mexican crisis was affecting the Brazilian economy, although he insisted that any comparisons between the two countries were "simplistic, ingenuous, and precipitous." Even more arrogant were the comments made to *Gazeta Mercantil* on Jan. 6 by the executive secretary of the Finance Ministry, Pedro Pullen Paente, who stated that "we know there is a storm on the horizon, but our ship is the most secure." Pullen said this after meeting in Brasilia with the South Atlantic Division chief of the International Monetary Fund (IMF), José Fajgenbaum. What the new Brazilian government is hoping is that the IMF will become its channel of communication with the "financial world," to convince it of the differences between Mexico and Brazil.

It is equally pathetic to see the collection of economic analysts who, until recently, parroted the argument that Brazil should yield its economic sovereignty to the inevitable "globalization of the markets," to the general economic opening, and other such nonsense, and who now hide from the reality of the globalized financial crisis and take refuge in isolationist hysteria. This hysteria has even reached the chauvinist extreme of claiming that the difference with Mexico is that Brazil doesn't speak Spanish, as Luís Fortes, executive of a major Brazilian petrochemical company, stated to the *Wall Street Journal* on Jan. 6. "How can investors think that Mexico affects us? We don't even speak Spanish," said Fortes.

For the government and the analysts, Brazil's differences are varied, but centered primarily in the country's foreign accounts. While Mexico's 1994 current account deficit was approximately \$40 billion—or 10% of its Gross National Product—with investments in the stock market of \$75 billion and foreign reserves of \$6 billion, they point out, Brazil's projected deficit for 1995 is around \$13 billion, or a mere 2% of GNP. They add that foreign investments in the Brazilian stock markets equal \$15 billion, and that international reserves are currently \$40 billion. They also argue that, unlike Mexico, Brazil has a trade surplus.

While these statistics are real enough in themselves, they mean little, given that the economic course the new Brazilian government appears committed to must rapidly lead to a Mexico-style disaster, but on a far greater dimension given the size of the Brazilian economy. The neo-liberal economic policies that Brazil is following are nearly identical to the Mexican ones, and must lead to the same results in the end. Some analysts indicate, for example, that the Brazilian *real* became overvalued to the tune of 30% in just six months, a point that Mexico's peso only reached after six years of the free-market economic program. Brazil has also adopted a policy of trade opening, and the combination of these two has contributed to trade deficits for the months of November and December 1994, the first deficits in several years.

Regarding the allegedly substantial reserves, even the orthodox monetarist Antônio Delfim Netto, a former Brazilian finance minister, explained to *Gazeta Mercantil* on Jan. 9 that, in reality, "the reserves are laughable": Of the nearly \$40 billion, approximately \$25 billion stems from short-term investments that entered the country to take advantage of extremely high domestic interest rates and became Brazilian public debt. Another \$15 billion are largely short-term speculative investments on the stock market. That is, if a "crisis of confidence" should combine with fear of an inevitable Argentine crash, Brazil's reserves could disappear just as rapidly as Mexico's.

But there does exist one important difference between Mexico and Argentina on the one side, and Brazil on the other: Brazil has not privatized as much of its industry as have Mexico and Argentina, and therefore it still has "booty"



Child labor in São Paulo, Brazil. The IMF's "free-market" austerity programs are looting whatever remains in the economy, from its industry to its labor power.

to be handed over to the international financial pirates when they start to up the pressure.

The fall of the Brazilian stock exchanges

The fact is that, since the beginning of the Mexican meltdown, Brazil has been suffering high levels of capital flight, which are causing dramatic declines on the stock exchanges. Since Dec. 20, when the Mexican crisis broke out, through Jan. 10, the São Paulo stock exchange, Bovespa, lost 38.5% of its value as the result of withdrawals of \$1.2 billion, that is, of 10% of total foreign investment in the country's stock exchanges.

Further, long-awaited capital never reached the country, despite the optimistic proclamations of government officials. Therefore, it is going to be very difficult for the banks to roll over bonds and other debt paper coming due over the next few months on the international market.

For this reason, many of these instruments will have to be liquidated and paid with *reales*, which will aggravate the tendency of the reserves to decline. To get a sense of the size of this market, one must consider that, according to bank estimates, Brazil brought in some \$6 billion last year in bond sales. Over the next six months, \$1.6 billion worth of Eurobonds of Brazilian companies alone will mature, and are not likely to be renegotiated.

In June 1994, *EIR* insisted that approximately one-third of the government's internal debt would become de facto international debt, as a result of the Real Plan and of the

links that would be established between the *real* and the dollar. Reality has proven this forecast correct, and the government itself has been forced to admit this in its actions. In the few weeks since the Mexican crisis began, the Brazilian government has begun to issue new bonds, called NTN-Ds, which are indexed to the dollar—that is, they provide guarantees to the investor against possible devaluation of the *real*. In this sense, the NTN-Ds are identical to the infamous *Tesobonos* which the Mexican government had to start issuing when foreign investors stopped buying Treasury Certificates (*Cetes*) denominated in pesos.

Former minister Delfim Netto has revealed that Brazil has already issued some \$2.65 billion worth of NTN-Ds, supposedly to assure the international community that Brazil has no intention of devaluing its currency. This measure is sheer lunacy, and will, within a short period of time, place Brazil in the same situation as Mexico, with dollar-denominated international obligations that it cannot pay.

The debt cancer

So far, the new government's economic team insists on sticking with the current economic policies of the country, with the monetarist reasoning that monetary stability, and consequently an end to inflation, depend on eliminating potential excess liquidity in the national currency by raising basic interest rates upon which government debt paper is negotiated. These, of course, serve as a reference point for the entire national banking system. Thus, the increase in

domestic rates of usury, which currently range from 40-50% a year, has led—within a climate of total economic “opening”—to two very serious short-term economic problems. First, the trade opening and banking and financial liberalization have allowed for the massive inflow of speculative capital of all sorts, which seeks to benefit from the financial carnival. The result has been a significant increase in indebtedness, the same which until now has hidden behind the fiction of increased international reserves.

At the same time, the financial derivatives market in Brazil tripled in the past year, reaching the fabulous sum of \$1.3 trillion. According to International Finance Corp., the Brazilian stock market grew by 77% in the past year, the largest growth on the Ibero-American continent, turning the São Paulo futures market (BM&F) into the fourth largest derivatives market in the world.

This speculative income has had the immediate effect of artificially raising the value of Brazil’s currency against the dollar. If we add to this artificial value of the *real*, the increase in the inflation rate since the inauguration in July 1994 of the monetary program, the exchange differential by December 1995 could reach 30%, which constitutes the upper limit beyond which the Brazilian export sector will drop dead of a heart attack. As a point of reference, it is worth noting that this 30% differential was reached in the Argentine case two years after the imposition of the Cavallo Plan, and seven years later in the Mexican case.

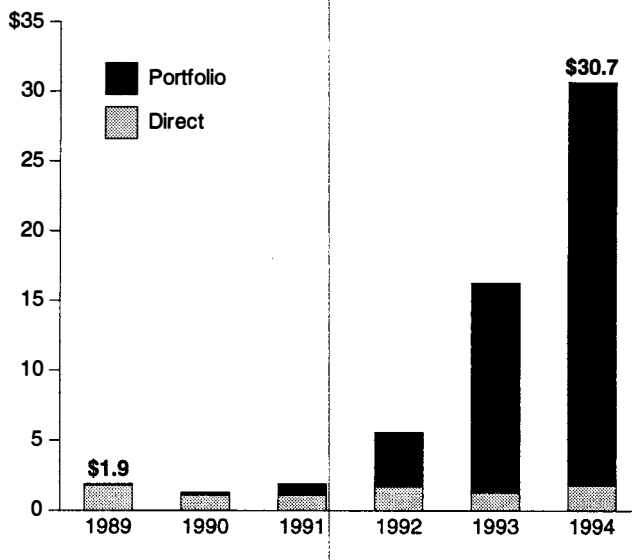
These undeniable facts have forced the country’s financial authorities to intervene into the exchange market with massive dollar purchases, thereby increasing dollar reserves to, at one point, more than \$40 billion, while at the same time officially encouraging capital flight and therefore a gigantic trade deficit starting in 1995. For example, the director of foreign affairs of the central bank, Gustavo Franco, declared that Brazil could have a \$12 billion trade deficit in 1995.

As a result of this kind of intervention, during the last two months of 1994, Brazil’s trade balance went negative after nearly two decades of surplus. In November, a deficit of \$262 million was recorded, and in December, the deficit was more or less \$1 billion, a substantial decline compared with the nearly \$1.5 billion surpluses of August and September.

This tendency suggests a trade deficit of nearly \$10 billion for 1995, which amount Brazil will have difficulty in borrowing on international markets after the Mexican collapse. If one adds the negative financial outflow to this, Brazil could have a current account deficit of \$15 billion, or more than 2% of its GNP. If this should prove to be the case, the country will have to pay for this deficit with a third of its reserves.

The situation could prove more serious still. The technical departments of the private banks project a current account deficit for the month of January 1995 of \$2.8 billion, a ten-

FIGURE 1
Foreign investment in Brazil
(billions \$)



Source: Brazilian Central Bank.

dency which—if maintained—would virtually wipe out Brazil’s reserves.

The government’s insane adherence to free-trade policies has already begun to inundate the national markets with every kind of imported consumer goods, at artificially depressed dollar prices. As if this weren’t enough, the rise in interest rates is having a devastating effect on the productive sector, raising the basic costs of production and ground rent in general, which is the real cause of the rise in inflation, despite the commitment to keep prices frozen. With the inflation of real costs, the national industry will not be able to survive much longer, as important businessmen like Claudio Bardella, president of the Bardella Group, and Affonso Hannel, of Semp Toshiba, have already warned.

Under these circumstances, the only thing that can buy time is privatization of the public sector. But auctioning off the national patrimony can only prolong for a little while the agony of a dying monetary system.

What we see in **Figure 1** is a partial view of the monetarist policy seen through the flow of speculative money which began to pour into Brazil as of 1992. In 1993, this amount tripled over the previous year. By September 1994, which is the date of the last figures available, this flow doubled with respect to the entire previous year, reaching the sum of \$30.7 billion.

Of this over \$30 billion figure, nearly all of it—some \$28.9 billion—was portfolio investment, both in the stock market and in the money market and other activities, as per-

mitted by Resolution 63 of the central bank. Only \$1.758 billion is actual direct investment, a sum nearly identical to direct investment in 1993.

On this point, it is interesting to note that the flow of speculative capital into Brazil began to slow several weeks before the Mexico crisis, and without any apparent cause given that Brazil had been fully compliant with creditor demands and had just elected President Cardoso, architect of the monetary stability program now in force.

One of the reasons for this decline, aggravated in the aftermath of the Mexican peso devaluation, is that the Brazilian central bank eased legal restrictions on repatriation of capital, unlike the case of Mexico and Argentina, which used these flows to cover their balance of payments deficits. The result is that international speculators who had been stung in Mexico made up their losses by selling out on the Brazilian exchanges, walking away with dollar profits of 57% for one-year investments, while hoping that the effects would be less severe globally than the desperate withdrawals from the Mexican and Argentine markets. As we indicated earlier, however, this behavior has already provoked waves of panic on the Brazilian exchanges, driving them to the brink of a crash.

Internal debt and banking crisis

But these huge profit margins, which sustain the speculative bubble, are themselves sustained through a dramatic increase in internal debt. For example, the debt in government paper and bonds went from 46.2 billion *reales* in January 1994 to 65.2 billion *reales* in October of that same year. At the same time, the internal debt of Brazil's states and municipalities rose, from July to October (that is, after the *real* was introduced), by 20%, going from 19 billion to 23.14 billion *reales*.

The result of this process is that the entire state banking system is in crisis. Recently, the central bank intervened in Banco de São Paulo (Banespa) and Banco de Rio de Janeiro (Banerj), to prevent further liquidity problems and, in the final instance, their bankruptcy. There are persistent rumors that the government's intention is to privatize these banks as soon as they have been "cleaned up."

In 1994, the federal Treasury had to disburse 7 billion *reales* in interest payments on the internal debt. For 1995, the budget office foresees \$12 billion *reales* in interest costs. Here we see the insanity of the privatization policy, which is supposedly intended to reduce the accumulated foreign debt burden. Between 1991 and 1993, Brazil sold off public companies to the tune of \$8.3 billion, equal to 7 billion *reales* paid in interest on the internal debt in just one year! In this way, the house is being sold to pay for gambling debts.

As far as is publicly known, the Cardoso government in 1995 expects to garner some \$5 billion from privatizations, and that before a constitutional reform allows for the selloff



Former Brazilian Finance Minister Antonio Delfim Netto, an orthodox monetarist. Even he admits that Brazil's reserves could disappear overnight, just as Mexico's did.

of the national electrical system, telecommunications, minerals processing, the gigantic Vale de Rio Doce company, and parts of the state oil monopoly.

In the face of this disastrous picture, it is difficult to argue that Brazil can continue the current economic course without facing a Mexico-style crash in the near future. What is true is that, so far, Brazil has not handed over its public patrimony to the outrageous extent that Mexico has done, and even more so, Argentina. Brazil has maintained the relative integrity of its industrial and agricultural plant. From the standpoint of the financial vultures, the intention is to maintain the Real Plan for at least two more years, based on an escalating privatization of public companies and high interest rates—that is, if a general blowout of the international financial system doesn't happen first.

The truth is that if Brazil wants to hold onto its monetary program and reestablish the flow of speculative capital, it will have to go further than Mexico in its offers to the international speculators. Nor will this free it from the ongoing monetary devaluation and the immediate consequence of resurgent inflation.

But if President Cardoso, in the face of impending economic disaster, recognizes that the Real Plan is axiomatically flawed, and if he determines to safeguard the rest of the Brazilian economy, he will have to take a very different approach.

'Exchange controls saved Venezuela'

"Exchange Controls Saved Venezuela" was the front-page headline of the afternoon Caracas daily *El Mundo* on Jan. 7, referring to the fact that on June 27, 1994, after a bank collapse, Venezuelan President Rafael Caldera stepped outside the parameters of the International Monetary Fund (IMF) and the international banks to decree exchange and price controls, a suspension of constitutional guarantees, and to propose a series of national and regional development projects to resolve the country's economic crisis.

To be sure, the exchange controls halted the looting of the Venezuelan economy and prevented the bolivar from disintegrating against the dollar. Even more importantly, Venezuela established the precedent of an economic option outside the framework of the free-trade "neo-liberal" model. But, unhappily, the Caldera government stopped halfway in its march across the river: It put a halt to the looting, but, until now, has failed to take apart the corrupt financial mechanism that caused the banking crisis. In other words, it has yet to kill the cancer of usury; on the contrary, it has legitimized it. And of all the development projects proposed, it has yet to begin one. The result is an economic and political time bomb just waiting to explode.

But the international banks do not accept "rebels," whether all-out or only partial, and they consider what Caldera has already done to be a declaration of total war. In that sense, Venezuela is an example for the rest of Ibero-America, given that it is the only country that has dared to confront the International Monetary Fund. But with regard to the economic crisis, its halfway measures offer no solutions for the rest of the continent—not unless Venezuela crosses all the way to the other side of the river.

There are, in fact, only two alternatives for Venezuela: to wage all-out battle, extirpate the cancer of usury, break with the international sponsors of that cancer, and take the kinds of measures that Lyndon LaRouche has proposed, or succumb to the tremendous international and domestic pressure, go down on its knees to the IMF, and be destroyed. "Follow the example of Caracas," intones the Venezuelan national anthem. Now Venezuela has an historic opportunity to be an example for new Ibero-American independence, this time in economics.

Protective measures

On the evening of June 27, 1994, accompanied by representatives of each of the four military branches, President

Caldera announced on national television and radio the following measures: exchange controls, price controls for first category goods and services (rent, gas consumption, telephone, electricity, medical services, and basic foods); he also announced the granting of a food bond and a transportation bond to compensate for eroded wages. At the same time, the President explained that "exchange controls pave the way for thinking in terms of reducing interest rates and the possibility of eliminating zero coupon bonds."

Already on June 24 of last year, during the commemorative celebration of the Battle of Carabobo (Army Day), President Caldera had broken protocol with a bold speech expressing his readiness to "halt the evil and criminal tendency to ruin our currency, which bears the glorious name of Bolívar, and to exhaust our operating reserves. . . . I want to ratify before all the sectors of Venezuela my solemn commitment: The republic shall not be lost in my hands."

At dawn on June 30, after a lengthy meeting of the Council of Ministers, information officer Guillermo Alvarez Bajares read Decree 248 to the national press corps, which detailed the measures through which control over the banking system would be exercised. The decree overturned laws that had guided the banking system, by creating a Financial Emergency Council to oversee the banking system and which would be presided over by the minister of finance. The council was given absolute control over deposits, over and above the bank directors themselves, to the extent that if one were to suffer a run, the deposits of another bank could be used by the council to meet the liquidity requirements of the troubled bank.

On Sept. 12, Finance Minister Julio Sosa Rodríguez officially presented the Caldera government's macroeconomic plan, baptized the Program for Economic Stabilization and Recovery (PERE). The most important aspect of PERE is that it returns to the state the responsibility for guiding and restoring harmony to the economy: "The market in itself does not guarantee the equilibrium of the economy nor socially equitable growth," for which reason the state is required to issue rules that guarantee social "harmony." If, for example, the state had not taken control over the financial system, the crisis caused by the criminal behavior of "the market" would have led to the disintegration of the country, as is demonstrated below.

The PERE basically gives permanence to what had been intended as temporary: The protectionist measures will remain in force, the state will continue to guide the economy, and the demands of the IMF, such as an increase in gasoline prices, will not be imposed.

The goal of PERE was to assume total control over the financial crisis and to restore the productive sectors of the economy "through actions that will induce reactivation centered in the agricultural, construction, and small and medium-sized industry sectors."

Within this context, a strategic link between Venezuela and Brazil was created which could serve as the first step in a more ambitious Ibero-American integration process. On Sept. 8, 1994, in a press conference given in the Brazilian capital of Brasilia, Caldera declared that "an old idea is being reborn, which is the possibility of making communication and maritime navigation through an interconnection of the Orinoco and Amazonas rivers viable. . . . The idea of linking up the Orinoco, Amazonas, Paraná, and Plata rivers is one of the great ideas for the future of Latin America and, without doubt, it is no longer a chimera to think in these terms, but something toward which steps may be taken."

Ministerial level talks have also been launched to link up the state oil companies *Petróleos de Venezuela S.A.* (PDVSA) and *Petrobras*, to create a mixed company (*PetroAmérica*) which would be in charge of assuring energy supply to the hemisphere. Venezuelan Foreign Minister Miguel Angel Burelli Rivas announced that joint projects would soon be launched between Venezuela and Brazil, to include a highway connecting northern Brazil (Manaus) with southern Venezuela (Ciudad Bolívar), and an electrical grid that could export electricity from Venezuela to energy-deficient northern Brazil.

The PERE also announced a substitution of zero coupon bonds for long-term papers issued by the government, treasury letters and dollar-denominated bonds.

Why exchange controls?

On May 20, 1993, the Supreme Court suspended the mandate of then-Venezuelan President Carlos Andrés Pérez (known by all as CAP), who was beyond a doubt the most despised President in Ibero-America. His rule left behind the infamous "Caracazo" of Feb. 27, 1989, when CAP ordered the massacre of thousands of Venezuelans who had rebelled against the International Monetary Fund austerity dictates he had imposed; his rule also left behind two coup attempts, carried out Feb. 4 and Nov. 27, 1992. However, CAP also left behind a time bomb in the economy, which would explode months later.

CAP destroyed industry and agriculture, while encouraging usury and speculation; he religiously paid the foreign debt, dedicating a third of the national budget for that purpose; and during his government, the chronic difference between state income and expenses was financed with new foreign indebtedness, privatization of state companies, issuing bonds and, particularly, with the systematic devaluation of the bolivar, which went from 14 to 37 bolivars to the dollar (a differential exchange rate), to 105 bolivars to the dollar under CAP's rule.

During the five years that CAP hung onto power, and under his protection, the offshore operations of Venezuela's private banks, together with speculative activities on the money markets and other off-balance-sheet operations, made

up an entire parallel and unregulated banking system, of dimensions equivalent to the banking system itself and whose activities did not appear on the banks' monthly accounts. That parallel financial system became a vast "black hole." Many have alleged that it also served to wash billions of narco-dollars each year. All of this was carried out under the baton of Pedro Tinoco, who simultaneously held the position of president of the Venezuelan Central Bank (BCV), representative of Chase Manhattan Bank, negotiator of the Venezuelan foreign debt (coordinated by Chase!), and president of Banco Latino.

The leading beneficiaries of the bank fraud were, of course, CAP's partners, known as "the twelve apostles," including Pedro Tinoco; Gustavo and Ricardo Cisneros; Siro Febres Cordero (Banco Latino, Banco Maracaibo); and Grupo Di Mase (Banco Construcción). New partners were also brought in, such as José Alvarez Stelling (Banco de Venezuela, Banco Consolidado) and Orlando Castro (Banco Progreso, Banco República).

On Jan. 13, 1994, just three weeks before Caldera was to assume the presidency of Venezuela, the time bomb exploded: The second largest bank in Venezuela, Banco Latino, collapsed into bankruptcy. This was an alarm bell for the entire Venezuelan banking system, and shortly thereafter, eight more banks went under. In combination, the affected banks held no less than 44% of the country's deposits. It was also an alarm bell for the rest of Ibero-America.

The greatest bank fraud in Venezuelan history

When the government intervened against Banco Latino, its deposits were 130 billion bolivars (some \$1.2 billion at the exchange rate at the time), nearly 10% of all the deposits in the private banking system, estimated at some \$14 billion. But in the money markets, there was an additional 95 billion bolivars, the equivalent of 7% of the banking system's total deposits.

Money market operations consist of a trust operation through which the investor gives a certain amount of money for the bank to place in another company, which the bank chooses (in many cases, companies of the bank owners or directors). The bank does not enter this money as a normal deposit, nor does the investor receive a certificate of deposit, but rather a letter of credit or some other note from the bank. These are overnight deposits, in banking lingo, since they are placed for 1, 5, 10, or 15 days. That is why the bank does not include them in its monthly balance sheets, but rather in a parallel ledger that does not legally need to be registered. Further, the bank does not have to put aside reserves against these funds, and therefore they do not have the backing of the Bank Deposit Guarantee Fund (*Fogade*), the state agency which guarantees bank deposits.

Normal banking practice is to use these funds in short-term speculative ventures; a large amount was sent to off-

shore branches (which nearly all medium-sized and large Venezuelan banks hold in Curaçao and other Caribbean and Antilles sites). In the case of Banco Latino, some \$1.2 billion was transferred from the money markets to Curaçao, an amount equal to the regular deposits of the bank.

Sometimes these funds were used to speculate on the stock exchange, with foreign exchange or with other kinds of financial derivatives and interbank loans, whose interest rates reached 700% at one point in 1993, ten times the interest rates of the private banks. According to congressional sources, this money was also used to finance the illegal drug trade. One must also consider that the Banco Latino bought a large number of Venezuelan banks along the border with Colombia, just at the time that the authorities had detected widespread money-laundering operations.

In February 1994, eight more banks fell (Maracaibo, Construcción, Barinas, La Guaira, Metropolitano, Fiveca, Bancor, and Amazonas). The collapse of these banks had the same cause as that of Banco Latino. La Guaira, for example, had losses of 46 billion bolivars, of which at least 41,000 corresponded to the operations of its offshore branch in Curaçao. Bancor had registered losses of 8 billion bolivars, but it also had 16.5 billion in offshore operations, of which there had been no information. And so with all the rest.

The losses of those eight banks, according to the bank superintendent, added up to 316.5 billion bolivars (not counting Banco Latino's losses, which also surpassed 300 billion). The total capital of these banks equalled 29 billion bolivars; that is, they lost 11 times their capital.

Who pays: Venezuela or the thieves?

On Feb. 2, 1994, Alejandro Peña Esclusa, secretary general of the Venezuelan Labor Party (PLV) and an associate of Lyndon LaRouche, demanded that it be the banker-thieves and their international masters, not the Venezuelan government, who pays for the fraud with their own assets. Peña demanded the immediate confiscation of the personal holdings of magnates Gustavo and Ricardo Cisneros, the latter an important stockholder and director of Banco Latino. "I believe that the Cisneros-Latino group is leaving the country," said Peña Esclusa. "They want to sell all their assets and skedaddle, leaving Latino's depositors without a dime; I think that the Cisneroses will use their friends in the United States, like David Rockefeller and Henry Kissinger, to pressure the government so that it is the state—and not they and their fortunes—which pays the depositors; also, the passports of the Cisneros brothers should be confiscated. It must be done before it is too late."

In fact, when a judge issued an arrest warrant against Ricardo Cisneros for theft, swindling, conspiracy, and falsification of documents, he had already "skedaddled," and was directing the sale of his assets from Miami. His multimillion-dollar mansion, for example, was fraudulently sold to brother Gustavo's secretary.

On March 10, the Cisneros Group contrived false charges against Peña Esclusa. According to *El Diario de Caracas*, the Cisneroses paid \$600,000 to a corrupt judge to jail Peña Esclusa. In mid-April 1994, temporary judge Guillermo Heredia issued an arrest warrant against Peña, and the PLV told the media at the time: "The case against Peña must be seen on two levels; on the one hand, they want to silence anyone who dares to call for confiscating the assets of the corrupt bankers; on the other, they want to prevent the PLV from presenting its economic program as an answer to the ongoing banking and financial crisis."

On May 5, 1994, Peña Esclusa was released on bail, and at a press conference he warned of an international scheme to destabilize and ultimately overthrow the Caldera government (months later, the defense minister confirmed these warnings). He proposed that a decree be issued to include: impose exchange controls, annul agreements with the International Monetary Fund, suspend payment on the foreign debt, carry out financial and monetary reform, eliminate Central Bank autonomy, lower interest rates to below 10%, and issue credit only to finance major development and infrastructure projects.

In the end, Peña Esclusa won his case with Cisneros, but only some of the PLV proposals were implemented by the Venezuelan government.

The country pays the price

By May 1994, financial authorities had already given 310 billion bolivars to Banco Latino, supposedly to satisfy the bank's angry depositors (later that figure was to grow). But even that quantity of money represented 150% of its assets, which at the moment of government intervention equalled 202 billion bolivars. That is, the aid injected into Latino was nearly triple its registered deposits. Not only were the depositors being saved, but so were the usurious owners of Banco Latino.

Also in May, the state agency Fogade revealed that it had given assistance to the other eight bankrupt banks with an injection of another 470 billion bolivars, in exchange for taking the banks' stocks as collateral. That is, they were practically taken over by the state, a fact which was formalized at stockholder meetings held May 23-25. In total, the BCV had injected 780 billion newly printed bolivars in one month to plug the hole in the parallel and regular banking system. This amount was equal to more than 50% of all deposits in the entire banking system, and to 70% of the government's total annual budget!

From the Jan. 13 intervention in Banco Latino to the abrupt resignation on April 27 of BCV President Ruth de Krivoy (linked to CAP but who, thanks to the independence of the BCV from the Executive branch, managed to stay in her post for three months after Caldera assumed the presidency), the Central Bank forked over to Banco Latino and the other banks as much money as was requested by the then-

president of Fogade, Esperanza Martinó (also linked to CAP; she stayed in her post for the same reasons as Krivoy). One BCV director, Carlos Hernández Delfino, confessed that the money provided by the BCV came from a "broadening of the monetary base," that is, from newly printed money. He also admitted that the liquidity thus generated ended up being used to buy dollars.

The depositors pulled out their money and put it in other banks or bought dollars. The BCV was providing all the dollars that the banks and exchange houses were requesting; that is, the BCV brazenly permitted this capital flight. Through late April 1994, international reserves—which in the beginning of the year had equalled some \$12 billion—fell by \$2.5 billion. During May and June, reserves continued to fall, with estimates of the decline varying from \$3 to \$4 billion. Before exchange controls were imposed, reserves had fallen by nearly \$5 billion, representing "legal" flight capital of some \$7 billion.

The rest of the funds went to swell the deposits of the "healthy" banks, deposits which were placed in the identical activities which had already done away with one-fifth of the banking system. To reduce the risk involved, the Venezuelan Central Bank continued to employ Pedro Tinoco's method of "sterilizing" bank funds through sale of "zero coupon bonds." The BCV withdrew deposits from the banks and

gave them these bonds in their place, with the highest rates on the market. Through March 1994, the BCV issued some 200 billion bolivars worth of three- and six-month zero coupon bonds, at average rates of 55%. This led to a rise in banking interest rates to 70%, keyed over the zero coupon base rate.

A few days after Ruth de Krivoy resigned as BCV president on April 27, 1994, she was replaced by Antonio Casas, who continued the same policy through May and June, with even more devastating results. With new emissions of zero coupon bonds, the BCV paid 60% interest, which automatically raised bank interest rates to 75%!

The government insisted that the funds being used to rescue the financial system were not to help the bankers, but the depositors. However, the troubled banks returned only a portion of the money to their angry depositors, and continued to place the rest in money markets, or similar investments; that is, they continued to steal the money and send it abroad!

Instead of extirpating the cancer of speculative and usurious banking, the government provided the funds that fed the cancer. Instead of carrying out a bankruptcy reorganization of the national banking system, as the PLV had proposed, the government "saved the system." As we shall see, more banks were soon to fall.

A direct result of the above policy was the tremendous

Myth and reality

1) It is said that the main problem with the Venezuelan economy is the growth in public expenditures. This is untrue. The planned budget for 1995 is approximately 2.8 trillion bolivars. If the 70% inflation rate is taken into account, this budget is smaller than the one for 1994.

2) It is said that the foreign debt is only \$27 billion, and that service on the debt is included in this calculation. This is untrue. Venezuela's debt is, in fact, an official \$27 billion, but if one adds to this the debt of the state oil company *Petróleos de Venezuela, S.A.* (\$5.5 billion), the debt of the Venezuelan Corp. of Guayana (\$4.8 billion), and the private debt (conservatively estimated at \$7 billion), one arrives at a total foreign debt of \$44.3 billion. It is on the basis of this figure that the debt service that the nation will be paying must be calculated.

3) It is said that there is a public sector deficit. This is untrue. According to a report presented by the president of the Venezuelan Central Bank (BCV), Antonio Casas, the total "deficit" of the public sector in 1994 was equal to 15.2% of the Gross National Product. But the deficit

due to expenses of the national government was a mere 1.2% of the GNP. What's more, PDVSA produced a surplus in 1994 equivalent to 0.8% of the GNP. The rest of the public sector companies also yielded a surplus, equivalent to 0.3% of the GNP.

The problem is that the BCV sends money that it prints to the government to capitalize the Bank Deposit Guarantee Fund (Fogade), and thus to save the banks, which represents a deficit (a debt, really) equivalent to 7.3% of the GNP. Further, what is called the "quasi-fiscal effect of the BCV" (which is nothing but the net cost of the zero coupon bonds to the BCV, which has already reached 745 billion bolivars), adds a deficit equivalent to 3.6% of the GNP. On top of this, the financial aid given to the bankrupt banks (loans to Fogade apart from the capitalization) adds a deficit equivalent to 9.0% of the GNP. The sum of all this is a "deficit" of 15.2% of the GNP. That is, the entirety of the deficit stems from the bad policies and mismanagement by the BCV.

Nevertheless, the BCV president shamelessly boasts of "the importance of the institutional autonomy of the BCV and the independent handling of monetary policy."

In sum, the problem is not one of public expenditures, nor of state deficits. The problem lies with the financial bailouts, the zero coupon bonds, and the foreign debt.

devaluation of the bolivar. From 116 to the dollar in April, the bolivar in early May was going for 135 to the dollar. By the last week in May, it reached 180 to the dollar. The week prior to June 24, it reached 210 to the dollar, a 100% loss since January. The result was that inflation was projected at an annualized rate of 80%.

President Caldera had tried nearly everything to reach a "solidarity pact" with the bankers that could halt the collapse of the financial system. The bankers, headed by José Alvarez Stelling and his captains—José Bouza Izquierdo and Orlando Castro—not only rejected any such pact, but launched financial and political warfare against the Caldera government. Months later, the banks of Alvarez Stelling (Venezuela, Consolidado) and of Castro (Progreso, República) also fell, and shocking levels of fraud were uncovered. According to the "word on the street" in Venezuela, Alvarez Stelling ordered a Banco de Venezuela employee to transfer billions of bolivars which he simply stole, while Orlando Castro embezzled an incredible 300 billion bolivars (\$1.7 billion) from the relatively small Banco Progreso.

Before exchange controls were imposed, Venezuela's international reserves had fallen from \$12 billion to \$5 billion. After controls were imposed in June 1994, reserves returned to nearly \$12 billion. It is undeniable that Caldera has saved Venezuela from bankruptcy. But there still exist tremendous vulnerabilities. For example, the Emergency Financial Board (JEF) has yet to assume total control over the BCV, the Banking Superintendency, and Fogade (the government has preferred to negotiate with the parties), although the decree establishing the JEF gives it full power to do precisely that.

The emergency measure suspending constitutional guarantees was intended to allow for confiscating the assets of the corrupt bankers but, although Attorney General Jesús Petit Da Costa has been given the task of confiscating assets from certain corrupt bankers, there have been no actions taken against the "big fish," like Cisneros, Alvarez Stelling, and others. Instead, the aid has continued. Although the figures vary according to the source, *El Universal* on Dec. 17 of last year reported that financial assistance to the banks through Dec. 15 was the following (in billions of bolivars and millions of dollars):

Banco Latino	Bs. 504,000	\$3,360
Intervened Banks	Bs. 300,000	\$2,000
Banco de Venezuela	Bs. 80,000	\$ 533
Banco Consolidado	Bs. 96,000	\$ 640
Total aid	Bs. 980,000	\$6,533

(Note: The dollar calculation is our own, and is based on an exchange rate of 150 bolivars to the dollar. In January 1994, the exchange rate was 108 bolivars to the dollar; in February it rose to 111; in March to 114; in April to 117; in May, after the resignation of Ruth de Krivoy from the BCV presidency, it rose to 168, and by late May it had reached 180. After exchange controls were imposed in June, the exchange rate has remained stable at 170 bolivars to the dollar.)

Of the total figure (not including Banco Progreso), 80% of the funds were given to officials linked to CAP. However, the other 20%—200 billion bolivars—went to Banco de Venezuela and Banco Consolidado, which were taken over after June 27. The funds were handed over by new financial authorities who, although nominally independent of the Executive, could have been prevented from doing so through Decree 248. Ironically, all that Venezuela's small and medium-sized industries required to refinance their debts was 50 billion bolivars. A similar figure would have sufficed to cover the agricultural debt. However, this was not done.

Another serious error has been the attempt to replace zero coupon bonds with other instruments, as the PERE announced; such a move can only legitimize the speculative bubble that is destroying the national economy. Instead, the zero coupon bonds must be frozen completely, while the monetary system is reorganized, and while the origin, validity, and legality of the zero coupon bonds is determined. To

Caldera vs. the IMF

During a trip to Brazil during his 1993 electoral campaign, Venezuelan President Rafael Caldera explained that the Ibero-American foreign debt is illegal and proposed a review of the issue at the International Court at The Hague. Then, as President, on May 2, 1994, Caldera published an article in the Mexican daily *Reforma*, using language that hadn't been heard since the beginning of the 1980s, to urge Ibero-American governments to take "joint action" against usury. He told the story of a very honorable gentleman who lived in Carúpano, Venezuela, and who used to tell his children that his epitaph would read: "He lived paying and died owing." Caldera pointed to the example of the conditions in the Versailles Treaty which the British imposed on Germany in 1919 and which ordered that nation to pay "3% of its Gross National Product for war reparations," with consequences the world still regrets today: depression, Hitler's rise to power, and the Second World War. "It would be a mistake to ignore that lesson," Caldera warned.

Since becoming President, Caldera and several government officials have intensified their attacks on the destructive effects of debt collection measures and on the International Monetary Fund's free-market policies. Not only is Caldera dealing conceptually with the farce of neoliberalism and usury, he is explaining this to the citizenry. In a July 12, 1994 speech before the Fedecámaras business

recognize the zero coupon bonds is to legitimize usury and is the best way to assure hyperinflation. The idea of issuing treasury letters is fine, but not as substitutes for the zero coupon bonds. Instead, they must be exclusively channeled into the financing of productive works (which, as we have noted, have not been initiated).

With regard to dollar-denominated bonds, this would not only fall into the game of encouraging speculation against the national currency, but would mean—as the sad experience of Mexico with its *Tesobonos* demonstrates—a dramatic increase in Venezuela's foreign debt.

Bankers declare war

Even with all the government's errors (which are easily corrected), the international bankers have declared war against Caldera. During his term, which has been scarcely a year thus far, the Caldera government has been brutally attacked by the British and American press, the most vicious

being the London *Financial Times*, the *Wall Street Journal*, and the *Miami Herald*. There has also been financial warfare against Venezuela and serious threats of a coup d'état from the usurious bankers.

There can be no doubt: The bankers want to force Venezuela to return to CAP's neo-liberal policies, and to get their hands on the oil company PDVSA. The case of Mexico is very clear: After looting the country and forcing it to its knees, they now want to force it to "privatize" (hand over) *Petróleos Mexicanos* (Pemex).

Until now, Venezuela has been partially protected from this financial warfare with exchange controls, but the truth is that Venezuela remains terribly vulnerable on the food front, has a growing unemployment problem and, although Caldera remains highly popular, there is still evident and growing social discontent. So, in the face of the world financial crash that draws near, Venezuela should begin construction of great projects and encourage economic activities that can

federation, he said: "Countries which have achieved economic progress have done so because of the harmony existing between the public and private sectors. Neither Japan nor the four Asian Tigers have achieved economic progress solely through the private sector. Freedom yes, and we feel the obligation of guaranteeing it, and we are willing to do so. But if there is no harmonious relationship, if neither sector is willing to adopt the indispensable measures to attain success, then everything is lost."

"Why these interest rates?" Caldera asked, and then responded: "Because the banks increased interest rates unduly in order to attract deposits and then use them in their own businesses. Organized mafias which attracted Venezuelans' money, tricking them by offering high interest rates, which led many people to believe that their money would be better off in the banks earning high interest rather than invested in a productive venture which would have brought wealth and benefit for the nation."

Caldera has chastised the hypocrisy practiced by international lending organizations. For example, during his speech before the United Nations 49th General Assembly on Sept. 30, 1994, he said: "We can only say that on more than one occasion, the ecological fight for a clean environment has been used hypocritically to prevent developing nations from having access to the advanced sectors' markets. We maintain that technology transfer must be broad and genuine, because otherwise, the gap which separates us from the industrialized nations eventually becomes so large that it can't be breached and leads to a sharp and bitter division between two segments of humanity with deadly and unpredictable consequences."

In fact, right now in Venezuela there is a public debate, sponsored by the office of the President, on the issue of economic liberalism versus dirigism. Last November, on the occasion of the 50th anniversary of the 1944 debate organized by the Venezuelan Democratic Party on the same topic, the Chief of Advisers to the President, Ramón Illarramendi, emphasized that it was of crucial importance to revive the polemic directed by the United States' Founding Fathers and the German-American economist Friedrich List against the liberalism of Adam Smith.

On Dec. 5, 1994, the Caracas daily *El Globo* published an article by Venezuelan banker Luis Vallenilla of the Cavendes business group, entitled "The Importance of Friedrich List," in which he discussed the real history of the economic development of the United States and Germany during the last century. He explained how the first treasury secretary of the United States, Alexander Hamilton, converted the debts of the U.S. government into instruments of internal credit to finance infrastructure projects. "In the end," Vallenilla emphasized, "the credit wasn't inorganic, because the monetary mass generated was backed by the tangible goods produced."

On Jan. 9, columnist Alfredo Schael of the Caracas daily *El Universal*, published an article under the headline "Caldera and the Mexican Crisis," in which he explained that "Caldera [is] thinking along the lines of a man whose books are being read again. Those who are debating liberalism versus interventionism are turning their attention to Friedrich List (1789-1846). . . . [List warned] about the risks of total [economic] opening, and of renouncing protectionism or other mechanisms of state control."

quickly generate jobs and production. And none of this can occur without a complete reorganization of the financial and banking system.

Majority of banks are bankrupt

The great majority of the remaining Venezuelan banks that have been dubbed "healthy" are in fact also bankrupt, given that all of them to one degree or another have engaged in the same speculative games. The BCV is keeping them alive, at the cost of inflation and high interest rates which are destroying production and causing social discontent. And although President Caldera—as he himself has said—implemented his dirigist economic measures not for ideological reasons, but rather under the force of circumstances, it is now time for the government to reshape the national banking system to meet the needs of the country's producers and consumers, and not those of the international banks. Only thus will PERE be successful. Legalizing the cancer instead of destroying it can only lead to economic and social problems of unforeseeable consequences.

For example, there is Col. Hugo Chávez (leader of the failed coup attempt of Feb. 4, 1992, now a Marxist leader), who hopes that social discontent will increase to the point of an insurrection like that in the Mexican state of Chiapas. In an interview published on Oct. 6, 1994 by the Argentine magazine *Gente*, Chávez said that he would soon be coordi-

nating with the Zapatista National Liberation Front (EZLN) now fomenting rebellion and violence in Chiapas, Mexico. Later, in early December 1994, Chávez went to Cuba, where he was feted by Fidel Castro himself.

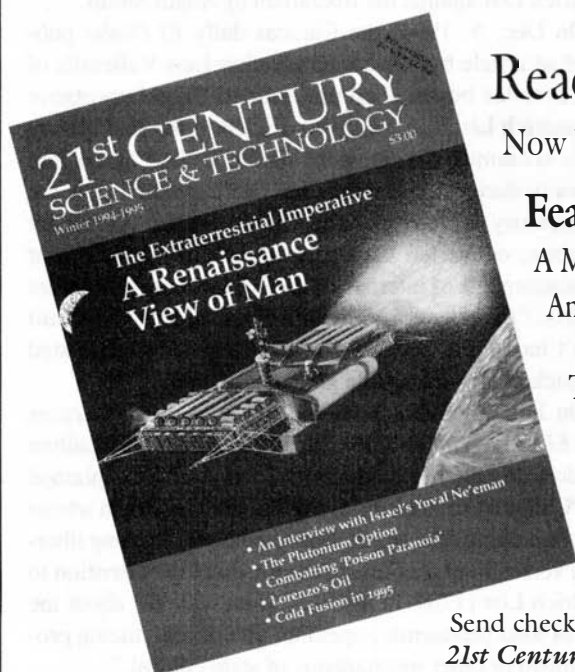
There is also the Radical Cause (Causa R) Party, a group which belongs to the narco-terrorist São Paulo Forum and which stands accused of plotting to lead an armed uprising when social discontent intensifies.

Chávez and Causa R take as their banner the fact that Caldera has poured billions of bolivars into the coffers of corrupt bankers and has done nothing for the hungry. Given enough time and inaction by the government, their arguments could convince the 80% of the poor who are growing steadily more impoverished by the inflation triggered by the bank bailouts.

Chávez and Causa R are not alone. Former Defense Minister Rafael Angel Montero Revette charged that leftist subversive groups were financed by the same corrupt banks that stole money from their depositors. In fact, Congressman Oscar Alvarez Beria was expelled from Causa R for making accusations against Gustavo Cisneros; his former party associates told him they couldn't bite the hand that fed them! Worse still, Causa R has connections to the same international bankers that want to see Caldera on his knees.

Clearly, the only answer is for Venezuela to finish crossing the river.

Launch a scientific renaissance—



Read **21st CENTURY**
SCIENCE & TECHNOLOGY magazine

Now bimonthly

Featured in the Winter 1994-1995 issue:

- A Memoir on Krafft Ehrlicke's Extraterrestrial Imperative
- An Interview with Prof. Yuval Ne'eman on Israel's Path in Science and Technology
- The World Needs the Plutonium Option
- A Toxicologist Talks about Combatting 'Poison Paranoia'

Subscribe now:

6 issues for \$20 (one year); 12 issues for \$38 (two years).
Index and back issues available. Single copies \$5.

Send checks or money orders (U.S. currency only) to:
21st Century, Dept. E, P.O. Box 16285, Washington, D.C. 20041

Peru's 33 years of regression

by Luis Vásquez Medina

The leading international financial outlets have promoted the illusion of a "miraculous" recovery of the Peruvian economy, after the socialist government of Alan García left it in ruins in 1990. During his visit to Peru in mid-1994, International Monetary Fund (IMF) Managing Director Michel Camdessus described Peru's economic recovery as "extraordinary," which he claimed was due to the fact that "Peru is the country which in the least amount of time has implemented the most drastic economic reforms in the entire western hemisphere." Fraudulent statistics showing a high growth rate for the Gross Domestic Product (GDP)—over 10% for the past two years—and an annual inflation rate reduced to 16% are prompting the most feverish forecasts, like that of President Alberto Fujimori, who recently declared that "Peru is at the point of developing an economy similar to that of the Asian Tigers."

However, the poverty afflicting ever larger sectors of the population reveals the hollowness of these claims. The fact is that these so-called "high rates of growth" represent only a slight and still inadequate recovery from the abysmal crisis into which the economy plunged with the IMF-dictated "ad-

justment" of 1990. The 12% increase of the GDP cited for 1994 has only just brought growth back to 1981 levels, in absolute terms. In per capita terms, Peru is in worse shape than in 1981. And if the available national income per capita is considered—that is, if we subtract from this figure the net service costs on the foreign debt, the net repatriation of profits, the net effect of terms of trade, and the growth of the population itself—we can see the shocking reality that per capita income at the end of 1994 is equal to what it was in 1961. Thanks to the IMF's monetarist miracle, Peru has regressed 33 years, as can be seen in the following list of available national income per inhabitant, which is calculated on a base of 100 for 1950:

	1950=100	
1960=151		1989=198
1961=158		1991=130
1970=201		1993=156
1980=210		1994=158

On average, Peruvians today ingest one-half the protein they ingested 20 years ago. Today, there are an official 12 million living in poverty, and health and sanitation have reached African levels. In 1992, the worst epidemic in 500 years lay waste to the country, and in 1994, there were 1,120 confirmed cases of bubonic plague reported (only India in 1994 suffered more deaths from the plague). The brutal policies of monetary and credit restriction, designed primarily to ensure payment on the foreign debt, have reduced production to impossible levels. This is the other thing that GDP growth statistics hide. The economy has shifted into the unproductive service sector, while imports have grown as production for the domestic market has con-



Peru's economy has shifted into the unproductive service sector, including the "informal economy" of street vendors and drug trafficking, while production of goods for the domestic market continues to fall.

TABLE 1
Peru's current account
 (millions \$)

	1990	1991	1992	1993	1994*
1) Exports	\$ 3,231	\$ 3,329	\$ 3,484	\$ 3,435	\$ 4,387
2) Imports	-2,891	-3,494	-4,051	-3,998	-5,361
3) Trade balance (1+2)	340	-165	- 567	- 563	- 974
4) Financial services	-1,014	-1,011	- 901	-1,470	-1,570
5) Non-financial services	- 664	- 724	- 850	- 798	- 920
6) Transfers	247	316	298	261	305
7) Current account balance	-1,091	-1,584	-2,020	-2,570	-3,159

* Estimated.

Source: Central Reserve Bank, National Statistical Institute, Peru.

tinued to fall.

In Peru today, only 12.7% of the Economically Active Population (EAP) has employment worthy of the name. The rest of the EAP survives on occasional jobs, street vending, etc., squeezing out pitiful earnings. The index of manufacturing jobs in 1994 was 50% of what it was in 1950. According to the 1993 national census, more than 1 million Peruvians—among them the highest skilled of the labor force—left the country, seeking work they were unable to find at home.



Peruvian President Alberto Fujimori: The "adjustments" he has carried out on orders from the IMF have increased the nation's indebtedness.

Speculative bubble has begun to burst

The only ones deriving a profit from the misery of the population are the bankers and speculators. People like banker Pedro Pablo Kuczynski, currently executive president of West Field Capital, an employee of the Soros Group, and a member of the Inter-American Dialogue, or like Carlos Bologna, former economics minister and a partner of Chilean monetarist Herman Buchi, struck the business deal of the century by buying Peruvian debt paper at 5% of its value in 1990, and swapping it for up to 72% of the stocks in Peru's undersold public companies. It is estimated that the Soros Group alone earned nearly \$150 million in 1994 this way.

Also in 1994, the Peruvian stock exchange—playing host to speculative operations of all sorts—saw explosive growth when the number of transactions rose by 199% over 1993 levels, giving speculators—primarily foreign ones—profits of 52%, and even 72% in certain select operations. According to the International Finance Corp., the Lima Stock Exchange was the second most profitable in the world during the last two years. This exchange, whose annual volume of transactions is more than \$4 billion, lost 20% of its value in the first two weeks of 1995, offering a black picture for the immediate future of Peru's "neo-liberal miracle."

The massive fraud of the CLAE investment house, which was exposed in 1994, is another good example of where free-trade policies, which consider any kind of business valid, can lead. More than 160,000 Peruvian families—the majority of whose breadwinners had lost their jobs following the shock of 1990—watched their meager savings go up in smoke in an investment house directly tied to the Peruvian drug cartel. Relying on the advice of a former economics minister of the Fujimori government, as well as of economists Blacker Miller and Alejandro Toledo (of Harvard, today a presidential candidate), CLAE managed to perpetrate a swindle involving more than \$800 million, in full

view of the Fujimori government.

Payment of the foreign debt comes first

In late 1994, the head of the steering committee of Peru's creditors, William Rhodes of Citibank, withdrew the 33 charges he had filed against Peru in the mid-1980s for defaulting on its foreign debt. The debt arrears that the creditor banks were demanding from Peru amounted to \$10 billion, and constituted approximately one-third of Peru's total foreign debt. To achieve this pardon, the Peruvian Congress had to issue a special law recognizing the debt, including \$72 million demanded by American Express Bank and Chemical Bank which had been disavowed by a Peruvian court.

The hope of Peruvian Finance Minister Jorge Camet was that the negotiations with the banks would conclude with the application of the Brady Plan to Peru, including a significant reduction in the nominal debt owed. However, according to Peruvian press reports, during the round of talks held in Spain in October 1994 on the occasion of the meeting of IMF-World Bank governors, Peru's Committee of Bank Creditors informed Camet that it was not going to permit any reduction in Peru's commercial debt. A spokesman for the committee told the astonished minister: "Peru should enter through the front door of 'reinsertion' [into the IMF-run financial system] and honor the entirety of its debt."

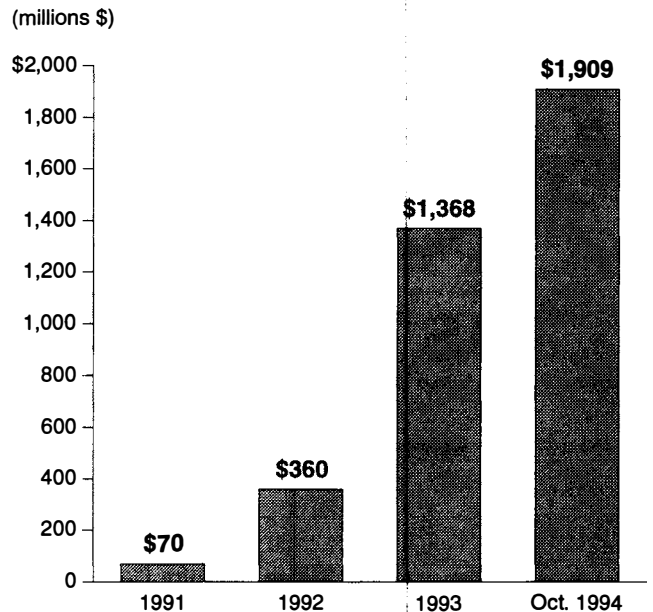
The ultimate purpose of all the "adjustments" which the Fujimori government has implemented at the demand of the international banks is to increase the looting of the nation through a foreign debt which, despite the payments that have been made at great sacrifice, continues to grow and grow. From 1990 to 1994, the period during which the country faced one of the worst wars in its history against the narco-terrorist Shining Path, the net outflow of debt service payments surpassed \$3 billion. In 1993, approximately \$1.75 billion was paid out, representing more than half of that year's export earnings. In 1994, it is estimated that another \$1.96 billion was paid. Despite this, the total amount of Peru's debt grew from \$22.3 billion to \$25.4 billion in that same period.

The weakness of the free market

Neo-liberal fundamentalism—with its monetary and credit restrictions, its opening to mass imports, its dizzying increases in public service rates, and its virtually nil investment in industrial infrastructure—has led to the near paralysis of national production for the domestic market. Today in Peru everything is imported. In 1994, imports were double what they were in 1990. In fact, an "historic record" was reached in the trade deficit, despite the fact that it was an exceptionally good year for Peruvian exports (Table 1) due to incidental factors such as good fishing and farming weather and exceptional minerals prices on the world market.

But the trade deficit, added to profit remittances and to the service payments deficit—which is showing increasingly

FIGURE 1
Foreign investment in Lima, Peru Stock Exchange



Source: Lima Stock Exchange.

negative values because of service payments on the foreign debt—has led to a current account deficit of \$3.159 billion, the highest in the country's history.

As has happened in Mexico and in all the other countries which have accepted IMF prescriptions and orthodox free-trade dogma, this deficit has been covered by short-term speculative capital attracted by stratospheric rates of profit on a national financial market heated by drug dollars.

Potentially productive direct foreign investment has been slim. The annual flow of direct investment in 1994 was \$2.236 billion, according to statistics of the Central Reserve Bank, but this investment was largely made up of money garnered through the sale of state-owned companies, and therefore in no case represents new investment that expands productive capacity. Equally serious is the fact that, at the demand of the IMF, the Peruvian government has increased its foreign reserves by freezing nearly all extraordinary income from the sale of public companies, to avoid—according to Minister Camet—a rise in inflation.

Figure 1 shows the increase in income of speculative capital on the Peruvian financial market.

The fact is that today the Peruvian economy is suffering the same monetarist cancer that is killing Mexico. Once the disease is out of control, which will surely occur this year, everything gained in the battle against narco-terrorist subversion could be lost, unless the government decides to defend the nation and reverse its current economic policies.

Balkan war on verge of shift as Sir Michael Rose departs

by Michael Liebig

The Jan. 25 departure of the British Unprofor Commander Sir Michael Rose will most likely usher in a new phase in the war in the Balkans. The "political general" Rose had always been a willing instrument of the London Foreign Office. Over the past year, he and the Foreign Office used every means at their disposal to consolidate the Serbian gains in Bosnia and Croatia. Aside from tactical concessions, the governments of Bosnia-Herzegovina, Croatia, the United States, and Germany were to be forced to essentially accept the Serb conquests. Then, with France and Russia's backing, the reality brought about by this war of aggression was to be officially recognized as "Greater Serbia."

With this strategic objective in mind, since 1991 London has been staging a truly unbelievable diplomacy of lies and deception in respect to the war in Bosnia-Herzegovina (and in Croatia): In assembly-line fashion, the Serbs were presented with ostensible "resolutions," "ultimatums," "last chances," and "threats," not a single one of which was meant to be taken seriously. It was claimed that it was forbidden to ship the Serbs supplies in Serb-occupied Bosnia, even though the opposite was the case. Rose announced dozens of "cease-fires" to the world press, all the while knowing that the Serbian side never even dreamed of honoring them. And during the Serbian military operations in Bosnia—in Bihac, for example—everything was done to avoid halting or hobbling their offensive. Here again, General Rose excelled. During the Serbian offensive against Bihac, London attempted to drum it into the heads of the Clinton administration, the Germans, and the world public, that the Bosnian government had "finally lost the war" and would have to "reconcile themselves to defeat." The Bosnian government, London said, would have to accept the splitting up of the country on the basis of the "military realities" created by the Serbs, and thus

would have to accept its own liquidation as a sovereign state.

Yet the Bosnian government did not capitulate. Despite the arms embargo which the British had been vigorously enforcing, the strength of the Bosnian army grew day by day. Financial resources, arms, and materiel flowed into Bosnia, despite the official embargo, such that it is expected that by this spring, the Bosnian army's pressure against the Serbs will significantly increase along the entire 2,000-kilometer front. In 1995, it is going to become increasingly harder for the Serbs to hold onto the fruits of their aggression.

Unprofor withdrawal seems certain

This seems to be the background of the increasing likelihood that the Unprofor forces will pull out. NATO preparations for a Unprofor evacuation are already fully under way. General Smith, Rose's British successor, and the new French Unprofor commander, are "military pragmatists," whose previous careers have focused on military operations. It may well be that in order to save face, the British will use the unilateral lifting of the arms embargo by the United States, as an excuse to withdraw, but whatever the excuse turns out to be, Unprofor's exit seems to be only a matter of time.

Internationally, the British government seems to have realized that the U.S. government's patience with British Balkan policy has run out. In early 1994, the Clinton administration intervened to end the fratricidal warfare of Muslim against Croat. Last autumn, the United States ended its collaboration with Great Britain on Balkans-related intelligence matters. In the U.S. Congress, a non-partisan majority voted for lifting the arms embargo and withdrawing Unprofor from Bosnia. This American attitude, of course, also colors the position taken by Germany. Plus, the British government can no longer count on being able to play the "Russian card."

Russia, which has been backing Serbia and thus has played along with London and Paris, is plunged into its own escalating, life-and-death crisis, and has a dwindling capacity to act with force in the Balkans.

One must also expect that when and if the Unprofor withdrawal begins, it will be assisted by German military units acting as part of NATO, and that German soldiers will become easy targets for Serbian military actions. London's Balkans policy since 1989, has indeed been aimed at setting up a Greater Serbia as a geopolitical counterbalance in southern Europe, against Germany in the north. London will therefore doubtless attempt to destabilize Germany by using any possible losses among the German soldiers involved in the withdrawal operation. This reminds one of the "friendship between men and soldiers," which unites General Rose with the Serbian General Mladic.

Tudjman's game with Milosevic

In early January, Croatian President Franjo Tudjman decided to demand the withdrawal of the Unprofor troops stationed in Croatia. This decision was most likely based on the fact that Tudjman knows that a pullout from Bosnia could be more or less combined with such a pullout from Croatia. Now Tudjman is attempting to use sheer rhetoric and propaganda to characterize this withdrawal as the product of his "responsible national policy," so that he can gain political ground domestically.

On all sides the fear is being voiced that the Unprofor withdrawal from Croatia would conjure up the risk of a new war between Serbia and Croatia. That is assuredly not Tudjman's design. In November-December 1994 he allowed the Serbian units to be almost completely redeployed from the occupied regions of Croatia, in order to assault Bihac in Bosnia. At that time, it would have been possible to take back the occupied Croatian regions militarily without major casualties and thus to give a real backup to the Bosnia Army in Bihac. Nothing of the kind occurred. The Croatian combat forces were condemned to stand still, while President Tudjman traveled to South America.

Tudjman also did everything so that in Bosnia, no effective military cooperation came about between the government army and the Croatian-Bosnian units. Hinting at alleged "Muslim fundamentalist" tendencies, Tudjman also torpedoed the political fulfillment of the "Washington Accords" between Muslims and Croats in Bosnia, and blocked cooperation between Croatia and Bosnia-Herzegovina.

Tudjman's main strategic goal is to come to terms with the Belgrade dictator Slobodan Milosevic. In such a "deal," Tudjman appears ready to write off part of the occupied Croatian national territory. In "return," other occupied areas in West Slavonia, Central Croatia, and Dalmatia would return to Croatian control. Tudjman floats the "normalization" of Croatian-Serbian relations as the basis for such an arrangement. He speaks about seeking a "Scandinavianization" of ex-Yugoslavia, and seems to think that the crisis in Russia as

well as the Unprofor pullout would move Belgrade to do business with him. Such a "deal" between Milosevic and Tudjman would include also, the partition of Bosnia-Herzegovina. Tudjman endorsed the Washington Accords only very unwillingly and under massive American pressure, and, as noted above, has thus far blocked their implementation. He would not hesitate to stab the Bosnia government in Sarajevo in the back. Obviously Bosnia knows that the "quiet diplomacy" between Zagreb and Belgrade is racing ahead full-speed. Croatian-Muslim tensions have correspondingly increased. It is not ruled out that certain groups in Sarajevo are trying to make their own arrangements with Milosevic; of course, the outlook for this is not very promising.

Croatian internal policy

Inside Croatia, Tudjman is coming under growing pressure. Economic conditions are worse and worse, as signaled by the recent strike wave, and, due to International Monetary Fund conditionalities' effects on Croatian economic and social policy, will keep declining.

Political dissatisfaction is also rising. With the occupation tightening its hold over one-third of Croatia and with 100,000 refugees, political and economic "normalization" is impossible. The Catholic Church, Croatia's most important institution, has long "actively tolerated" the Tudjman regime, but this could change. Already in 1994 there was growing unrest inside Tudjman's HDZ party and important fissures, which Tudjman was able to dam up.

Patience within the Croatian armed forces is also not unlimited. Outwardly the armed forces still appear calm, but the ever-sharpening attacks by high-ranking ex-military men on Tudjman's policies reflect the army's actual political mood. Especially of interest are the military policy analyses of former Defense Minister Martin Spegelj, a key initiator of the Bosnia-Croatian alliance: Only the political and military importance of this alliance, not diplomatic maneuvers and logrolling, can force the Milosevic regime and its stooges in Bosnia and Croatia to give up. Similar positions are advanced by Gens. Gorinsek and Jelic—to whom, together with Spegelj, Croatia owes its independence in 1991.

The Libertas movement, led by former Foreign Minister Zvonimir Separovic, is at the center of Croatia's political opposition. The pressure from the opposition is driving Tudjman into an increasing posture of nervous irritability, symptomized by the attempt to expand his already broad control over the media. Threats and intimidations are stepping up against the opposition. Typical is the attempt on Srecko Jurdana, Croatia's leading strategic analyst, who recently was branded as an "enemy of the state" and a "traitor," because he dares to reveal the dark background of the Tudjman regime's policy. Hence, it cannot be excluded that an Unprofor withdrawal from Bosnia and Croatia will make Tudjman's role shaky indeed. His position "fit" into the overall constellation during the past four years in former Yugoslavia. With a new overall situation, that could change.

No end in sight to war or economic collapse in Russia

by Rachel Douglas and Konstantin George

After nearly a month and a half of heavy losses in its winter war against the Chechen Republic, the Yeltsin regime in Moscow proclaimed on Jan. 19 that the military phase of the operation was over, with the seizure by Russian forces of the Presidential Palace in downtown Grozny. A spokesman for Chechen leader Gen. Dzhokhar Dudayev, however, warned the next day that "the war has only just begun," that Russia should expect a protracted and bloody struggle in the mountainous North Caucasus republic.

If President Boris Yeltsin finds it difficult to extricate Russian forces from the Chechen adventure, which he was falsely confident could be a short, successful campaign, it is even less possible for him to escape the underlying disaster in Russia: the consequences of his economic policies. Starting in the Bush-Thatcher era under then-Prime Minister Yegor Gaidar in January 1992 and continuing with various permutations since then, Russia has followed "free market" formulas prescribed by professors from the London School of Economics, Harvard Business School ideologue Jeffrey Sachs, and the International Monetary Fund. The result is destructive turmoil in the Russian economy and society, of which kaleidoscopic shifts in the upper political echelons since the beginning of this year are just one symptom.

The most basic report from Russia is the most eloquent: In 1994, more than 1 million more people died in the Russian Federation than were born. It was the fourth consecutive year of population shrinkage, at a rising rate. The life expectancy for males fell to under 59 years, from 64 years just five years ago.

Budget stalls out

As of Jan. 20, an International Monetary Fund delegation was in Moscow to dangle the latest promise of funds, a \$6.25 billion standby loan that might be offered in reward for more stringent austerity, especially against Russia's industry. They were left cooling their heels as the State Duma, the lower house of Parliament, refused to hear a second reading of the draft state budget for 1995, submitted by the government of Prime Minister Viktor Chernomyrdin. (The vote was 195-142 in favor of a second reading, but an absolute majority of 226 deputies was required.)

The government and Duma debated spending in the range of 240.5 trillion rubles during 1995, somewhere between 70 and 76 trillion rubles (\$18-19 billion) in excess of government-projected revenues. On Jan. 12, Yeltsin adviser Aleksandr Livshits conceded that in one month, the war in Chechnya had cost 800 billion rubles.

It didn't take the Chechen adventure to blow out the budget plan. Sergei Glazyev, chairman of the Duma's Economic Policy Committee and head of the Democratic Party of Russia, explained why in a Jan. 18 press conference, where he said that a second parliamentary reading of the draft budget was "absolutely pointless."

"It is now absolutely clear," said Glazyev, "that many budget estimates have been a bluff, and we warned about it. . . . The results of 1994 have fully confirmed all fears we expressed at the beginning of 1994 in connection with the adoption of the previous governmental budget, namely, production decline exceeded 20%, which we predicted last March. Against the backdrop of that decline of up to 20%, it has been impossible to attain macroeconomic stabilization."

Inflation in Russia was 16% in December 1994 alone, the highest monthly rate of the year, Glazyev pointed out, but "the government stubbornly continues to repeat the same mistakes. They have again proposed that we focus on attaining ephemeral goals, that is, on attaining the goal of a 2% inflation rate, which should not exceed 2.5-3% a month on average. . . ."

"Even if all measures are taken aimed at limiting the money supply, the average monthly inflation rate cannot be, according to our estimates, lower than 4.5%. This is determined by many factors, including growing inflationary expectations in connection with the events in Chechnya, apparent growth of inflation of costs provoked by the liberalization of foreign trade in energy resources, the revocation of export quotas for oil, the expected lowering of export tariffs below the planned level. The growth of inflation of costs is inevitable under such conditions."

Because of these miscalculations, the budget's estimated expenditures were 30 to 40% short of what they would actually have to be, said Glazyev.

On Jan. 12, the Russian ruble crossed the mark of 4,000

rubles to one U.S. dollar, the previous record low it had reached on "Black Tuesday," last Oct. 11. Meanwhile, leading Russian production facilities are among the casualties of the collapse.

On Jan. 17, Moscow's famous ZiL auto firm announced the closing of all 12 of its plants. In debt 420 billion rubles (\$110 million) to the state and to suppliers, ZiL lacked funds to buy components. After privatization in 1992, ZiL slashed its workforce from 120,000 to 85,000. Now, plant director Valeri Saikin told a press conference, if new credits are not found, "we will have to discuss nationalization of the plant."

In the coal sector, Interfax reported on Jan. 17, the Russian government is preparing to shut down 80 unprofitable coal mines over five years. This would eliminate 450,000 of the approximately 800,000 jobs in coal mining. The daily *Sevodnya* reported that the World Bank demanded the closing of 15-25 coal mines per year as a condition for a loan of \$500 million, in order to "restructure" the coal industry.

Political turmoil

Glazyev, whose Democratic Party posed a no-confidence vote on the Chernomyrdin government in October of last year, urged once again at his news conference that the government be replaced, since it "is pursuing a course that is baleful for the country's economy, for our citizens, for our future, for Russia as a state. . . . It suits, I believe, only the raw materials lobby, which is dominant in government decision-making, and foreign investors . . . those who make money on imports and on foreign currency speculation." The Democratic Party of Russia would not formally raise a no-confidence motion again right away, he said.

Yeltsin's own political authority has eroded in connection with the Chechnya actions, which the Army high command almost unanimously opposed. The opposition has not moved to dump Yeltsin himself, however, apparently in hope of saving the Russian center from chaos during the present turbulent period. When the Duma convened on Jan. 11, for instance, the majority of centrist, nationalist, communist, and agrarian deputies did not vote for resolutions against the Chechnya invasion which many of them had condemned.

Erstwhile opponents of Yeltsin have been brought into either the government or the de facto politburo, the Russian Security Council. The first move in this direction was back in November, when an Agrarian Party member was made minister of agriculture. In January, the deputy head of the Communist Party fraction in the Duma (though not a member of the Communist Party as such), Valentin Kovalyov, was named justice minister. Then came a Yeltsin decree naming Duma Speaker Ivan Rybkin and Federation Council (upper house) Chairman Vladimir Shumeiko—a Yeltsin opponent and an associate who has had his quarrels with the President—as "permanent members" of the Russian Security Council.

There was an open battle, however, around the actions of a government official who impinged too far on Yeltsin and Chernomyrdin's attempt to curry favor with the International Monetary Fund. Vladimir Polevanev was fired on Jan. 20 as minister of state property, in charge of the privatization of industry. In a letter to Chernomyrdin, Polevanev had accused his predecessor, Anatoli Chubais, of "selling off major enterprises for nothing" and permitting "a covert intervention by foreign capital, aimed at subverting the country's economy and defenses." Polevanev banned the visiting IMF officials from his ministry. Even after his dismissal, Moscow sources reported that Polevanev would serve on the Control Commission, supervising the ministries.

Meeting on Jan. 11, an inner core of the expanded Security Council announced agreement on what would amount to step-by-step extension of a state of emergency nationwide. This was a decision to disarm "illegal armed formations" throughout Russia; it was taken by Yeltsin, Chernomyrdin, and the two new Security Council members—Rybkin and Shumeiko. Speaking after the meeting, Shumeiko invoked the same formulation as used to justify the Chechnya operation: "We have taken a decision to start immediately disarming illegal armed formations in the whole of Russia because guard units of commercial structures have grown immensely, not only in the Chechen Republic but also in Moscow, St. Petersburg, and other regions."

Inside Moscow, citizens have witnessed stepped up patrolling of the streets by militarized units of the Ministry of Internal Affairs, since the beginning of the operation in Chechnya.

The Jan. 11 Security Council meeting also considered denying Defense Minister Pavel Grachev any authority over the Armed Forces General Staff, placing that body directly under Yeltsin. After this was misinterpreted by the media as a firm decision, Yeltsin spokesman Kostikov denied it and Chief of Staff General Kolesnikov, speaking on radio, expressed astonishment at the report. The very occurrence of such a discussion attests to the wild power struggle among political forces, trying to gain favor with the military and General Staff.

Writing on Jan. 17 in the daily *Nezavisimaya Gazeta*, member of Yeltsin's presidential council Andranik Migranyan characterized the present phase of Russian politics as a war of "all against all" among financial and political groups, against the backdrop of deep political and economic crisis. No institution can guarantee stability for Russia, Migranyan wrote, unless it can overcome certain political taboos—which the action in Chechnya should make possible! Then, the Army could be used to save the unity of the state and the feeling of guilt about the imperial past may be overcome so that the basis for a restoration of the empire is created.

If Yeltsin himself does not overcome these taboos dating from the "liberal reform era" of the past decade, concluded Migranyan, then somebody else will have to do it.

N. Ireland MPs hold peace process hostage

by Mary Jane Freeman

Talks between Ireland and Britain on the next phase of the Northern Ireland peace process were abruptly cancelled on Jan. 18. No official reason for the postponement was given, and Irish Embassy sources in Washington expected the high-level meeting to occur on Jan. 26. But the clue as to why, may be found by looking behind the threats made by Northern Ireland Ulster Unionist Party (UUP) officials who declared, on the same day the talks were cancelled, that they were prepared to "topple the British government."

This is no idle threat. British Prime Minister John Major, having expelled some Conservative Party ministers from his party, now has a minority government, which over the last two to three months has held onto power only with the votes of the Northern Ireland Unionist MPs. Their beef is that Major may dilute the province's British status by giving the Dublin government a say over its governing.

The talks were to be the first official government-to-government meeting between Ireland's Foreign Minister Dick Spring and Britain's Northern Ireland Secretary Patrick Mayhew since the new Irish "rainbow" coalition government of Prime Minister John Bruton came to power. The agenda was to finalize the so-called framework document, which lays the basis for all-party talks to cement a negotiated peace in Northern Ireland. Two of the most controversial issues, from the Unionists' view, expected to be addressed in the framework document are 1) the creation of cross-border bodies with executive British-Irish powers to coordinate trade, investment, and tourism, and 2) rewriting of rival British and Irish constitutional claims to Northern Ireland.

Both issues are seen by the Unionists as fraught with potential for a reunification of Ireland and, thus, a loss of their British status. Neither of these issues, however, is new. In fact, the initiating Anglo-Irish Downing Street Declaration signed in December 1993, which launched the possibility for peace negotiations, included language that Britain would not object to Northern Ireland merging with Ireland if a majority in the six counties wanted it. It has always been the case, as Mayhew reiterated in January, that the two governments are "simply going to make proposals" in the framework document. Those proposals in turn will be offered to the parties in the province. "They can accept, reject, or amend them but we hope that they will at least discuss them together," Mayhew said.

But Major, who has been taking a "go-slow" approach to

the historic peace process and who is holding onto political power by a thin margin, appears to be caving in to Unionist pressure. James Molyneaux, head of the UUP, raised the tenor of the Unionist threat in an interview with British Broadcasting Corp. radio on Jan. 21. He declared that he would renege on a long-standing pledge to support the Major government on issues where its survival is at stake. Molyneaux wanted a *quid pro quo*: Unionists will support the government if Northern Ireland Unionists can have a "vetting" role over any proposals concerning Northern Ireland. In holding the peace process hostage, he issued a veiled threat to Major, saying, "Parliament itself would be very much aware of the pitfalls in what was being proposed [in the framework document, and] that's why I think that the ministers . . . would be very unlikely to accept [it]."

More British obstacles

Two days later, on Jan. 23, Major replied, "When the proposals are published, you will find no provision for the British and Irish governments to exercise joint authority over the affairs of Northern Ireland. That has never been our intention." Just before Major spoke, he had concluded a two-hour meeting with Molyneaux. Major's aides were quick to clarify that the prime minister's comments do not preclude cross-border bodies being set up, but just that "there is no question of sovereignty being pooled between Dublin and London nor of anything being imposed." Was Major's comment just for public consumption of unhappy Unionists? Is all this talk yet another ploy by the British to slow the peace process?

The British have thrown up other obstacles. For instance, both Major and Mayhew have floated the proposal that all weapons held by the Irish Republican Army and Loyalists must be decommissioned *before* they will agree to commence all-party talks. The British government has also refused to release IRA members or Loyalists held political prisoner in British jails.

What is clear, however, is that each day of delay makes possible the potential for derailing the peace process. The all-party talks must begin and development projects to transform the war-torn lives of the Irish people have to commence. As seen in the Middle East, every day that goes by where the digging is not begun on infrastructure projects, is a day in which British-controlled terrorist assets can blow up the prospects for peace. Unemployment in Northern Ireland is 12.7%. President Clinton, who is sponsoring a conference on trade and investment in Northern Ireland in May, has stated that the best peace dividend we can give people is jobs. But as Kieran McGowan, chief executive of Industrial Development Agency Ireland, said on Jan. 18 in Ballybofey County, Donegal, peace alone will not bring a surge in jobs: "If funds were being directed to border counties from the government, the European Union, or the International Fund for Ireland, money had to be spent on infrastructure," otherwise companies will go elsewhere.

A candidacy against the nomenklatura

by Jacques Cheminade

Jacques Cheminade is a presidential pre-candidate for the New Solidarity Federation.

Prime Minister Edouard Balladur finally announced on Jan. 18 what everyone had been expecting for months, namely, that he would be a candidate in the presidential elections. Listening to his declaration, how could any Frenchman be opposed to what he said? He is for “progress,” for “justice,” for “reducing unemployment,” for creating a “prosperous, fair, and influential France” which will stimulate progress in Europe and serve the cause of peace. One can only applaud and approve the man whom the opinion polls have already elected.

That is at least the fairy-tale version being told to us. Balladur says he will govern and rally the country without getting involved in partisan politics, as if he were really the only “reasonable” choice.

The feverish agitation of his main rival in the RPR party, Jacques Chirac, the suicidal attitude of the Socialist Party, the failure of the ecologist movement to respond to the economic crisis, and the absence of any new ideas elsewhere all mean that the French will vote for Balladur because there is no one else.

But the fact of the matter is that the policy followed by Balladur has been very clear and certainly one of the most destructive France has known in a long time: Domestically and internationally, he has subjugated France to the whim of the “markets,” at a time when these financial markets are about to collapse.

Let's begin by looking at the real faces behind these “markets.” There we find people who form the inner circle around Balladur, those he likes to receive at La Lanterne, the prime minister's official residence in the park of the Versailles palace. You have Charles de Croisset, president of the Crédit Commercial de France (CCF) bank; Philippe Jaffré, chairman of the Elf Oil Co.; Jean-Marie Messier and Bruno Roger, from the Lazard bank; Jean-Claude Trichet, director of the Banque de France (central bank); and Christian Noyer, head of the Treasury. Almost all of them have come up through the Inspection Division of the Finance

Ministry, the Treasury, and investment banking circles. This inner circle is surrounded by other advisers, such as Jean-Marc Vernes, chairman of the Vernes Bank and of the Central Investment Bank; and Edouard de Ribes, who heads the Rivaud Group and the Rothschild family, with whom Balladur has been close since the time of the presidency of Georges Pompidou (1969-74).

Behind these names, there is a policy: the deregulation of the monetary and financial system, which is controlled from London.

Their ideology is very aptly reflected in the “France in 2000” report to the prime minister prepared by the Planning Commission headed by Alain Minc. This report is important because it shows the opinion which prevails throughout the nomenklatura. The authors of the report include businessmen (the president of Axa Insurance Co. and Balladur friend Claude Bébéar, and Saint Gobain chairman Jean-Louis Befa), as well as fashionable technocrats (Christian Noyer, Budget Director Isabelle Bouillot, National Employment Agency head Michel Bon), and certain resident intellectuals (Edgar Morin, Alain Touraine, and René Rémond).

This report states in very clear terms what Balladur only whispers: “We have no choice. International reality hovers over us with a greater force every day and unless we dream of controlling it, much as the Little Prince of St. Exupéry hoped to do with the stars, we must adapt to it.” And further on: “Considering the challenges to be met in the coming years, it is obvious for the [Planning] Commission that France will only be able to ease the constraints weighing on it insofar as it continues to have credibility for the markets. This especially involves opting irrevocably for a stable currency and reducing public deficits.”

Jean-Jacques Dupeyroux, director of the magazine *Droit Social (Social Law)*, has pointed out the bad faith of the “experts” and the factual errors of the report. More fundamentally, he shows how untrue it is to claim, as is now the fashion, that France, having accepted unemployment, plays on the “selfishness of those who are lucky enough to have a job.” In fact, low-paid workers contribute a lot to solidarity. I would add that the “mixture of famous signatures and lamentable untruths” represented by the Minc Report has been the very basis, implicitly or explicitly, of the policies followed since 1983-84 by both socialist and right-wing governments, that is, by the French nomenklatura, whatever their outward differences.

A ruling against labor and production

Another proof of submission to the “law of the marketplace” is given in a decree issued on Jan. 3 in the *Journal Officiel*, which eases regulations on state use of financial derivatives products (swaps, options, futures). This specifies, for the first time, the ways in which the Treasury can intervene on the markets. In plain language, the French state is allowing its own economic branch to sit down and play

at the tables of the worldwide financial casino! That is the "secret" behind the Minc Report: a ruling in favor of the markets and against labor and production. Leading circles hope that the French will simply be too stupid to understand, and hope to confuse them with figures, letters, and charts in order to prevent them from trying to. It is proclaimed that this policy is necessary, unavoidable, and that's that.

The Minc Report concludes its introduction: "Made up of leading figures from different backgrounds, the commission has essentially come to a common view of the issues

It is against this evil way of thinking, which is located in the policy of the British oligarchy, that I am running my campaign.



at stake. Its members hope that the majority agreement they have reached foreshadows a collective consciousness of problems. It is within such a framework that the natural debate on solutions to those problems should develop in a democracy."

Like Balladur himself, these "experts" have the incredible conceitedness to state within what limits democratic debate can go on, the limits being those set by the major financial interests, as if everything outside of themselves were irrelevant and stupid. Minc said it clearly in a statement in the Spanish magazine *Cambio 16* on Dec. 4, 1994: "Capitalism cannot collapse, it is the natural state of society. Democracy is not the natural state of society. But the market is." An astonishing confession, and an astonishing error—because, in fact, industry has only developed in parallel with the rise of democracy, and with a capitalism that would never tag along behind the "signals" of the financial markets.

Balladur, his friends, and the entire French nomenclatura have chosen sides. In contrast with the vague generalities spouted by the prime minister, they side with monied and financial interests against the party of labor and production. It is not so much against Balladur as against this more general choice that I will run my presidential campaign. Because the friends of Chirac and of President François Mitterrand did the same thing before Balladur, who should not be considered as a scapegoat but rather as the consenting figurehead of a corrupted and impotent caste which is incapable of meeting the challenges of today and which finds itself at opposites with the ideas of Charles de Gaulle and Jean

Jaurès who, coming from different paths, moved forward in the same direction.

In short, it is because the opposition to what Balladur represents is so empty and so weak that I have decided to run.

First of all, let us consider Balladur's hypocrisy: Enjoying all the media coverage he could want, he claims he will separate his functions as prime minister from his activities as presidential candidate. As if that were possible, and as if anyone would swallow it! It is true, of course, that Mitterrand had the same approach. Balladur has agreed to an increase in doctors' fees as of March 1, and said he is against any increase in the minimum wage. Are we to believe that he took this decision in his capacity as prime minister and that, once he is elected President, he will have a more generous policy toward the middle class? Let us not even mention the despicable French policy in Bosnia, where, faced with genocide, the *raison d'état* triumphs over reason itself.

The other candidates

What about the adversaries of Balladur? Both Philippe de Villiers, a so-called conservative religious family man, and Jean-Marie Le Pen, head of the extreme right-wing National Front, have repeatedly stated that they find the prime minister "courteous" and "a man of esteem."

Le Pen is trying hard to regain some of his past popularity (in 1988, he got about 15% in the presidential elections) but his proposals no longer seem very different from those of the other candidates—which shows how much the political scene has degenerated. It was after all Le Pen who, before the Conservative Revolution gained a foothold in the United States, blaringly introduced into France the themes of national-liberalism which were quietly taken over by the others. It was after all Le Pen who, in his book *Militer au Front*, claimed to be a follower of Friedrich von Hayek, the guiding force of advisers to Margaret Thatcher and George Bush, whose works were translated into French by Raymond Barre (the presidential hopeful of the UDF) and are touted today by Economics Minister Alain Madelin who, by the way, supports the candidacy of Paris Mayor Chirac. The political world is indeed very small.

As for de Villiers, who is himself a parliamentarian from the UDF, a government coalition partner, he is talking himself hoarse about "traditional values" and demanding a "Clean Hands" operation in France to fight political corruption. Apparently respectable demands, but he would be more credible if he were not being financed by the hot money and speculative profits of Jimmy Goldsmith (who was number two on de Villiers's slate for the European Parliament)! He, too, proposes the recipes of the Conservative Revolution crowd and of the ultra-liberal von Hayek. He wants to privatize everything: Air France, the atomic industry, the oil companies Elf and Total, Renault, and the electricity utility

EDF. Under the pretext of values, he supports dismantling the public sector, but doesn't say a word about the deregulation of international financial markets—where Jimmy Goldsmith made his fortune.

So, the "climate" in which de Villiers and Le Pen act, does not disturb in any fundamental way the views of Balladur's friends; which explains why "courtesy" and "good manners" dominate their relations.

Let's consider now Jacques Chirac, who views himself as the "natural candidate" of the majority and feels betrayed by Balladur, his "friend of 30 years" and member of the same party, the RPR. He is campaigning against the "politically irresponsible and inherently conservative technostructures" of the state, and denounces the "bulldozer effects" of running a country financially. We might be prone to believe him, if he himself had not built his career on these very same technocratic structures, and if he had not held very high posts for many long years without ever once trying to challenge them. It is never too late to have a change of heart, some might say, but then you must present convincing arguments.

Chirac, however, notwithstanding all his appeals to the people, does not attack the financial markets or their representatives. On the contrary, he would like to have their support. Madelin, a follower of von Hayek and an open enemy of the great projects proposed by former European Commission President Jacques Delors, supports Chirac, and has gotten him to espouse some of his free-trade proposals. This is dangerous. Indeed, any attack on the "technostructures" of the state which does not take simultaneous aim at the financial markets can in fact only strengthen those markets and their London-based controllers. This is a point which Chirac has never understood, contrary to General de Gaulle.

The left wing

As for the Socialist Party, their three candidates for the primary—Lionel Jospin, former Culture Minister Jack Lang, and party head Henri Emmanuelli—are all headed for defeat. They have all endorsed the "social-monetarism" of the Mitterrand era, of which Balladur's policy is only an extreme expression. Mitterrand himself admitted, in his New Year's message to the press, that he had been unable to do anything about the money flowing freely around the world. His disciples have done nothing to convince us they would act differently, contrary to Delors, whose policy of great projects was a challenge to the international monetarist malthusian order.

The generalized impotence of our elites was amply illustrated by Alain Minc in an interview in the London *Times*. "If you choose a day, and make a total of the movement of money that has taken place that day, and you then calculate the sum of all the transfer of merchandise that has taken place, you will find it represents only one-thousandth part

of monetary movement. This is terrifying! What can be done about this? Nothing. It is a phenomenon, like the weather. Where there is a storm, there is a storm," he said.

There you have, in a nutshell, an expression of the absolute impotence of the French nomenklatura. At odds with de Gaulle or Jaurès, they consider every outside phenomenon to be an "unavoidable" given, as something "we must adapt to." Our nomenklatura is able to identify the destructive phenomenon—the financial bubble which absorbs everything, leaving nothing for the real economy, preventing great projects, preventing a real economic recovery—but only to grovel before it!

Why I am a candidate

It is against these institutions, against this evil way of thinking, and against their very matrix, which is located in London in the policy of the British oligarchy and those who accept destructive policy orientations everywhere in the world, that I am running my campaign. For that, my candidacy is unique and justified. Because any candidate who does not deal with this basic question, and attack this main enemy, is condemned to idle prattling and impotence.

Unemployment, security, old age pensions, social security, the emptying of the countryside, drugs, AIDS, all of these important issues can be solved, and we will propose measures to take, but none of them can truly be solved within the order dictated by the "markets," from London, and accepted in France by Minc, our elites, and the other presidential candidates.

We must break with this order and shrug off the yoke. A small group of politicians, graduates of the same schools and sometimes members of the same families, control French policy. This is not only anti-democratic, but worse still, they are slaves to outside dictates.

What we really need today, is an imaginative policy, and a daring one.

Emmanuel Todd, a well-known French sociologist, had an interesting analysis in a memo sent to the Saint Simon Foundation. He concludes thusly (quoted by the magazine of *Libération* on Jan. 7): "If a presidential candidate really wants to convince popular constituencies, he is going to have to challenge the entire economic policy. If he admits that our economic management is unreasonable, that our elites are bankrupt, he could be recognized as proposing something new."

I think that this is a lawful challenge that deserves to be met. But to do so wisely and undemagogically, it must be done from outside the present nomenklatura, whatever its tendencies. After the collapse of communism and the coming fall of free trade liberalism, it is time to redefine our policy based upon the real issues, and not on habits, personal allegiances, or rat packs.

In the absence of any competitors, I thought it was reasonable that I should take up this challenge.

German Club of Life demands: Euthanasia, never again!

The Club of Life in Germany has issued an urgent appeal in an open letter to the federal government, members of Parliament, representatives of the judiciary, medical associations, churches, self-help organizations, and patients' groups warning against the far-reaching implications of the Federal Supreme Court decision on Sept. 13, 1994 on death-assistance. The following abbreviated version was prepared by Club of Life spokesman Jutta Dinkermann.

Now that the written argument of the judgment of the First Penal Senate of the Federal Supreme Court (BGH) (File Reg. Nr. 1 StR 357) from Sept. 13, 1994 is available, the Club of Life wants to express its deep concern over this judgment. Up to now in the Federal Republic of Germany, at least as a general rule, the immediate processes leading to death had to have begun, before "life-sustaining measures" for a sick person could be ceased. Now, according to the most recent judgment of the BGH, this prerequisite need not be met.

Mrs. Sch., the patient who is the subject of this judgment, suffered brain damage in 1990, following a cardiac arrest, and lay in a so-called "waking coma." After some three years, the attending physician, who himself concedes that he has no experience with coma patients, wanted to cease artificial feeding for the 72-year-old woman, in agreement with the patient's son, who was designated as her guardian. The nursing personnel did not follow the instructions of the physician, and instead appealed to the Guardian's Court. Artificial feeding for the woman was then continued. The woman died nine months later of pulmonary edema. In the criminal suit before the State Court of Kempten, physician and son were sentenced to fines for attempted manslaughter; this judgment was reversed in its entirety in the appeal before the BGH, and the State Court was instructed to re-try the case.

The judgment of the BGH

The BGH did in fact uphold the judgment of the State Court, in that the case was one of attempted manslaughter under the law. The case clearly did not involve an issue of assistance-to-death in the sense of the medical guidelines of the Federal Medical Chamber, which presuppose that "the

fundamental illness of a patient is irreversible in the opinion of the attending physician, has taken a fatal turn, and death will ensue in a brief period of time."

The critique of the BGH, however, is directed at the State Court for not having taken sufficient account of the view of the two defendants, who believe they acted in a legally permissible way—an objection which, were it found applicable, would have exonerating character.

Secondly, according to the BGH, the State Court had wrongly viewed the "presumed agreement" of the patient as "irrelevant." The BGH rejected the interpretation of the law, which the State Court had applied, according to which "permissibly allowing the patient to die were inapplicable in this case from the outset, and insofar [as] the presumed agreement of the patient were irrelevant."

However, the BGH argues, "the interruption of a particular life-sustaining measure" in principle (in this case, the planned cessation of artificial feeding) is termed "death-assistance in the broad sense" in the relevant literature, and therefore should be acknowledged as such "given the will of the patient as an expression of his general freedom to decide and of the right to not suffer bodily damage."

The BGH, however, was unable to establish, on the basis of the available evidence (which evidence would have to be acknowledged by the court as admissible), that Mrs. Sch. had the wish to die by starvation. In its written argument, the BGH insists, nevertheless, that "it is possible to establish other [factors] which make a different judgment upon the presumed agreement of the patient, as well as the mistaken prohibition [of feeding] of the two defendants appear admissible. The contested judgment was therefore to be reversed in its entirety, and the matter reverted [to the original court] for a new hearing and judgment. The new judge in the case will have to examine, in particular, whether there are additional indications for a presumed agreement of Mrs. Sch., beyond those previously known and insufficient circumstances. In this respect, the criminal court will have to take account in particular, *but not only* of the criteria stipulated in the guidelines of the Federal Medical Chamber" (emphasis added).

This decision can only be termed monstrous, and one which threatens to become a precedent in similar cases.

When the BGH instructs the State Court to persistently search for convincing proof of a presumed agreement of the patient, although such evidence could not be found by two courts already, the intent is clearly to exonerate the defendants at any price.

For purposes of comparison, the "Guidelines of the Federal Medical Chamber for Physicians Attending a Death," passed in 1993, states: "Measures to extend life may be interrupted if delaying the onset of death represents an unreasonable prolongation of suffering *for the patient*, and the underlying illness with its irreversible course can no longer be influenced. An intentional shortening of life by means which bring about or accelerate death is *impermissible and punishable, also when it takes place upon request of the patient*. The collaboration of the physician in suicide is not commensurable with the medical profession" (emphasis added).

The BGH, in its judgment, argues to the contrary: "The Senate is of the opinion, that, in view of the special circumstances of the borderline case presented here, in exceptional cases, it cannot be ruled out from the outset that allowing a patient to die by interruption of medical treatment is permissible. The patient's right to self-determination must be respected in such a case also, against whose will medical treatment, in principle, may neither be initiated nor continued."

This "borderline" case is immediately promoted to the rank of precedent in the further argumentation: "In the case of a terminally ill patient, who is no longer capable of deciding on his own, interruption of medical treatment or measures may exceptionally be permissible also when the criteria of the guidelines passed by the Federal Medical Chamber are not met, since the process of death has not yet set in. The presumed will of the patient is decisive."

The BGH goes yet another crucial step, when it issues instructions to German courts about what they are supposed to do when the presumed will of the patient *cannot* be established. Instead of imposing an absolute prohibition against killing and the threat of punishment in situations which invite such grievous abuse, the written argument reads: "If concrete circumstances for establishment of the individual, presumed will of the patient cannot be found, and after careful examination, then criteria can and may be applied which correspond to *general notions of values*" (emphasis added).

This "general notion of values"—under Hitler, the term was "the healthy sense of the people"—is demonstrably unreliable. In view of this fact, the admonishment in the BGH judgment that, in such cases of doubt, protection of human life takes priority over personal considerations of the physician, or relatives or other persons, is patently nothing but lip service.

The underlying hypocrisy is underscored by the statement that, in particular cases, the decision will depend on

the degree of expectation that the patient "will recuperate a life which is, in the general notion of value, worth living and how imminent death is."

"General notions of value" and the currently prevailing public opinion of a "life worth living" thus threaten to *replace* the law. If this is meant seriously, as it seems we must fear, then entire groups of patients in the Federal Republic of Germany will be threatened with death.

By the standard of "general notions of value," many lives, depending on one's taste, are already deemed "unworthy" and "inhuman life," from people in wheelchairs to the newborn who comes into this world with a harelip. Prenatal, allegedly "unworthy to live" life can be terminated legally already today. Children with Down's syndrome and those with spina bifida are acknowledged to have conditions that are grounds for legal abortions. In the latter cases, there are efforts to let such children die even after birth, without medical care, if the defects were overlooked prenatally.

Hardly anyone knows, however, what impressive medical successes have been achieved with such children—just as the layman knows little about the prospects for treatment of coma patients. Nevertheless, the typical German *Zeitgeist* fanatic—supported and incited by large sections of the media—thinks he has the right, in the context of "general notions of value," to deny people the right to life.

Self-determination and presumed will

It is not the basic right to self-determination which has brought us to the brink of barbarism, it is the morally wrong "interpretation" which results from a denial of natural law, and a wrongly defined notion of "freedom."

To make this problem clear, we recall a dilemma for which we have the perverse interpretation of the right to self-determination to blame. "Suicide assistance" is no longer treated as a criminal act under German law. The argument is that, since suicide is not punishable, assistance to suicide cannot be punishable either—a formal-logical conclusion, which is by no means lawful on that account!

The full implications of this decision become clear if one puts oneself into the shoes of a completely desperate person who wants to take his own life. Does not this person need active help and encouragement, "assistance to life," more than anyone else? Whoever denies such a helpless person such help and, instead of summoning other persons more capable of providing such help, assists this person in killing himself, is this person not guilty of a despicable crime?

The German judiciary must urgently remind itself that wrong does not become right just because it is legalized!

The catastrophic consequences of revoking the liability of punishment for "complicity to suicide" became clear all too quickly. According to the testimony of even the German Society for Humane Death (DGHS), the equivalent of a "medium-sized small town" has died in such a manner in recent years. Euthanasia promoters such as Henning Atrott from the

DGHS, Julius Hackethal, and others, claim that they “only” provided the deadly poison to their victims, i.e., placed it within their reach. Since the death-candidates then allegedly took the poison “on their own,” all such cases were ranked as unpunishable “complicity to suicide”—although the procurers of the poison knew, of course, what a horrible death cyanide poisoning causes.

Not least on account of such “verdicts,” public opinion presumes that the right of a citizen to self-determination includes, in denial of natural law, the “right” to kill oneself. Thus, it is no surprise that the demand of the euthanasia lobby to legalize “death upon demand” already finds considerable public acceptance.

The next step of the euthanasia lobby is now to apply the demand of “free death for free citizens” also to people who can no longer speak for themselves. Since people have a firm notion of what an “existence worth living” means, those people who can no longer express themselves should not suffer. Relatives and acquaintances, physicians, or society in general, should represent their “interests” in place of the people themselves. Many handicapped people already see this situation as life-threatening. This is by no means a new phenomenon: At the beginning of the euthanasia program of the Nazis, the talk was of “relief” and “self-determination.” In 1920, Judge Binding and neuropsychiatrist Hoche demanded legally permissible killing of the severely ill who wanted “relief,” and that included “incurably retarded” and unconscious people.

Another consequence of the debate on self-determination is the so-called “patient’s testament” [living will]. Previously, it was chiefly the DGHS which went around with these papers, which stipulate that the signer will forgo medical intervention in certain situations. Now even the Hamburg Medical Chamber, the Evangelical-Lutheran Church in Bavaria, and the German Hospice Aid felt called upon to advertise for patients’ testaments or to proliferate them. Initially the issue of these patients’ testaments was to “protect” a dying person from the measures of a physician to prolong life; the texts have been changed in the meantime so that the people forgo any form of help under circumstances felt to be unbearable.

In the United States, the “right to die” for many indigent elderly and sick people has become a “duty to die” because of scarce medical resources (and some politicians say so, straightforwardly). In the 1980s, a working paper circulated in the U.S. Department of Health and Human Services pointed out how many billions could be saved with such patients’ testaments, and some American health insurance companies offer their customers reduced fees if they agree to sign such a patient’s testament.

The Federal Medical Chamber does not yet consider patients’ testaments binding. They are merely taken as a point of reference. How long this will last is questionable in view of the Supreme Court judgment.

Perry visits Asian subcontinent to help ease tensions

by Ramtanu Maitra and Susan Maitra

The recent trip of U.S. Defense Secretary William Perry to the Asian subcontinent has been hailed as a great success in India, but has failed to generate similar enthusiasm in Pakistan. The underlying theme of his trip was to discuss the security concerns in the region and, more urgently, to exhort both nations not to escalate bilateral tensions any further.

The Pakistan half of Perry’s trip on Jan. 10-11 focused around two issues which seem to concern the Bhutto administration most in defining its relationship with Washington at present. These are the sale of 38 F-16 fighter-bombers for which Pakistan has made partial payment already, but which the United States, based on the Pressler Amendment which curbed the sale of all arms-related hardware to Pakistan beginning in 1991, refuses to deliver; and, resolution of the Kashmir conflict.

Discontent in Pakistan

On the first issue, the U.S. defense secretary told Islamabad that it would be a subject of discussion of the U.S.-Pakistan Consultative Group, an institution which has been moribund for more than five years and was resurrected during Perry’s visit. At the same time, Defense Secretary Perry indicated that the final solution to the problem lies in the sale of those paid-for F-16s to a third country. The money so raised could then be used to pay Pakistan back.

On the Kashmir issue, it soon became clear that Perry was reluctant to come up with any new formulation. However, his virtual silence has been construed by some in the Pakistani media, as well as in government circles, as a quiet American endorsement of the British view expressed earlier in the week by visiting British Foreign Secretary Douglas Hurd.

Hurd’s comments on the Kashmir issue had poisoned the situation within Pakistan. The British foreign secretary went on record saying that among the necessary steps to be taken was ending the external support to Kashmiri militants, which has been interpreted in Pakistan as Britain joining voices with India in claiming that the “Kashmiri uprising” was not spontaneous, but rather fueled from the

outside by Pakistan.

In addition, Hurd vocally supported a political process in Kashmir that would include elections, in order to elect "genuine people who have credibility." The later statement also irked Islamabad because it supports the Indian position that the Indian part of Kashmir is now ready to hold elections, a claim which Islamabad officially rejects.

Some new moves

A news item in the Indian daily the *Asian Age* a few days after Perry had gone back to Washington, indicated that there were indeed some moves initiated by Washington to cool the heads of all in Kashmir. The article said that while the release of some of the Kashmiri leaders from prison met with the approval of Defense Secretary Perry, Washington is quietly backing the Saudi Arabian initiative to bring India and Pakistan to the negotiating table, hopefully to break the logjam which, according to Washington, is threatening peace in the region.

Particularly interesting is the fact that the Saudi diplomatic effort is centered around bringing Narasimha Rao's government in India, Benazir Bhutto's government in Pakistan, and the representatives of the Kashmiri people from both sides of the Line of Actual Control which divides Jammu and Kashmir, to the negotiating table to start tripartite talks for a peaceful resolution of the conflict. It has been pointed out that some Kashmiri leaders are already in Saudi Arabia having discussions with various Islamic leaders in the region.

This also coheres with the recent statement of U.S. Ambassador to India Frank Wisner, a former colleague of Defense Secretary Perry in the Pentagon prior to his appointment to India. While speaking at a public gathering, Ambassador Wisner said that he would like to see the United States play a "strong and encouraging" role in the resolution of differences, like those concerning Kashmir, between India and Pakistan.

Satisfaction in New Delhi

Despite reports of adverse reactions within Pakistan following the visit, Defense Secretary Perry himself has made it a point that differences between Pakistan and the United States are not of a serious nature. He emphasized the "even-handedness" of the Clinton administration in dealing with India and Pakistan, and said that the purpose of his visit to Pakistan was to promote "broader security dialogue" aimed at helping the United States and Pakistan to "understand each other's position better."

The Indian half of Defense Secretary Perry's visit on Jan. 12-14 was not mired in controversy. On the contrary, there is every indication that New Delhi is deeply satisfied with the outcome of the visit and considers it a definite step forward in enhancing military and bilateral relations with Washington.

The Indo-U.S. defense cooperation agreement signed during Perry's visit has highlighted the broad parameters of defense cooperation through "civilian-to-civilian cooperation, service-to-service cooperation, and cooperation in defense production and research."

One of the more significant aspects of the agreement is the spelling out of defense research and production cooperation as an integral part of the bilateral defense relationship between the two nations. The agreement talked about expanding cooperation in defense research and production under the supervision of a Joint Technical Group composed of senior professionals from the two countries.

Security concerns

In addition to the agreement, Perry's trip to India has made it clear to New Delhi that while, for the Clinton administration, the signing of the Nuclear Non-Proliferation Treaty by both India and Pakistan and the imposition of a missile control regime in the subcontinent remain clear objectives, Washington is also aware of the facts of life as may exist in South Asia.

This became evident during Perry's discussions at the official level, where he did not touch upon these subjects. At a public ceremony, on the other hand, Perry admitted that he recognizes that China remains a nuclear concern for India, and went on to say that nuclear issues were political conflicts which needed to be sorted out first.

During the official-level talks, it has been reported that Perry and the Indian officials identified strategic areas of mutual concern.

Although all the concerns have not been made public, it has been reported that the stability of West, Central, and Southwest Asian states; Persian Gulf oil security; the future internal dynamics in China, Southeast Asia, and the Indian Ocean area; and international terrorism and narcotics-trafficking were the focus of attention. There is no telling at this point in time whether both sides have worked out any strategy to deal with these, or any other security concern, through mutual cooperation.

The immediate outcome of Perry's visit indicates that Indo-U.S. defense cooperation will be strengthened over the coming days. Prior to Perry's arrival, Adm. Richard C. Macke, commander-in-chief of the U.S. Pacific Command, had made it known that he was working with three Indian defense services to concretize plans for joint exercises and training. The cooperation that started in 1990 between the U.S. and Indian armies, navies, and air forces has already helped to establish service steering groups, exchange of high-level officers, and the holding of joint exercises, and, in essence, has forged a closer relationship between the Indian and U.S. military. With the signing of the agreement during Perry's trip, it is expected that the cooperation will not only diversify to engulf other security areas, but will also strengthen bilateral relations.

Civil resistance in Tabasco

London and Wall Street are promoting a conflict in this state in order to further the disintegration of Mexico.

As conditionalities for a \$40 billion package of loan guarantees from the United States, international bankers aren't just demanding that Mexican President Ernesto Zedillo impose more draconian economic reforms or hand over his country's oil revenues as collateral. They want to accelerate the physical dismemberment of the Mexican nation, starting with handing over the governorships of such strategic states as Chiapas and Tabasco to the pro-terrorist Revolutionary Democratic Party (PRD).

Led by Cuauhtémoc Cárdenas, the PRD is the political arm of the narco-terrorist Zapatista National Liberation Army (EZLN), whose insurgency in Chiapas is designed to separate Mexico's oil-rich southeastern region from the rest of the country as an "autonomous" indigenous entity. The southeast is not only the location of the bulk of the country's oil reserves, but it is also where 70% of the national electricity supply is produced, and the region responsible for producing meat and other agricultural products for national consumption.

On Jan. 17, Zedillo signed an agreement with four political parties, the National Political Accord, among whose reported provisions was a commitment to holding new gubernatorial elections within 18 months in Tabasco and Chiapas. This British-inspired demand means annulling 1994 elections in which candidates of the ruling Revolutionary Institutional Party (PRI) won the governorships, and handing them to the PRD in the name of "democratic reform." Tabasco and Chiapas

are two of the three states—the third is Veracruz—in which the PRD claims that PRI candidates were fraudulently elected and should be removed.

Although the government issued no official statement on new state elections being part of the accord, the rumors that the deal included a promise that Tabasco's PRI Gov. Roberto Madrazo would resign unleashed a nationalist furor from inside the PRI, both in Tabasco and the rest of the country. On Jan. 18, the state PRI leadership organized protests which blocked highways, closed down businesses, and announced its willingness to fight against the federal government which, it claimed, was violating the state's sovereign and constitutional right to elect its own governor. The Tabasco Cattlemen's Union, which provides 70% of the capital's meat consumption, warned that it would suspend meat shipments to Mexico City if Madrazo were forced out.

Pedro Jiménez León, PRI leader of the Tabasco state legislature, charged that "on behalf of an accord not signed by any Tabascoan . . . the leaders of other political parties who also don't live in the state wanted to hand it over . . . and attempted to negotiate the will of the Tabasqueños." Referring to the recent meeting between Government Minister Esteban Moctezuma and the EZLN's "Subcommander Marcos," Jiménez León reported that the minister had sent two emissaries to convince the local legislature to accept the naming of an interim governor, and added that "if Esteban Moctezuma went to Chia-

pas to meet with the hooded one [Marcos], he should at least be brave enough to come here, to our Congress, and meet with courageous people who will stand up in defense of sovereignty."

On Jan. 19, in violent confrontation with the PRD, PRI forces broke the blockade which the PRD had maintained around the governor's palace in Villahermosa and permitted Governor Madrazo to enter his office. Speaking from the balcony, he vowed that he would continue to govern in Tabasco. From the Congress, Jiménez León warned that the PRI would only suspend its "civil resistance" if the interior minister would state publicly that Tabasco's future had not been negotiated and that Madrazo would not be forced to resign.

The situation so rattled the federal government that by the end of the day on Jan. 19, the Government Ministry issued a statement saying that events in Tabasco were the result of "unfounded rumors and speculation . . . which are false and [which we] categorically reject." The PRD nonetheless, insists that the government had agreed to new elections, and Cárdenas called on PRD President Porfirio Muñoz Ledo to withdraw from the National Political Accord because the government had failed to keep its promises.

The PRI's opposition to Wall Street's imposition of communist governors is a national phenomenon. On Jan. 20, *El Financiero* reported that in response to the "insistent rumor" that Chiapas's PRI governor, Eduardo Robledo, would also be forced to resign, cattlemen and business leaders in the Coalition of Citizen Organizations warned the state legislature to respect the vote and denounced attempts by the federal government to make deals "behind the backs of the people."

Boutros 'Hitler' Ghali visits Sweden

Protests greeted the U.N. secretary general as preparations are under way for the World Summit in Copenhagen.

'Boutros-Booooo!" greeted U.N. Secretary General Boutros Boutros-Ghali throughout his visit to Sweden in January. Demonstrators, including Bosnians, Croatians, Schiller Institute members, and others, yelled, "Boutros Hitler Ghali" and "British Butcher Boutros-Ghali." The grim reaper was outside his engagements asking where "his friend Boutros-Ghali" was. "Boutros-Ghali forgot his scythe at Buckingham Palace," the reaper told bystanders.

Boutros-Ghali was even presented with evidence of the U.N.'s crimes, including material published in *EIR*, right in the middle of the formal reception for him in the Swedish Parliament. Regaining his composure after one exchange, he told his host, Speaker of the Parliament Birgitta Dahl: "Oh, I know these people. They use to call me a brown-skinned Hitler."

The Swedish activists who spearheaded the protests compared Boutros-Ghali to Hitler because of the U.N.-led genocide in Bosnia, but the charge could also be leveled with equal justification from the record of genocide in Iraq, Somalia, Rwanda, and elsewhere.

The disgusting U.N. behavior over the years has prompted Swedes to question the value of the U.N., even in a country whose foreign policy elite worships U.N. one-world ideology as its true religion. Among immigrant groups in Sweden, the U.N. is hated outright. The widespread discontent even caused the major media to call for protests against Boutros-Ghali's visit. The tabloid *Expressen*, in its Jan. 15 editorial, referred to the Schiller Institute slogan "Boutros Hitler Ghali," albeit distancing itself from the authors.

All TV channels reported the protests in their news coverage, and journalists questioned the slippery Boutros-Ghali in quite hostile tones.

The main issue of the visit, according to the media, was the formation of a Swedish Blue Helmet brigade. The Danish government has already decided in favor of a Danish brigade; the Swedish government has so far only given promises.

The real issue, however, is that the U.N. needs soldiers as its iron fist to solve problems; what those problems are, is not stated.

The timing of the visit could be better understood from the Ninth Forecast on the economy issued last summer by Lyndon LaRouche, who forecast a financial crash in the near term. In December 1994, severe cracks in the system demonstrated that the crisis was real. Just as LaRouche said, the unstable currency market and derivatives trading played important roles in the ongoing financial collapse.

The U.N. system is now working hard to come up with a framework to handle this problem. The code word "global governance" indicates that it is not the ending of the financial austerity regime that is intended as the solution, but a rescue net for the unjust economic order.

The project for a U.N. reform has been kept alive by an elite of U.N. officials and a series of commissions, chaired by figures such as the late Willy Brandt, Gro Harlem Brundtland, and now Ingvar Carlsson, the Swedish prime minister. Sweden, Denmark, Norway, and Finland have promoted these ideas through the so-called Nordic U.N. Project. These advocates of "world government" want to crown

their efforts at the 50th anniversary of the U.N. at the World Summit conference in Copenhagen on March 6-12.

The World Summit is officially about social development. The "world government" comes in under such phrases as "a strengthened framework for international cooperation for social development in a spirit of partnership," in which the proposed declaration would "strengthen the coordination between the U.N. system and the Bretton Woods institutions." So, under the cover of "attacking poverty, building solidarity, and creating jobs," the discussion in the corridors is to "reform" the U.N. into a world government.

One of the purposes of the visit of the U.N. head to Sweden, and then Denmark, was to receive the report of the Carlsson-led Commission on Global Governance, which was published at the Davos, Switzerland meeting of the World Economic Forum on Jan. 26. It is said to propose a U.N. Economic Security Council be established, whose function is to govern the world economy through 1) the International Monetary Fund conditionalities, 2) the World Trade Organization's oversight over global free trade, and 3) other U.N. bodies supervising democracy, human rights, war crimes, children's rights, the environment, and refugee flows.

The new standing force of U.N. Blue Helmets is intended to become the ultimate enforcer of this policy.

These plans were dealt a severe blow at the U.N. International Conference on Population and Development in Cairo last September. The anti-Cairo forces are now organized around the Schiller Institute global development conferences, one of which will be held in Copenhagen on March 9. This mobilization for economic recovery has the potential to stop the U.N. plans and generate a new Renaissance.

International Intelligence

Rockefeller Foundation funded Josef Mengele

The British Sunday papers on Jan. 15 reviewed a book by Michael Burleigh, entitled *Death and Deliverance: "Euthanasia" in Germany 1900-1945*. Reviewer Norman Stone, of Oxford University, notes that the book documents the Nazis' extermination campaign against "useless existences," and how this grew out of a general movement for "eugenics" in the 1900s.

H.G. Wells, for example, "favored gas-chambers—and in America, sterilization laws made an appearance in some states. Foundations became excited, and since German scientists came good and cheap, there was a flow of grants from America. The research of Dr. Josef Mengele was funded, believe it or not, by the Rockefeller Foundation, and then the Loeb Foundation, both American."

Sudan says U.N. relief outfit arms rebel army

On Jan. 19, the official Sudan News Agency (SUNA) reported that informed sources in the Bahr al-Ghazal region, said that on Jan. 15, a transport plane of the U.N.'s Operation Lifeline Sudan had air-dropped ammunition to supporters of the rebel Sudan People's Liberation Army (SPLA) faction headed by John Garang.

The report said Garang's supporters were relieved to receive the aid since they had lost much of their matériel during recent factional fighting with a rival rebel group.

SUNA said it was informed by its sources that a meeting took place recently in the Kenyan town of Nakush which brought together representatives of the SPLA faction headed by Garang, Norwegian Church Aid, the Lutheran World Federation, and Operation Lifeline Sudan, and that they had pledged to support Garang and use a Belgian C-130 Hercules transport plane to provide aid for him for the next six months.

There has been no comment from any of the mentioned agencies which have offices

in Nairobi, Kenya. However, Amnesty International, a "human rights" front for the British intelligence establishment, held a press conference on Jan. 24 in Nairobi to launch a new campaign against Sudanese sovereignty. Amnesty's announcement coincides with a barrage of new press attacks on Sudan.

Amnesty demanded a permanent U.N. observer mission to monitor the human rights situation in Sudan, and charged that the Sudanese government since 1989 has used "political assassination, torture, and arbitrary detention to increase the hatred in Sudanese society," as well as in those parts of the country "not immediately affected by the war." The "continuing violation of human rights is also the source of the humanitarian catastrophe . . . with numerous cases of starvation and millions of refugees."

The "international community" has shelled out funds for war victims (2.4 million in 1994), and "now it is high time to take measures to fight the source of the humanitarian disaster in Sudan, the violation of human rights on the part of all parties to the conflict," said Amnesty.

Terror bombing in Israel prompts 'separation' hints

"We shall continue in the path of peace. There is no alternative," Israeli Prime Minister Yitzhak Rabin said in a special televised message on Jan. 22, the day after a suicide bombing attack at a bus stop in central Israel which killed 19 Israeli soldiers and wounded 60 more.

However, Rabin also alluded to separation between Israelis and Palestinians. "We want to reach division between us and you," he told Palestinians on Israeli television. Rabin said he did not want the "majority of the Israeli population" to be "vulnerable to terrorism." He said that the division "will not" be based on the pre-1967 borders.

Ahmed Tibi, an adviser to Palestine Liberation Organization Chairman Yasser Arafat, said that Arafat condemned the attack and that "it is the responsibility of all of us to prevent enemies of peace from reaching

their goals." Palestinian Authority member Nabil Shaath told reporters in Gaza on Jan. 22: "Anyone with incriminating evidence of his responsibility or involvement will be held accountable. This time, it will not be a show for two or three days."

Saudi-Yemen border tensions said to be eased

On Jan. 16, the Saudi Press Agency reported that tensions between Yemen and Saudi Arabia have lessened. It quoted a joint statement issued by the two countries saying: "In the spirit of Muslim and Arab brotherliness, it has been agreed to contain the tension witnessed recently on the borders by returning the situation to its earlier position and not using force." Last summer Saudi Arabia had backed an attempted revolt in Yemen, which collapsed after several weeks.

The statement said the deal was brokered by Syrian President Hafez al-Assad following talks in Saudi Arabia and Yemen by Syrian Vice President Abdel-Halim Khaddam and Syrian Foreign Minister Farouq al-Shara. It added that the two countries intended to "create the appropriate atmosphere for the success of the negotiations and the return to normal ties." Egypt was also involved in the mediation effort.

Russia needs its own 'Martin Luther King'

Stanislav Kondrashov, writing in the Jan. 14 Russian government daily *Izvestia*, pointed to the "gulf between the conditions in America which produced King" and Russian conditions, and said that right now, there is no room for a Russian Martin Luther King.

"Russian democracy, taking leave of the times of totalitarianism, gives priority to a freedom inclusive of a freedom canceling out social equality. . . . The midway result of this shift in emphasis is clear enough: In Russia people with the most money, often criminally come by, and their destitute, poverty-stricken fellow citizens are more differ-

● **CHINA'S** President Jiang Zemin met Henry Kissinger and blamed some in Washington for interfering in internal Chinese affairs concerning Taiwan and Tibet, according to Xinhua news agency. Kissinger is an adviser for the U.S. GTE Corp., which is working on a huge deal with China's Unicom.

● **RUSSIAN** Defense Minister Pavel Grachev announced that he intends to fire six or seven generals for refusing to participate in the Chechen conflict, Interfax reported on Jan. 24. The three defense deputies who recently lost their posts, including the popular Col. Gen. Boris Gromov, would not be dismissed but would be offered other positions "in military or other structures" at the same rank.

● **SUMMIT** plans between Clinton and Yeltsin were already set in motion last November, and are not tied to Chechnya or other issues as media reports have indicated. High-level Russian sources said confidential arrangements were made then, for the two Presidents to meet on the 50th anniversary of the end of World War II in Europe on May 8.

● **SRECKO JURDANA**, the Croatian strategic analyst who has frequently been featured in *EIR*, was the target of an absurd attack in the Jan. 17 issue of *Slobodna Dalmacija*. The Croatian daily charged him with doing the work of Serbian dictator Slobodan Milosevic—just because Jurdana is a constant critic of Croatian President Franjo Tudjman's policies.

● **BONN** should get ready for the fact that Boris Yeltsin won't be in power in one year, "at least not as a democratically reelected President," Count Otto Lambsdorff, chairman of the Trilateral Commission's European branch, declared after a meeting with Russian politicians on Jan. 18.

● **NORTH KOREA** and the United States are mutually lifting restrictions on trade and communications which have been in effect since 1950, it was announced on Jan. 20.

ent and less equal than anywhere else in the industrialized world. The gulf is being widened by the degradation of our common heritage of medicine, education, science, and culture.

"Where the high and mighty do what they please, knowingly or otherwise, splitting rather than uniting the society, they and that society would have much use for such a Russian King as a living admonition using non-violent, civilized ways: Much like Alexander Solzhenitsyn leading campaigns protesting the inanity of the authorities and as an alternative to Mr. Zhirinovskiy and fascists urging alliance for the sake of ruinous division.

"The longing for a King; the dream of a King: the need of a King.

"An inept longing and an inept dream indeed; a wishful need resettling America to Russia. There is no place for him here for yet another reason that there are no parents to give birth to him. One of the abysses of the Russian crisis is the infertility of its spiritual domain, both the intellectuals parted with the ideals of humanism and the Orthodox Church, submissive as it is to the state and too gingerly to provide a shepherd to lead the masses."

India: Some analysts see Chinese military threat

A line is emerging among Indian military analysts that China poses a major security threat to India. This line is being pushed by Lt. Gen. J.F.R. Jacob, the Indian Army general, tied to the Israeli Mossad intelligence service, who played a crucial role in the Bangladesh liberation war in 1971.

Writing from London, Jacob says: "To create a credible deterrent India requires to give priority to its missile development program. It should aim to create both a first and second strike capability. . . . China has the ability to strike Indian targets from the Tibetan Plateau. The Agni [India's missile] with its planned range of 2,500 km is not capable of reaching the Chinese heartland. In order to create a credible deterrence against China, it is imperative that work to

increase the range of the Agni to 5,000 km is undertaken as priority. Development of solid state fuel missiles for use with our submarines and surface ships should be undertaken."

Similarly, Maj. Gen. Dipankar Banerjee, the deputy director of the Institute for Defense and Strategic Analysis, claims in a recent article that a 76-page book was published in Beijing in June 1993 for internal reading only, titled *Can the Chinese Army Win the Next War?* He alleges that the book, which has been banned by the Chinese government, targets the United States as the "overt enemy"; Japan as a "powerful adversary"; calls Vietnam an "unpredictable super-assassin"; and warns that India is the "greatest potential threat."

The most recent Australian defense white paper also advises particular vigilance toward China. It says, "China is likely to continue to pursue its strategic objectives by a combination of diplomatic, political and economic means, underpinned by its growing military strength."

Third World balks at NPT extension plan

Third World countries are in general continuing resistance to an indefinite extension of the Nuclear Non-Proliferation Treaty, according to a Reuters report on Jan. 24. It takes a majority vote of 169 countries at a conference set for April 17 to extend the treaty indefinitely. So far, the vote for such extension is not there.

The indefinite extension is desired by the United States, Russia, Britain, France, and other western states. Most other countries want a limited extension.

Mexico's Ambassador Marin Bosch made a passionate case for non-aligned states at talks in Geneva on Jan. 23, saying that nuclear weapons states were not living up to their responsibilities, had not fulfilled their disarmament obligations, and should not take the non-nuclear nations for granted. Mexico, Egypt, Indonesia, Iran, Nigeria, and others want to win commitments from nuclear states for increased disarmament.

The State of the Union: Clinton caught in the middle

President Clinton is "caught in the middle," between a Republican Party majority, in which a good chunk of the leadership is out to destroy the United States, and a Democratic Party which has no policy at all, and which has "been shooting itself in all six feet," said economist Lyndon LaRouche on Jan. 25.

In an interview with *EIR*, LaRouche cautioned that Clinton's Jan. 24 State of the Union address must be seen "as a statement made in the midst of a swirling conflict," and that it can't be looked at as a document from which one can deduce particular conclusions about what the next 12-18 months of the Clinton administration will look like.

LaRouche identified three phenomena which provide the backdrop to Clinton's speech. First was Speaker of the House Newt Gingrich's (R-Ga.) speech to the Republican National Committee (RNC) on Jan. 20. Second was the President's Jan. 21 address to the Democratic National Committee. Third, said LaRouche, one has to look at the growing uneasiness both within Republican ranks over what Gingrich represents with his "Contract on America," and also among many Democrats of the "post-industrial" persuasion, who are not entirely happy with the center position assumed by President Clinton on many questions.

What LaRouche is pointing to in Gingrich's RNC speech, was the manner in which the new "Squeaker of the House" repeatedly portrayed himself as "a genuine revolutionary," while telling the screaming crowd: "This is a real revolution. In real revolutions, the defeated faction doesn't tend to convert, it tends to go down fighting. . . . I mean, if you look at the Bourbons in France, they didn't rush in and say, 'Oh please, can I join the revolution?' They remained Bourbons."

"I am a genuine revolutionary," shouted Gingrich, while referring to the Democrats and the Clinton administration as "the genuine reactionaries. We are going to change their

world, they will do anything to stop us, they will use any tool, there is no grotesquerie, no distortion, no dishonesty, too great for them to come after us."

Commenting on this, LaRouche observed that Gingrich "gave the show away a bit" when he presented himself as the Robespierre of a re-enactment of the French Revolution, and in representing his wrecking crew of followers as a revolutionary set of modern jacobins. "Gingrich is a thin-skinned Maximilian Robespierre, or perhaps a Danton, or the really thin-skinned butcher of that crew, Marat," LaRouche pointed out, adding that the jacobin leaders were all trained by British intelligence, and specifically by Jeremy Bentham, then heading British foreign intelligence service, who was running much of the French Revolution from London in consort with a group in France. These were the enemies of Benjamin Franklin, of Tom Paine, and of the American Revolution, LaRouche emphasized.

Now, LaRouche said, if you look at what Gingrich represents, and you trace out the think-tanks and the apparatus which have produced the "Contract on America," "you see, first of all, that it is the Mont Pelerin Society, which is an arm of British intelligence, created under Winston Churchill's sponsorship at the end of World War II, using Friedrich von Hayek." This is, strictly speaking, a fascist movement, LaRouche explained, because the Mont Pelerin Society was drawn out of the fascist movements of the 1920s and 1930s, those who went with Hitler in the 1920s and broke away from him in the early 1930s.

Clinton at the DNC

The second point of reference which LaRouche identified was the Democratic National Committee meeting on Jan. 21. There, Clinton had said that, despite what he calls the "recovery," many citizens still feel insecure economically;

Clinton also aptly hit on the problem of “political couch potatoes.” This insecurity means that people “are vulnerable to the siren songs they heard in the last election,” said the President. “Promise them anything, tell them what they want to hear, tell them that the government is their enemy.”

Clinton said that the problem for which both parties bear responsibility, is treating Americans as if they were “consumers” of politics, not participants, and turning them into “political couch potatoes, very often no more involved in politics than they are in the Super Bowl.”

Clinton’s DNC address, LaRouche said in his Jan. 25 interview, is probably a more accurate reflection of the President’s views than the State of the Union address.

LaRouche’s overall assessment: “The President’s State of the Union address must be seen as *a moment cast in a process of change*. It should not be seen as *something fixed* from which you can deduce the next coming years. It is a *moment of change* which gives you a chance of charting, perhaps, what the changes from that State of the Union address might be, in the coming 12 months; and I would predict there are going to be many changes in policy which will deviate from every policy which is set forth in the assorted events I referenced.”

The Balanced Budget Amendment

LaRouche was also asked to comment on the proposed Balanced Budget Amendment, which is now winding its way through the House of Representatives (a compromise version passed the House on Jan. 26), and must then be passed by the Senate, and then would have to be ratified by three-fourths of the states.

LaRouche said that to understand the Balanced Budget Amendment it is necessary to look back to the influence of the Mont Pelerin Society and one of its key members, Milton Friedman. “The argument by Friedman, which was repeated by many politicians, including this whole ‘Contract on America’ group, was that balancing the federal budget is like balancing your household budget. You must balance income and outgo; and if you haven’t got the income, you’ve got to cut the outgo.”

“That is absurd,” LaRouche retorted; but there are a lot of desperate populists who “are convinced that everything boils down to an agreement, a covenant, a contract, as the ‘Contract on America’ appeals to that kind of populist irrationality.”

In point of fact, LaRouche explained, modern government was created in France under Louis XI (ruled 1461-83), who created the first modern commonwealth state, in which the state was dedicated to improving the income of the nation and of every individual in the nation, as well as their demographic status, in the common good. “This idea of *commonwealth*; as enunciated by the monarchy of Louis XI of France, is what you find embedded in the Preamble to the Constitution in the ‘general welfare’ clause, which reflects also the same

idea, the commonwealth principle, which is famous in the opening passages of the Declaration of Independence.”

The commonwealth idea means that the function of government “is to *promote* the growth of income by such means as issuing a currency, which is a government obligation, a form of debt, a currency which is then *loaned* through banking, to be loaned to public and private enterprises whose function is to increase the potential of the national wealth per capita, per square kilometer, and per household.”

“So the function of government is not to ‘balance income against outgo,’ ” said LaRouche. “The function of government is to make sure that what government spends in the form of outgo, is not limited merely to necessary administrative functions, such as law enforcement or military defense; but that the primary purpose of government is to promote the *growth* of income, real income, not paper income; not stock capital gains; not stolen money, but income *derived from labor*, more people employed, more productive people.”

LaRouche noted in this context, that the same people who are promoting the Balanced Budget Amendment, are also proposing a reduction in the capital gains tax—which is in fact “a *subsidy* for the financial backers of Newt Gingrich and his crew.”

“The economy is being *sucked dry* in order to build up a bubble of capital gains in real estate speculation and financial speculation otherwise,” LaRouche explained. But what they don’t realize, he said, is that this is coming to an end very soon, and that entire international monetary and financial system is in the process of disintegration. This is what happened in Orange County, in Mexico, and around the world. “*This system is slowly disintegrating, phase by phase*; when the bottom will be reached, is not yet clear. But it’s disintegrating.”

Under these conditions, if the Balanced Budget Amendment were to be passed, this would mean that the states and localities would have to *increase* their tax rates in order to the cuts in the federal budget.

But the worst aspect of this, said LaRouche, is that “the only way in which we can avoid a virtual permanent depression erupting in the next year, the next two years, is for the federal government to put the Federal Reserve System and the New York banking system, into formal bankruptcy reorganization, and to create instantly, as Hamilton did as secretary of the Treasury under George Washington, a new currency, a new banking procedure, to make sure the country grows without essentially missing a step.”

LaRouche warned that if the Balanced Budget Amendment were passed in any form, “no recovery of the United States would be possible.” Thus, anyone who supports that, “is essentially committing suicide, national suicide and also for themselves and their families; that is not a nice, moral thing to do. So get rid of this hogwash; and instead, put an *increased* tax rate on capital gains, and use that to try to get the country moving again.”

No quick fix in sight for the CIA

by Jeffrey Steinberg

The sudden, albeit not totally unexpected resignation of Director of Central Intelligence R. James Woolsey has once again drawn public attention to the miserable state of affairs inside America's once-vaunted Central Intelligence Agency. And the fact that two front-runners to replace Woolsey—Deputy Defense Secretary John Deutch and U.S. Ambassador to the Court of St. James Adm. William Crowe—ran their own public relations campaigns to convince President Clinton that they are genuinely not interested in the job, has only made matters worse.

Last year, the CIA was beset by three major scandals:

1) Aldrich "Rick" Ames, a career case officer in the CIA Directorate of Operations (DDO), was arrested on charges that he spied for the Soviet Union and Russia for nearly a decade. Ames tipped the KGB to the identities of nearly every U.S. intelligence asset inside Moscow's military, political, and intelligence structures, and turned over so many secret U.S. intelligence files that the KGB eventually wound up facing a shortage of skilled English-language translators.

2) Congress discovered—after the fact—that the CIA was building a vast new covert facility in Northern Virginia to house the National Reconnaissance Office, one of the agency's last remaining high-tech spy programs. The three-building "luxury" complex adjacent to Dulles Airport near Washington, was concealed from congressional oversight panels. For years, the \$360 million allocated for the compound was buried in a string of budget lines.

3) A female CIA case officer in the DDO sued the agency for sexual discrimination after she was denied a promotion to station chief in Czechoslovakia, and eventually was driven out of the CIA for alleged "lewd" behavior. The woman, identified in court papers as "Jane Doe Thompson," recently won a large out-of-court settlement from the CIA. The charges of sexual bias at the agency, like the Ames affair, are still simmering. A class-action suit by a large number of female CIA employees also appears close to an out-of-court settlement.

As bad a light as these scandals cast over Langley, they barely begin to hint at the depth of the problem that the new director will be facing. On the basis of discussions with a number of current and former intelligence officers, congressional staffers, and agency-watchers, a picture emerges of a CIA demoralized to the core, desperate to define a mission in the vastly more complex "post-Cold War world," and still

stuck with a well-deserved legacy of corruption that may prove to be the hardest thing of all to shake.

One of the more visible casualties of this "battle for the soul" of the CIA was Woolsey. In the wake of the November GOP electoral victories, President Clinton was anxious to repair his image as a take-charge leader, and he turned to Woolsey to dispense fair but harsh punishment to the senior CIA officers responsible for bungling the Ames probe. Woolsey refused to censure his top spooks and then turned around and cashiered several people out of the agency for a relatively minor, unrelated indiscretion.

Woolsey had earlier managed to thoroughly alienate every congressman and senator responsible for CIA oversight, so when he failed to carry out the President's wishes, his days were numbered.

Corruption

On the most rudimentary level, the CIA is suffering from a chronic, perhaps incurable case of corruption. And it didn't start with William Casey.

One former senior agency administrator traced part of this corruption back to the Vietnam War era, when the CIA conducted a \$1 million-a-day "secret war" in Laos on an official budget that never exceeded \$30 million a year. Most of that war was bankrolled, the former official explained, by profit-generating activities of agency proprietaries like Air America. What kind of profit-making activities? Drug and arms trafficking!

Some of the key players in those alleged activities—typified by Air Force Maj. Gen. Richard Secord (ret.) and former Laos station chief Theodore G. Shackley—resurfaced in the 1980s as pivotal figures in the George Bush-led secret parallel government which ran the covert wars in Central America, Angola, and Afghanistan.

And over at the Directorate of Intelligence, things are apparently not much better. Ever since President Lyndon Johnson rebuked Richard Helms for giving him "bad news" about the war in Vietnam, CIA analysis has been plagued by politicization. "Tell the President what he wants to hear—not what he needs to know!" became the guiding doctrine, according to former CIA officers.

Things got so bad inside the Directorate that a few years back, there was a brief but highly publicized revolt by mid-level analysts when one of the worst of the "political spin doctors," Robert Gates, was nominated by President Bush to head the CIA after Casey's death. Melvin Goodman and several other respected analysts delivered public testimony against Gates's nomination, and Senate Intelligence panel sources report that the office was flooded with visits and correspondence from CIA active duty employees desperate to trash the Gates nomination.

None of these problems has been tackled and, by several accounts, the corruption, demoralization, and "political spin doctoring" is now worse than ever.



Virginians are not thinking through the budget cuts

The Virginia General Assembly opened its 46-day annual legislative session in Richmond on Jan. 11. The principal agenda is Republican Gov. George Allen's proposed austerity budget, including a \$403 million cut in social services, education, the arts, and extension services, which he has combined with a reduction in middle-income taxation and a hefty increase in spending for prisons.

A leading opponent of these cuts has been Howard M. Cullum, Virginia Secretary of Health and Human Resources under former Democratic Gov. L. Douglas Wilder (1990-94). Mr. Cullum has been in public service in Virginia for 25 years. He has served as Virginia's Mental Health Commissioner, and before that ran the mental health programs in Virginia Beach. In the early and middle 1970s, he worked in human services in Fairfax and Arlington counties in the greater Washington, D.C. area. He is currently a consultant in the health and disability field and a member of the Community College Board of Virginia.

The Virginia plan has been described as a trial balloon and model for the national "Contract with America," which House Speaker Newt Gingrich (R-Ga.), House Majority Leader Richard Armey (R-Tex.), and other anti-constitutional, "New Age" Republicans are seeking to push through the U.S. Congress. Virginia is also notorious, because it is in this state's penitentiaries that five of Lyndon LaRouche's political associates are still imprisoned with long sentences imposed for crimes they never committed—purely because of their political convictions.

These facts put an international spotlight on Virginia, which so often in its history has been the battleground between the stooges of the British oligarchy and the champions of American republican nation-building.

Mr. Cullum gave the interview reprinted below on Jan. 4 to *EIR's* local Northern Virginia weekly, *EIR News for Loudoun County*.

EIR: What is your view of Governor Allen's proposed budget and tax cut plan?

Cullum: The budget cuts are targeting some of the most vulnerable citizens—the poor and the handicapped, the disadvantaged, the elderly, and, in the health and human resources area, which has been my field, he's cutting 15,000 kids off from health care that the money was in the budget to do.

He's cutting money for in-home Meals on Wheels and care for the elderly. He's cutting \$6 million out of community programs for the mentally ill and mentally retarded, under some vague justification that people are getting services who somehow aren't disabled or are less disabled. No one knows what they're talking about, in a system of community-based care for the mentally disabled that's been marginal for the last 25 years.

He's eliminating funds in the health department that paid for drugs and care for people with chronic illnesses who didn't have Medicaid and didn't have any other health insurance. They had a little bit of money, a couple of million, that he's cut.

He's cut the developmental centers around the state where people could take a handicapped child they thought might have a diagnosis done, people who don't have their own doctors or pediatricians to refer them on. That's all proposed to be cut out.

EIR: What is motivating Governor Allen?

Cullum: It's very simple. The motivation of the whole budget package is the 1995 House and Senate elections, to get control of that. That's all this is about. Unfortunately, human beings are getting hit by it.

The reality of it is that demographically, Virginia is a conservative state and ultimately we'll have Republican domination, and he wants to move it up by getting the Democrats in a position of opposing a tax cut. Now, what fool would oppose a tax cut?

So this is a move to gain control earlier, by putting the Democrats in a box. It's basically building on the anti-government sentiment that's tied into the federal level, and translating that down to the state level.

Part of what the frustration is, is that there is going to have to be another half-billion-dollar cut this time next year, for the next cycle, which is already built into this budget.

But for my area, health and human services, it's *as if there are no other needs* in a growing state. This state's got about 2.3 million people. There are handicapped kids coming out of special education at 21 or 22. There are families, who have taken care of handicapped people, who are going to be dying in the next few years. There's always been a state responsibility to work with those families and have a system of care. That's what's in jeopardy.

What people are saying, if they know the arithmetic, is

Governor Allen should have told the 16,000 state employees that he wants to get rid of, before he was running for office, "If you elect me, I'm going to try to fire one out of every six of you."

that there is really going to be nothing significant in education, nothing in transportation; he said he'll oppose any revenue increases to pay for anything on roads. There's to be nothing for the mentally disabled. He is basically cutting the disenfranchised people and feeding the money to people who are the most well-to-do.

EIR: You recently had a letter to the editor printed in the *Richmond Times-Dispatch* on this issue, and particularly focusing on the question of health care in Virginia under Allen's proposal.

Cullum: The newspaper used my name because they were making implications in an earlier editorial that, if people just didn't have to pay the state taxes, they would be able to pay for health care, and maybe they could get it on their own.

Well, the people I'm talking about, the million Virginians with no health care, the majority of them make less than \$25,000, and they're working. They're going to get \$150 a year [from a tax cut]. If they think they can buy health care for \$150 a year—they can't even buy it for a month!

I think what people are looking for, at least some of those who've been working in state and local government for the last 20-some years, is how about a little honesty? Basically, the legislators are being blackmailed to buy off a tax cut that's going to go through five years. About a third of the tax cut is going to go to the business community, the doctors, and the lawyers, and the accountants, and all the other people who really are hurting compared to the working poor! They're going to get a break.

It's clearly geared up to shake down the business community for massive contributions in next year's election. Because, if the Democrats say "no" to [eliminating] that BPOL [Business and Professional Operating License] tax, then they'll go and say, "We would have given you your tax break, but the Democrats stopped us." Then if they do get it through, they'll go to the people and say, "We need your campaign money, because look at the tax breaks we just gave you."

The question there, and especially in Northern Virginia where the BPOL tax [revenue is highest]—Arlington, Fairfax—five years from now, that goes to zero. There's a fantasy that these people can be efficient [to reduce the county budgets]. But most of that money goes to police, fire, and schools in Northern Virginia. So where are all of these massive economies going to come from?

The state employees get a 2.25% pay raise, and there isn't

any money. They're supposed to "find it by being efficient." After they've just been cut millions, they'll have to just balance the budget. On top of that, they're asked to be efficient. I know from having been the mental health commissioner in this state, talking about mental health alone for those 10,000 employees, they have to find about \$5 to \$7 million.

He should have told 16,000 state employees that the governor wants to get rid of, before he was running, that "If you elect me, I'm going to try to fire one out of every six of you." He should have told the persons like myself and other advocates for the mentally disabled that "If you elect me, I'll make sure there ain't a dime for the next decade." That's what would have really been honest. Then they run with that garbage of "honest change."

As long as a majority of people don't have to worry about the details, who can be against cutting taxes? If you stand in the way, you're going to get your head cut off politically, because the public is not going to think it through.

EIR: Over 800 people have come out to date at five public hearings to protest this. The Allen administration didn't orchestrate the hearings. Won't the Democrats be able to stop this in the legislature?

Cullum: They don't have guts enough, because they're afraid of the voters next November, and they're afraid of losing their majority. They think if maybe they don't do anything, they'll just slip by—as opposed to saying, "let's come up with an alternative budget. Let's really cut some things. Let's earmark some of this money for upgrading some of the infrastructure of this state and higher education, and let's do some things that are pro-active for the future."

EIR: In your letter to the *Richmond Times-Dispatch*, you cite the fact that 1 million Virginians have no health insurance. Is that high for the nation?

Cullum: No, it's pretty much right in line. It's one out of six around the country, and it's growing, as people get downsized. The reality of it is that a quarter of a million are kids whose parents are working, but obviously don't have insurance with the job. The state was trying slowly to take little bites of that out, and that's what the governor just reneged on and pulled the money out. These are people at less than 100% of [official] poverty [level]. If you make over \$12,000 a year, you're too rich to even be part of this. That's the level of cuts, that's who it's hitting, people making less than \$12,000 a year!

Prosecutor takes aim at higher levels of drug money laundering

Wilmer "Buddy" Parker is chief of the Drug Division of the U.S. Attorney's Office in Atlanta, Georgia. A specialist in prosecuting international drug money-laundering organizations, Parker was one of the Assistant U.S. Attorneys responsible for prosecuting Operation Polar Cap, the government's largest drug money-laundering case involving the Colombian Medellín Cartel laundering over \$1 billion. Recently, he helped set up Operation Dinero, a money-laundering operation that successfully stung the highest levels of the Cali Cartel. Operation Dinero was a precedent-setting case. For the first time, U.S. officials obtained permission from the British government to set up a "bank" on British Commonwealth territory to trap cartel money launderers. He was interviewed by Joyce Fredman and Jeffrey Steinberg on Jan. 16.

EIR: What do you consider the most significant aspect of Operation Dinero?

Parker: The most significant aspect of the investigation, first, is the linkage that was discovered with the Italian Mafia. We were investigating members of the Cali cocaine drug cartel, and we were principally focusing at first on domestic activities in the United States. The undercover investigation led us to Europe, and we were in communication with Italian as well as Spanish and other law enforcement authorities; it was through that working relationship that the Italians, with some information that we provided them, were able to develop what is identified as the Locatelli investigation.

EIR: That seemed to be an unexpected development, is that correct?

Parker: From what I gather from the Italians' perspective, they were surprised at the magnitude of what they have accused him of doing, in terms of his criminal conduct. Clearly, he has a substantial pedigree of criminality, breaking out of French jails, utilizing helicopters. His involvement in the weapons that were destined for Croatia, his involvement in running arms past the embargo of the U.N., and his involvement in trafficking in tons, literally tons, of hashish and cocaine—unquestionably, from the Italians' perspective,

this was a tremendously significant investigation and prosecution.

Likewise, another significant development was the eventual authorization by the British government of our proposal to open an undercover bank under a British license, and that, never having been done before, was very significant.

EIR: Is that the first instance of two governments working jointly on something of this magnitude?

Parker: To our knowledge. That is the way it has been represented at least, and we haven't heard to the contrary. I know that is the way DEA [Drug Enforcement Administration] headquarters in Washington has represented it. Clearly, as far as the British government is concerned, I know this to be a fact, it certainly is their position.

This is primarily a result of recent enactments of a mutual legal assistance treaty between the United Kingdom and the United States, and then, of course, the involvement of the United Kingdom as well as the United States in the financial action task force that is part of the United Nations—created by the Group of Seven nations five or six years ago. The heads of state of the G-7 nations created a financial action task force and tasked it with the responsibility of coordinating the development and implementation of money-laundering legislation and enforcement.

In that regard, I know that in discussions with British officials, they certainly viewed the request of the U.S. government to allow the license to be issued to be within the framework of the financial action task force, and as a member of it, they felt that it would be appropriate on their country's behalf to authorize it, other factors being equal; that is, they felt comfortable with the way the operation would be run, and they were also concerned about the ability to audit the activities. We satisfied them on that by offering them the opportunity to review our books and our activities at any time.

EIR: They took a little heat from a Frontline documentary in January over the fact that so many of the British Commonwealth and Crown colonies in the Caribbean are notorious as

big money-laundering centers. Is that why they were being so cooperative?

Parker: Well, you need to talk with them, obviously, to get their perspective. But I am aware of that documentary, and candidly, the cooperation of the British government in the Dinero operation happened before that documentary, and certainly the creation of the undercover bank happened well before that.

But I would think, and if you could find one of the officials in the British Embassy there in Washington you might be able to confirm it, I have heard their willingness to publicize their involvement in Dinero; and, more importantly, their willingness to publicize the particular country [involved], Anguilla, in which the license had been issued, might have been prompted by the adverse publicity they received through that documentary.

EIR: It seems that going after money laundering as a way to go after drug trafficking has come more to the fore, is that correct?

Parker: It has been an investigative avenue that has been developed more so since 1988 than ever before, at least by the Justice Department agencies, particularly the DEA. The Treasury agencies—IRS and U.S. Customs—have utilized money laundering, but the narcotic traffickers they have principally focused on are domestic narcotics traffickers.

There is nothing wrong in that. Candidly, the U.S. agencies are responsible for the enforcement of the laws of the United States, and by and large, those laws are enforced against inhabitants within the jurisdiction of the United States. The effort of enforcing laws against people who may be physically located outside the United States is not something that is universally recognized as being an appropriate expenditure of taxpayers' money.

Two, it is not something that has really been capable of successful accomplishments until very recently, because of the difficulty in sharing evidence and the difficulty in obtaining cooperation from law enforcement agencies of foreign governments. For example, you just can't go into Italy as a DEA agent and start doing undercover work. For all intents and purposes, you're violating Italian law, subjecting yourself to being arrested. It's Italy, it's not the United States. We would no more appreciate that if an Italian law enforcement officer were coming into New York or Washington and, in the name of the government of Italy, committing conduct that for all intents and purposes, viewing it, you would say, "Gee, that's a crime."

So you have to get your foreign counterpart's authorization—you're not authorized, you're a law enforcement officer of the United States, you don't have the same authority, Congress didn't grant you the authority to investigate criminal activity outside the United States.

So, this is really a phenomenon of law enforcement coop-

eration and judicial cooperation (that is, in the prosecutive area), that has occurred since the Vienna Convention of the United Nations in 1988, in which the 120-plus states of the United Nations entered into a convention promoting the creation of money-laundering legislation. Then, of course, promoting international cooperation therein—money laundering being principally drug-money laundering. Most states of the United Nations do not have a money-laundering statute like the United States which covers activities other than drug trafficking, such as your fraud activities, or other activities, the motivation of which is greed, primarily. So, to the extent that a lot of the nations, particularly western European nations, have money-laundering statutes, it's principally limited to drugs, and not to other criminal predicate conduct. . . .

The most obvious significant seizure in my opinion were the masterpieces. . . . We believe the three works of art that were seized were significant. And the reason for that is not because it's a Picasso, it's a Rubens, it's a Reynolds.

There has been a concerted effort of narcotics traffickers of great wealth to take their proceeds of drug dealing and to make investments, including in works of art. And as they make investments in works of art, because of their untaxed, unregulated capital—i.e., drug dollars. They are able to competitively bid up prices of matters that have an adverse impact upon those who are having to draw on wealth that may be derived from legitimate means. That is just a point about how proceeds from the underground economy are surfaced into the aboveground economy. That is the essence of money laundering.

EIR: In Operation Polar Cap, some of the bank accounts in New York City that you had traced were the identical accounts that were used by some of the Middle Eastern drug-running networks, working through a company in Switzerland called the Shakarchi Trading Co.

Parker: As you look at the international level of money laundering, what we have found over these years clearly, is a network of accounts that have been established and are constantly being established by various individuals who are offering a service to facilitate the movement of wealth via electronic fund transfers, through a series of accounts such as the Sakarchi Trading Co. accounts, that help layer the ability of tracing monies. What you are in essence doing is further obfuscating the ability of anyone to have any idea of where the wealth has been derived, and where it is heading to.

The government may freeze an account or seize money from a particular account and litigate that, but what we have discovered since the Polar Cap days is that, after having done that, the account may lie dormant, it's not closed, and they pay a service fee to the bank. It will lie dormant for four or five months, or six months, or eight months, or nine months and, even if the government prevailed in seizing and freezing

the money, once the government gets paid its money after a court decision—all of a sudden, bang! Here comes another million to the account and it's regenerated.

So, it was astounding for us to realize that even when we have effectively frozen money in an account and prevailed, that account may surface two years down the road and still be utilized to move illicit proceeds.

The point is that it is indicative of the fact that there is, in essence—you talk about the information network—a network of bank accounts in nominee names that are established for the sole purpose of facilitating the international movement of wealth from the underground economy, whatever may have been the income-producing activity: drug dealing, arms trading, kidnapping, fraud, or whatever. And there is a sophisticated group of individuals at such a high level in the various strata of the societies they live in, that they offer these kinds of services at obviously a very substantial fee and are well paid for it, and the movement of this wealth at that level is done through wire transfer, electronic fund transfer, which moves as electricity does, at the speed of light.

So, you can move wealth from Hongkong all the way to, say, Buenos Aires in about seven minutes. . . .

So, you have to infiltrate, you have to get in the middle, you have to be involved with human resources. Human resources are the only resources that unlock the keys to an effective and accomplished money-laundering organization. I have often lectured at classes at the Federal Law Enforcement Training Center in Brunswick, Georgia, and many members of the intelligence community are now being trained down there, members of the CIA, NSA [National Security Agency], DOD [Department of Defense] officials, and I am constantly informing them, that I don't care what equipment they have, I don't care what the satellites can help them do, I don't care what their artificial intelligence systems say, it doesn't prove anything; a human resource is the only way anyone has any idea about anything going on at that level of finance. . . . The only way you find out is by a human being talking to those who control the accounts. That's what undercover conduct is all about.

EIR: At what level inside the international banking community is this operation functioning?

Parker: That's a very interesting question, and quite candidly, that's a very political question. And when you are aware that every time there is a meeting by the World Bank, in Washington, which happens about every other year in September, that one or more international financial concerns, the equivalent of a BCCI [Bank of Credit and Commerce International]-type institution, will host a gala reception and entertain at such a lavish level—lobster that was caught off the coast of Portugal, or salmon caught just the day before in a fiord in Norway, with string orchestra, and everybody dressed in tie and tails and lovely gowns. Does that mean

there is power at the international level of the financial community? Well, I think there might be.

EIR: Is there increasing support for your idea that you have to run human operations, penetration, to really start to crack the money-laundering organizations?

Parker: I think there is a healthy debate about the effectiveness of the taxpayers' dollars that are being spent in this way. Obviously, you can assume what side of the debate I'm on, but not all officials within our country are . . .

EIR: . . . reading from the same script?

Parker: Right. And to be fair to them, they have a legitimate argument. There is a legitimate argument that people in our public could care less about this when there are drive-by shootings and car-jackings, and kids are carrying guns in school; I accept all that, and I, certainly, as a parent, am just as concerned about children in school having guns, and I am just as concerned about the violence that's on our street, and I definitely, as a citizen, want everything to be done to make it stop.

But I am also equally concerned professionally that we also maintain a certain commitment of resources at a level that we now have reached through these years, of investigating and prosecuting these individuals who are in this service industry, as you have described it, facilitating the movement of illegal wealth at the highest levels.

EIR: Otherwise there's an uneven playing field where the bad guys have a leg up.

Parker: They have more than a leg up, they don't have to worry about anything. . . . One thing is clear in the banking industry now, and any individual banker knows this: Their institution is going to stick them way out on a limb, and they're going to saw it off so fast it will make their head spin, because the institution is not going to help defend that banker's conduct. In fact, they're going to do everything to make sure that the government prevails in taking that banker and prosecuting him, and then they're going to say, "We had no idea, this was a rogue element, so-and-so was on a lark and detour, bang, please don't prosecute us as an institution." There's nothing wrong in that, we need all the help in this matter, but that is the way the game is played now.

So, I think there is a greater area for deterrence, than, say, you take a drug dealer, a crack dealer, or whomever, off the street—it doesn't deter anybody else out there, they could care less. They're not afraid of the fact that they get picked up and are looking at 50 years. That deterrence is not there. People do not think, "If I get caught carrying this gun and I'm selling this coke, I'm going to spend the rest of my life in jail"; they don't think like that. And if it happens to one of them, even with the publicity—these kids don't even read the paper, so they don't even know.

Supermajority on taxes unlikely to pass

Despite claims by House Majority Leader Dick Armey (R-Tex.), it is unlikely that Republican leaders will be able to attach a so-called supermajority clause to the proposed balanced budget amendment sponsored by Joe Barton (R-Tex.). The provision would require a three-fifths vote in order to raise taxes. A three-fifths requirement would make it extremely difficult to legislate any tax hike.

The Barton version will be brought to a vote prior to an alternative which does not contain the supermajority clause sponsored by Rep. Dan Schaefer (R-Colo.) and 65 Democrats led by "boll weevil" Rep. Charles Stenholm (D-Tex.). If, as expected, the Barton bill fails, some Republicans may not vote for what they consider a weaker alternative. GOP leaders, in a last-minute effort, intend to bring in talk show hosts such as Rush Limbaugh to broadcast from the Capitol to mobilize their minions behind the Barton bill.

A balanced budget amendment without the supermajority was voted out of the Senate Judiciary Committee by a vote of 15-3 on Jan. 18.

Crime bill may become even more draconian

The House Judiciary's subcommittee on crime began hearings on Jan. 20 to revamp the Crime bill passed by Congress last year. Republicans are pushing even more draconian law enforcement and punitive measures than those in last year's bill, as part of their Contract with America.

The Republican proposals would eliminate almost all of the crime prevention programs in last year's bill, further toughen standards for appealing convictions, and appropriate in-

creased funding for construction of more prisons. "We need to play hardball with the criminal element and we're not doing that," said Fred Heineman (R-N.C.).

In line with Republican attempts to dismantle the federal government, their proposals would give more leeway for local governments to do as they see fit in crime prevention. As subcommittee Chairman Bill McCollum (R-Fla.) put it, to get "the federal government out of the way of state and local law enforcement."

Ironically, the proposal would eliminate the deployment of an additional 100,000 policemen, a measure approved as part of last year's bill, and would put the funding for this into block grants to be allocated as states see fit.

Meek remarks on Gingrich book deal provoke brawl

A two-hour verbal slug-fest interrupted normal business in the House on Jan. 18, when Carrie P. Meek (D-Fla.) criticized Speaker Newt Gingrich's (R-Ga.) multimillion-dollar book deal with Rupert Murdoch's HarperCollins publishing firm. Some of Meek's comments, those which brought new aspects of the deal to light, were stricken from the *Congressional Record* by a vote of 217-178.

Meek began: "The Speaker's unbelievably good book deal—after all the secret meetings and behind the scene deal-making, which with each new day brings to light new and more startling revelations, I am still not satisfied with the answers I am getting about this very large and very lucrative book deal our Speaker has negotiated for himself.

"Now more than ever before the perception of impropriety, not to men-

tion the potential conflict of interest, still exist, and cannot be ignored."

Her following three sentences were stricken: "News accounts tell us that while the Speaker may have given up a \$4.5 million advance, he stands to gain that amount and much more in royalties. Where I come from, that's a lot of dust [money]."

"If anything, *now*, how much the Speaker earns has grown much more dependent upon how hard his publishing house hawks his book!"

She concluded on the record: "Which leads me to the question of exactly who does this Speaker *really* work for—is it the American people or his New York publishing house?"

Robert Walker (R-Pa.) defended the deletion on Jan. 19, despite GOP demands over the years that the record not be amended, in the name of openness to the public. "There was no gagging. [The] rule . . . has been in effect since the early days. . . . It says you cannot engage in personal attacks." Walker threatened that if Democrats persisted, the Mexican bailout could be defeated.

"Gridlock has been replaced on the floor of this body by totalitarianism," said Melvin Watt (D-N.C.).

Missile defense again on the drawing board

Missile defense systems are getting a new lease on life, as Republicans on defense committees in both houses have pledged to revitalize funding for missile defense research. House and Senate Republican leaders have begun private meetings on an accelerated missile defense schedule that would include examining available technologies for interceptors and warhead sensors.

Rep. Curt Weldon (R-Pa.), chair-

man of the House National Security subcommittee on research and development, indicated that he was close to a decision to resurrect a national missile defense system, but said that he wanted to hear testimony from Pentagon experts first. But the big question is how much Republicans are willing to spend.

The Pentagon currently plans to spend \$17.6 billion on missile defense over the next five years, with \$11.6 billion for theater defenses and \$5.9 billion for national defense. The first step, according to GOP aides, will be to revive efforts to deploy 100 interceptors at one U.S. site (which is allowed under the Anti-Ballistic Missile Treaty). The plan is more modest than the proposal developed by physical economist Lyndon LaRouche and announced by President Reagan on March 23, 1983, which became known as the Strategic Defense Initiative, but it is expected to include both land- and space-based elements.

Welfare proposal would cut benefits to immigrants

Conservative Republicans are shifting tactics after coming under attack for proposing that legal immigrants be cut off from welfare benefits. They are attempting now to pass the buck to the states, under the cover of the Contract with America's defederalization approach. They will leave it up to the states to decide if or how much they would spend on welfare benefits for legal immigrants.

House Ways and Means human relations subcommittee chairman Clay Shaw (R-Fla.), while insisting that cutting such benefits is still the best policy, said, "We don't want to be the heavies on anti-immigration or anti-poor people, or anti-anybody."

Nevertheless, he admits that implementing the Contract with America will require big cuts in precisely these types of outlays.

Senate Majority Leader Bob Dole (R-Kan.) and Senate Labor and Human Resources Committee Chairman Nancy Kassebaum (R-Kan.) have both said that the Senate would not pass legislation which would cut off benefits to legal immigrants or to unwed mothers under the age of 18. The House may try, Kassebaum said, "but it looks to me as if it's already running into trouble over there."

Budget amendment called 'monstrous hoax'

Sen. Robert Byrd (D-W.Va.) called the proposed balanced budget amendment a "monstrous hoax" which legislators are "about to perpetrate on the American people," in an interview on Fox TV on Jan. 19.

"I'm not against amending the Constitution," Byrd said. "I have voted to amend it. But here, we will be amending in a way that has never been amended. We'll be inscribing into that Constitution fiscal policy, which the Founding Fathers thought it well to leave up to the elected representatives of the people to make judgments on. And I think we're doing great harm to the Constitution. But basically and most fundamentally, we'll be fooling the American people.

"Eighty percent of [Americans] now have been led to believe that a constitutional amendment is the way to balance the budget. But once they are asked the question, 'Would you favor the balanced budget if it cuts veterans pensions, veterans compensation, education, Medicare, Social Security?' then they pull away from it.

"And those who advocate a consti-

tutional amendment on the balanced budget have the duty, I think, to look the American people in the eye and to tell the American people where this budget is going to have to be cut, what programs are going to have to be cut, what taxes are going to have to be raised, by how much taxes are going to have to be raised, in order to reach a balanced budget in that seven-year period. . . . Otherwise it's dishonest, it's misleading, it's untruthful, and it's arrogant."

Curbs expected on United Nations funding

Republican leaders in both the House and the Senate have introduced the "National Security Revitalization Act of 1995," which is part of the so-called Contract with America, which would restrict funding for U.N. operations by deducting from the overall U.N. payments the total cost of any indirect U.S. military expenditures for U.N.-related operations. Consideration of the bill, H.R. 7 in the House, began in the House International Relations Committee on Jan. 26.

The bill would credit the United States for the \$1.2 billion it spends on military operations connected to embargoes, "no-fly" zones, and humanitarian relief. It would bar the deployment of U.S. troops under foreign command without specific congressional or presidential authorization, and would require the administration to provide regular reports to Congress on the costs and funding mechanisms for all U.N. peacekeeping operations. It would also withhold one-fifth of the U.S. payments to the United Nations until the U.N. inspector general obtains powers to investigate a wider range of U.N. documents and programs—another reform demanded by the United States.

National News

Bishops call for 'reasoned abortion policy debate'

The National Council of Catholic Bishops ran a full-page ad in the Sunday *New York Times* on Jan. 22, saying that "abortion policy must be debated. Without violence. But with truth." Headlined "Truth Doesn't Kill. Abortion Does," the ad features statements by pro-abortion organizations and individuals admitting that abortion really is the killing of a baby. "Abortion kills the life of a baby after it has begun," reads a passage taken from a 1963 pamphlet put out by the Planned Parenthood Federation of America. "Even if you're pro-choice, no one likes to see a dead fetus," Vilma Valdez, education director of Planned Parenthood of Greater Miami, is quoted as saying.

The ad concludes: "Pro-life advocates call abortion killing. So do abortion advocates. Agreement on basic fact is the first step in reasoned dialogue."

The advertisement seems to undermine attempts to justify terrorist acts by those who portray those involved in abortion as hardened murderers. In its appeal to a reasoned consideration, it is implied that supporters of abortion may be wrong, but they are not necessarily without moral principles.

Are Washington budget cuts killing students?

Washington, D.C. At-Large School Board member Valencia Mohammed detailed the murderous effects of budget cuts on students in the nation's capital for a Schiller Institute forum commemorating Martin Luther King on Jan. 16. She told the audience that, after the school superintendent had begun a "roll call" of teachers and other employees who had retired or passed away, she had initiated a similar "roll call" for students who had died. To her own amazement, she found that, of several deceased African-American male students each month, only one had died of illness. In September there were four deaths, five in October, and seven in November.

Mohammed gave the harsh details of what cuts in the D.C. budget have done: While 35% of D.C. employees work in the school system, only 12% of the city budget goes for education. Cuts have further meant that there is no electronic surveillance equipment available to stop weapons from being brought into the schools; increases in the student-teacher ratio; out-sourcing services to private, for-profit companies; and a 10-day unpaid furlough planned for 1995. Moreover, she said, \$259 million is needed for repairs on school buildings over the next three years.

Commission unveils plans to privatize New Jersey

A commission set up by New Jersey Gov. Christine Todd Whitman (R) to make recommendations on privatizing state services issued its findings on Jan. 19. According to the *Philadelphia Inquirer*, the commission recommendations included that Newark Airport be run by a private entrepreneur rather than the Port Authority, Bayside State Prison and Mid-State Correctional Facility be operated by private companies, and state highways be designed by outside engineers. The commission claimed the moves would save \$200 million a year.

Also included were recommendations that motor vehicle inspections and state sewage treatment be turned over to private companies or groups of state employees which would bid to get the work. The commission was criticized by the New Jersey Public Employees Union for only holding one hearing.

Parole abolition may go nationwide

Congressional hearings on Jan. 19 on the crime plank of the "Contract with America" featured Virginia Attorney General James Gilmore on the state's Proposal X abolition of parole. Gilmore claimed to have co-authored the proposal with Gov. George Allen, whom he hopes to succeed in 1998.

Gilmore touted the no-parole plan as a model for thwarting "career predators," according to the Jan. 20 *Richmond Times-Dispatch*. The House bill, known as the "Taking Back Our Streets Act of 1995," would re-write last year's crime bill to make it even more draconian, by shifting what funds were approved for rehabilitation into pure and simple "retribution," as the *Times-Dispatch* put it. The bill offers grants to states to build, enlarge, or increase prisons for violent criminals. States that enact a Virginia-style curtailment of early parole would get extra money.

However, because of Virginia's no-parole law, Allen's spokesman has admitted that the state will not be able to comply with its own law against jail overcrowding until 1998. Sheriff John Jones, head of the Virginia Sheriffs Association, told the daily that 11 of the association's members either have filed or will soon file suit against the state, which is warehousing its inmates in county jails and creating dangerous overcrowding in those facilities.

Latest Sagan book attacks von Braun

Quack scientist Carl Sagan's latest book, *Pale Blue Dot*, has two gratuitous attacks on German-American rocket pioneer Wernher von Braun. In one, Sagan describes von Braun as a "Nazi engineer" in the course of discussing projects unrelated to the wartime V-2. In the second, Sagan describes von Braun as having managed the V-2, which was a missile built for "terror and mass destruction," implying that that was von Braun's intention.

Sagan's attack on von Braun was actually aimed at the American manned space program, typified by the Apollo Moon-landing effort, in which von Braun's contributions played a critical role. In an interview with *Space News* published on Jan. 9, Sagan remarked that one of the most important ideas in his new book is that "humans have been plagued throughout our history by the conceit that through no special merit of our own, we bear some privileged position or status in the universe." Asked why he is promoting manned space exploration now, when he has

been against it for decades, he replied that, because "our environment is so fragile . . . [the] greatest number of species that have ever existed are extinct, [and therefore] it is important for us to be on many worlds."

NASDC 'scales up' its overhaul of U.S. schools

The New American Schools Development Corp., a private company set up under the aegis of George Bush's cronies to spearhead the transformation of the U.S. public school system through "outcome-based education," said recently that it will be moving into its "Phase 3" by July. NASDC now funds nine "design projects" that are supposed to be models for education reform.

Chief executive officer David Kearns, formerly chairman of Xerox Corp., said that the program is on track: During Phase 2, NASDC has been testing its nine designs around the country, in a variety of schools and communities. Phase 3 will consist of a "national scale-up," where the designs will be made available to all communities and schools. The designs being tested include charter schools; "purpose learning," which supposedly relate the curriculum to "real life"; a focus on computer and communications technology; social support systems which involve unions, universities, and businesses in a partnership to create a safety net; and programs which will eliminate special education.

NASDC is operating with \$105 million in funding, including a grant from the Annenberg Foundation of \$50 million, according to *Industry Week* on Jan. 9.

Wall Streeters to bet on Super Bowl outcome

"Derivatives Go To the Super Bowl" runs the headline on the front page of the financial section of the Jan. 19 *San Francisco Chronicle*. According to the daily, the Paris-based bank Société Générale has planned to throw a "by invitation only" bash for 400 Wall Street speculators in New York City on Su-

per Bowl Sunday, Jan. 29.

The party may give a new meaning to the term "chip dips": Each of the guests will receive 1,000 trading credits, and will use these credits to trade options and futures contracts based on the score of the game. As the game progresses, it is expected that traders favoring the San Francisco 49ers will buy call options and take long positions in futures, while those favoring the San Diego Chargers will buy put options and sell futures short.

Special guests at the gala will include football stars Roger Staubach and Walter Payton. The *Chronicle* wrote: "Yes, derivatives. In the wrong hands they can be deadly—just ask the folks in Orange County—but they also can be festive and fun."

Top Tory compares Gingrich to Thatcher

Interviewed on Cable News Network on Jan. 17, British Foreign Secretary Douglas Hurd was asked about his reactions during his meetings with the new Republican congressional leadership. "Listening to the Speaker, Newt Gingrich, is a very stimulating business," Hurd gushed. "He's full of the excitement of victory and he has all kinds of ideas, ingenious ideas for reducing the power of the state. It took me back a little bit to 1979 when Margaret Thatcher won her first victory and we were bubbling with ideas of the same kind."

Hurd was also asked if he believed "that this Republican-controlled Congress will complicate Britain's relationship with the U.S.?" "I don't think so, not after listening today," answered Hurd. "I think support for NATO is clear and firm. There's criticism of the U.N., but that will just have to work itself out. We might have a disagreement about Bosnia, though that's not actual at the moment. I'm confident about this."

Hurd also warned Republican leaders not to lift the arms embargo against Bosnia. Hurd met with Newt Gingrich (R-Ga.), Robert Dole (R-Kan.), and Jesse Helms (R-N.C.), and he warned them that the Bosnian "Muslims" (as the British refer to the Bosnian government) would welcome such a move to lift the embargo, as a first step toward U.S. military participation in the war.

Briefly

● **THE SUPREME COURT** let stand a jury finding on Jan. 23 that Pan Am was guilty of willful misconduct in the Dec. 20, 1988 bombing of its Flight 103 over Lockerbie, Scotland, in which all 259 passengers and crew died, as well as 11 people on the ground.

● **CARL LINDNER**, the Cincinnati billionaire who figured prominently in *EIR's* best-selling exposé *Dope, Inc.*, gave \$55,000 to Newt Gingrich's GOPAC slush fund. Lindner is also a major contributor of "soft money," which does not have to be reported to the Federal Election Commission, to both the Republican and Democratic parties.

● **THE JUSTICE** Department concluded its investigation of the illegal operations of the Atlanta branch of the Banca Nazionale del Lavoro with Iraq, stating that they found no "evidence that U.S. agencies or officials illegally armed Iraq." Former House Banking Committee Chairman Henry Gonzalez (D-Tex.), however, said, that the findings "do not exonerate the many high-level officials of the Bush administration who made sustained efforts to thwart the Banking Committee's investigation."

● **'OUTCOME-BASED** Education Is Now a Bittersweet Memory," was the lead headline in the *St. Paul Pioneer* on Jan. 23. The paper reported that students at Apple Valley High School are happier, after a community-wide task force voted to dump OBE last spring. One told the daily: "I think OBE is just for lazy people. I loved it when we had it, but I'm glad it is gone. The students say they are learning more now."

● **THE HUBERT HUMPHREY** Institute is working with the World Wide Fund for Nature on an \$11 million project to build "institutions for sustainable development in Central Europe," according to a report in the *St. Paul Pioneer* in Minneapolis.

Editorial

Pity the poor panda

We would like to rescue our friend, the panda, from the embarrassment of serving as a mascot for the World Wildlife Fund. Condemned to consume over a hundred pounds of virtually nutritionless bamboo every day, the poor creature can barely drag itself from plant to plant; needless to say, it is not very sexually active either.

Only 1,000 of these sadly dysfunctional creatures exist, so every one of them should receive serious consideration. Therefore we are pleased to announce that the magazine *21st Century Science & Technology* is establishing a Panda Award, and has chosen as its first recipient, the Audubon Society, which is proving itself to be as dysfunctional as the panda.

In their January-February 1995 issue, the society's one-million circulation magazine featured an attack on *EIR* correspondent—and *21st Century* associate editor—Rogelio Maduro for his work in helping to stall ratification of the Biodiversity Treaty by the U.S. Senate.

Their editorial is headlined, "Biodiversity and Strange Bedfellows," and begins with an incredibly naive assertion: "The word *biodiversity* refers simply to the sum total of all life on earth. Politically, it hardly seems like a concept to generate controversy, much less opposition. If you don't favor biodiversity, what do you favor? Biological simplicity? Death on earth?"

Really, fellows!

As most of our readers should be aware, the Biodiversity Treaty is not a simple statement of the joys of multiplicity, but a program for protecting animal subspecies at the expense of human settlements. The treaty, which unfortunately has been ratified by over 60 unsuspecting countries, creates a legal enforcement regime that will allow eco-fascists to dictate national economic policies and land use policies down to local levels to preserve what they claim to be the earth's biological diversity.

In effect, the treaty establishes belief in biodiversity, a scientifically fraudulent concept, as one of the dogmas of a new earth-worshipping religion.

The signed editorial, by Michael W. Robbins, editor

of the National Audubon Society's magazine, complains that although the treaty was expected to pass, no vote was taken in the last Congress and "prospects for passage in the 104th Congress are dim." The editorial states: "Whence came the opposition? Some of it is surely due to partisanship and to reservations about specific measures. But the Senate opposition crystallized after a late-summer disinformation campaign by a combination of Wise Use groups, and supporters of political fantasist (and convicted felon) Lyndon LaRouche.

"Their 'message'—which describes biodiversity as a new religion and the treaty as a threat to U.S. sovereignty, private-property rights, control of natural resources, and individual freedom—was written by LaRouche associate Rogelio Maduro."

Debate is the last thing these eco-fascists wanted. The treaty was moving as a submarine through the Senate and the great majority of senators simply had not even read it. By keeping such secrecy, the eco-fascists hoped the senators would sign it before they realized what a dangerous document it was.

Further, the treaty that would have been signed would have been only a preamble. The actual treaty is being written in the course of a massive international undertaking called the Global Biodiversity Assessment. This task force has produced a draft treaty that is over 3,000 pages long and which dictates draconian policies to severely curtail human consumption and all economic activities to save "biodiversity."

In the present budget-cutting climate in the Congress, environmental protection measures will likely suffer the same slash-and-burn treatment being threatened for far worthier objects of government spending. There will be no reason to cheer, however, if the opponents of treaty and other insanities propagated by Prince Philip's World Wide Fund for Nature and the Audubon Society, do not rally themselves to fight for the kind of large-scale infrastructure development projects which can transform the biosphere into a productive garden. Otherwise mankind will tread in the pawprints of the unfortunate panda.

SEE LAROCHE ON CABLE TV

All programs are *The LaRouche Connection* unless otherwise noted.

ALASKA

- ANCHORAGE—ACTV Ch. 40
Wednesdays—9 p.m.

ARKANSAS

- FAYETTEVILLE—Ch. 8
Wednesdays—12 Midnight

ARIZONA

- PHOENIX—Dimension Ch. 22
Wednesdays—1 p.m.

CALIFORNIA

- DOWNEY—Conti. Ch. 51
Thursdays—9:30 p.m.
- E. SAN FDO. VALLEY—Ch. 25
Thursdays—4:30 p.m.

- LANC./PALMDALE—Ch. 3
Sundays—1:30 p.m.

- MARIN COUNTY—Ch. 31
Tuesdays—5 p.m.

- MODESTO—Access Ch. 5
Fridays—3 p.m.

- MOUNTAIN VIEW—Ch. 30
Tuesdays—11 p.m.

- ORANGE COUNTY—Ch. 3
Fridays—evening

- PASADENA—Ch. 56
Tuesdays—2 & 6 p.m.

- SACRAMENTO—Ch. 18
2nd & 4th Weds.—10 p.m.

- SAN DIEGO—Cox Cable Ch. 24
Saturdays—12 Noon

- SAN FRANCISCO—Ch. 53
Fridays—6:30 p.m.

- SANTA ANA—Ch. 53
Tuesdays—6:30 p.m.

- STA. CLARITA/TUJUNGA
King VideoCable—Ch. 20
Wednesdays—7:30 p.m.

- W. SAN FDO. VALLEY—Ch. 27
Thursdays—6:30 p.m.

COLORADO

- DENVER—DCTV Ch. 57
Wed.—11 p.m.; Fri.—7 p.m.

CONNECTICUT

- BETHEL/DANBURY/RIDGEFIELD
Comcast—Ch. 23
Thursdays—5 p.m.

- NEWTOWN/NEW MILFORD
Crown Cable—Ch. 21
Tuesdays—7:30 p.m.

DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
Sundays—12 Noon

IDAHO

- MOSCOW—Ch. 37
(Check Readerboard)

ILLINOIS

- CHICAGO—CATN Ch. 21
Schiller Hotline-21

- *The LaRouche Connection*
Fri., Feb. 17—10 p.m.

- Tues., Feb. 21—10 p.m.

- Mon., Feb. 27—10 p.m.

INDIANA

- SOUTH BEND—Ch. 31
Thursdays—10 p.m.

LOUISIANA

- MONROE—Ch. 38
Mon.—7 pm; Fri.—6 pm

MARYLAND

- BALTIMORE—BCAC Ch. 42
Mondays—9 p.m.

- MONTGOMERY—MCTV Ch. 49
Tue.—11 pm, Thu.—2:30 pm

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MICHIGAN

- CENTERLINE—Ch. 34
Tuesdays—7:30 p.m.

- TRENTON—TCI Ch. 44
Wednesdays—2:30 p.m.

MINNESOTA

- EDEN PRAIRIE—Ch. 33
Wednesdays—5:30 pm

- Sundays—3:30 pm

- MINNEAPOLIS—Ch. 32
EIR World News

- Saturdays—9:30 p.m.

- MINNEAPOLIS (NW Suburbs)
Northwest Comm. TV—Ch. 33

- Mondays—7 pm

- Tuesdays—7 am & 2 pm

- ST. LOUIS PARK—Ch. 33
EIR World News

- Friday through Monday

- 3 p.m., 11 p.m., 7 a.m.

- ST. PAUL—Ch. 33
EIR World News

- Mondays—8 p.m.

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Saturdays—5 a.m.

NEW YORK

- AMSTERDAM—TCI Ch. 11
Thursdays—5 p.m.

- BRONX—BronxNet Ch. 70
Saturdays—6 pm

- BROOKHAVEN—(E. Suffolk)
TCI 1 Flash or Ch. 99

- Wednesdays—5 p.m.

BROOKLYN

- CABLEVISION (BCAT)—Ch. 67
Time-Warner B/Q—Ch. 34
(call station for times)

- BUFFALO—BCAM Ch. 18
Wednesdays—11 p.m.

- CATSKILL—Mid-Hudson
Community Channel—Ch. 10
Wednesdays—3 p.m.

- HUDSON VALLEY—Ch. 6
2nd Sunday monthly—2 p.m.

- ITHACA—Pegasy
Tuesdays—8:15 Ch. 57

- Thursdays—6 p.m. Ch. 13

- Saturdays—4:45 p.m. ch. 57

- MANHATTAN—MNN Ch. 34
1st & 3rd Sun. monthly—9 am

- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.

- OSSINING—Continental
Southern Westchester Ch. 19
Rockland County Ch. 26

- 1st & 3rd Sundays—4 p.m.

- POUGHKEEPSIE—Ch. 3
1st & 2nd Fridays—4 p.m.

- ROCHESTER—GRC Ch. 15
Fridays—11 p.m.

- Sundays—11 a.m.

- ROCKLAND—P.A. Ch. 27
Wednesdays—5:30 p.m.

- SCHENECTADY—P.A. Ch. 11
Fridays—5:30 p.m.

- STATEN ISL.—CTV Ch. 24
Wednesdays—11 p.m.

- Saturdays—8 a.m.

- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.

- SYRACUSE—Adelphia Ch. 3
Fridays—4 p.m.

- SYRACUSE (Suburbs)
NewChannels Cable—Ch. 13

- 1st & 2nd Sat. monthly—3 p.m.

- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.

- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.

- W. SENECA—Adelphia Ch. 18
Sundays—5:30 p.m.

- YONKERS—Ch. 37
Fridays—4 p.m.

OREGON

- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)

- Thursdays—3 p.m. (Ch. 33)

PENNSYLVANIA

- PITTSBURGH—PCTV Ch. 21
Mondays—7 p.m.

TEXAS

- AUSTIN—ACTV Ch. 10 & 16
(call station for times)

- DALLAS—Access Ch. 23-B
Mon.—2 pm; Fri.—11:30 am

- EL PASO—Paragon Ch. 15
Thursdays—10:30 p.m.

- HOUSTON—PAC
Mon.—5 p.m.; Fri.—12 Noon

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm, Mon.—6:30 pm

- Tuesdays—12 Midnight

- Wednesdays—12 Noon

- CHESTERFIELD COUNTY
Comcast—Ch. 6
Tuesdays—2 p.m.

- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon

- Thurs.—7 pm, Sat.—10 am

- LOUDOUN COUNTY—Ch. 3
Thursdays—8 p.m.

- MANASSAS—Ch. 64
Tuesdays—8 p.m.

- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.

- YORKTOWN—Conti Ch. 38
Mondays—4 p.m.

WASHINGTON

- SEATTLE—Access Ch. 29
Tuesdays—11:00 a.m.

- SPOKANE—Cox Ch. 25
Saturdays—7:30 p.m.

- TRI-CITIES—TCI Ch. 13
Mondays—11:30 a.m.

- Tuesdays—6:30 pm

- Thursdays—8:30 pm

If you are interested in getting these programs on your local cable TV station, please call Charles Notley at (703) 777-9451.

Executive Intelligence Review

U.S., Canada and Mexico only

1 year	\$396
6 months	\$225
3 months	\$125

Foreign Rates

1 year	\$490
6 months	\$265
3 months	\$145

I would like to subscribe to
Executive Intelligence Review for

1year 6 months 3 months

I enclose \$_____ check or money order

Please charge my MasterCard Visa

Card No. _____ Exp. date _____

Signature _____

Name _____

Company _____

Phone () _____

Address _____

City _____ State _____ Zip _____

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

The book that will unleash a musical revolution—

A Manual on the Rudiments of *Tuning and Registration*

BOOK I: *Introduction and Human Singing Voice*

From Tiananmen Square to Berlin, Beethoven's Ninth Symphony was chosen as the "theme song" of the revolution for human dignity, because Beethoven's work is the highest expression of Classical beauty. Now, for the first time, a Schiller Institute team of musicians and scientists, headed by statesman and philosopher Lyndon H. LaRouche, Jr., presents a manual to teach the universal principles which underlie the creation of great works of Classical musical art.

Book I focuses on the principles of natural beauty which any work of art must satisfy in order to be beautiful. First and foremost is the bel canto vocalization of polyphony, sung at the "natural" or "scientific" tuning which sets middle C at approximately 256 cycles per second. Copious musical examples are drawn from the Classical musical literature to show how the natural registration of each species of singing voice, along with natural tuning, is the composer's indispensable "raw material" for the rigorous creation of poetic ironies without which no work of art can rightly be called "Classical."

"This Manual is an indispensable contribution to the true history of music and a guide to the interpretation of music, particularly regarding the tone production of singers and string players alike. . . . I fully endorse this book and congratulate Lyndon LaRouche on his initiative."

—Norbert Brainin, founder and first violinist,
Amadeus Quartet

"... without any doubt an excellent initiative. It is particularly important to raise the question of tuning in connection with bel canto technique, since today's high tuning misplaces all register shifts, and makes it very difficult for a singer to have the sound float above the breath. . . . What is true for the voice, is also true for instruments."

—Carlo Bergonzi



\$30 plus \$4.50 shipping and handling

Foreign postage:

Canada: \$7.00; for each additional book add \$1.50

Mexico: \$10.00; for each additional book add \$3.00

South America: \$11.75; for each additional book add \$5.00

Australia & New Zealand: \$12.00; for each additional book add \$4.00

Other countries: \$10.50; for each additional book add \$4.50

Schiller Institute, Inc.

P.O. Box 66082, Washington, D.C. 20035-6082
(202) 544-7018

or call **Ben Franklin Booksellers**, 107 S. King St.,
Leesburg, VA 22075. Phone (703) 777-3661;
fax (703) 771-8287; toll free (800) 453-4108

Visa and MasterCard accepted. Virginia residents please add
4.5% sales tax.