National News

Orange Co. moratorium enrages Wall Street

The futility of mere financial solutions to the current economic collapse has once more been underscored by the case of Orange County, California. The destruction of its tax base, coupled with the blowout of its investment in the derivatives market, forced the county to declare bankruptcy last year. Now it has predictably been unable to pay off $800 million in one-year notes due in July and August—a simple fact of life which has driven Wall Street into a frenzy.

Holders of 99% of $800 million of one-year Orange County municipal bonds voted on July 7 to accept a one-year delay in payment, in effect granting the county a one-year debt moratorium—in return for a $10 million premium. Affected were $600 million in notes due July 3, some $169 million in notes due July 19, and $31 million in notes due Aug. 19. The county was reportedly short some $335 million in repayment funds.

The bondholders' decision drove Wall Street's usurers to foam at the mouth. Standard & Poor's and Moody's credit-rating agencies declared the county in default, despite the rollover approved by the note-holders. Still enraged by the recent refusal of Orange County voters to approve a sales tax increase to pay off the speculators, Wall Street hopes this rough treatment will stop other governments from taking a similar path.

S&P dropped its rating on the $600 million in notes due July 3 to D (default). "Standard & Poor's believes that the county again will lack the resources to repay the debt on the agreed upon scheduled due date, June 30, 1996. Consequently, the note rating will remain D, barring some unforeseeable event that lends merit to the workout plan," said an S&P spokesman, according to Reuters. Moody's had already assigned a default rating to the bonds and took a similar line.

Were the county actually to default, it would be the third-largest in the history of the municipal bond market, after the $2.25 billion default of Washington state's Public Power Supply System in 1983, and the 1975 New York City default—rigged by Wall Street to put the city under financial dictatorship and destroy the bulk of its vital services and infrastructure.

D.C. aid to the needy denounced as 'criminal'

Washington Mayor Marion Barry and other officials of the nation's capital have been threatened with criminal prosecution, for refusing to slash medical care and welfare assistance for impoverished residents of the District of Columbia. Rep. James Walsh (R-N.Y.), chairman of the House Appropriations subcommittee which oversees the District, has reportedly asked Attorney General Janet Reno to consider instituting charges against the city's leaders for "illegal over-spending" during fiscal 1994.

Walsh's threats were issued in response to a report that Mayor Barry had ordered the District's department heads on June 30 to continue needed payments for health care, welfare, and foster child care "without regard to whether the activity exceeds any line item of the 1995 appropriation."

According to the *Washington Times,* Walsh declared on July 12 that "what [Barry] is proposing is a clear violation of the anti-deficiency law, for which he could be held responsible." The *Times* said that the law "requires a minimum penalty of suspension without pay and a maximum of two years in prison . . . for government employees who knowingly overspend their budgets."

At a July 12 hearing before Walsh's subcommittee, acting D.C. Inspector General Thomas E. Brown, Jr., testified that Mayor Barry's directive to the city's Department of Human Services conformed with requirements of federal laws and court orders, as opposed to particular line items in the D.C. budget which might violate those requirements. Congressman Walsh interrupted Brown's testimony by declaring, "That's not the point at all," the *Times* reported. Walsh then claimed that Barry "wants to spend more than $3.25 billion," and department heads "are afraid to."

The U.S. Congress, in a repudiation of its prescribed constitutional responsibilities, recently imposed a financial control board over the District of Columbia, dumping the burden of maintaining its infrastructure and services upon a local government which was never intended to sustain the capital city of the entire nation.

League of Cities offers fiscal fantasy report

At a Washington press conference on July 10, the National League of Cities reported that municipal finances are generally in better shape than they were two years ago—while conditions of urban life continue to deteriorate. The NLC's latest annual budget survey, covering 417 cities, claims that 60% of municipal finance officers say they are better able to meet their budgets than they were two years ago, when two-thirds of them reported difficulties which frequently amounted to major shortfalls.

It would come as no surprise to most of the nation's urban residents that such fiscal "improvement" has been attained simply by refusing to fund vital services at the levels necessary. Even the president of the NLC, Atlanta City Councilwoman Carolyn Banks, observed, "The survey doesn't answer the question, 'Compared to what?' Being able to balance the city's checkbook is only one part of the process. What may have gone into that—cutting services or neglecting needs—is another.

"And some of those needs—especially infrastructure—cannot go unmet indefinitely without running the risk of greater costs later." Banks also reported that, for the first time, infrastructural requirements have become the most critical factor on the list of fiscal concerns confronting the nation's cities.

These concessions to reality, as well as concern over the effect federal welfare reform will have on city budgets, still did not prevent some NLC officials from indulging in some outright fantasy. NLC Executive Director Donald Borut stated that "the lesson" of the overall improvement in municipal budget balances "is that cities and towns are at the forefront of finding new ways to serve their taxpayers better, more efficiently, and more economically, as well."

Brits mull retreat from LaRouche counterattacks

The steady barrage of exposés directed by Lyndon LaRouche on the British campaign against President Clinton has produced some telling results. Various mouthpieces for Britain's ruling circles have recently acknowledged that the Whitewater "scandals" they floated are sinking fast. The July 14 London *Guardian,* in typically prune-faced fashion, pointed to LaRouche as the source of the problem.

In a lengthy feature entitled "Losing the Plot: Whitewater and the Conspiracy Theorists," the *Guardian*'s Washington correspondent lashed out at what he called an "American pathology," dating back "to the archetypal conspiracy theory of the JFK assassination and the fabled second gunman on the original grassy knoll."

Yet a prominent box accompanying the feature itemizes the roles of the two most prominent *British* propagandists who have been after Clinton's head: Ambrose Evans-Pritchard and Lord William Rees-Mogg—who also happen to be the media orchestrators most frequently targeted by LaRouche. The box also lists other members of the "Get Clinton" apparatus who have been named by LaRouche: Richard Scaife, Rush Limbaugh, Jerry Falwell, and James Dale Davidson, whose *Strategic Investment* newsletter has routinely babbled the London line against the President.

But here's "the topper," as the British like to say. Within the box, headlined "Who believes what?" there are only two photographs: one of Ambrose Evans-Pritchard of the *Sunday Telegraph* and one of Lyndon LaRouche. The caption under LaRouche's picture reads: "Lyndon LaRouche, former Trotskyite and occasional presidential candidate, who claims Henry Kissinger was a Soviet agent and the queen runs the global narco-trafficking business, holds that Rees-Mogg and Evans-Pritchard are part of a British Intelligence plot to destabilize the Clinton administration." LaRouche is the only figure presented who defends President Clinton.

The *Guardian* recently merged with the London *Observer,* which recently ran an article referencing LaRouche's role in exposing the British-orchestrated campaign against the President of the United States. The *Observer* included a typical sampling of British slanders of LaRouche.

House ethics committee stalls on Gingrich case

Recent explanations by House Standards of Official Conduct Committee Chairman Nancy Johnson (R-Conn.) as to why its investigation of Speaker Newt Gingrich (R-Ga.) is still not under way have drawn a skeptical response. David Bonior (D-Mich.) declared on July 11 that Johnson has offered nothing more than the old "a dog-ate-my-homework excuse. . . . After you go six months without calling a single witness or issuing a single subpoena, it's a little late for excuses."

The committee is charged with investigating, among other things, Gingrich's contracting for a $4.5 million book advance from Rupert Murdoch, who was simultaneously lobbying him for measures advantageous to his media empire. Gingrich had to give back the money—the cash he was counting on to launch a serious bid for the Presidency.

The *Hill,* a Washington weekly, noted on July 12 that when Gingrich complained in 1988 about a $12,000 book deal made by House Speaker Jim Wright (D-Tex.), the committee heard 72 witnesses within six-and-a-half months, amassed thousands of pages of evidence, and drove Wright out of Congress.

As the clamor mounted, Johnson announced she would call upon Gingrich and Rupert Murdoch to testify. She claims that outside counsel is not needed in this matter, though the committee has yet to hear any evidence of what may be involved.

Briefly

● **DUKE UNIVERSITY** Economics Professor Emeritus Thomas Naylor issued a call for dissolving the Union in the July 3 *Journal of Commerce*. The nation has become too diversified and "unwieldy," he declared. "The time has come to begin planning the downsizing of America. . . . Alaska, Hawaii, Oregon, and Vermont should be allowed to secede," while "mega-states" such as California, Texas, and New York "may not only be candidates for secession but downsizing as well."

● **NEWT GINGRICH** dangled the idea of drug legalization before the July 14 meeting of the Republican National Committee. The only alternative is the death penalty for international traffickers, he said, declaring that the choice is "either legalize it or get rid of it." He called for a national referendum, even though no legislation may be adopted by that method under the Constitution.

● **RUPERT MURDOCH'S** Fox-TV affiliate in Washington, D.C. ran a news segment on July 11 alleging a "public outcry" over public access television, for providing an outlet for political "fringe" groups. A brief clip followed from "The LaRouche Connection," broadcast on public access stations, with LaRouche commenting that "the world financial system starts to spin toward catastrophe."

● **HEALTH CARE** for 1,500 inmates of the Washington, D.C. jail was placed under federal receivership on July 11. A U.S. District court order cited the city's failure to improve health conditions at the jail during the 24 years since inmates first sued for better care.

● **THE GALILEO PROBE** was launched from its spacecraft on July 12, some 51 million miles from the planet Jupiter. The probe and the mother ship will reach the planet's orbit on Dec. 7, when the probe will descend through Jupiter's atmosphere, transmitting atmospheric and radiation data to the orbiting spacecraft for relay back to Earth.