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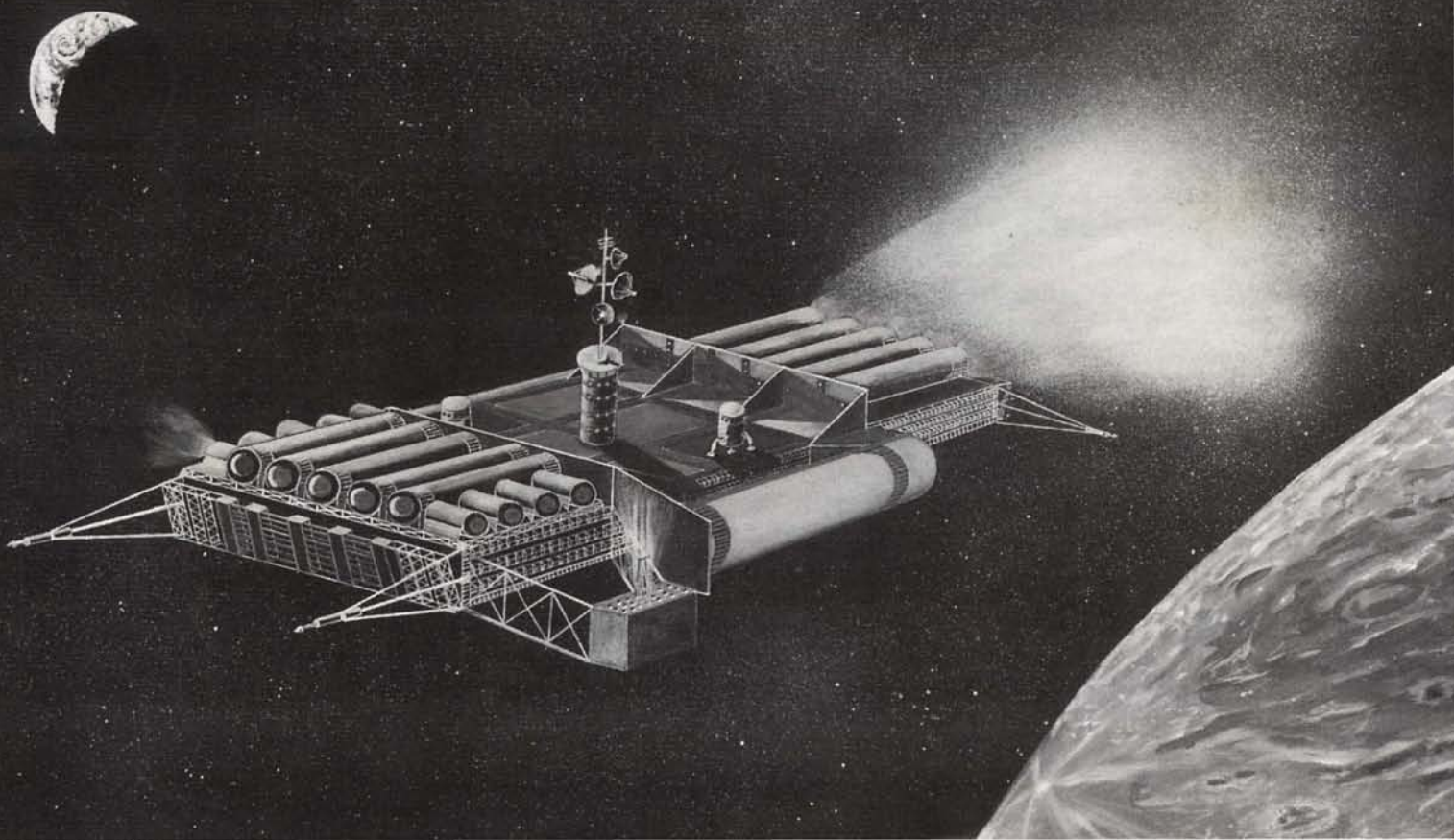
Executive Intelligence Review

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London strikes at Clinton's Irish policy
Senator Kennedy takes the point
Bankers demand Maastricht, 'or else'

**Space: the ultimate
money frontier**



BOOKS



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They Had a Dream: African-American Astronauts, by J. Phelps. Presidion Press; clothbound, 291 pages, \$25.95.

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From the Associate Editor

‘If God had wanted man to explore space, He would have given him a Moon,’ said the late space scientist Krafft Ehrlicke. If you look at our cover picture, Ehrlicke’s painting of a freighter en route to the Moon, you can see that he meant it. If he had had his way, the colonization of the Moon would now be a reality.

With Ehrlicke’s image in mind, read the *Feature* articles by Lyndon LaRouche and Marsha Freeman, on space exploration and defense technology. The package is a sequel to last week’s report on why budget-balancing is doomed to fail, refuting those Gramm-sized brains who consider the space program “too expensive.” LaRouche shows that the kind of “science driver” represented by the space program, is exactly what the world needs to get out of its economic crisis.

Krafft Ehrlicke understood this perfectly. For those readers who did not have the pleasure of knowing him, let me introduce you briefly to this remarkable man, whom Helga Zepp LaRouche described, shortly after his death in 1984, as “a beautiful soul,” in the sense of Friedrich Schiller’s humanist ideal. A veteran of the Peenemünde V-2 rocket project in Germany during World War II, he came to the United States after the war, with the team of Dr. Wernher von Braun. He is known as the father of the Centaur rocket, and developed the idea of man’s “extraterrestrial imperative.” (For more information, see Marsha Freeman, *How We Got to the Moon*, 1993; and *Colonize Space! Open the Age of Reason*, 1985.)

The following quotation gives a sense of Ehrlicke’s vision: “The world of modern industrial Man is no more closed within the biosphere than it is flat. Preservation cannot be limited to the environment at the expense of human growth. . . . Many technologies are needed to overcome the present apparent limits to growth. But the one underlying, ubiquitous technology that makes many other industrial technologies possible (either directly or by spinoff) is space technology.”

These ideas are in clear resonance with those of LaRouche, though the two only met toward the end of Ehrlicke’s life. May Ehrlicke’s work serve as an inspiration to us now, as we confront the challenge, this election year, of transforming the Democratic Party, and the U.S. electorate, into a constituency for such policies.

Susan Welsh

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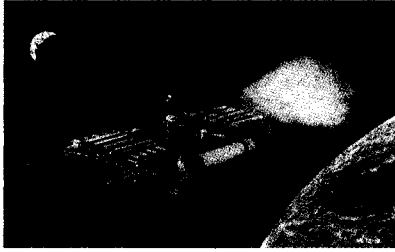
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Correction: The headline on the article on p. 61 of our last issue was misleading. Rather than, "Gore-Chernomyrdin agreements show risky U.S. policy vis-à-vis Russia," the article actually reported that the Gore-Chernomyrdin agreements for technological partnership, in themselves positive, are at risk because they coexist with the destructive overall U.S. policy of pushing Russia into compliance with IMF "reforms."

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Europe's bankers demand Maastricht—'or else'

by William Engdahl

Europe's top financial and banking elites, meeting at the annual World Economic Forum at Davos, Switzerland on Feb. 1-6, vowed to forge ahead with the European Union's Maastricht Treaty, which will create a unified currency and a supranational central bank, even if this means massive unemployment, savage cuts in the social welfare budget, and political explosions like those which rocked France at the end of 1995. The assembled central bankers and monetarists constitute the "globaloney faction" in European policymaking, intent on wiping out the sovereign nation-state and the productive industrial and agricultural economy of European nations.

The Davos meeting took place amid growing hostility to the planned creation of a single European reserve currency (the "Euro") by January 1999. Two governors of German states have spoken out against the plan, noting the devastating effects that it will have on German industry; and the Swiss daily *Neue Zürcher Zeitung* reported on Jan. 29, with reference to Maastricht, "The house of cards has started to collapse." But the Davos crew is committed to pursue their insane political agenda, and to run a steamroller over that opposition, if necessary.

Many Davos participants warned of the horrors that will allegedly ensue if Maastricht is *not* implemented. Belgian Prime Minister Jean-Luc Dehaene, a vigorous advocate of the European Monetary Union (EMU), told the audience of some 2,000—many of whom were heads of government or executives of Europe's largest multinationals, such as Daimler-Benz, Nestlé, ABB, and Siemens—"if we do not achieve European Monetary Union by 1999, the present internal market of the European Union won't hold together. The deadline of 1999 we must achieve for the introduction of the single currency, or we will never have it."

Dehaene was seconded by speaker after speaker. European Union Commission President Jacques Santer repeated his now-familiar litany that the monetary union was "irreversible; we are all committed to it. If we do not achieve it within the timetable set out in the Maastricht Treaty, there will be the risk that it would never be achieved at all. I do not know whether the internal market would survive such a blow."

These warnings were followed by similar statements from Bank of France Governor Jean-Claude Trichet and German Bundesbank President Hans Tietmeyer. Trichet, noting the recent protest strikes against Maastricht-dictated French government budget cuts (which have been called "Europe's Gingrich plan," because they slash services for the elderly and poor, to reduce budget deficits), defended the present austerity course, claiming that the single currency would "be good for Europe." Trichet stressed, "There exists now a universal consensus among European governments that public deficits are no real solution." The Bank of France governor, who reportedly has his eye on becoming the first head of the to-be-created European Central Bank, said, "Lax fiscal and monetary policy by governments works only, if at all, in the very short term. But it is like a drug; it won't cure the underlying problems. The French Social Security reform is a start, but we have far more to do." Last autumn the French government of Alain Juppé announced draconian cuts in public pensions and health care as part of a plan to slash the deficit in the Social Security fund in half by next year, in order to meet the Maastricht Treaty's required deficit reduction.

In response to a question from this reporter on what policy would be if Maastricht were delayed, Trichet retorted, "With or without Maastricht, our policy would be the same. We have

no choice but to converge on lower debt and deficit levels in Europe. It is what you might call a holy obligation.”

Tietmeyer’s watchdogs

Trichet’s hard-line comments were echoed by Europe’s most powerful central banker, Bundesbank President Tietmeyer. Commenting on the growing accusations that the strict economic “convergence criteria” of the 1991 Maastricht Treaty were a prime cause for the soaring unemployment levels across the EU countries, now above a record 18 million jobless, Tietmeyer insisted: “The European unemployment problem is structural. Is there a panacea? No. An immense effort is required, including lifting the present impediments to a flexible labor market, eliminating rigidities of the present wage structure, reforming the welfare State.”

Translating Tietmeyer’s remarks from central bank doublespeak, he was arguing that fiscal austerity and a tight anti-inflation central bank policy, which have dominated Europe in the past three years, are not to blame; rather, European workers and their unions must give up hard-won concessions and allow “flexible wage structures,” i.e., reduction of real wages. People must be pushed off unemployment into work, even at menial jobs, and the social security and pension benefits must be drastically reduced.

To underscore the point, Tietmeyer added: “1996 will be the key year, but I can tell you the EU *will* make the effort to meet Maastricht criteria, and convergence *will* remain on the agenda. *Anglo-Saxon economies have understood the problem and undertaken the adjustment. Continental countries cannot escape making such intensive adjustment.*”

He added that a new factor will enforce discipline: “Financial markets’ role as watchdogs to discipline excesses of government spending will grow. Countries will be controlled by these new, global financial markets.”

The German government just two days later announced an official unemployment rate for January of 4.2 million, or 10.8%, the highest since the end of the war. But despite several reductions in Bundesbank interest rate levels in recent weeks, making funds cheaper for banks to borrow, the funds have gone into stock market speculation, rather than into long-term investment in domestic German industry and equipment.

Cartellieri: ‘a banker’s view’

By far the most forceful insistence on the Maastricht agenda for Europe was delivered by Ulrich Cartellieri, a member of the management committee of Germany’s largest bank, Deutsche Bank. Cartellieri, who is responsible for the bank’s policy on monetary issues and reportedly is a major influence on the Bonn government policy for Maastricht, said: “We have nearly 20 million unemployed in the EU; efforts by Brussels [EU headquarters] at harmonization of industry and labor norms have been a disaster to date. First, we need harmonization in the area of currencies. If the European Monetary Union comes, it will become the motor. A powerful structure

will emerge, of importance far beyond financial markets.”

Cartellieri insisted that there will have to be a Stage I of EMU, “with the deutschemark bloc countries [Germany, Holland, Belgium, Luxembourg, and Austria] plus France and maybe one or two others in 1999, a maximum total of six or eight. European banks will profit from the new Euro currency, despite the calculation that annually they will lose some 25 billion ECU [approximately \$33 billion] in foreign exchange conversion fees. The larger currency zone will more than make up for the loss.”

For the first time in the public debate on the EMU, Cartellieri hinted at what certain powerful European banks and financial circles find attractive in the idea of a supranational single currency in Europe. “The Euro,” he concluded, “will be the second reserve currency in the world after the U.S. dollar. That will take the pressure off the mark, which today is too small a currency to compete globally.” To counter growing skepticism about the social costs of the Euro, Cartellieri held out a horror scenario: “If Maastricht were to collapse, competitive devaluations, trade war, protectionism, renationalization of economic policy and deflation, if not depression would be a real threat.” Why, he declined to explain.

‘Globalization: the scissors crisis’

The discussion of Maastricht’s prospects at Davos was held in the context of the forum’s overriding theme, “Sustaining Globalization.” By this was meant the recent trend of banks and financial firms to “globalize” their investment and speculation worldwide, in search of highest returns, as well as the tendency for multinationals in Europe, the United States, and Japan to “globalize” production from high-cost industrial countries into “cheap labor” areas.

Clearly for Cartellieri and company, Maastricht represents a way to have more power in the globalized financial markets of today and tomorrow. But under the savage austerity agenda of Maastricht, governments are cutting spending and increasing unemployment, at the same time that private companies are dumping tens of thousands of workers in order to become “globally competitive.”

In the past three years alone, German industry has exported more than 300,000 high-skilled jobs abroad, according to industry association estimates. As one German critic of Maastricht, Frankfurt University Prof. Wilhelm Hankel, put it in an article in the German daily *Handelsblatt* on Feb. 15, the demand of the Maastricht Treaty for “permanent” fiscal austerity robs the State of one of its most important weapons to fight economic downturn—deficit spending for key projects. Instead, under Maastricht, “the State must now save and save again, this in the midst of recession, which all past bitter experience showed, not least the Brüning crisis of 1931-32, does not increase employment, but rather unemployment.”

Clearly, under the present Maastricht deflation agenda of budget cuts and fiscal austerity, neither job security nor industrial development are on the horizon.

'Brutally effective' IMF method triggers strikes in Russia, Ukraine

by Konstantin George

Both the three-day strike of a million Russian coal miners at the start of February, and the Ukrainian coal strike which began Feb. 1, were triggered by a policy dictated by the International Monetary Fund: months of non-payment of wages to miners. Withholding wages is explicitly a core component of the IMF conditionalities imposed on Russia and Ukraine under the heading of enforcing "budgetary restraints" and "combating inflation." The State keeps the "budget ceiling" within the IMF-imposed limits by the "simple" expedient of not paying the State sector workforce.

The IMF role in these policies was confirmed by an IMF official quoted by the BBC on Feb. 4, who praised the "brutally effective" IMF method adopted by Russia of "stopping inflation by not paying wages."

President Yeltsin and the Chernomyrdin government of Russia came to realize that the method could lead to an uncontrollable social explosion, however, and granted the Russian miners' demands for the payment of all overdue back wages. This ended the strike.

The strategy of appeasing the most volatile sector of the workforce was adopted with the hope of staving off a social explosion until after June, when Presidential elections are scheduled to occur (if a national emergency does not cancel them). The gamble involved is that austerity must meanwhile be increased against other components of the workforce, such as teachers, academics, professionals, and "white collar" State-sector employees in general. The view is that these groups can strike but do not threaten the system, as the miners do. The added gouging of these sectors was already begun during the second half of 1995. For teachers and employees of institutes, for example, the long summer vacation and now extended winter vacations have become forced unpaid vacations.

The appeasement of the miners has another, historical dimension. The regime knows enough 20th-century Russian history to realize that lengthy political strikes by miners tend to ignite an unstoppable social-political crisis leading to the overthrow of the existing regime. That was the case in the 1903-05 mass strikes, which were initiated in the coal-mining sector, and again in the March 1991 pro-Yeltsin miners' strike which inaugurated the final demise of the Gorbachov Soviet regime. Given the present regime's adherence to IMF and World Bank austerity demands, large-scale strikes as such cannot be avoided. This was seen in the three-day strike for

back pay by 250,000 Russian teachers in 51 regions that began Jan. 30. Unlike the miners, their demands were not met.

The regime in Moscow is able to play these "fire brigade" games because of the cash injections it is getting from the IMF. The U.S. visit of Prime Minister Viktor Chernomyrdin in late January procured American support for Russia to receive a \$9 billion IMF three-year standby loan, the monies of which are already earmarked in the 1996 Russian budget for social crisis "damage control," and otherwise for the necessary import of grain to mitigate the impending 1996 food catastrophe. The finalization of this IMF agreement is seen as certain when IMF Managing Director Michel Camdessus arrives in Moscow in the week beginning Feb. 19.

No such "fire brigade" capability exists as of now for Ukraine, which is, after Russia, the largest and strategically most important independent country of the former Soviet Union. Unlike Russia, the Ukrainian coal strike is still on as of Feb. 15, with no end in sight.

Economic implosion: social explosion

On Feb. 12, the Ukrainian miners union declared they would continue the strike until all demands were met, including the payment of back wages and the continuation of State subsidies to the coal sector. While "only" 63 of the nation's 227 coal mines are officially on strike, the real dimensions of the strike are far larger. At an additional 110 mines, coal is being mined but not loaded onto rail cars for transport to power plants and coking facilities. Thus, more than 75% of production is not reaching the enterprises and customers who require it.

The coal strike is centered in the eastern Ukraine Donbass region, and has exacerbated already existing power shortages in east Ukraine, forcing plant closures. Then, on Feb. 13, Russia abruptly cut off electricity supplies to Ukraine, by shutting off the Russian electricity contribution to the joint power grid of both countries in east Ukraine. The Russian cut-off was clearly another in a long series of economic blackmail moves against Ukraine, in conjunction with the clearly enunciated neo-imperial strategy of Russian Foreign Minister Yevgeni Primakov of "re-integrating" with Russia its "Near Abroad" neighbors. The ludicrous Russian official reason given for the cut-off, was that Ukrainian electricity demand is "too high."

On Feb. 14, the Kiev government warned that Ukraine faces an imminent "energy catastrophe." The government announced that it had already been forced to close down "thousands" of enterprises, because of the combined effect of the Russian move and the coal strike.

The IMF and World Bank shock therapy policies imposed on Ukraine cripple any ability to meet the miners' demands and end the strike. The Ukrainian government has announced that it is prepared to meet the back wages. It announced in the first week of February that it had allotted 6 trillion karbovanets (\$31.9 million) for that purpose, and by the end of February will allot another 15 trillion karbovanets (about \$80 million). However the government, under enormous pressure from the IMF and World Bank, has refused to extend subsidies, and indeed as Prime Minister Evhen Marchuk has said, is committed to shutting down what are called the 24 most unprofitable coal mines. On Feb. 12, he reiterated, and thus provoked the miners' declaration of an indefinite strike, that subsidies "would be catastrophic for the entire economy," and demanded a solution based on what he called "economic realities and not capriciousness."

Compounding the squeeze on Ukraine, in January, the IMF refused to grant the final \$700 million tranche due for Ukraine in the ongoing \$1.5 billion IMF standby loan. According to the *Financial Times* of London, the IMF may be releasing the \$700 million "by early April," a date not chosen at random, as it coincides with the April 4-5 visit of Russian President Boris Yeltsin to Kiev—assuming that visit will not again be postponed. In a desperate attempt to gain early access to this fund, on Feb. 14, Roman Shpek, Ukraine's deputy prime minister for the economy, arrived in Washington for talks on the IMF credit with both the IMF and the Clinton administration. Shpek, a strong supporter of so-called free market reforms, is seeking to emulate Chernomyrdin, to "lobby" the IMF and the Clinton administration for the \$700 million. He comes in the wake of an IMF team which left Kiev on Feb. 12, after reviewing Ukraine's budget and its "import payments discipline."

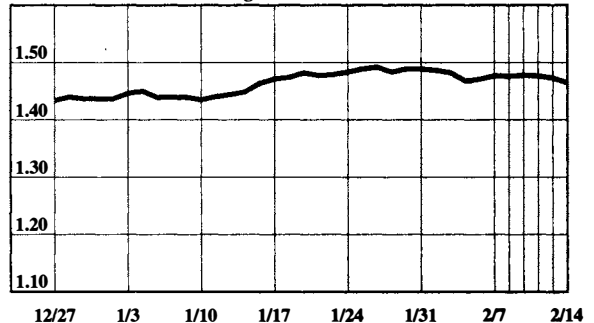
Fueling the government's desperation to risk a full showdown with the miners are the provocative actions of the IMF's twin, the World Bank. The World Bank has issued a report on the Ukrainian coal sector demanding a wholesale closure of mines—according to the *Financial Times* of Feb. 13, "at least half of them, by one estimate." It further calls for "reducing over-manning, freeing coal prices and trade, and overhauling management."

A similar World Bank report has been issued on the Russian coal sector, with the same neo-colonialist demands, namely that about half of Russia's coal mines be shut down, and that this process, as in Ukraine, must begin in earnest this year. This demand has been accepted by the Chernomyrdin government. On this basis alone, the misleading "contrast" between the Russian and Ukrainian situations may very well come to an end before long.

Currency Rates

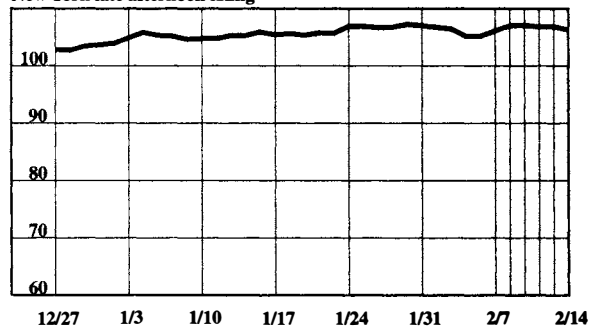
The dollar in deutschmarks

New York late afternoon fixing



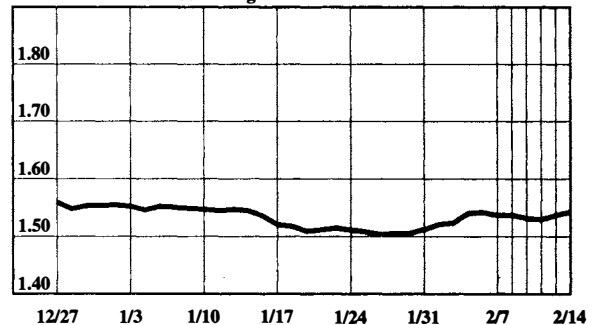
The dollar in yen

New York late afternoon fixing



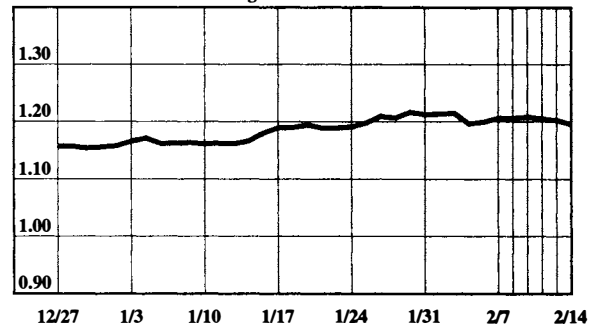
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Business Briefs

Banking

German workers protest lack of financing

Almost 20,000 employees of Vulkan, Germany's biggest shipbuilding company, protested against the "cruel game" of German banks, at all company sites in Germany on Feb. 9. German banks have increasingly taken on a "British approach" to banking, refusing to finance productive investments.

For months, Vulkan has been in a severe liquidity crisis. There are new orders for big projects, but German creditor banks, led by Commerzbank, have so far blocked a credit line of DM 220 million (\$138 million), despite a guarantee by the city of Bremen.

The European Commission is expected to decide shortly, whether the guarantee by Bremen is in accord with European subsidy legislation. Meanwhile, Vulkan could plunge into insolvency any day.

Population Policy

Over-population scenarios unfounded, says professor

Panic scenarios of a world population bomb are unscientific, said Prof. Joel E. Cohen, director of the Population Research Center at Rockefeller University in New York, the Feb. 8 German daily *Sächsische Zeitung* reported. It is a hopeless venture, to attempt to determine how many human beings this planet is capable of supporting, Cohen said. The human factor is the one that is crucial.

Cohen contested the possibility of defining a limit to world population growth, because far too many factors come into play that depend on human intervention and man's ability to develop new technologies and political structures. Computerized models of population growth can be very misleading, he warned, like those made at the United Nations that, based on the population growth figures of the year 1990, predicted a total world population of 645 billion human beings for the year 2150.

This, he said, is as imprecise as statements by those who say that the ultimate limit of a population that can expect to have a

lasting supply of food, has already long been surpassed. The term "lasting" is too imprecise, because the supply of food is only limited for certain periods—technological progress alters the limits, but it also needs more energy throughput. During the Stone Age, approximately five square kilometers of land were required to feed one human being; implementation of agricultural techniques reduced that ratio to one square kilometer for 25 people; today, close to 250 human beings per square km are living in western Germany, for example, most of them in conditions of comfort once considered unimaginable.

Bosnia

Reconstruction needs are immense, says official

Bosnian Prime Minister Hasan Muratovic told the press in Davos, Switzerland, that his nation needs a minimum of \$3 billion a year in aid for the next five years, in order to rebuild its economy, wire services reported on Feb. 5. "Our country is devastated to the extent that it is not possible to describe with words," he said. "Without economic reconstruction, there cannot be lasting peace."

Muratovic said that the World Bank had assessed \$5.1 billion in emergency needs for infrastructure, education, and health care alone. He said creating jobs was the first priority of the government. "Only 1% of the population are now employed in productive jobs," he said.

Physical damage in those parts of Bosnia controlled during the war by the Sarajevo government has been assessed by the World Bank at \$45 billion. Muratovic said damage was extensive to roads, housing, infrastructure, industry, and whole villages. "We practically have no villages now," he said.

Meanwhile, speculator George Soros seems to be taking over the British franchise for psychological warfare against Bosnia. Soros has announced various projects, including setting up a "jobs bank," and funds to aid small businesses and an "independent media." Soros said he is setting up a new media training school in Sarajevo; his "independent media" project is being run in partnership with the British Broadcasting Corp.

Agriculture

Russian official demands food security

Gennady Seleznev, Speaker of the Russian State Duma (parliament), warned that Russia must give top priority to its food security needs, in an interview with *Rossiskaya Gazeta* on Feb. 6.

Seleznev condemned the rush to meet "international standards" in production at the expense of domestic industry. "I wouldn't be surprised," he said, "if we sent the Chelyabinsk tractor plant down the drain just because its tractors cannot compete with those we bring in from Japan, the U.S., or Germany. The government should have some priority fiscal policy with regard to domestic manufacturers. The impression is that, in Russia, only those enterprises can count on the government's help whose production can compete on the world market. However, we believe that reaching the world market is a task of secondary importance. What is more important is to use the potential of our own industry in order to saturate the domestic market and the markets of other CIS States. And this will require State support. . . ."

"I do not know where we've got this idea from of doing everything according to world standards. Russia should first of all think about how to provide itself with what it needs. One of the urgent problems is food security. Tomorrow the world community may not like the way Russia is developing and decide to stop sending us food products. If hunger riots begin, no one will be able to control the situation."

Infrastructure

Rail tunnel set for Straits of Gibraltar

An agreement for a railway tunnel under the Straits of Gibraltar was signed by the governments of Spain and Morocco in Rabat on Feb. 6. Spain's Transport Minister José Borrell told the daily *El País* that work on the project will begin with the construction of a maintenance tunnel in mid-1997.

The project, which includes two concrete tunnel tubes of 28 kilometers for high-speed trains operating between Tarifa, Spain and Tangiers, Morocco, will take 13-15 years to build and require initial investments of \$4-5 billion. The tunnels will run 400 meters below sea level, and 100 m below ground. The total length of the link will be close to 39 km. Total investments, which include plans for a second track sometime after the first is completed in 2010, will be about \$20 billion.

Financing for the project remains uncertain (except for the maintenance tunnel, which will be handled by the two governments). The Spanish government, which also signed other cooperation agreements with Morocco, forgave Moroccan debt owed to Spaniards in the range of \$3 billion, on condition that the money be invested in joint infrastructure and technology projects with Spain.

The rest of the funding is to be shouldered by the European Union and private investors, officials from Spain and Morocco said. In a joint communiqué issued after a two-day visit to Rabat by Spain's Prime Minister Felipe González, the two governments pointed to "the political and economic importance of a fixed link between Europe and Africa . . . which would consolidate regional cooperation."

Russia

Prosecutor opens probe of privatizations

Russia's chief prosecutor Yuri Skuratov is launching a high-profile investigation into the privatization of some of Russia's most valuable enterprises, the London *Financial Times* reported on Feb. 6. The paper called it the "most serious blow to date" to the privatization program. Skuratov says he will conduct an "intensive" investigation into how leading State enterprises were sold off. Criminal charges are likely, in some cases. One case that will be scrutinized carefully, is that of Norilsk Nickel, a transaction that involves a top Moscow bank.

The *Financial Times* admitted that Russians find the privatization program to be "deeply corrupt and unjust."

The chairman of the Duma Security Committee, Viktor Ilyukhin, has called for a re-examination of government policy vis-à-vis the privatization of defense firms and other large enterprises of strategic significance. He also called for a national program aimed at identifying these strategic enterprises and ensuring that they do not fall into private hands, Russian or foreign. He accused foreign firms of trying to buy up, either directly or through proxies, defense enterprises. Ilyukhin also claimed to be aware of instances in which foreign or Russian firms have acquired important enterprises, only to close them down in order to use the space for other purposes.

Overall production at defense plants in Russia has fallen by 44% over the past two years, radio Ekho Moskvy reported on Feb. 6. Conversion programs have been hindered by a shortage of investment for retooling. One exception, however, is the Mias rocket design center in Sverdlovsk Oblast, which is preparing for production of city trams, formerly imported from Czechoslovakia.

Mining

Philippines sweetens pot for takeovers

The Philippines government issued five investment options on Feb. 6, in addition to outright purchase of government-controlled mines, for selling off the country's mining sector, the London *Financial Times* reported. Gold and copper mining contributed 20% of export revenues in the late 1970s.

"Overseas interest in the gold- and copper-rich Philippines mining sector . . . surged last year when the government lifted restrictions on foreign ownership," the paper said. The Fidel Ramos government also allowed foreign owners 100% repatriation of profits and slashed excise taxes on gold, copper, and other metals.

Now, the Asset Privatization Trust is giving would-be investors options to enter joint-venture arrangements to manage State-owned mines, fixed management contracts to operate such mines, build-operate-transfer deals, lease-purchase facilities, and a "securitization" facility, which allows the parties "to experiment with equity arrangements."

CHINA AND RUSSIA will jointly produce SU-27 fighters in China, the London *Daily Telegraph* reported on Feb. 5. Some 40-60 fighters, which are superior to those now flown by the Chinese Air Force, will be assembled at Shenyang Aircraft Co. over three years, with Moscow providing technical assistance and all the parts. Russia will make at least \$2 billion from the deal.

THE INDIAN RUPEE has fallen about 15%, from 31.37 to the dollar five months ago, to 36.74 now. Foreign investment, which rose to \$3.6 billion in 1994, fell to \$1.5 billion in 1995, contributing to the decline.

"THERE ARE 40 little Jeffrey Sachs" carrying out his advice to governments around the world, Pascal Riche wrote in the Feb. 6 French daily *Libération*. These destroyers of national economies are among those being trained at a "Harvard Institute for Economic Development," that Sachs has established.

THE GERMAN economy is overburdened with 3 million outmoded industrial jobs, Herbert Henzler, the chairman of the German branch of McKinsey Corp., said in an interview in the weekly *Der Spiegel* in early February. His consulting firm is in the business of telling industrial firms how to eliminate jobs.

INDIA is facing a hepatitis B epidemic, which kills more people in India *each day* than AIDS does in a year, Dr. B.N. Tandon said at a symposium on the disease, the *India Economic Times* reported on Feb. 3. India has 43 million carriers, the second largest HBV pool in the world.

RETAIL CLOTHING stores are closing in the United States in record numbers, the Feb. 6 *New York Post* reported. On Feb. 2, two national chains, Today's Man and Merry-Go-Round, filed for Chapter 11 bankruptcy. Peter Schaefer, at Dillon Read investment bank, traced retailers' woes to "rising consumer debt, meager pay raises, and job insecurity."

Space: the ultimate money frontier

by Lyndon H. LaRouche, Jr.

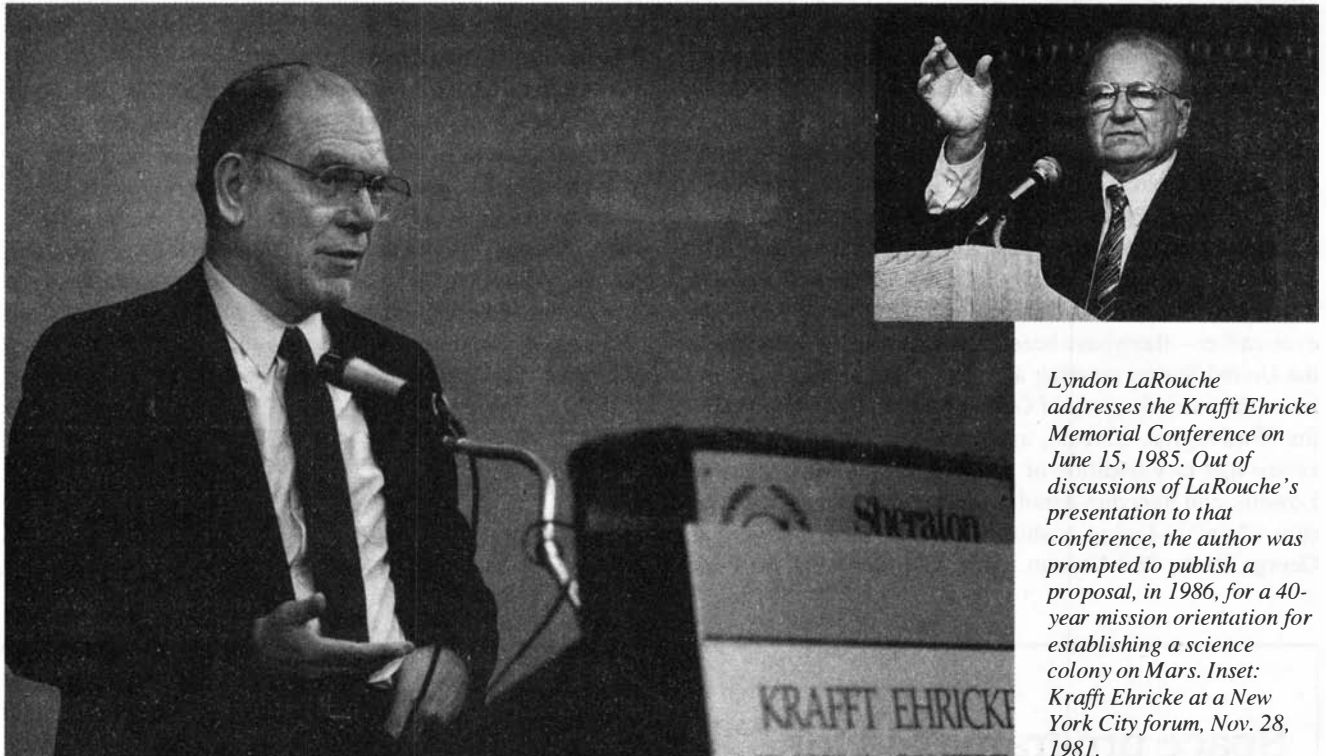
It was the fair mid-1970s estimate, that the U.S. economy had received about 14 cents in benefits from each penny which the U.S. Federal government had spent on the U.S. Manned Moon Landing program.¹ So much for those hyperventilating, glassy-eyed, Mont Pelerin Society fanatics, who chant endlessly, that we must get the Federal government out of the U.S. economy.

The following identifies summarily each of the five sets of facts which any competent economist would have considered as background, before rendering judgment on those issues of space policy which are identified in Marsha Freeman's report (see p. 20). First, the general dependency of all sustainable profitability of a national economy upon energy-intensive, capital-intensive modes of investment in scientific and technological improvements of the per-capita productive powers of labor. Second, the division of responsibility between government and the private sector in providing this investment. Third, why the government's investment in military and aerospace technology has proven itself to be such a big winner in the fight to increase the real national income of the U.S.A. Fourth, how the proposed Mars-colonization proposals of 1985-1986 came about, and how they will benefit the U.S. economy. Fifth, how space science works to this effect.

1. The American System of political-economy

The "American System of political-economy," as that term was defined by President George Washington's Treasury Secretary, Alexander Hamilton, was imposed, implicitly, as an integral feature of the U.S. Constitution's *Preamble* and *Article I*. At that time, 1787-1789, it was conceived, and received, as a remedy for the nearly fatal economic sickness of "free trade," with which the nation had been infected through the compromises embedded within the Articles of Confederation

1. See box, page 12.



Lyndon LaRouche addresses the Krafft Ehricke Memorial Conference on June 15, 1985. Out of discussions of LaRouche's presentation to that conference, the author was prompted to publish a proposal, in 1986, for a 40-year mission orientation for establishing a science colony on Mars. Inset: Kraft Ehricke at a New York City forum, Nov. 28, 1981.

and in the 1782-1783 treaties with the United States' mortal adversary, then and now, the British monarchy.

It was the understandable zeal for peace with both Britain, and also with Britain's U.S. admirers, which had brought about the nearly fatal corruption pervading the 1783-1789 U.S.A. The compromise with Britain had been effected, first, during 1782, with Prime Minister William Fitzmaurice Petty and his creature, British Foreign Service head Jeremy Bentham.² The 1763-1783 stay-behinds are found among both the strata of wealthy slave-owners, which later formed the oligarchy of Britain's American puppet-state, the 1861-1865 Confederacy, and New England and Quaker Tories. The Tories of North Atlantic states were typified by the treasonous, leading U.S. agent of Jeremy Bentham's British foreign-intelligence service, Aaron Burr: those families which profitted from the slave-trade, from the British opium trade, and as London-loving textile manufacturers working in partnership with the purveyors of slave-produced cotton.³

2. The first of these agreements was negotiated with Prime Minister Shelburne (William Fitzmaurice Petty), during 1783. Initially, that agreement was repudiated by Shelburne's successors, but realities obliged them to affirm it in fact in the proceedings of the 1783 Treaty of Paris. The adoption of the "free trade" policies of the British East India Company, the interest which Shelburne represented, was the condition of peace imposed upon both France and the United States in the negotiation of these treaties.

3. On the subject of the common purpose of the two American tory oligarchies, the New England abolitionists and the Confederacy's slave-masters, see Anton Chaitkin, *Treason in America*, 2nd edition (New York: New Benjamin Franklin House, 1985); H. Graham Lowry, *How The Nation Was Won*,

Protective Federal regulation of foreign and interstate commerce, a Federal government monopoly respecting the issuance and regulation of legal tender, a centralized common defense under Federal authority, the promotion of public works of infrastructure, and the fostering of scientific and technological progress in infrastructure, agriculture, and manufacturing, were leading considerations motivating, and reflected in the 1787-1789 Constitution.

This "American System," rooted in the economic and monetary successes of the pre-1689 Massachusetts Bay Colony, is the economic design famously associated with such names as Benjamin Franklin, Alexander Hamilton, the Careys, John Quincy Adams, Henry Clay, Friedrich List, E. Peshine Smith, and Abraham Lincoln's pre-Teddy Roosevelt Republican Party, and has proven itself the most successful model of economy which has been seen in any part of the world during the recent three centuries.

The United States, in particular, never had an economic depression, or kindred experience, during any part of the 1793-1995 interval, since Washington's first administration, which depression was not the result of deviating from the U.S. Federal Constitution, into the follies of both "free trade" and kindred British corruptions of our national monetary, banking, and economic policies.

Vol. I (Washington, D.C.: Executive Intelligence Review, 1987); and, the work which influenced President Abraham Lincoln, Henry C. Carey, *The Slave Trade, Domestic & Foreign*, Reprint of 1858 edition (New York: Augustus M. Kelley, 1967).

The Mont Pelerin Society quack-remedies peddled lately by fellows such as Senator Phil Gramm and Speaker Newt Gingrich, are not the cure; they are the disease, like the corrupting influence of famous American Tories such as Albert Gallatin, or Andrew Jackson, Wall Street banker Martin van Buren, Franklin Pierce, treasonous President Buchanan, British spies Judah Benjamin and August Belmont, and, after Lincoln's murder, Andrew Johnson, Teddy Roosevelt, Woodrow Wilson, and Calvin Coolidge. Since 1763—and even earlier—there have been only two parties of principle in the United States, crossing all other nominal political-party lines: the patriotic party of Cotton Mather, Benjamin Franklin, Washington, Lincoln, and Franklin Delano Roosevelt, *versus* that Tory tradition of Aaron Burr, the Massachusetts Lowells, and Benedict Arnold, which Americans in the Winston Churchill-loving tradition, such as Henry Kissinger, George Bush, Phil Gramm, Newt Gingrich, and the rabid

“free trade” Democrats, typify today.

As documented in other locations, the characteristic of differences in way of thinking, which divides the patriots from the American Tories, still today, is that the governing principles of the Tories, are typified by the empiricist world-outlook specific to the kind of philosophical liberalism (and, also, fascism) associated with Thomas Hobbes and John Locke.⁴ That point is underscored by the contrast between preambles of the respective constitutions of the U.S.A. and the pro-slavery Confederacy. The Tories are followers of Locke; whereas, the ideas of the U.S.A.'s patriotic founders were

4. Cf. Anton Chaitkin, et al., “The Anti-Newtonian Roots of the American Revolution,” *EIR*, Dec. 1, 1995 and “Leibniz, Gauss Shaped America's Science Successes,” *EIR*, Feb. 9, 1996. On the subject of “characteristic differences,” see Lyndon H. LaRouche, Jr., “How Hobbes' Mathematics Misshaped Modern History,” *Fidelio*, Spring 1996.

Space program paid for itself many times over

In April 1976, Chase Econometrics, a consulting firm associated with Chase Bank, released a study which estimated that for every \$1 spent in the U.S. space program, \$14 was returned to the economy in new jobs, new factories, and increased productivity from new technologies. The study also found that dollars spent by NASA were four times as effective in boosting the economy compared to other R&D spending, and that the effects in the economy of technology that had been developed by NASA were visible within two years of application.

There is no other *legal* activity that can claim that rate of return on investment.

While no listing of individual technology developments could add up to the economic impact of the mission to land men on the Moon, a survey does present examples of how such investments transform economic activity for the economy as a whole.

Agriculture: Observing the Earth from space has given farmers a tool with which to evaluate the health of crops, by determining infestation of pests, water stress, efficiency of fertilizers, and other factors. Threats to crops can be determined months before they would be visible from the ground, and action taken in time to avoid large-scale loss of food.

Future applications of space technology in agriculture will include the use of automated and robotic systems being

developed to grow food in Earth orbit and on other planets.

Medicine and health: Medical technologies that have benefitted from, or depended upon, NASA-funded research and development include fluid-flow studies for the artificial heart, miniaturized implantable insulin delivery systems for diabetics, remote monitoring of vital signs in intensive care units, rechargeable cardiac pacemakers, astronaut “cool suit” treatment for multiple sclerosis patients, implantable heart defibrillators, diagnostic tools and technologies, and thousands of other capabilities that have saved lives, improved the productivity of victims of many ailments, and helped prevent disease.

Energy: Many ideas for quantitative and qualitative improvements in energy technologies were initiated to enable the production of electricity under the constraints imposed by space flight and the space environment. They were under development to enable the colonization of the Moon, and travel to and development of Mars. Quantitative improvements included the development of compact, high-temperature nuclear fuel arrays for second-generation nuclear fission power plants. Qualitative breakthroughs centered around direct conversion techniques, such as applications of magnetohydrodynamics, and new energy production methods, notably, nuclear fusion.

Manufacturing: Industrial processes of every type have been pushed ahead through the use of new materials, computer control, non-destructive testing techniques, quality control methods, and thousands of individual innovations that were required in order to manufacture spacecraft that could withstand the space environment, and support both men and machines. Nastran, a computer software package, was developed at the NASA Goddard Space

shaped by the explicitly anti-Locke influence of Gottfried Leibniz in physical science, in philosophy, in political morality, and in principles of political economy. Treasury Secretary Hamilton's famous, December 1791 Report to the U.S. Congress, *On The Subject of Manufactures*, illustrates the governing influence of Leibniz's economic science upon the American System of political-economy.

Putting to one side the expenditure for administrative and regulatory functions of the Federal government: Under the American System of political-economy, the dividing line between government's role in the economy, and that of the private entrepreneur, is essentially threefold: the government is responsible for the economy of national defense, the maintenance and development of basic economic infrastructure, and the promotion of progress and investment in advances in science and technology. In each case, the responsibility undertaken by, and assigned to government addresses a primary

Flight Center during 1965-70, to analyze the behavior of elastic structures. In 1970, it was released for public use, and it was employed in aircraft and automobile manufacture, bridge construction, and power-plant modeling studies.

Transportation: The most significant increase in productivity in traditional transport systems, such as rail, since World War II, came from the application of computers. A dispatching and control system, originally developed by TRW for the Apollo guidance system, was adapted for ground transport, and used in the rail industry. Highly innovative transport technologies, from magnetically levitated vehicles to sub-orbital electromagnetic mass drivers, have benefitted from various space technologies, and will be deployed on a large scale on the Moon and Mars.

Scientists and engineers: During the 1960s, NASA provided the resources for thousands of college- and graduate-level students to pursue studies in science and engineering. Grants went to educational institutions to upgrade facilities, to faculty to support their research, and to students to encourage them to study the sciences. The peak year for NASA funding was 1965. The peak year for doctorates granted in the physical sciences (approximately 4,500) and in engineering (approximately 3,500), was in 1971, not because NASA paid for all of these degrees, but because there was great interest in joining in the space enterprise. At the start of the space program in 1960, the United States was graduating fewer than 2,000 Ph.D.s in the physical sciences. The number increased as NASA funding increased, and then declined, as NASA funding declined, with about a five-year lag time.

—Marsha Freeman

need of the economy which the sum-total of private entrepreneurs could not fulfill competently without government's own special and natural role in the economy of any civilized modern nation.

The responsibilities of government for infrastructure, include, presently, national and regional water management and related programs of general sanitation, public transportation, the organization of large-scale power grids, general urban infrastructure. This also includes governmental responsibility, at the variously appropriate levels of national, state, and local government, for a quality of universal education essential to the development of a qualified citizenry, and for the fostering of generalized increase of the productive powers of labor through investment in scientific and technological progress. It requires governmental responsibility, similarly, for ensuring the existence of adequate health-care delivery systems to all of the citizenry. It includes programs of scientific and technological progress which must be undertaken on a scale beyond the reasonable scope of the private entrepreneurs, as the Manhattan Project, the post-Sputnik program of National Science Foundation educational grants, and the Manned Moon-Landing program of the 1960s, typify this distinction.

2. The lesson of the Soviet Union as an infrastructure desert

Go back to the second half of the 1960s. Compare three sets of national economies: A) The leading industrialized nations, typified by Japan, West Germany, and the United States; B) The Soviet bloc of nations (Eastern Europe and the Soviet Union); C) China and India as typical of greatly underdeveloped nations. Use maps of infrastructural features (rails, highways, inland waterways, and power grids) as aids in comparing the conditions in Japan and in Europe to the west of Berlin, with the development of infrastructure in continental Eurasia to the east and southwest of Berlin. Recognize, that during the second half of the 1960s, the general level of technology of production employed, and productivity, in Japan, the Federal Republic of Germany, and the U.S.A. were nearly equal, but that those three economies differed greatly in their respective population-densities per square kilometer of usable land-area. The characteristic of the three latter, developed economies, is the approximate functional correlation between population-density and density of infrastructure development.

By contrast with those three developed economies, the Soviet Union fell far short of being competitive, by virtue of lack of adequate development of basic economic infrastructure. On the same premise, China and India were economic disasters.

The principle involved, is, summarily, as follows.

The most characteristic distinction, which sets the human race absolutely apart from, and above all other forms of life,

is the quality of *cognition*: the ability of the individual human mind to create valid, revolutionary changes in axiomatic principles of human control over nature, by means of which the *potential relative population-density* of society is increased. This gain is reflected not only in an increase of the size and density of the human population, but also rises in individual life-expectancy, lowering of rates of sicknesses by age-interval group, and increases in both the “market basket” of household consumption and in the per-capita production of the contents of those household market-baskets.

Until the late Eighteenth Century, the overwhelming majority of the populations of sundry cultures was rural. At the time of the first census of the U.S. population, for example, more than 90% were still rural. The technological development of farming, forestry, and mining, was the foundation of mankind’s production of the physical preconditions of existence. In the history of the early colonies in North America, and the young United States, the transformation of a relatively unfruitful wilderness into fertile, developed farmlands, was the foundation of progress in the human condition. Hamilton’s 1791 *On The Subject of Manufactures* provides a prophetic, rather detailed description of the process by means of which the United States was to be developed into the world’s leading agro-industrial power.⁵ It was the fostering of manufactures, made feasible through such means as development of roads and canals, which made feasible the interdependent increase in the productivity of agriculture and urban industry, as Hamilton describes this process. This development of infrastructure, is to be regarded as a development of the economic fertility of the entire inhabited land-area of the nation, comparable to the measures by which a fertile farm is hacked out of an infertile wilderness.

Hence, the relatively desert-like quality of infrastructural underdevelopment, and corresponding economic infertility, of most of the habitable territory of the former Soviet Union.

During the Nineteenth Century, the repertoire of basic economic infrastructure required, was expanded, to include railways, steam power, and so on. In the history of our Federal republic, infrastructure was supplied, chiefly, as either an economic activity of government, or through the instrumentality of privately owned, but government-regulated public utilities. This included not only tangible forms of infrastructure, but also the leading role of government in providing the means for universal education, health-care systems, and the fostering of science and technology.

Relatively speaking, an ironical failure of the Soviet economy, is that it lacked that “socialist” institution most success-

fully developed in capitalist western continental Europe, Japan, and the U.S.A.: publicly provided basic economic infrastructure, the indispensable development of the potential economic fertility of the land-area of the nation. Similarly, the most conspicuous economic challenge facing nations such as China and India is, similarly, the development of a basic economic infrastructure adequate to foster urgently wanted increases in the potential productive powers of the nation’s labor-force.

3. Military spending and space exploration as infrastructure

In modern warfare, the per-capita effectiveness of the individual soldier depends upon the technology and related logistical support with which he and his unit are equipped.⁶

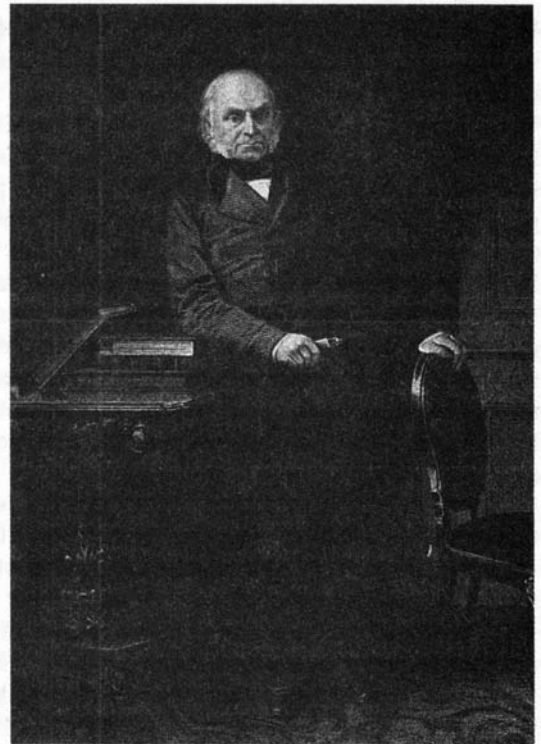
In the history of the United States, the premises of military achievement were the fostering of technological progress within the Federal arsenal system, combined with the civil engineering programs, copying those features of Gaspard Monge’s 1794-1814 *Ecole Polytechnique* in France, at West Point and Annapolis. Under Presidents James Monroe and John Quincy Adams, the model for scientific development of the U.S. military capabilities was the military science-driver programs developed in France, by Monge and Lazare Carnot, during 1793-1814. Later, as post-1814 France’s quality degenerated under the influence of Laplace, Cauchy, and the positivists, the U.S. national security apparatus, centered around Benjamin Franklin’s great-grandson, Alexander Dallas Bache, turned to the Germany of Alexander von Humboldt and Carl F. Gauss for the shaping of U.S. scientific progress and related military programs.⁷

It should be noted, that Lazare Carnot assumed command of the military defense of France at a time when the British agents in Paris, Robespierre’s Jacobins, were satisfied that the invading armies would soon effect the dismemberment of France.⁸ Carnot, already established as a genius in military science, and also a ranking scientist, assembled his friends of the Monge circle to effect a technological revolution in warfare, as part of his rebuilding the French military forces under his command. The deployment of newly designed mo-

6. The study of this development in modern warfare may be begun with reference to the relevant inventions of Leonardo da Vinci and the writings on warfare by Leonardo’s ally Niccolò Machiavelli.

7. See Anton Chaitkin, “Leibniz, Gauss Shaped America’s Science Successes,” *loc. cit.*

8. The direction of the French Jacobins was supplied from London by the Jeremy Bentham who had assumed direction of the British foreign intelligence service under Lord Shelburne. For example, the French Danton and the Swiss lunatic Marat, were both trained personally by Bentham, in London, and sent to France to take over leadership of the Jacobin Terror. The relevant point, in this text location, is that the assigned function of the Jacobins was not to lead France, but to arrange its destruction. Carnot was given leadership of the military, not to secure its success, but to assume the blame for a defeat which was presumed to be inevitable at that time.



Left: a monument to Gaspard Monge in Beaune, France. Right: President John Quincy Adams. "Under Presidents James Monroe and John Quincy Adams, the model for scientific development of the U.S. military capabilities was the military science-driver programs developed in France, by Monge and Lazare Carnot, during 1793-1814."

bile field artillery, and its use for massed artillery fire, was among the measures which revolutionized warfare. Under the Lazare Carnot who came to be celebrated as the "Author of Victory," French forces went, during months, from effective defense to appearing as the virtually irresistible military force of the continent of Europe, creating the great instrument so famously misused by the picaresque Napoleon Buonaparte. The intertwined efforts of the two collaborators, Carnot and the Ecole Polytechnique's Monge, established the model for what later efforts, such as the Manhattan Project and the German-American space-program, identify as science-driver forms of "crash programs."

Although we might trace the origins of the modern science-driver "crash program" to the Platonists Archimedes and Leonardo da Vinci, the conception of such programs is traced directly to Gottfried Leibniz's specifications for a science of physical economy, as developed through the work of such explicitly anti-Newton followers of Leibniz as the French 1793-1814 science community associated with Carnot and Monge.

During the Twentieth Century, most of the technological progress which has occurred, would not have occurred but for

the impetus supplied by perceived military-strategic imperatives. Although space exploration lies as much outside the domain of military expenditure as within, the mid-1950s "moth-balling" of a Huntsville capability for putting a satellite into orbit, typifies the ugly reality of our Hobbesian age. Had the Eisenhower administration been able to reach an "off" button, to stop the nagging beep of the Soviet Sputnik, put into orbit on Oct. 4, 1957, the U.S. space program would have been virtually choked to death by Arthur Burns' monetarist mothballs before the 1960s arrived.

For related reasons, the machine-tool activity centered in the arsenals has been the principal motor-force of modern investment in scientific and technological advances, in both improved qualities of products and increased productive powers of labor. Thus, although military products are essentially economic waste, throughout modern history, the greatest progress in the national income of nations has been won through that proliferation of new technologies which has occurred as a by-product of military investments in science and technology. As the Chase Econometrics study implies, government investment in space exploration has been the outstanding profit-producer for the taxpayer.

4. The 1985-1986 Mars-colonization program

My widely debated, 1985-1986 proposal for a 40-year mission orientation for planting a science colony on Mars, was prompted by Helga Zepp LaRouche's reaction to the December 1984 death of a dear friend and outstanding space-scientist, Dr. Krafft Ehricke. She assigned me to prepare a paper for delivery to an international scientific conference, convened in memory of Krafft, at Reston, Virginia, June 15-16, 1985.⁹ Out of discussions of my presentation during that conference, I was prompted to produce the proposal which I presented for publication about six months later, at the beginning of 1986. That proposal attracted much wider recognition, and a still-raging controversy, when it was presented in the form of a half-hour Presidential-campaign television broadcast, "The Woman on Mars," during 1988.

The manner in which this came about typifies the general rule in modern science. It is an account which need be told, if one is to understand the policy-framework within which U.S. space-policy is situated today.

True to the Twentieth-Century intertwining of military procurement and space science, my association with space-science, and my approach to space exploration had developed as a result of my contribution to what President Ronald Reagan named the "Strategic Defense Initiative" (SDI). I had first published that SDI design during August 1979, as a document of my 1980 campaign for the Democratic Party's Presidential nomination. That was brought into the Reagan administration through my 1982-1983 work, on behalf of certain Reagan administration agencies, in exploratory, back-channel discussions with the Soviet government.

One must glance back, to events few years earlier, to understand how this came about.

My own work in this direction had begun during 1975-1976. It started when I encountered a leaked report in the Hamburg newsweekly, *Der Spiegel*, on a pending NATO desk-operation of the Hilex series. This strange *Spiegel* report drew my attention to a piece of insanity which, I soon came to discover, was officially denoted as proposed NATO doctrine MC-14/4. These facts prompted my conviction that the developments in solid-fuel boosters and precision of targeting, combined with the urge toward forward-basing, were bringing us toward the threshold of potential first-strike nuclear warfare. When heads of superpowers are faced with the detection of a clutch of missiles a few minutes from one's territory, and the prospect that those few missiles might be capable of "pinning down" one's ability to kick back, the world were at the brink of a "first nuclear strike" potential. *Without an effective strategic ballistic-missile defense*, "first strike" would cease to be an unlikely strategic option.

9. "Ehricke's Contribution to Global and Interplanetary Civilization," Proceedings of the Schiller Institute's Krafft Ehricke Memorial Conference, June 15-16, 1985, *Colonize Space!* (New York: New Benjamin Franklin House, 1985), pp. 27-51.

The next step toward the idea which was to become known as SDI, was some 1977 discussions, held on my behalf, with the then recently retired, former head of Air Force intelligence, Maj.-Gen. George Keegan. Keegan suggested that scientists associated with me assess the evidence that the Soviet Union had the capability of developing a deployable, ground-based, ballistic-missile defense based upon what the 1972 ABM-treaty suffixes identify as "new physical principles." Keegan's concerns paralleled my own, in opposition to the regrettably stubborn, anti-scientist prejudices of former DIA head and (1980s) Heritage Foundation associate Daniel P. Graham.¹⁰

My standpoint was different than many among the U.S. strategists who came to agree with the SDI simply as a sane choice of military technology. Winston Churchill's Britain had been all too successful in exploiting—early and often—the premature death of Churchill's deadly political opponent, Franklin Delano Roosevelt. Churchill's London had lured Washington and Moscow into that geopolitical balance-of-superpowers game, by means of which the tattered and smelly remains of the old British Empire could play off Moscow and Washington to London's profit, using the super-power conflict as a means of subordinating the sovereignty of every nation on this planet, to London's manipulating the relations between the two superpowers.

Unfortunately, by the late 1970s, very few among the relevant professionals, barring a relative handful of exceptions in Europe, recognized the significance of the fundamental strategic conflict between Roosevelt and Churchill. They did not comprehend the fundamental strategic significance of such follies of Averell Harriman's and Winston Churchill's Harry Truman, as Truman's firing and fraudulent defamation of Gen. Douglas MacArthur, an action which brought to an end the United States' true sovereignty as a nation-state, and ushered in those immoral forms of "cabinet" warfare pioneered in post-MacArthur Korea, and applied with a vengeance in 1960s Southeast Asia. So, by the late 1970s and early 1980s, only a dwindling handful among our military understood what was evil in Robert S. McNamara's and Henry Kissinger's pushing the Russell-Szilard, Pugwash dogmas of "détente."

My starting-point, was to view the mutuality of the danger posed by trends of both powers toward forward basing, as a premise for bringing about a strategically indispensable, axiomatic change in global economic policy. Since *effective* forms of strategic ballistic-missile defense could not be accomplished by any means less advanced than "new physical

10. During late 1982, until after March 23, 1983, Lieutenant-General (ret.) Graham was a vigorous opponent of the policy which became the SDI. Even after he came around to professing support for the SDI by name, he insisted upon stressing "off-the-shelf" and related "kinetic energy" systems, deprecating "new physical principles," as he had during his earlier attacks upon me and Dr. Edward Teller.

principles,” U.S.-Soviet agreement to cooperation in developing such a strategic missile defense, could, in my estimate, not merely bring the immediate military problem increasingly under control, but would represent an international science-driver effort, which would accelerate the productive powers of labor throughout the planet, through the “spillovers” of military technology into the civilian economies of the world as a whole.

It was on that point that Dr. Edward Teller’s 1982 references to use of these technologies to advance “common aims of mankind,” and the offer of technological cooperation featured in President Reagan’s March 23, 1983 announcement, coincided precisely with my views on the proper design of the proposed agreement between the superpowers.

These global economic implications of effective strategic defense, were the point of departure for my 1985-1986 development of the Mars-colonization proposal. My views on the military and political-economic impact of “new physical principles” approaches to strategic defense, were, and are central axioms of my Mars-colonization program.

The crucial strategic incompetence which General Graham and his factional allies would never overcome, was their inability to recognize that it is economically impossible to achieve assured preponderance of the strategic defense by use of “kinetic energy” means, within the domain of dense flotillas of rocket-launched nuclear warheads. One must change the geometry of that domain, the aerial battlefield, a change in the physical geometry of the problem, which only “new physical principles” could accomplish. In the political-strategic domain, the same principle prevailed: Peace could be achieved only through either the defeat, or collapse of one of the superpowers, or through a radical change in the political-economic geometry of the planet. The same “new physical principles,” properly applied in a coordinated way, would accomplish the optimal result in both respects.

That is the quality of scientific and strategic thinking which is indispensable for competent formulation of space policy.

During 1982, my exploratory back-channel discussions with Moscow representatives, were paralleled by my briefings to relevant scientific and military institutions of other nations, including France, Germany, Italy, India, and Japan, on the type of policy which I was proposing (of course, without referencing my back-channel discussions with Moscow). Numerous among these professionals had significant backgrounds in space science and related fields. A wide assortment of valuable collaborators was brought together in this fashion. This activity overlapped the significant scientific competencies of the Fusion Energy Foundation, of which I have been a co-founder, and with which I was actively involved throughout the period. Out of this aspect of the work on what became known as SDI, came the foundations for the 1985-1986 design of the Mars-colonization program.

My 1985-1986 Mars-colonization policy was developed and promulgated to prompt the U.S.A., as then still the leading nation of this planet, to use its leadership position to launch a global economic-recovery program whose design was based upon the lessons of the marvelous economic success of the 1960s Manned Moon Landing “crash program.”

The need for such a program was great, even within the United States itself. By the close of the 1970s, the United States had lost critical, large chunks of that technology, which we had had during the 1960s, which had been indispensable for the 1969 success of the Apollo program. Today, during the past thirty years, the per-capita *physical* value of the United States’ economy has been shrinking at an average rate of more than 2% per year.¹¹ Around the world, moving from nation to nation, one of the most consistent pictures of the past thirty years economic history, is the vanishing of entire, vital sectors of technology and of those types of labor skills which would be indispensable in any effort at an actual economic recovery. In short, contrary to the prophecies of such loonies as Britain’s Lord William Rees-Mogg, and his American protégés Alvin Toffler and Newt Gingrich, the human body can not live on a diet of software.

The need for such a Mars colonization policy is much greater today, than during the mid-1980s. Without a very large-scale, government-based, global “crash program” form of science-driver spur to global investment in advanced technologies, it will be virtually impossible to effect an early general recovery of this planet’s ruined economies. The revival of lost machine-tool and labor-skills resources, the stimulus to reviving educational systems from their presently technologically and culturally moribund condition, require, on an expanded scale, the kind of stimulus which was provided by the crash aerospace program of the mid-1960s.

5. The economic principles of space science

It is not sufficient to rely only upon the practical politics of the attention-getting fact, that there was a fairly estimated 14 cents return to the U.S. economy for each penny spent on the U.S. government’s Kennedy space program. Just as a physician must prescribe no medication whose efficient principle is not known scientifically, costly governmental investments should not be risked on the opinions of political prag-

11. The portion of this which is most readily measured, is shown by determining the increase in employment required to bring the output of each agricultural sector or industry up to the level of output needed to supply the same market-basket of goods, per household, which was average during the second half of the 1960s. In addition, we must consider the large amount of net disinvestment which has occurred in basic economic infrastructure and in productive and other physical capital goods of farms, industries, municipalities, and households, amounts which are not reflected in the deductions made by the Federal Reserve and government agencies, to arrive at estimated national Value Added. For these and additional reasons, the official estimates of National Product and National Income are essentially fraudulent, wildly overestimated.

matists. Since the relevant principles are presented in a significant number of published writings on my original discoveries in the science of physical economy, a summary suffices here.

The formal solution to the relevant, central problem of measurement in economic science, is set forth implicitly in Prof. Bernhard Riemann's widely circulated, but rarely understood habilitation dissertation of 1854.¹² To reduce any validated experimental discovery of physical principle to the appropriate form, that principle must modify the relevant set of axiomatic assumptions underlying the mathematical physics existing prior to that discovery. The result of such a modification of such a set of axioms, is what Plato, and scientists after him, Riemann included, identify by the term *hypothesis*. The formal product of applying any such hypothesis to a system of formal logic, such as a deductive mathematics, is an open-ended set of mutually consistent propositions, called *theorems*, constituting what is known as a *theorem-lattice*.

The relevant problem of hypothesis, which is central to economic science: Any change in the set of axioms underlying a theorem-lattice, produces a new theorem-lattice, none of whose theorems is consistent with any theorem of the previous lattice. Nonetheless, in every case of a valid discovery of principle, the result of the change in mathematical physics is measurable *in some way*, but not formally deducible from the standpoint of the old mathematics. What may be measured to such effect, is either a magnitude of extension, or, in the alternative, the clearly defined existence of the kind of mathematical discontinuity which marks the presence of what we term a *singularity*. In consequence of the preceding work of Carl F. Gauss, Riemann classified the general idea of those changes in yardsticks, brought about through valid experimental discoveries of physical principle, as *curvature* of physical space-time. The term "curvature" is employed there in the same sense, that consistent errors in measurement of the shadows of sundials led to Eratosthenes' fair estimate of the curvature of the Earth's surface, about twenty-three centuries past.¹³

The relevance of Riemann's treatment of the metrical problem of hypothesis to economic science, is located in the essential distinction which sets man as absolutely superior to,

12. Bernhard Riemann, "Über die Hypothesen, welche der Geometrie zu Grunde liegen" ("On the Hypotheses Which Underlie Geometry"), *Bernhard Riemann's Gesammelte Mathematische Werke*, Reprint of 1902 Teubner edition (New York: Dover Publications, 1953). See, Lyndon H. LaRouche, Jr., "Non-Newtonian Mathematics for Economists," *EIR*, Aug. 11, 1995.

13. Determine the meridian by obvious stellar observations. Place a series of sundials at intervals along that meridian, in a south to north direction. The measurement of the change in noon-time angle of the sunlight's shadow, leads to estimates of the curvature of the Earth's surface, and hence the size of the Earth. By including the case of singularities, we are able to state that some kind of measurement is always available for recognizing a valid discovery of physical principle.

and apart from all other forms of life. Man is the only species which can willfully increase its potential relative population-density, to such an effect that no principle of animal ecology can be applied competently to the study of human populations. We increase our species' potential relative population-density through that developable agency of the individual human intellect, which we recognize in such forms of expression as validated discovery of a new, higher principle of nature (i.e., the generation of a new hypothesis). The increase of potential relative population-density, is the yardstick used to measure those changes in the "curvature" of physical-economic space-time resulting from such efficient kinds of discoveries within the domains of art and science.

We assimilate the individual such discoveries of other persons, by reenacting the original discoverer's mental experience of making that discovery, within our own minds. These mental processes, by which individuals make, or reenact original, valid discoveries in art and science, are recognizable by the term *cognition*. The term cognition, so defined in practice, is equivalent to the alternative term *creative reason*, creative reason as distinct from the qualitatively inferior mental activity of mere logic. The understanding which we acquire through those processes of cognition, constitutes that which deserves, uniquely, the term *knowledge*, as distinct from either sense-perception, mere deduction, or mere opinion. In other words, knowledge is limited to our accumulation of that body of valid original discoveries which we have made our own through either original discovery, or by reenacting the mental experience of original discovery.

This accumulation of knowledge is of the Riemann form of a series in which each given level of discoveries of principle, up to some point, designated by n , is superseded by an additional such discovery, designatable as the $(n+1)$ 'th discovery (dimension). The series of many hypotheses which is generalized by the symbology $(n+1)/n$, is a series whose transfinite quality is what Plato designates by the term *higher hypothesis*, or *Becoming*.

The validity of that series, as demonstrable by measurement according to the principle of curvature, is the demonstration that the universe is so designed, that nature is obliged to obey those individual powers of cognition which produce, or act upon the directing premise of valid discoveries of higher principle. This is usefully restated: The human species' manifest ability to increase its potential relative population-density practically, through successive breakthroughs in scientific and related knowledge, demonstrates, *experimentally*, that the universe is so designed, that its laws are expressed in the form of generalized human cognition, human creative reason, of cognition in the form of higher hypothesis.

From those considerations, we derive the following framework governing the principles of space science.

In the universe we encounter three distinct qualities of processes. Proceeding from lower to higher, these three are: those processes we deem non-living, those we recognize as

living, and the processes of cognition. None of the characteristics of the higher processes can be derived in a formal way from the characteristics of the lower processes. Among these three, what Leibniz identified as the notion of universal characteristics, are adumbrated for all three domains by the principles of cognitive processes.

The limitations of our senses also apportion the universe in which these three qualities of processes interact, among three domains: microphysics, astrophysics, and macrophysics, the latter corresponding to processes which can be examined directly on the scale of the senses. Also, there is an order in the succession of relatively valid new hypotheses, an order fairly identified by the notion of an ordering of "necessary predecessors" and "necessary successors," in the sequence of valid discoveries of principle in art and science.

From applying these considerations of economic science to exemplary experience with fruitful "crash programs" from the past, the general notion of a successful design for a structurable "science driver" form of new "crash program" may be derived. The work of the Monge Ecole Polytechnique, the Manhattan Project, and the Kennedy space program, are prominent among the convenient examples.

Firstly, the subsuming objective of any science-driver "crash program," must be to increase mankind's power, per capita, over the universe. This objective inheres in the principles of such a program, as summarily identified, immediately above. Thus, axiomatically, any such space program will produce immediate benefits for mankind on Earth.

Secondly, the immediate objective of such a "crash program" is not one or several valid discoveries of principle, but an entire family of such discoveries. This means, that one has chosen as a central target for such discovery an issue which A) is within the reach of constructable experimental measurements, B) involves each and all of the six phases of nature identified above,¹⁴ C) brings together a wide array of discoveries which must be resolved as the necessary predecessors for the centrally targetted discovery of the project as a whole, D) identifies a direction for later, further central objects of discovery, which are made reachable through realizing the initial centrally targetted discovery.

The primary objective of the 1985-1986 Mars-colonization project, was, and still is a broad-based family of fundamental and successive scientific breakthroughs which will revolutionize the practice of science and technology on Earth.

The highlights of the program are as follows:

The immediate target, to be reached within an estimated forty years lapsed time, is the establishment of a permanent "science city" colony on Mars, serving space research as the science city of Los Alamos served the Manhattan project: a base of operations as far distant from the noisy Sun as is reasonable within such a time-span. This "science city" on

14. I.e., non-living, living, cognitive processes, each and all examined on the scales of microphysics, astrophysics, and macrophysics.

Mars is to provide a forward base of operations for very-large-aperture arrays and related research tools, for the intensive study of every designated crucial variety of physical anomaly in space which might be accessed by apparatus set into space near Mars orbit.

The preliminary steps to be completed as prerequisites for establishing a permanent base on Mars, are: 1) Establishing a family of Earth-orbiting space-stations; 2) Achieving radical economies in bringing weight to space-station orbit, through replacement of direct ground-to-orbit rocket, by an approach modelled upon the Sanger project;¹⁵ 3) Establishing "automated industrial" activities on the Moon, as envisaged for the U.S.A. by such veterans of Hermann Oberth's original Moon-landing program as Krafft Ehrlicke; 4) The fabrication of the heavy components of interplanetary vehicles and of Helium-3 fuel components in industrial facilities on the Moon; 5) The establishment of occasional and then regular flights of flotillas of interplanetary space-craft between Earth-orbit and Mars-orbit, combined with the reorientation of space-exploration to operations based upon this Earth-Mars link. And, so on.

In conclusion, three additional points are to be summarized. First, there is virtually no instance of any observatories or probes sent into solar space, which did not provoke the discovery of at least one crucial-experimental quality of anomaly. The universe is heavily populated with astrophysical anomalies which we know to exist, but want the means to examine in a more efficient way. On this basis, alone, the number of new fundamental discoveries awaiting mankind from even the preliminary next steps toward Mars colonization is awesomely large; these anomalies alone would assure us of numerous major scientific breakthroughs in the practice of science upon Earth. Second, no principle of nature is proven, until it is demonstrated experimentally in respect to all three domains of astrophysics, microphysics, and macrophysics, and in respect to the characteristics of both non-living and living processes. From the remotest beginnings of scientific knowledge, in the ancient construction of solar astronomical calendars, long before riparian silt deposits produced lower Mesopotamia, astrophysics has been the origin of man's mastery of the principles of scientific knowledge. Without astrophysics, microphysics could not have been developed, nor a rational macrophysics rendered possible. It remains the same today.

Man yearns upward, toward the exploration of space, for one overriding purpose: the fuller development of mankind on Earth.

15. The developed proposals for carrying out Eugen Sanger's design envisaged the pickabacking of a rocket plane upon the back of an approximately B-747-sized scramjet of between Mach 6 and Mach 8 capability. Since the scramjet would scavenge the heavier portion of its fuel—oxygen—from the air through which it travelled, the ratio of fuel consumption to net payload of the paired scram and rocketplane could be on the order of ten times as efficient as rocket ascent alone. This factor of cost is one of the prime barriers to reasonable economy and security in operations into nearby space.

'Budget-balancing' destroyed U.S. defense capabilities

by Marsha Freeman

Contrary to popular opinion, the accumulating massive layoffs in defense and aerospace industries, the wave of mergers and acquisitions and resultant "downsizing" of these industries, and the buy-ups of U.S. high-technology firms by foreign companies, all of which has led to the near-destruction of the defense technological and industrial base, were not caused by the collapse of the Soviet Union. Nor were they caused in the last three years by a Democratic "anti-defense," or "pro-peace" U.S. President. The current, historically unprecedented idling of defense-related human and physical capital is a result of the failed economic policies pursued for over a decade by two Republican Presidents, in conjunction with self-named "austerity Democrats," who were brainwashed by Mont Pelerin Society ideologues.

There are times when military missions change, certainly, in response to changing political realities, such as the fall of the Berlin Wall in 1989, and the dissolution of the Warsaw Pact two years later. And if missions change, no sensible defense policy is based on a "jobs program" for the otherwise unemployed. But the downturn of U.S. defense came on President Ronald Reagan's watch in 1985, before any dramatic political events, when his commitment to rebuild the nation's defense capabilities was superseded by his adherence to quack economic theories which put priority on cutting the budget deficit and getting the government out of the way of the "free market."

Do not be fooled: While the Conservative Revolutionaries in Congress today put themselves forward as "pro-defense," and insist that \$7 billion more than the President requested be added to the Department of Defense budget for fiscal year 1996, such additions will not make a dent in the problem, because these Conservative Revolutionaries continue to push the same economic policies which led to the ongoing disaster. Although they say that national defense is one of the few activities the federal government *should* fund, balancing the budget and leaving the economy to the "free market" will only accelerate the decline in national defense that these policies initiated a decade ago.

More than unemployment at stake

The decline in defense spending, which resulted in more than 1 million jobs lost in industry over 1987-93 (see **Figure**

1), has had a more profound economic impact than simply increasing the rate of unemployment. Because defending an industrial nation depends upon what Lyndon LaRouche has described as "technological attrition," the Department of Defense (DOD) and other government agencies and industries that support it are the reservoir of a large share of this nation's scientific manpower. One-third of all scientists in America outside of the biomedical fields, work on defense-related projects. Of the nation's 1.86 million engineers in 1992, roughly 18% were involved in defense programs, including 73,000 directly employed by the Defense Department.

To support this R&D base, the DOD and the defense programs in the Department of Energy supplied nearly two-thirds of the federal funding for research and development until the early 1990s. Since 1987, R&D funding in the DOD budget has fallen 17%. Ironically, this spending on scientific development and technological application, which has been cut under the guise of "saving money" and balancing the budget, is an example of the kind of government-funded investment that *lowers* the deficit, by creating new, technology-intensive jobs. This kind of new economic activity, transferred into the civilian sector and the overall economy, is the basis for increased revenue flow to the federal treasury.

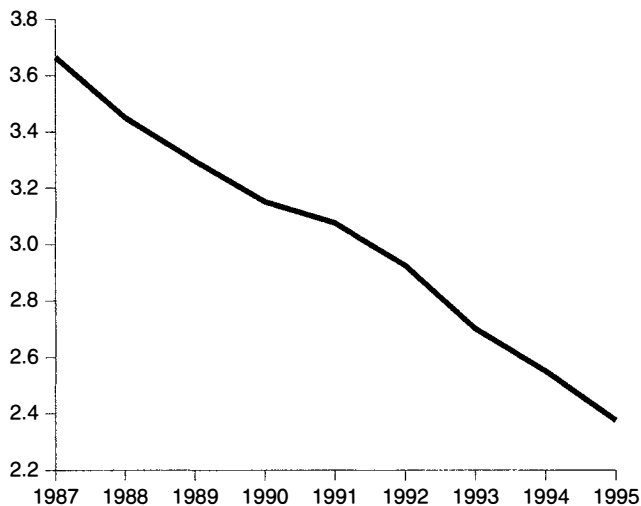
During the 1960s, the federal funding through the space agency for research and development in aerospace and related industries to accomplish the task of landing a man on the Moon, was the best *investment* this nation ever made. A study by Chase Econometrics in 1976, found that for each \$1 spent by the government, more than \$14 was returned to the economy. The Apollo program cost this nation *nothing*.

Defense cuts have affected not only research and development, but the overall manufacturing base. In the general economy, 4% of the workforce is made up of scientists, engineers, and technicians, compared to 10% of the defense workforce. In defense manufacturing, 7% are precision production workers, compared to 3% in manufacturing overall. Over 1985-94, procurement, or the purchase of military hardware, fell 66%, throwing the defense industry into financial chaos. Successively shutting down whole sections of defense production, without replacing it with other science-driven missions, has lowered the technology-intensity of the entire economy.

FIGURE 1

Defense industry employment

(millions of workers)



Source: *Workforce Quarterly*, Office of Economic Adjustment, U.S. Department of Defense.

The defense establishment is also a significant purchaser of basic industrial materials. The cancellation of programs has an impact outside the defense-intensive industries. For example, according to the Air Force Association, one-quarter of the nation's machine tools are related to national defense. Like cutbacks in any major industry, layoffs and "downsizing" have rippled from defense throughout much of the rest of the economy. In 1990, then-Deputy Secretary of Defense Donald Atwood reported that the DOD buys goods from more than a quarter-million firms in 215 industries. In some cases, such as shipbuilding, it was only defense orders that were keeping producers out of bankruptcy court.

Reagan's pact with the devil

When President Ronald Reagan assumed office in 1981, he pledged to rebuild the defense establishment, which had been "hollowed out" in the aftermath of post-Vietnam military cutbacks. Over fiscal years 1980 to 1985, defense expenditures grew (in constant 1992 dollars) from \$246 billion to \$368 billion. According to the Congressional Budget Office, this was an unparalleled rate of growth in peacetime: a 49% increase.

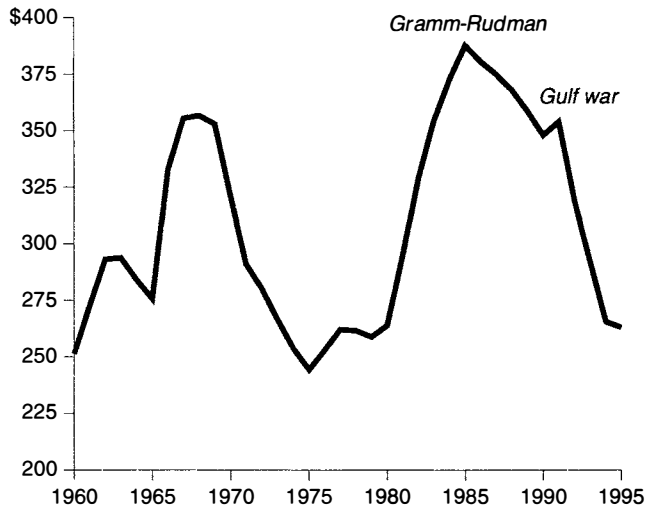
Then, in 1985, came passage of the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act, based on the hoax that economic health depended upon reducing the budget deficit. Cutbacks in government spending became the order of the day, even for President Reagan's coveted defense buildup.

In 1987, President Reagan held a "budget summit" with

FIGURE 2

Total defense outlays

(billions constant 1996 dollars)



Source: U.S. Department of Defense.

congressional budget hawks, and, as the Air Force Association reported in 1991, "made major concessions to Congress and agreed to further reduce the Five-Year Defense Plan by more than 10%. The rationale was not [based on] a calculation of defense requirements, but rather [was] an attempt to reduce the federal deficit" (see **Figure 2**).

The attack on Reagan's defense budget helped to kill the *only* potentially positive *economic policy* to emerge during his Presidency—the Strategic Defense Initiative. While Reagan's March 23, 1983 announcement of the SDI program drew immediate attacks from the Soviet Union and the liberal anti-science establishment in the United States, the death knell of the effort was delivered by the supposedly pro-defense "conservatives" (precursors to today's Conservative Revolutionaries, and, in fact, their trainers), who claimed that deploying a multi-layered defense to make nuclear missiles "impotent and obsolete," as the President had requested, would cost a hundred billion dollars, and bankrupt the country. However, that level of funding was the same as that of the 1960s Apollo program to land a man on the Moon and return him safely to Earth, in today's dollars.

A week after Reagan's speech, LaRouche warned that opponents of the policy would try to "budget-cut it to death." A year before President Reagan's announcement, under LaRouche's direction, a task force from the Fusion Energy Foundation, which included this author, began a study of the economic effect that an SDI program, based on the development of defensive systems using "new physical principles," such as laser and other directed-energy technologies, would

have on the overall economy. LaRouche had been tirelessly explaining that only this "science-driver" approach would reverse the ongoing economic decline.

This study found that just the large-scale introduction of lasers in basic manufacturing industries, which would be made economical through the research, development, and production effort for the SDI, could increase productivity in the metal-forming industries by orders of magnitude. Using the NASA funding for the Apollo program in the 1960s as a model, it was demonstrable that whatever was spent to develop new beam weapon technologies, combined with Kennedy-era financial policies such as investment tax credits and preferential low-interest, long-term credit for industry, would pay back 10 times what had been spent, in additional revenue to the federal Treasury. The SDI would not have "cost" the country anything!

Instead, President Reagan and his advisers swallowed, hook, line, and sinker, the hoax that economic health depended upon cutting the budget, and getting the government out of the economy, rather than gearing federal spending to invest in a national science-driver effort. Even though Research, Development, Testing and Evaluation (RDT&E) budgets increased under President Reagan, according to an analysis by the Aerospace Industries Association of America, from fiscal year 1981 to fiscal year 1990, some 90% of the growth in the

RDT&E budget was for development, testing, and evaluation, not basic science and technology. With the advanced, "new physical principles"-based technology for the SDI the first funding to be cut, the Reagan defense buildup became mostly technology demonstration.

Left to the 'free market'

If cutbacks in the defense budget had been the only problem faced by the aerospace-defense industry during the 1980s, the situation might have been manageable. But at the same time that federal support for R&D and defense manufacturing was declining, the industry was told it was now going to have to make it in the "free market." By 1992, the free market-driven deregulation of the commercial airlines had resulted in such financial chaos in the industry that orders for new planes dropped to 380, from 1,281 two years before. In 1992, the aerospace industry posted its first decline in sales in 20 years.

As early as 1987, the Defense Science Board sounded the alarm concerning the vulnerability of the defense industrial base. One study pointed to the increasing noncompetitiveness of U.S. high-technology industry, and concluded that the United States was losing international leadership in electronic component design and manufacture.

A year later, the board's summer study report, "The Defense Industrial and Technology Base," came up with some startling recommendations. The board's members counseled that the diminishing of the national technology base, which includes the DOD, the Department of Energy, NASA, and the National Science Foundation, had already led to the loss of U.S. leadership in numerically controlled machine tools and precision optics.

The report recommended that the secretary of defense recommend to the President that he sign an Executive Order, or National Security Decision Directive, to require the creation of an Industrial Policy Committee for defense, chaired by the national security adviser, that would develop specific legislation to protect the industrial base. It also said that the secretary should request formal membership in the Economic Policy Council.

The board stated that the DOD needs an "in-house capability to assess regulations, legislation, and acquisition strategies which affect capital formation and long-term investment," which it showed had deteriorated, without identifying the deregulation and pro-speculation financial policies that produced the problem.

A series of reports by the Air Force Association has been a bit more straightforward, and less diplomatic.

'Lifeline adrift'

In "Lifeline in Danger," published in 1988, the Air Force Association reviewed the dangers of the "globalization" of U.S. defense capabilities. It warned that American firms were being bankrupted by foreign competition, foreign corporations were buying U.S. companies, domestic firms were mov-



LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

TO REACH the campaign by electronic mail:

larouche@clark.net

Paid for by Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

TABLE I

Mergers and acquisitions in the defense industry during 1994

Buyer	Seller	Division	Cost
Martin Marietta	Lockheed	merger	\$10 billion
Northrop	Grumman	Grumman	\$2.2 billion
Loral	IBM	IBM Federal Systems	\$1.5 billion
Rolls Royce	General Motors	Allison (jet engines)	\$525 million
Alliant Techsystems	Hercules	Aerospace	\$465 million
Raytheon	British Aerospace	Corporate Jets	\$390 million
Allied Signal	Textron	Lycoming (tank engines)	\$375 million
Martin Marietta	General Dynamics	Space Systems	\$209 million
General Motors	CAE (Canada)	Link (simulators)	\$155 million
Northrop	Carlyle Group	Vought Aircraft	\$130 million
Westinghouse	United Technologies	Norden Systems	\$130 million
Tracor	Carlyle Group	GDE Systems	\$98 million
Orbital Sciences	Matra (France)	Fairchild Space Systems	\$80 million
Litton	Teledyne	Electronic Systems	\$40 million
FMC (Joint Venture)	Harsco-BMY (JV)	Armored Vehicles	

Other major defense industry M&As

Buyer	Seller	Division	Year
Lockheed	General Dynamics	Aircraft	1993
Martin Marietta	General Electric	GE Aerospace	1992
Loral	LTV	Missiles	1992
Hughes	General Dynamics	Missiles	1992
Textron	General Dynamics	Cessna Aircraft	1992
Renco Group	LTV	AM General	1992
Northrop/Carlyle	LTV	Vought Aircraft	1992
Loral	Ford	Ford Aerospace	1990
CAE	Singer	Link	1988
Loral	Goodyear	Goodyear Aerospace	1987
General Motors	Hughes Aircraft	Hughes Aircraft	1985

Source: Defense Budget Project, 1994 Year-End Review

The past decade has seen a breathtaking number of mergers and acquisitions in the aerospace-defense industry, in an attempt to help keep financially declining companies afloat. At the same time that defense budgets were contracting, the industry was supposed to cut loose from government support, in order to "increase competition." What the cutbacks have done is, in fact, created defense monopolies—just the opposite of what was claimed would happen.

By the end of 1995, the United States had consolidated capacity to the point where there is now only one producer of main battle tanks, one shipbuilder that can build aircraft carriers, two companies that can compete for fighter aircraft contracts, and three producing tactical missiles.

With the consolidation of Lockheed and Martin Marietta, and the purchase by Northrop of Grumman and Vought Aircraft, two new "mega-defense" firms were created overnight, becoming the largest and third ranking defense contractors, respectively.

ing their production offshore to developing nations, and other countries were outspending the United States in R&D.

Why? Not because of an "uneven playing field," caused by cheap labor and other countries' subsidies for their industries, which became the typical gripe of the aerospace-defense industry, but because of the decline in capital investment by U.S. industry due to the shift to short-term gain. This failure to invest in new technology and plant and equipment, the report stated, has led to low increases in productivity, which in turn has raised U.S. manufacturing costs and made industries noncompetitive.

Government policies, it warned, have pushed the Defense Department to make the industry upon which it depends to be

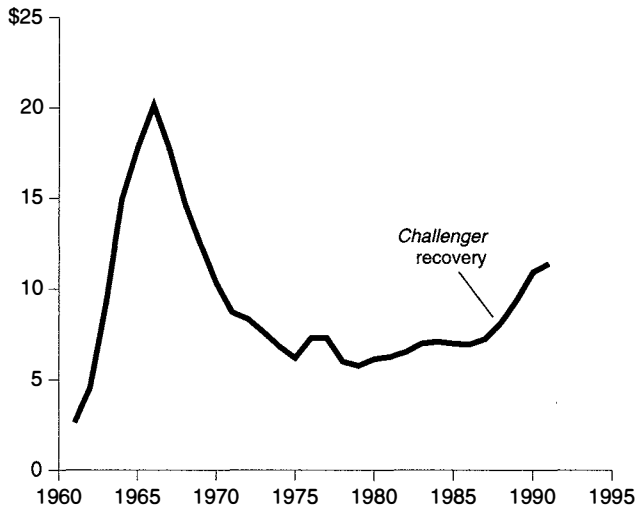
more like commercial industry, competing among themselves, with the chips falling where they may. The government stepped out, "but Wall Street didn't step in and the industry is unable to." In a 1991 update, entitled "Lifeline Adrift," the Air Force Association launched a scathing attack on Reagan-Bush economic policies. Do not be wowed by television, it warned. "The Persian Gulf war in many ways reflected a defense industrial base that no longer exists. . . . The companies that produced the impressive weapons were releasing workers, closing plants, and searching for non-defense business."

While the cry of the Bush administration became that there should be free market forces, and no government-direct-

FIGURE 3

NASA outlays

(billions constant 1987 dollars)



Source: Aerospace Industries Association.

ed “industrial policy,” the report stated that “to considerable extent, policy is being established by default.” As companies close their doors, the “administration staunchly opposes ‘industrial policy’ and believes that the shape of American industry should be left for market forces to decide. This doctrine—which applies not only to the domestic consumer economy but also to the defense industry and international trade—essentially allows the defense industry to drift where the market takes it.” And where “the market” was taking the defense industry was becoming painfully clear.

Over 1986-91, defense industry debt grew by 80%, while earnings dropped 40%. Debt increased because of policies such as changes in the tax laws, and the 1986 cut in progress payments to industry, from a rate of 90% of the contract, to 70%, in order to meet Gramm-Rudman reduction ceilings. The cutback in these payments, which allow a company to receive partial payments from the DOD for hardware during the years it is being produced, rather than be paid a lump sum when the product is delivered, forced companies to increase their borrowing.

By 1992, the number of aerospace-defense suppliers had fallen from 120,000, to 30,000. Numerous companies simply refused to take on new defense work, waiting to see where the downward-spiraling budget would finally land. Mergers and acquisitions among the largest contractors in the defense industry occurred at a dizzying pace, as companies tried to find ways to cut their losses and sell off their defense and aerospace divisions (see **Table 1**).

The Economic Strategy Institute estimates that over 600 U.S. high-technology firms were acquired by foreign entities

in 1988-92. By 1993, some 1 million jobs had been eliminated in the defense industry, overlapping with the 400,000 jobs lost in the aerospace industry, which includes military, civilian space, and commercial aircraft production.

During the Bush administration, the “no industrial policy” policy was followed with particular venality. The Air Force Association report stated: “Not everyone in government shares the administration’s faith in market forces, but dissent to the official philosophy has been muted if not absolutely silenced by the belief—which appears to have some basis in fact—that it can be hazardous to one’s career to speak up for anything that sounds like industrial policy.” This is undoubtedly a reference to the firing of Craig Fields as the director of the DOD Defense Advanced Research Projects Agency (DARPA) in April 1990, for exercising his agency’s mandate to promote dual-use technology to try to give financial support to a failing firm in the critically important semiconductor industry.

The report also cited the fact that the Reagan administration thought that defense spending could be preserved despite budget cuts, by curbing waste and fraud. “An immeasurable amount of harm has been done by a fiercely negative attitude toward the defense industry on the part of the public, some members of Congress, and some officials in the Department of Defense,” the report stated. Its conclusion was reinforced by Justice Department attacks on the DOD, such as Operation Ill Wind, in June 1988. That FBI raid on the Pentagon, supposedly to root out “white collar crime,” was carried out with what the Air Force Association characterized as a “vigilante spirit.” Little fraud was ever found.

Remember the ‘peace dividend’?

Near the end of the Bush administration, when the dissolution of the Warsaw Pact and of the Soviet Union had become a factor in reducing defense spending, the Congressional Budget Office (CBO) produced a study which zeroed in on a solution to the downward spiral of job loss and plant closings. The CBO report advised that the “peace dividend” that was to result from defense cutbacks due to the changed world political situation, “if applied to deficit reduction could adversely effect the economy, lowering GNP and employment.” But, if these funds “are spent to improve the nation’s stock of productive physical or human capital, these resources can ultimately be expected to lead to an increase in the GNP.” The report recommended increased spending for public infrastructure, education, and job training.

As the defense cuts increased, a number of congressional representatives championed that approach, suggesting that some of the “dividend” be invested in job training and the civilian space program. Spending by NASA, measured in constant dollars, had been held to under \$8 billion since the end of the Apollo program of the 1960s, except for the influx of funds to build the Endeavour orbiter and other expenditures to recover from the Challenger accident in January 1986, and

some gear-up for the international space station. But a visionary program for space exploration would be the perfect place to employ the scientists and engineers being made "redundant" by cutbacks in defense programs.

In July 1989, at the ceremony celebrating the 20th anniversary of the first manned landing on the Moon, on the steps of the National Air and Space Museum in Washington, President Bush announced that the United States should go back to the Moon, and on to Mars. But his grandstanding was in no way serious. He had no intention of ditching "budget deficit economics" to fight for a visionary space program. In 1990, the Budget Enforcement Act, which amended the 1985 Gramm-Rudman law, was passed by Congress and signed into law by the President. It stated that none of the defense cuts could be moved to any other discretionary spending. The NASA budget went flat, as seen in **Figure 3**. So much for a Moon-Mars program.

The Omnibus Budget Reconciliation Act of 1993 set limits on total discretionary spending, with separate caps for defense, international, and domestic appropriations. For 1994-98, there is a single limit for all discretionary spending, with defense slated to take 80% of those cuts.

Three months after he took office, President Clinton stated that he planned to spend almost \$20 billion over five years to retrain workers, promote dual-use technologies for defense

and industry, and provide "transition assistance" for communities suffering because of defense cutbacks. Such programs have been under attack in the past year, by the Republican congressional majority which classifies such aid as "social program" and "corporate welfare" funding.

There is no "overcapacity" in the aerospace-defense industry. There are no redundant scientists, engineers, and skilled defense industry workers. There is an opportunity to redeploy the human and physical capital that was created for the national defense into the great projects that are the only pathway out of economic collapse.

Just to complete the international space station, return people to the Moon to live there in the first decade of the next century, and then move human civilization to Mars beginning in the following decade, will require a mobilization of a significant share of the precious resources that the budget balancers have thrown onto the scrapheap. When the rebuilding of rotted U.S. infrastructure and the industrialization of the developing nations is added into the equation, this nation will quickly find it has a deficit of scientists, engineers, skilled workers, and modern plant and equipment.

What defines the state of the nation's resources is its mission. If the national goal is to try to balance the budget, not only the defense industry, but most of us, will become "excess" and "redundant."

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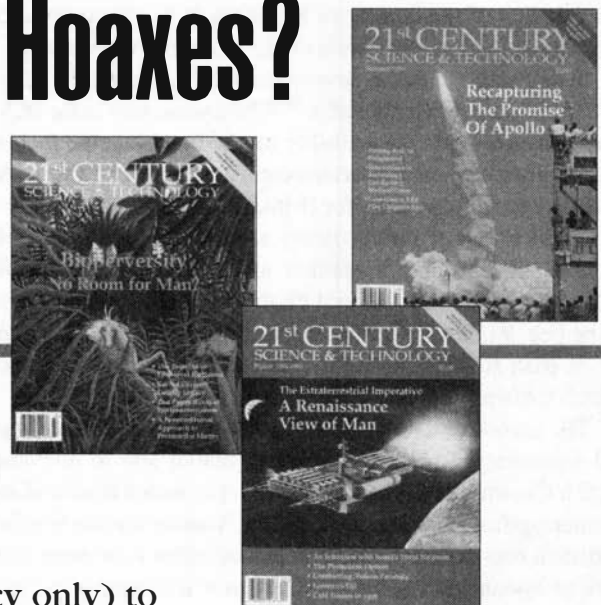
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London strikes back at Clinton's Irish peace moves

by Mark Burdman

On Feb. 13, the Washington correspondent for the London *Guardian*, Martin Walker, commented: "President Clinton sees one of his prominent foreign policy achievements collapsed in the rubble of the Isle of Dogs." Walker was speaking about the Feb. 9 terror bombing, reportedly claimed by the Irish Republican Army, in the Canary Wharf/Docklands business district in the Isle of Dogs area of London. It is most unlikely that British correspondent Walker knows what the American President sees or doesn't see. But this sentence tells everything about what the real target of the bombing was: the peace policy of the American President in Northern Ireland specifically, and in other parts of the world more generally.

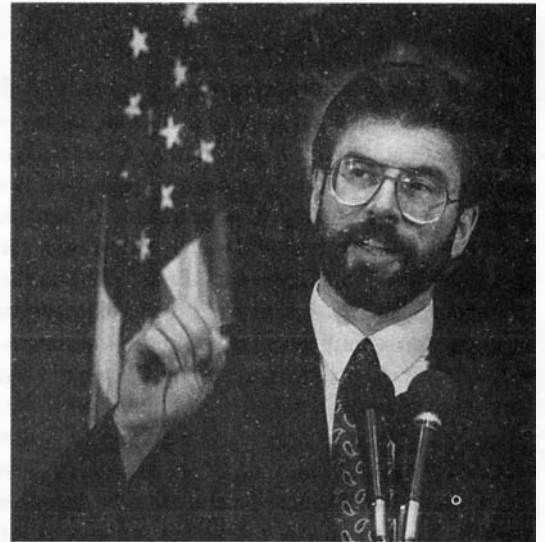
In any such dramatic development of this kind, the relevant question is, "Who benefits?" While some unit in the IRA reportedly claimed responsibility for the bombing, the fact is that over more than a quarter-century, sections of the IRA have become playgrounds for British intelligence. British secret service *agents provocateurs* are more than capable of being planted in one or another unit of the group, and of pulling off operations desired by their masters. The authors of the Feb. 9 bombing might best be dubbed the "RIRA," the Royal Irish Republican Army, acting in the service of the British Crown.

The extensive damage done by the bomb, and the killing and wounding of innocent civilians, matter less to relevant British Crown planners than the strategic issues involved in countering those tendencies across the Atlantic that are hostile to British neo-imperial interests. British elites have been in a state of apoplectic rage about Clinton's willingness to "intrude" on their "turf" to try to bring peace to a part of the world that has known horrible violence over a period of nearly three decades. Throughout the past couple of centuries, the British have always seen red at any potential for pro-American tendencies to grow in Northern Ireland, or in Ireland more

broadly. Presently, the British perceive Clinton's actions there as a leading element of a foreign policy that has upended the "special relationship" between the Britain and the United States.

In a Feb. 8 discussion, outspoken British Conservative parliamentarian Bill Cash, one of the more candid figures in British politics, raved that Clinton's foreign policy is "one of the fundamental problems" the British face now. In a recent memo to British Prime Minister John Major, Cash warned about "the damage done to British-American relations under President Clinton," and cited Clinton's "adulation of Sinn Fein leader Gerry Adams" as emblematic of the problem. He recalled the late British Prime Minister Winston Churchill's assertion that the British-American "special relationship" was "one of the single greatest features of the 20th century." Cash and others worry that Clinton is reviving British-American tensions which existed between Churchill and American President Franklin Delano Roosevelt in the 1943-45 period.

Beyond Northern Ireland as such, the British Crown and its policy institutions are intent on upsetting the pillars of the Clinton administration's foreign policy around the globe. This would have the intent of either causing the President's defeat in the November 1996 Presidential elections, or of so weakening the President over the weeks and months ahead, that he loses his will to buck the British Establishment on crucial issues, particularly respecting vigorous measures to deal with the global financial and economic crisis that is certain to erupt. To the extent that the British are conceding the inevitability of a Clinton second term, they want to ensure that he is sufficiently weakened, that he has little room for independent maneuver, and can be driven out of power by a series of "Watergate"-style scandals, soon after being re-elected. As *EIR* contributing editor Lyndon LaRouche stressed in a Feb. 8 interview, the British are pursuing a "Mutt-



British Prime Minister John Major (left) and Sinn Fein leader Gerry Adams (above). Following the IRA bombing in London, Adams charged that "the British government must bear total responsibility for the collapse of the peace process. It has been guilty of criminal neglect."

and-Jeff" or "hard cop-soft cop" strategy toward the U.S. President.

The new phase of irregular warfare

It is thus also critical to see the Feb. 9 bombing on the Isle of Dogs as part and parcel of a renewed *irregular warfare* offensive carried out by various assets or agents of the British intelligence services in various parts of the world. A horrible new phase of such terrorism was initiated on Jan. 31, when the so-called "Tamil Tigers" carried out a barbarous car-bomb attack on the headquarters of the Central Bank in the capital city Colombo. As *EIR* has documented, the Tamil Tigers are an integral component of a British-centered international drugs, weapons, and terrorism capability. The bombing was an attempt to undermine sensitive peace negotiations being conducted by the Sri Lankan government, and introduces a factor of instability into an Asian region already being destabilized, in particular, by the British-manipulated tensions between China and Taiwan.

Then, two days after the Isle of Dogs bombing, Algiers, the capital of Algeria, was hit by two car bombs, killing dozens and wounding hundreds. These were among the most deadly of terrorist attacks in a domestic conflict that has seen horrible brutality over the past few years. The Clinton White House had been a consistent voice for moderation in Algeria, and for talks between the Islamist opposition and the government, as a "flank" on its diplomacy on the Arab-Israeli front.

A parallel process is also seen in the Balkans, with the suddenly heightened profile of the Bosnian Serb criminals, cutting off contact with the IFOR peace-implementation force and threatening to up-end the Clinton administration-mediat-

ed Dayton peace agreements, ostensibly in protest against the Bosnian government's apprehending of Bosnian Serb military officers suspected of being involved in war crimes. The Bosnian Serbs have consistently been used by the British as a factor of geopolitical destabilization in the Balkans. That, plus curious Greek-Turkish tensions in the Aegean, forced U.S. special envoy Richard Holbrooke to carry out diplomatic mediation efforts in former Yugoslavia and on the Aegean front. When Holbrooke criticized the passive attitude of European governments toward these crises, the British Foreign Office released a highly unusual statement, authored by Foreign Secretary Malcolm Rifkind, dismissing Holbrooke's comments as "utter nonsense." It is extremely rare for the Foreign Office to publicly criticize American policy in such violent terms.

Undermining Washington's diplomacy

The political preconditions in which an IRA terror bombing could be presented as "credible," were created by the obstructionism of the British government vis-à-vis the Northern Ireland peace process. It then became "plausible" to activate a "frustrated wing of the IRA," or, as some reports have it, a "rogue unit" that would announce an end to the 17-month IRA cease-fire, and take credit for a major terror bombing. This is the same *modus operandi* by which the British manipulate, or control, certain elements in the militant Palestinian Hamas group, which opposes the Palestine Liberation Organization-Israeli peace accords. A Feb. 11 London *Mail on Sunday* report of a death threat to Sinn Fein leader Gerry Adams by "IRA militants," calls to mind the frequent threats to PLO Chairman Yasser Arafat; both are accused of "trea-

son” by the “militants.”

British obstructionism on the Northern Ireland front had reached the point in recent weeks, that all parties involved in the peace negotiations, from officials of the Irish government to the various parties in Northern Ireland itself, were traveling to Washington to seek help from the Clinton administration. Irish Foreign Minister Dick Spring was on his way back to Dublin from Washington on Feb. 9, just as the bombing occurred. Spring was promoting the Irish government’s proposal for “proximity talks” involving all the parties, modelled on the 1995 agreements reached for Bosnia in Dayton, Ohio. That idea received a setback, of course, with the bombing, since the British can now claim that Sinn Fein should not be allowed at the table until the IRA reaffirms its “cease-fire.”

As the accompanying timeline shows, the Clinton administration has, for the past couple of years, been the main driving force behind progress in bringing an end to the Northern Ireland bloodshed. In significant part, the President has worked through the political-diplomatic machine of the Kennedy family in pursuing this diplomacy. The President’s own commitment to this process, and the positive cultural and psychological effect his intervention was having on the population of Northern Ireland, was seen in the emotional welcome he received in his Nov. 30 visits to Londonderry and Belfast.

The main vehicles for further progress being promoted by the administration include the work of the international body headed by former U.S. Democratic Senator George Mitchell, for overseeing the “decommissioning” of weapons by paramilitary organizations, and the launching of “all-party” talks.

By contrast, the British have exploited whatever stalling mechanisms have been available. The main one has been to demand the immediate “decommissioning” of arms by the IRA—without a corresponding decommissioning from “Protestant” paramilitary groups—as the central issue, before which no substantive negotiations could take place. One well-informed Northern Ireland political figure, himself involved in peace diplomacy, had warned *EIR* several months ago, at an early stage in the negotiations, that the British would in fact use this tactic. The undisguised aim of the British, he said, then would be to radicalize the IRA, force it back into terrorist action, and thereby discredit the whole process.

In recent days, the British government has added a new twist. Suddenly, and without prior consultation with the Irish government, British Prime Minister John Major proposed that general elections for a “Northern Ireland Assembly” be held prior to further peace talks. This was done, in part, as a sop to the Ulster Unionist political party, the support of which Major desperately needs to keep his bare majority in the British House of Commons.

It is more than interesting, in this light, that the Isle of Dogs bombing occurred virtually on the eve of a scheduled visit to Washington by the ultra-anglophile Ulster Unionist Party leader David Trimble. Because of the situation created by the bombing, President Clinton decided to sit in on a Feb.

12 meeting that had been previously scheduled with Vice President Al Gore. Trimble also met with Senator Mitchell, and with U.S. National Security Adviser Anthony Lake. According to the British press, he took a defiant “I told you so” attitude, demanding that the Clinton administration put back the former controls on U.S. visas and fundraising for Sinn Fein. But the Feb. 13 London *Guardian* says Clinton has refused, saying that he wants to remain “actively engaged” with Sinn Fein leader Adams, and that he believes Adams, who says he was caught offguard by the bombing.

‘Throwing petrol on to a fire’

British policy has come in for strong attack, in the wake of the Isle of Dogs bombing. While strongly condemning the bombing and insisting that he would not talk to Gerry Adams until the IRA reaffirmed the cease-fire, Irish Prime Minister John Bruton charged Feb. 11, that British policy was like “throwing petrol on to a fire.” He said that Britain’s insistence on elections to a Northern Ireland Assembly as supposedly the best way forward, was a “serious mistake.”

In a Feb. 12 commentary in the London *Guardian*, Adams wrote that “the British government must bear total responsibility for the collapse of the peace process. It has been guilty of criminal neglect. Sinn Fein has repeatedly pointed out that the peace process could not stand still. If it was not moving forward, it was in grave danger of moving back.”

While expressing “disappointment and regret” over the IRA-claimed Feb. 9 bombing, Adams charged that the British government and its Ulster Unionist allies “erected one obstacle after another, to frustrate every attempt to sit down around the negotiating table. . . . The cumulative evidence points damningly to a British government strategy locked into a psychology of war. . . . We have witnessed bad faith and dishonesty, new preconditions, stalling, negativity and provocation. British bad faith and dishonesty . . . which was so barefaced that it surprised even those of us with a healthy cynicism about British intentions. . . . One thing is clear: It is not possible to have peace in Ireland, unless the British government is committed to that objective.”

Adams praised the views of Senator Mitchell and his colleagues expressed in a report released last month: “If the focus remains on the past, the past will become the future, and that is something that no one can desire.”

A Chronology

March 1993: President Clinton appoints Jean Kennedy Smith as U.S. ambassador to Ireland, in preparation for launching the peace process.

December 1993: After a year of intensive behind-the-scenes negotiations by John Hume of the Social Democratic

and Labor Party of Northern Ireland, and Gerry Adams of Sinn Fein, with British officials, British Prime Minister John Major and Irish Prime Minister Albert Reynolds sign the Downing Street Declaration which outlines a plan for a peace settlement in Northern Ireland.

January 1994: President Clinton directs that a waiver be granted, allowing a conditional visa to be issued to Sinn Fein President Gerry Adams, so that he could attend a one-day seminar in the United States on prospects for peace in Northern Ireland.

Aug. 31, 1994: Irish Republican Army announces a cease-fire.

Sept. 20, 1994: John Hume, head of Northern Ireland's Social Democratic and Labour Party, meets U.S. President Bill Clinton.

Sept. 21, 1994: Despite heavy pressure from London, Clinton issues an order directing that an unconditional visa be granted to Adams and two other Sinn Fein members, allowing them to come to the United States, without restriction, to travel and hold meetings on Capitol Hill.

Oct. 3, 1994: United States lifts ban on official contact with Sinn Fein.

Oct. 13, 1994: Pro-British Protestant paramilitary groups announce cease-fire.

Nov. 1, 1994: Clinton announces a package of measures to include economic development planning, "to ensure that

peace brings to Ireland new opportunities for job growth and economic prosperity."

March 7, 1995: Britain's Northern Ireland Secretary Patrick Mayhew details British demand that peace talks cannot be held unless IRA surrenders ("decommissions") its weapons.

May 24-26, 1995: White House Conference on Trade and Investment in Ireland brings together 1,000 U.S. and European businessmen and Irish public officials.

Sept. 5, 1995: The Irish government postpones its summit talks with Britain, rejecting British insistence that the IRA disarm before peace talks can be held.

Nov. 30, 1995: Clinton visits Belfast and Londonderry.

Dec. 15, 1995: International commission under former U.S. Senator George Mitchell begins work on trying to get Britain to agree to peace talks, instead of blocking talks by demanding IRA disarmament first.

Dec. 19, 1995: Sinn Fein holds first talks with Britain's Northern Ireland Secretary Mayhew under twin-track process.

Jan. 24, 1996: The Mitchell commission proposes all-party talks alongside a phased surrender of guerrilla weapons. Major immediately blocks the Mitchell commission plan, demanding elections be held in Northern Ireland to qualify those who can sit at any peace talks.

Feb. 9, 1996: A reported IRA statement says it is abandoning the cease-fire, and a bomb explodes in London.

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Ulster Unionist: Don't split us from Albion

by William C. Jones

David Trimble, the head of the Ulster Unionist Party, presented "The Unionist Case" at a forum at the Woodrow Wilson Center in Washington, D.C. on Feb. 12. He angrily denied that the British had ever mistreated Ireland, and denounced the Sinn Fein, a political party committed to a sovereign Ireland, as "a political dinosaur."

"The British date their history from 1066, whereas we date our history from 1177 when John DeCourcy conquered Ulster for the British," Trimble said. "We are part of one political culture with the British. Ireland can't be separated from Albion," he said, referring to the island that comprises England, Scotland, and Wales. He went on to explain how Ulster (Northern Ireland) was the only part of Ireland that experienced the Industrial Revolution, something that he tried to explain by the Protestant ethic. "All attempts at government sponsorship of industrial development failed," Trimble said, "but in Ulster, there was a spontaneous development of a limited industrialization" which occurred primarily in the Protestant areas. "Ireland has always been dependent on England," Trimble said. "It has always been a part of British society and of the British State."

While admitting that "parts of Ireland were never successfully integrated" into British culture, "the failure was not solely a British one," he claimed. He said that the nationalism that began only in the 19th century was always religious in character, and that there was "never a basis for including Northern Ireland in that nationalism." "We are part of the United Kingdom because the majority see themselves as British," Trimble said, indicating, however, that a number of people there support the Union largely for economic reasons, rather than for cultural or political reasons.

An Anglophile view of history

This correspondent challenged Trimble, pointing out that England had never treated Ireland as a part of the "British nation," but rather as a colony, much as they treated India, Malaysia, and other parts of the Empire. "Ireland has remained undeveloped during the entire British period for obvious political reasons," I said.

"I'm sorry to interrupt you," Trimble replied, "but that is total nonsense."

"It wasn't by chance that just Ireland was hit by a famine,"

I said, referring to the potato famine of the 1840s.

"It was a potato blight," Trimble retorted. "It was a fungus that attacked the potatoes, not Englishmen going around destroying potatoes. There were famines going on in Europe at the same time. There was nothing unique about that famine."

"It was unique," I continued, "to the extent that the Irish had been deprived of the infrastructure that would have allowed them to deal with such natural catastrophes without losing half their population, because Ireland was treated essentially as a British colony. There was only industrialization, to the extent that it suited British political machinations."

"To say that the industrial development in Northern Ireland was the result of British political machinations, is buncombe," Trimble interjected. "Ireland was not a colony. Ireland was an integral part of the United Kingdom on an equal footing as every other part. You have a very distorted view of history."

The peace process

As for the current political situation, I asked Trimble if his party's demands for elections in Northern Ireland, prior to all-party talks, didn't knock the peace process off track, and if the Unionists would be willing to compromise on that demand, other conditions being met.

"I would disagree entirely with your characterization of the proposal for elections," Trimble answered, "because the proposal for elections was progress. It was the only way in which progress could be achieved. We were laying out the only proposal that had any prospect for bringing all the parties together. And there has been no other proposal whatsoever that has had any success of bringing about all-party talks. We indicated—and [British Prime Minister] John Major agreed with us—that we would drop the requirement for prior decommissioning. Various politicians in Dublin, however, didn't recognize or acknowledge what we did. It was in fact a major concession on our part to reach all-party talks. And the Irish government tried to characterize it as a trick or something. . . . If it hadn't been for [the bombing in London] last Friday, things would have been moving along quite well at this point."

Trimble indicated that the Clinton administration was favorable to the idea, and that there was "no reasonable objection" to the proposal. He tried to paint a picture that only the Sinn Fein objected to the proposal (and, "for reasons of personal pique," the Irish government), because Sinn Fein had a "culture of violence" and would never win anything in open elections.

Trimble denounced the Sinn Fein as "out of tune with any form of democratic spirit." It is "a political dinosaur and it is heading for the graveyard," he said. "It had an opportunity to leave violence. The problem is that if it does, it will never achieve its object [union with Ireland]. . . . That's the reason why there is a culture of violence in Sinn Fein," Trimble charged.

Colombia's Samper on the edge as prosecutor readies charges

by Javier Almarino

Despite the stubbornness of Colombian narco-President Ernesto Samper Pizano in clinging to power come what may, and despite the dictatorial methods he is using to prolong his reign (threats against witnesses, illegal raids, bans on demonstrations), Samper will receive still another blow within the next few days when the country's chief prosecutor, Alfonso Valdivieso Sarmiento, formally lodges criminal charges against him.

The Prosecutor General's office, in Valdivieso's hands, has become one of Colombia's last redoubts of credibility, both nationally and internationally, to the point that Colombia's population and political leaders, even international governments, would view Valdivieso's accusations as unchallengeable proof of Samper's links to the drug trade.

Although, as of this writing, the Prosecutor General's office has not yet detailed the crimes with which President Samper will be charged, sources within legal circles are mentioning:

1. illicit enrichment and receipt of money from the drug trade to finance his electoral campaign;
2. failure to report a crime, for not having informed the authorities of the illegal acts which occurred during his campaign;
3. corruption, because he delayed any prosecution of the Cali Cartel drug traffickers during the early months of his administration in anticipation of the voluntary surrender of their chiefs;
4. fraud, for having falsified the accounts of his campaign to permit the receipt of an additional 1.8 billion pesos into his campaign treasury, despite having already raised nearly 20 billion pesos (12 billion of that from the Cali drug cartel), surpassing the legal limit by as much as fivefold.

Battle over certification

Samper is also in trouble on the foreign front. On March 1, President Clinton is required by Congress to certify that a number of drug-producing countries, such as Colombia, are "fully cooperating partners in the war on drugs." Colombia, under Samper's regime, has violated every criterion established by the U.S. government for such certification, and yet there are forces inside the United States—many of whom

have been identified as advocates of drug legalization—who are quietly lobbying on behalf of Colombia's certification, fully aware that without it, Samper's narco-dictatorship would likely fall. If Samper and his cartel buddies fall from power in Colombia, other trees in the forest, *including in the United States*, might fall as well.

Samper is fully aware of the implications of the certification battle, and has deployed several business delegations to Washington to lobby on behalf of certification during the week of Feb. 19-23.

Also in Washington, where he has already had meetings in numerous congressional and Executive branch offices in the Clinton administration, is the Colombian head of the Ibero-American Solidarity Movement, Maximiliano Londoño Penilla. Londoño, who has faced repeated death threats in Colombia for his outspoken views on government corruption in his country, as well as for his long-standing advocacy of a military war on drugs, has laid out various steps that he thinks must be taken, both in the United States and in his own country, if the drug plague is to be defeated and sovereignty restored to the nation of Colombia (see Londoño's statement below).

At press-time, it is unclear what President Clinton will decide on March 1. He is under intense pressure, from the still-powerful political machine left over from the Bush administration and from the influential pro-drug bankers' lobby known as the Inter-American Dialogue, to grant Samper's Colombia a "national interest" certification, as was done last year. Such a move would give the drug cartels a new lease on life in Colombia, and would represent a serious setback to Clinton's war on drugs.

Whitewash, or impeachment?

According to Colombian constitutional law, Prosecutor Valdivieso's accusation against Samper (which has been delayed because of a series of consultative meetings Valdivieso has been holding) will pass to the so-called Accusations Committee of the House of Representatives, the same body which in December 1995 absolved Samper in an earlier corruption probe. The Accusations Committee is responsible for determining if Valdivieso's charges have sufficient merit

to accuse the President. If the accusation is then presented to the Colombian Senate, Samper will be automatically suspended from his post while the Senate conducts its political trial. If Samper is found guilty, he will then face legal, probably criminal, proceedings before the Supreme Court.

Valdivieso has already challenged the members of the Accusations Committee, the majority of them members of Samper's own Liberal Party, to see the case as "a great opportunity for the Congress to recover its lost credibility."

However, the country is not prepared to wait out the six months or more of such a trial, under a Presidency whose chief spends more time defending himself than running the country. Daily, more and more institutions are demanding Samper's resignation. On Feb. 12, for example, the Colombian Bishops Conference called on Samper to temporarily step down from office while the case against him is pursued. Certain bishops, however, such as Msgr. Libardo Ramírez, bishop of Garzón (Huila), have called for Samper's immediate and definitive resignation. At the same time, several active officers of the Colombian Air Force issued a call for Samper's to resign immediately, "if Colombians are to begin to believe in their institutions again."

Samper is not sitting still, but is using every trick in the book to hold onto the Presidency, despite the mountain of evidence against him:

- Samper knows how to pull the strings of Congress, from which he expects exoneration once the accusation reaches the House of Representatives;
- Thanks to his influence with that same Congress, Samper won approval of a law that places all the State intelligence agencies in the hands of the Interior Ministry, run by Samper intimate Horacio Serpa Uribe. Such power gives Serpa a powerful weapon with which to intimidate Samper's political opponents;
- Samper has managed to get the country's business leaders to campaign in the United States for U.S. certification of Colombia as a so-called "anti-drug partner." Samper is convinced that, once his government is certified, there is no one that can force him from power;
- Samper is trying to demobilize the opposition against him, by spreading the rumor that he will abandon the Presidency "with head held high," once the House of Representatives or Senate absolves him. However, Samper hasn't the slightest intention of leaving.

The Samper government has done its best to prevent Prosecutor Valdivieso from lodging his charges, with the argument that the Prosecutor's office cannot block Presidential power, but should remain an "impartial" agency regarding possible crimes committed by the President. Samper also lobbied the Council of State, to get its magistrates to vote in favor of ousting Prosecutor General Valdivieso from his post late last year. His lobbying was unsuccessful.

Submission of Valdivieso's formal accusation to the House of Representatives will likely reactivate the street

protests that were recently silenced under threat of physical repression. The last of these demonstrations was held on Feb. 8, when a group of students, housewives, and activists from the Ibero-American Solidarity Movement (MSIA) conducted a four-kilometer torchlight march, demanding Samper's resignation. The march ended with a rendition of the national anthem in the Plaza de Bolívar, in front of the Congress. Heading the march were three members of the MSIA, dressed as prisoners representing President Ernesto Samper, Interior Minister Horacio Serpa, and Congressman Heyne Mogollón, who last year led the Accusation Committee's whitewash of the President. Behind the "prisoners" was an MSIA banner reading: "Samper, to Jail with Your Whole Cartel!"

Samper's dirty tricks

Samper, along with Interior Minister Serpa—known also as "Commander Serpa" for his rumored close association with the narco-terrorist National Liberation Army—have done everything possible to keep people out of the streets. They ordered Gen. Luis Ernesto Gilibert Vargas, commander of the Bogotá metropolitan police, to stop any demonstrations in the capital at all cost. In carrying out these orders, General Gilibert has caused several public scandals, and is currently facing a disciplinary investigation for his behavior. Among other actions worthy of a KGB or Gestapo, General Gilibert ordered the seizure of any anti-Samper propaganda; he has ordered the police to raid, without warrant, the homes of student leaders who have organized the protest marches; he raided one of the presses where propaganda demanding Samper's resignation was being printed. Commented one retired officer, "General Gilibert's is a sad and thankless task."

At the same time, one of the student leaders has charged that unknown individuals smashed into his car and vulgarly insulted him for having organized one of the anti-Samper rallies. Before the Feb. 8 march, unknown individuals distributed leaflets at the universities announcing planned terrorist acts and inviting students to protect themselves by staying home. Bogotá transit authorities pulled a number of vehicles off the roads, supposedly because their documents were not in order, but actually because they were carrying anti-Samper bumper stickers and placards.

Adding the final touch of terror to the already-intimidating environment, the National Liberation Army (ELN), which, one week earlier, had been denounced by Army Commander Gen. Harold Bedoya as an integral part of the Cali drug cartel, announced plans to assassinate Valdivieso's deputy Adolfo Salamanca, and identified a variety of institutions, ranging from the Prosecutor General's office and National Police headquarters, to the offices of leading Colombian newspapers and the U.S. Embassy, as "military objectives" in a new declaration of war. Is it a coincidence, that the ELN's enemies and Samper's are the same?

Londoño delivers message in Washington

Maximiliano Londoño, president of the Ibero-American Solidarity Movement of Colombia, began a week of meetings in Washington on Feb. 12 with U.S. congressional offices and other public and private agencies, to discuss the drug problem and urge the Clinton administration to decertify the Samper government of Colombia.

Londoño, a well known anti-drug activist and frequent contributor to *EIR*, issued the following statement outlining the concerns he will be discussing in his meetings:

“Despite the mountains of evidence proving his links to the Cali Cartel, and despite the nearly universal calls for his resignation by Colombians of all political persuasions, Ernesto Samper Pizano today continues to cling to the office of the Presidency of Colombia. Throughout his two decades of service to the drug mafia, Samper has believed he could act with impunity, and today he thinks he can still get away with it, because of backing from powerful circles in the United States and elsewhere who are ‘narco-tolerant’ because they themselves favor drug legalization.

“In the United States, this includes the Inter-American Dialogue, an organization whose stated policy since 1986 has been to work for ‘the selective legalization of drugs’; spokesmen for money-laundering and other speculative financial interests, such as George Soros, William Buckley of *National Review*, and Nobel Prize-winner Milton Friedman; and political circles associated with George Bush and Henry Kissinger, who today advocate ‘certifying’ the Samper administration while looking the other way on the drug problem.

“The United States and Colombia must make waging a serious war on drugs a total priority. Drugs are destroying both nations, and there can be no compromise on this issue: As in all wars, there is either victory or defeat. Just as with Hitler, so too with drugs, there can be no middle ground. We must mobilize for war, and we must win.

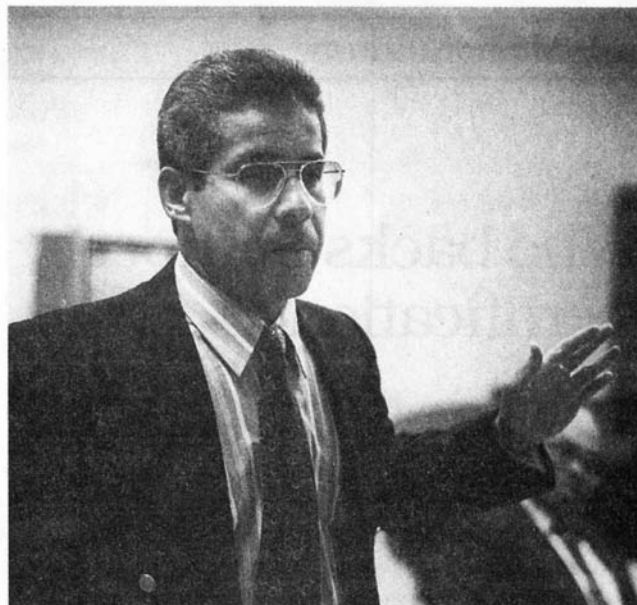
Steps to be taken

“Our two nations must coordinate efforts in this battle, while fully respecting each other’s national sovereignty, and take the following decisive steps.

“Colombia:

“1. Samper must be forced to resign from the Presidency of Colombia, and tried for his complicity with the drug mafia.

“2. The illegal 1991 Constitution must be revoked. It was bought and paid for with Cali Cartel money. As Bugsy Siegel might have put it, ‘This is the best constitution that dirty money can buy.’



Maximiliano Londoño, head of the Ibero-American Solidarity Movement in Colombia, who is in Washington to urge the United States to decertify Colombia.

“3. Re-establish the extradition of drug criminals sought by the United States and other countries, for crimes committed in those countries. This will help stop drug traffickers such as José Santacruz Londoño and Pablo Escobar from using our prisons as revolving doors.

“4. Cooperate fully with the intent of President Clinton’s initiatives to stop drug money-laundering, including Presidential Decision Directive 42 and Executive Order 12978.

“United States:

“1. Decertify the Samper regime. Samper is trying to use certification as leverage to remain in office, along with his Cali Cartel partners.

“2. Stop the international campaign of defamation against the Colombian Armed Forces and National Police, which are bearing the brunt of the war on drugs. With the excuse of protecting ‘human rights’ and defending ‘democracy,’ non-governmental organizations such as Amnesty International and Americas Watch are in fact helping the drug mob in their campaign to destroy Colombia’s vital institutions.

“3. Seriously go after the drug-money-laundering banks and other financial institutions in the United States as well, as required by PDD-42. This includes prominent banks and other financial institutions otherwise considered ‘above suspicion.’

“4. Stop imposing neo-liberal, free trade economic policies on Colombia and other Ibero-American nations, because it is a proven fact that they lead to economic destruction, the growth of the drug trade, and to massive corruption—as the case of the Salinas brothers in Mexico proves on all three counts.”

Who backs Samper's 'certification'

Colombian President Ernesto Samper Pizano has been an asset of the Colombian drug cartels for more than a decade, and an active lobbyist for international drug legalization since the 1970s. The proof has been in the public domain for years. His 1994 capture of the Colombian Presidency with drug cartel funds should have set off alarm bells in every capital of the world, and a concerted international effort should have been undertaken to assist the Colombian people in freeing themselves from this criminal scourge.

And yet, Colombia's "narco-President" was accepted into the fold by the international community, with backing in particular from powerful British and British-influenced political forces favorable to the legalization of the drug trade. For example, in June 1995, British Trade Minister Richard Needham traveled to Colombia and lauded its "attractive" investment climate, scoffing at U.S. government concerns over the drug problem. "That is their problem," he said.

Today, the Colombian people are trying to rid themselves of the Samper catastrophe, but he and his Cali Cartel partners are doing everything they can to cling to power. Central to their strategy is to avoid decertification by the Clinton administration. The question properly arises: Under these circumstances, what forces in the United States are backing the certification of the Samper government?

The public record clearly points to the following three groupings, each of which has a lengthy British political pedigree, which *EIR* has extensively documented in other locations:

1. Political forces allied to George Bush and Henry Kissinger. Exemplary is the case of the Forum for International Policy, which on Jan. 31 issued a policy statement, over the name of former U.S. Ambassador to Colombia Charles Gillespie, advocating U.S. certification of Colombia (see *Documentation*). The argument? That the United States should "support," but "not meddle in, honest Colombian efforts to work through their current difficulties." The brief also warns President Clinton against an "imprudent" use of evidence being provided by a high-level Cali Cartel informant in Washington, evidence which Gillespie nervously notes may expose high-level corruption "even in the United States itself."

The Forum for International Policy is run by Brent Scow-

croft and Lawrence Eagleburger, both of whom were with Kissinger Associates for more than a decade. The Forum's board of trustees is staffed heavily with former Bush administration appointees such as Carla Hills, Robert Gates, and Robert Strauss. Scowcroft is currently helping Bush write his memoirs of his White House years.

Kissinger's fingerprints are also all over the campaign to save Samper inside Colombia. For example, the Feb. 6 *Wall Street Journal* ran lengthy favorable coverage on Julio Mario Santodomingo, whom they describe as the most powerful man in Colombia, and almost "god-like." The *Journal* reports that Santodomingo is Samper's most important political and financial supporter in the country, and that his various businesses contributed as much as \$3.7 million to Samper's Presidential campaign. Santodomingo is quoted insisting that he will continue to back Samper unless and until he is found guilty in a formal trial.

What the *Wall Street Journal* fails to report is that Santodomingo is also a Kissinger intimate. For example, in April 1995, Santodomingo joined the former U.S. secretary of state for a tour of South America, right after he participated in a policy meeting in Chatham House in London.

2. The Inter-American Dialogue, the Washington-based bankers' lobby whose members shaped George Bush's foreign policy toward Ibero-America. The Dialogue maintained a strong policy profile inside the Clinton administration as well—at least until recently, when National Security Council Latin America adviser Richard Feinberg, a former president of the Dialogue, announced his resignation. The Dialogue, which has consistently argued in favor of drug legalization, and which has soft-pedaled the Colombia drug problem, includes on its membership roster both Scowcroft and Eagleburger.

On Jan. 25, the *Christian Science Monitor* published a commentary by Dialogue current president Peter Hakim, who calls for a "redefinition" of U.S. anti-drug policies in Ibero-America, away from what he dubs "a mostly unilateral approach," and toward "one that elicits cooperation, instead of provoking conflict." The commentary, occurring one month before the certification deadline, is an unequivocal call for Samper's certification.

3. Proponents of drug legalization, such as William Buckley, George Soros, and Milton Friedman, are on a renewed campaign to convince Americans and official Washington that there is no point fighting drugs, and that they should be legalized instead—a campaign which is intersecting the certification debate in Washington. For example, the Feb. 12 issue of Buckley's *National Review* magazine is devoted entirely to arguing why "The War on Drugs Is Lost," and that the only practical alternative is drug legalization. The release of that issue of the magazine has been accompanied by a media blitz of interviews and press coverage, to assure the widest possible dissemination of their call for surrender.

Documentation

The Forum for International Policy, on Jan. 31, published an "Issue Brief," written by former Ambassador to Colombia Charles A. Gillespie, Jr. Excerpts follow:

The reality should be that we support, but do not meddle in, honest Colombia's efforts to work through the current difficulties. . . . [Decertification] would distance the U.S. from Colombians whose cooperation in the narcotics fight is needed. One can argue whether the largest drug-consuming nation ought to try to judge others, especially when it appears that drug use is once again on the upswing here. Be that as it may, the certification issue could not arise at a less propitious time. . . . The effect of withdrawal of U.S. support when that nation's democratic institutions are in crisis would be more than symbolic and it would hand an undeserved victory to the traffickers. The President should certify Colombia if he can; if not, he should make the national interest determination.

Inter-American Dialogue president Peter Hakim published a column in the Christian Science Monitor on Jan. 25, entitled "Latin America Policy: Some Proposed U.S. Steps." Excerpts include:

Third, it is time for the administration to redefine U.S. anti-drug policies in Latin America. Our current approach has led to some spectacular drug busts, the destruction of a few big cartels, and the arrest of many kingpins, but it has not reduced the flow of cocaine and other illicit drugs to this country—or strengthened the ability of Latin American institutions to deal with drug problems. And as a mostly unilateral approach, it remains a source of continuing friction in our relations with many countries in the region. The U.S. needs to develop a more constructive antinarcotics strategy—one that elicits cooperation instead of provoking conflict.

In 1986, the Inter-American Dialogue issued its annual report urging "selective legalization" of drugs. In 1988, this formulation was changed to "selective legislation," but it refers to the same thing:

1986: "Waging war on drugs costs money. More important, it will inevitably result in the loss of . . . foreign exchange that the drug trade provides [which] amounts are substantial for strapped economies carrying large burdens of external debt."

1988: "It may also be useful to begin distinguishing among different drugs. Social attitudes toward marijuana vary greatly from those toward heroin, for example. And the consequences for users and for society as a whole are vastly different. Moreover, there is a difference between the damage caused by the use of drugs and the harm that results from their illegality. It is premature to contemplate legalizing any dangerous drug—but it might be sensible to examine careful-

ly all of the likely consequences, positive and negative, of selective legislation."

The Feb. 12 issue of National Review magazine, edited by William F. Buckley, Jr., is devoted to advocacy of drug legalization. The title of the issue is "The War on Drugs Is Lost," and the editorial preface of the issue reads:

It is our judgment that the war on drugs has failed, that it is diverting intelligent energy away from how to deal with the problem of addiction, that it is wasting resources, and that it is encouraging civil, judicial, and penal procedures associated with police states. We all agree on movement toward legalization, even though we may differ on just how far.

International speculator George Soros has become the drug legalization lobby's largest benefactor. He began financing the pro-legalization Drug Policy Foundation (whose members' views are published in Buckley's Feb. 12 issue of National Review) in 1992. Soros's funds to the DPF are channeled through his Open Society Fund, whose president, Aryeh Neier, stated:

Soros doesn't think the drug war makes any sense from an economic standpoint. . . . We want persons involved in the drug culture, who are currently treated as objects of State action, to regain control over their own lives.

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Subject: Reckless disregard for truth

U.S. Presidential candidate Lyndon LaRouche sent this letter to Australian Member of Parliament Clyde Holding.

February 11, 1996

Clyde Holding, M.P.
Member for Melbourne Ports
117 Fitzroy Street,
St. Kilda 3182
Australia

SUBJECT: Reckless Disregard for Truth

My Dear Clyde Holding:

I am in receipt of a copy of a "News Release," of less than three full pages, which is identified as issued by your office on the date of February 6, 1996. The document in question is otherwise identified as a joint statement issued by you in concert with one Peter Cleeland, M.P., the latter identified therein as "Chairman, Joint Parliamentary Committee on The National Crimes Authority."

The purpose of my present letter to you, is to point out to you and Mr. Cleeland some of the exemplary evidence showing that your subject News Release was uttered with a reckless disregard for truth. My several examples presented, each and all pertain to assertions in your release, which you might have readily discovered to have been false; your release itself also demonstrates that you had been made aware beforehand that at least some among your assertions might well have been false. That same recklessness is otherwise a pervasive quality of malice which characterizes your release considered in its entirety.

I wish that you had been duped into circulating that News Release, and, once prompted to more thoughtful reflection, would purge yourselves of further association with such a low and smelly political prank.

The most notable feature of your release, is that it makes fraudulent allegations against a dignitary, myself, who, apart from President Clinton, is the only nationally significant candidate for the 1996 U.S. Presidential nomination of the Democratic Party.

1. Charges of criminality

The third paragraph of the subject release is devoted to a cataloguing of alleged felonies by me, or persons associated

with me. That list you presented in disregard for readily available evidence.

Within your release, you allude to your objections to the actions of members of Australia's parliament, which actions, in fact, involved proposals that my associates and I be exonerated of what evidence has shown to have been fraudulent charges of criminality. In short, you knew that evidence was available, showing the charges to be false. Therefore, had you not been reckless, you would have discovered the readily available U.S. government evidence, which shows that the charges against me and several among my associates were fraudulent. You would have recognized the fact, that, on the basis of that evidence, the charges are now so regarded by thousands of notables, including legal professionals, elected officials, and others, in the U.S.A. and other parts of the world. The evidence upon which those dignitaries of Australia relied, in considering their support to exoneration, is overwhelming, and was readily available to you and other members of parliament, upon request.

It were relevant to your News Release's false and otherwise misleading allegations, that the available evidence, which relies chiefly upon a combination of documents of the government, declarations of officials involved, and sworn testimony of government witnesses, shows that the convictions actually secured were obtained through, chiefly, what has been ruled to have been a fraud upon the court. It is relevant to the burden of your Release, that this fraud upon the court was perpetrated in the course of a politically-motivated national-security campaign, the which had been initiated by former U.S. Secretary of State Henry A. Kissinger during the interval August 1982-January 1983. That fraud was perpetrated in collaboration with parties upon which the relevant Mr. Leibler has relied for his false information supplied to you.

It is detail relevant to the import of your News Release, that the charges for which I was wrongfully convicted, were the fruit of an April, 1987 involuntary bankruptcy, which itself has been judged to have been an unlawful action, a fraud upon the court perpetrated by the U.S. Department of Justice. The evidence is, that the stated intent of the government's fraudulent action in that unlawful bankruptcy, was to shut down several publishing firms associated with my political movement, thus to terminate the firms' ongoing repayments of political loans, and to employ the fact of that termination

of repayments as pretext for criminal charges of loan-fraud against me. As so intended, the U.S. Justice Department's fraudulent 1987 termination of those loan-repayments, was the pretext used, in Autumn 1988, to bring Federal prosecution against me and others, for the defunct firms' non-payment of approximately \$294,000 of loans (the twelve additional charges in that trial were merely subsumed features of the charge of conspiracy in the matter of these loans).

This fruit of the government's now-exposed fraud in bringing that single package of "loan-fraud" charges against me and my fellow-victims, is the only alleged crime of which I have ever been convicted in seventy-three years of life. An honest Release, composed not in reckless disregard for truth, would, at the barest minimum, acknowledge that that fraudulent action by the prosecution, and only that, was the issue of criminal charges.

Once more: The evidence to that effect I have just indicated, is well known, and easily accessed. Thus, on both aspects of your references to felonies, your release is characterized by reckless disregard for true facts readily available to you.

2. 'Right wing death squads in Europe'

Within the seventh paragraph, you assert that "one of the American agents who has entered Australia has been heavily involved in the establishment of right wing death squads in Europe." That is a plain lie. The inclusion of this pure and simple lie in your Release would suffice, by itself, to show a malicious quality of reckless disregard for truth pervading the Release as a whole.

3. 'Anti-Semitic'

The most pervasive of the false representations throughout your release, is sundry permutations of the allegation that I am not only "anti-Semitic," but extremely so.

Exemplary of the readily available truth, is that I, and also my associates, have, with conspicuous, widely publicized consistency, supported efforts to bring peaceful cooperation between Israel and Palestinians. We have been engaged in this effort, in consultation and collaboration with relevant Israel and Palestinian public figures, since my first public announcements of that policy, in the Middle East, in Europe, and throughout the U.S.A., during April 1975. Recently, as a continuation of that two-decades-long policy, we have strongly supported the Rabin-Peres government's efforts to implement the "Oslo agreements." Middle East peace through cooperation in economic development, has been the consistent, and energetically pursued policy of me and my associates for more than two decades. There has been no deviation from that policy in any actions or publications associated with us, during the past twenty-one years.

In light of that widely publicized history, one must suspect either the mental health, or the personal moral character of any person who seeks to blemish the reputation of me or my

associates with the lie, that we are "anti-Semitic."

It should be well known to you, that not all persons in the world designating themselves as Jews, supported former Prime Minister Rabin and present Prime Minister Peres, in this matter. The assassination of Prime Minister Rabin occurred in the context of powerful political attacks upon the policy and upon the Prime Minister's personality, from among Jewish extremists and others in the United States and other parts of the world. The Prime Minister publicly denounced certain "American Jewish" circles of this extremist persuasion, during his last visit to the United States. It should be known to you, that Mr. Isi Leibler is associated with persons and organizations ranking themselves among the opponents of Prime Minister Rabin on this account.¹ Mr. Leibler associates himself with two well-known, "neo-conservative" opponents of Israel's peace policy, Mr. Edgar Bronfman's organization, and the right-wing Anti-Defamation League in the United States.

In the light of related facts readily available to you, the attempt to interpret the CEC's response to the virulent attacks upon them, and upon me, by Mr. Leibler and Leibler's associates, as my singling out persons for annoyance because they were Jewish, is a blatant fraud, which could not have been entertained by any M.P. not in the political grip of reckless disregard for truth.

4. The implicit issue

A few days past, I communicated to Australia my observation on the implications of the latest round of scurrilous attacks upon me there. I conclude this letter by indicating the relevance of that earlier observation to defining the context of your Release.

There is an evident, readily understood political issue, which might find me political opponents in Australia. My political tradition is traced from Benjamin Franklin, via the 19th-Century U.S. American Whigs, through Abraham Lincoln, into President Franklin Roosevelt's transformation of the U.S. Democratic Party. Today, I share with Roosevelt's memory all of the leading points of bitter differences which erupted between him and Prime Minister Winston Churchill

1. Isi Leibler, the chief executive of the \$1 billion Melbourne-based JetSet Travel, is a longtime political protégé of whisky baron Edgar Bronfman, of whose World Jewish Congress Leibler was elected chairman of the governing board in January. Leibler is a prominent figure in B'nai B'rith, and Dr. Paul Gardner, the former head of the Australian wing of the Anti-Defamation League (ADL), is a board member of Leibler's Australian Institute of Jewish Affairs (AIJA).

Isi's brother Mark, just retired after 10 years as the head of the Zionist Federation of Australia, is the principal of Melbourne's Arnold Bloch Leibler law firm. In January, he called for a federal investigation of LaRouche's Australian co-thinkers, the Citizens Electoral Councils, as an "unprecedented criminal conspiracy." Leibler's law firm employs private detective Geoff Hossack, whose fraudulent assessments of the Branch Davidian cult, conduited into U.S. law enforcement agencies, was the principal cause of the April 19, 1993 slaughter of over 80 human beings in Waco, Texas.—*the Editors*

during the course of World War II. I support today the tradition of the cooperation of Prime Minister Curtin with General MacArthur and President Roosevelt, against Churchill's intent virtually to abandon most of Australia to Japan occupation, during the early years of the Pacific War.

This Roosevelt-Churchill conflict of the pre-April 12, 1945 time has surfaced with renewed passion, in today's unconcealable conflict in global policy between London and the U.S. Clinton administration. Among some of the persons within a group fairly identified as the imperial "Club of the Isles," the in-progress disintegration of the world's monetary and financial systems evokes an impulse to bring the existence of the nation-state quickly to an end upon this planet, and, in that setting, to transform the British Commonwealth, in effect, back into the form of an imperial force within a nation-state-free, globalist society. In that scheme of things, some think that an Australia (itself torn and tattered into a pitiable condition, relative to its former achievements as a technologically progressing nation-state) might serve as the regional command-center of this revived empire, respecting South, Southeast, and East Asia.

The issue which underlies Mr. Leibler's quarrels with me,

is, in the final analysis, simply whether this planet shall be restored to a system of sovereign nation-states engaged in the benefits of scientific and technological progress, or a globalist utopia whose characteristic feature is slave-labor workshops of the type which Jeremy Bentham called "Panopticons," and Adolf Hitler built as "Concentration Camps." That renewed conflict, between the U.S. and imperial traditions, is the axiomatic form of the issue which, among Mr. Leibler's other points of difference with me, made me an ally of Israel's martyred Prime Minister Rabin, and dumped Mr. Leibler among the political camp-followers of such neo-churchillian utopians as Conrad Black's anti-Clinton Hollinger Corporation and its international press empire.

I would suggest that, in such troublesome times, the public interest, of your nation-state and my own, were better served by an effort seeking truthful clarity respecting this fresh outbreak of the Roosevelt-Churchill conflict, and less effort wasted on the the notorious Mr. Crossman's World War II tradition of official political lying.

Sincerely,
Lyndon H. LaRouche, Jr.

Israel's Peres reports progress in peace talks

by William Engdahl

Israeli Prime Minister Shimon Peres delivered an important signal at the World Economic Forum in Davos, Switzerland the first week in February, which has been all but ignored by the international media. In his plenary address, he reported his "seasoned optimism" that a new phase of the Mideast peace process is near, namely, an agreement among Israel, Syria, and Lebanon. "I am convinced that [Syrian] President Assad, as [are] we, is determined to come to an agreement."

"What I am allowed to tell you today," he said, "is that both sides have agreed on one point, and this is perhaps the most important of all, is that we [Israel, Syria, and Lebanon] have already agreed on one thing. Once we three conclude our peace agreement, we have agreed to immediately convert those negotiations into negotiations with the rest of the Arab world, in order to make a comprehensive peace settlement which will end the threat of war in the region."

Asked by the press about concrete results to date, he stressed, "Water is the major problem in the talks with Syria and Lebanon. We have begun talks with an international consortium of U.S., European, and Asian companies, which re-



Israeli Prime Minister Shimon Peres

volve around desalination projects and modernization of the present water conduit." Peres noted that Turkey holds the key to the solution of the water problem of the region, with its damming of the Euphrates River flowing from Turkey into Syria and south. He noted that Turkish President Suleyman Demirel was to come to Israel in March for talks, but declined to elaborate on what proposals around water might be included. On the existing Jordan-Israel agreement, Peres mentioned that the two countries were discussing turning the Jordan rift valley into a joint venture to develop the rich agricultural potential, to expand the food supply for both countries in an area which is now a wasteland.

Mexico's President Zedillo bums his bridges while in Britain

by Carlos Cota Meza and Gretchen Small

Mexican President Ernesto Zedillo has been encouraged, urged, and pressured by national institutional forces, with increasing intensity over recent months, to recognize that Mexico's continued existence as a nation requires that his government change economic course, and that he rally the country behind a program to secure domestic growth. The President had not acceded to those demands, but had left the door open.

Then, Zedillo visited Europe, on Jan. 27 to Feb. 5. The centerpiece of his trip was a stop in Great Britain, where the Mexican President met with the powers-that-be in London. There, and in that other center of international usury, Switzerland, he gave an emphatic answer to the folks back home: No change in course!

The President's European trip marks a dangerous turning point for Mexico. What international support the Mexican President imagines he might have gained by this strategy, may soon prove his undoing where it matters, in Mexico, when the next wave of the building international financial firestorm hits his country.

Concretely, the trip produced three major concessions to international usury. While in Europe, President Zedillo announced that he had given the go-ahead for the sell-off of the petrochemical division of the State oil company PEMEX, and also ordered an acceleration of plans to open the government's pension and social security funds to private looting. Back home, the Finance Ministry announced that, in March, the government plans to issue \$2-5 billion in new international bonds, modelled on the dollar-denominated *Tesobonos* issued by the previous government of Carlos Salinas. It was the collapse of those *Tesobonos* that triggered the December 1994 crash of Mexico's financial system.

More dangerous to the national existence of Mexico than those devastating policies, however, is Zedillo's strident declaration, made to the World Economic Forum meeting in Davos, Switzerland, that morality cannot be permitted to interfere with policies imposed by the International Monetary Fund (IMF) and allied institutions.

Kowtowing to virtual reality

The President dutifully centered his speech to the Davos confab on the three themes which the majority of the interna-

tional financial oligarchy wish to hear.

First, that "the threat of insolvency and a collapse of the financial system has now disappeared." This ridiculous pronouncement is not the product of the Mexican President's own intellectual efforts, but echoes the line put forward by the New York Council on Foreign Relations, in Ethan B. Kapstein's article, "Shockproof: The End of the Financial Crisis," in the January-February 1996 issue of its journal, *Foreign Affairs*. In it, Kapstein merrily asserts that the world has successfully survived a series of grave financial crises, thanks to the smooth functioning of the built-in stabilizers of the world financial system, and that it will continue to do so.

Zedillo also stated that there are five conclusions to be drawn from "the Mexican experience," that is, the dramatic financial crack of December 1994, and subsequent economic ruin. The first of these, he asserted, is that the global integration of the financial markets and volatility of short-term capital must be taken as "a dominant reality," and, that "capital controls in no way are the answer to the risks which derive from short-term volatility."

This, too, was not an original thought. In the London *Economist's* last issue of 1995, U.S. Deputy Secretary of the Treasury Lawrence Summers argued that there are 10 lessons to be learned from "the Mexican experience." The most important lesson for Summers is, that capital inflows are a reflection of "transitory changes," while capital outflows signal problems of longer duration. The Mexican crisis, Summers claimed, demonstrated "the permanent postulates of the financial system." Summers held a private meeting with President Zedillo in Davos.

For its part, IMF documents have likewise declared that the phenomenon of radical shifts in capital flows seen in the Mexican case, raise the possibility of confronting this problem through the formation of currency boards in the so-called emerging markets. The idea of currency boards has been promoted with increasing insistence by City of London and Wall Street interests, as a way of taking domestic monetary policy entirely out of the hands of national institutions. Argentina is being held up as a model of how such currency boards serve to deal with Mexico-style capital outflows—by automatically imposing drastic credit cutbacks on the

local economy.

In the third of his five points, President Zedillo stated: "The multilateral institutions should be strengthened, their capital base broadened, and they should have full rights to pull together the necessary resources to respond to unexpected events which deserve this type of support, without being subjected to any sort of moral obstacles."

"Moral obstacles"? The only person during Zedillo's trip through Europe who raised moral considerations about what is happening to Mexico, was Pope John Paul II. Before meeting privately with Zedillo, the pope stated that "it falls to the public authorities, to ensure that the most unprotected sectors, those with the least economic resources, the peasants, the Indians, and the unemployed, do not bear the heaviest burden of the economic adjustments, so that they can live in a more dignified manner." The only place where President Zedillo was not heaped with praise for what he is doing with the national economy, was in the Vatican.

Choosing sides

That statement by the Mexican President was also a carefully chosen answer to those inside Mexico, who have been urging him to change economic course, to give priority to the needs of Mexico's people and production ahead of the demands of the country's financial creditors—the starting point of a *moral* policy.

Although the Zedillo regime has never wavered from IMF policies, President Zedillo, a Yale-trained economist of the free-market school, had begun to worry the IMF crowd, because of his willingness to open channels to representatives from various national groups, including the Catholic Church, trade unions, members of his own ruling PRI party, and the military, who have been warning that current policies will lead to the disintegration of the nation. In November, Zedillo had told a group of Catholic bishops that, while he saw no alternative to the free trade policy which successive Mexican governments had adopted, if an alternative were found to exist, he would consider it. In January came reports from labor leaders, that the President had opened doors to them.

When the news broke that 255 legislators from the President's PRI party had sent a letter on Jan. 11 to the president of the party, demanding that the government change economic policy, and return to "dirigist economics," London insisted on an answer.

Britain knew what cards to play. The primary purpose of Zedillo's trip to Europe was to line up desperately needed foreign capital, and Great Britain is the second largest investor in Mexico, after the United States. On the eve of the trip, the London *Financial Times* sent in a reporter to press Zedillo to repudiate all talk of a change in economic philosophy.

The Mexican government had planned the President's trip, in the words of a statement issued by its embassy in

London on Jan. 24, in order to "reaffirm the close political and economic relationship between Britain and Mexico." The ministers of foreign affairs, finance, and trade and industry, as well as 15 high-level businessmen, accompanied the President.

The British oligarchy put out the welcome mat. President Zedillo met with Prime Minister John Major, various Cabinet ministers, and the governor of the Bank of England. He addressed the House of Lords, the Confederation of British Industry, the Royal Institute of International Affairs, and the editorial boards of the *Financial Times* and the *Economist*. He held a roundtable with a group of businessmen at the Bank of England; met with the chairman of the old opium bank, HongShang; spoke with a group of investment fund managers; and attended a dinner offered by the president of Barclays Bank, under the auspices of the so-called "British Invisibles."

The President's wife was invited to lunch at Kensington Palace by "Their Royal Highnesses, The Duke and Duchess of Gloucester."

The London *Times* gloated that the Mexican President was making "a clear attempt to reduce the overwhelming influence of the United States on his country." According to the *Times*, Zedillo urged the British to seize the opportunities opened by Mexico's "reforms," and called on the City of London to play a greater role in Mexico's affairs.

Vanishing promises

Zedillo was desperate to assure his creditors that he would not change course. "Free trade works. Mexico strongly believes that free trade has been, and will continue to be, the true engine for growth. . . . Mexico has become the leading promoter of hemispheric free trade from Alaska to Tierra del Fuego," he told the Royal Institute of International Affairs. In Davos, he declared that it was "totally unwarranted, illogical, and even ridiculous" to think that Mexico's crisis was a result of the previous 12 years of those free trade policies, and suggested that the country's failure to privatize its State pension funds was the only problem. The lessons of Mexico are that liberalization is the right policy, "not only for Mexico, but for every country in the world," he raved.

Zedillo assured the *International Herald Tribune*, in an interview from Davos, that at "no moment did I believe we should abandon our economic modernization and reform program."

His ability to deliver on those promises is about as good as his assurances that "the threat of insolvency has vanished," and that Mexico has "turned the corner" on its economic crisis. He did, however, win the blessing of that overblown British agent, Henry Kissinger. After meeting privately with Zedillo on Feb. 9, Kissinger told the press that, in his view, Mexico "will be one of the most important countries in economic and political terms in the continent, and the world," if it holds to current economic policies.

OSI slander machine strikes again

Behind the "Waldheim treatment" Nazi-hunter Simon Wiesenthal got on German TV, may lie a larger strategic aim.

Certain things are taboo on German television, like attacks on a prominent Israeli, or on German or foreign citizens of the Jewish faith. The more spectacular, therefore, was an affair that occurred Feb. 8, when the national First Channel TV's Panorama political magazine ran a 21-minute special of attacks on Simon Wiesenthal, the renowned Nazi-hunter based in Vienna.

The joint production between the German journalist Volker Steinhoff and the American John Goetz featured spokesmen from the World Jewish Congress (WJC), the Office of Special Investigations (OSI) of the U.S. Department of Justice, and Israel's foreign intelligence service, the Mossad.

The OSI's Eli Rosenbaum called Wiesenthal's reputation as an anti-Nazi fighter a myth: "He is incompetent, egomaniacal, a source of false information. He has betrayed the survivors." Rosenbaum charged Wiesenthal with having made possible the 1986 election of Kurt Waldheim as President of Austria, by discrediting the international campaign to accuse Waldheim of war crimes.

The Panorama team also presented Elan Steinberg of the WJC, the former head of the Mossad, Isser Harel, and Rafi Eitan (the man who in 1960 abducted Adolf Eichmann and brought him to Israel), issuing similar charges against Wiesenthal's role in the search for Eichmann and other Nazis who went underground after 1945.

Simon Wiesenthal promptly received telegrams of support against these allegations, from spokesmen of the Jewish communities and institutions internationally. Marvin Hier, director of the Simon Wiesenthal Center in Los Angeles, called the WJC "jeal-

ous" of Wiesenthal's postwar record. Paul Grosz, chairman of the Vienna Jewish Culture Council, called the allegations made by WJC/OSI/Panorama "old hats that have just been brushed up again," and "doubtful opinions not shared by the majority." Alfred Streim, director of the German Center for Investigations of National Socialist Crimes, declared support for Wiesenthal.

In a Feb. 12 exclusive interview with the weekly *Der Spiegel*, Wiesenthal called attention to the fact that his postwar Nazi-hunting activities received official acclaim from such institutions as the U.S. War Crimes Commission, the Israeli ambassador to Vienna in the 1950s, and even the same Isser Harel of the Mossad who was now slandering him.

"I detected 39 Nazis that occupied leading positions in the G.D.R. [East German] press. Number 40 was the information minister. Furthermore, I detected 50 Nazis in the G.D.R. parliament and 100 Nazi professors. Who else has dealt with that? That woman Beate Klarsfeld, for example? Who else has done investigations except me?"

"Rosenbaum wrote a book in the U.S.A. that was a flop," Wiesenthal said later in the interview. "Now, he hopes that, after this TV program, he will find a publisher in Germany. This is what the editor of Panorama has told me." The responsible editor of the TV program, Joachim Wagner, may have told Wiesenthal that story, but the real motives for this slander likely lie elsewhere.

The allegations against Wiesenthal fit the black propaganda landscape of current international media cam-

paigns against Germany and Austria. The infamous "the united Germany is the Fourth Reich" line is especially promoted by publications of the Hollinger Corp. media empire, such as the London *Daily Telegraph*. The Hollinger group is known for its role as a preferred mouthpiece for psychological warriors of the British and "Commonwealth" intelligence services. Their media war against Germany and its Chancellor Helmut Kohl, a good friend of Wiesenthal, may be seen as an attack on a key political ally of President Clinton.

Germany's Norddeutsche Rundfunk (NDR), the Hamburg-based television station that produces Panorama, grew out of the NWDR, which Britain's military occupation forces created in northern Germany in 1945. NDR editors have repeatedly expressed gratitude for being trained in the "British style of journalism."

Wiesenthal told Germany's *Berliner Zeitung* that he is probing the ground for legal action against the WJC and OSI. The daily quoted him on Feb. 13, saying: "I have authorized my lawyer in Washington, D.C. to contact U.S. senators. In the contested segment of the ARD TV special Panorama, Mr. Rosenbaum appeared as a representative of the U.S. Department of Justice. We are now examining whether this occurred with the consent of the U.S. Department of Justice. An administrative official cannot, after all, stage such a performance, and this abroad, without the consent of a superior. We are trying to determine whether the TV appearance is in concordance with the duties of an official representative of the American administration."

Wiesenthal also announced he would visit Israel on April 14, to receive an honorary doctor's degree from Ben-Gurion University: "This is how Israel reacts to such allegations."

International Intelligence

Bernard Lewis wants to revive Ottoman Empire

The author of Britain's "Bernard Lewis Plan" of the 1970s—a scheme to redraw the map of western Asia to pit ethnic groups against each other—was in Turkey early in January at the invitation of the Yapi Kredi Bank, to hold a conference on the Near East. According to *Turkiye* of Jan. 7, the professor was received like a famous film star. His conference was attended by several experts from the Turkish Foreign Ministry and by several social scientists. Lewis claimed that the 200-year-old rivalry between Britain and France, over who would be the "overlord" in the region, had come to an end, and that the region was awaiting a new "ruler," or "sovereign." He called on Turkey to take it upon itself, to become this new "ruling power."

Such advice is designed to push the Turks into a "flight forward" geopolitical role. About one week after Lewis's visit, Turkish involvement in the Caucasus turmoil, with the hijacking of the *Avrasaya* ferry-boat, went into high gear.

Bernard Lewis next popped up in Israel, where he told a *Frankfurter Rundschau* correspondent on Feb. 9 that conflicts will arise between Syria and Iran, because the Syrians will try to dry out the Iranian-linked Hezbollah nests in Lebanon, in the context of Syria's peace talks with Israel.

Would-be Mubarak killers recruited from Pakistan

In its letter to the U.N. Security Council to bring charges against Sudan for allegedly harboring the would-be assassins of Egyptian President Hosni Mubarak last summer, Ethiopia admitted that the terrorists who participated in the attempted hit were all from Pakistan! "All the three terrorists in our custody confirm that . . . Pakistan is the country where they resided and were recruited," the Press Trust of India quoted the letter in a Jan. 19 wire from the United Nations.

If true, then the report shows that the would-be assassins were part of the Afghani network owned and operated from Britain, as *EIR* exposed in its South Asia Terror Report last October. It is also known that the terrorists were Egyptian. The British have been trying to isolate Sudan by blaming its government for the crime.

Ramos gets a dose of the Marcos treatment

Philippines President Fidel Ramos was forced to back down on a controversial anti-terrorism bill before the Filipino Congress. His Justice Secretary Teofisto Guingona announced significant revisions in the bill.

When the bill was announced late in 1995 as a move to combat the wave of crime in Metro Manila and the explosion of incidents linked to international, especially Afghani, terror groups, press and politicians charged Ramos with using the bill to reestablish martial law, as his predecessor Ferdinand Marcos had done in 1972. Ramos, now in the fourth year of a six-year term, was accused of toying with martial law to skirt the Presidential election law, which prohibits a second, consecutive six-year term.

Pasqua, Séguin form new alliance in France

Former French Interior Minister Charles Pasqua's political comeback got a shot in the arm on Feb. 12 at the "launch" meeting of a new political lobby group, entitled Tomorrow France, to be headed by Pasqua and French National Assembly chairman Philippe Séguin. The two men are profiling themselves as the leading opposition to the Maastricht treaty in France. Pasqua has been out of power since he backed Eduard Balladur's failed campaign for President in 1995.

Séguin has his own ruling program prepared, which includes lower interest rates, tax cuts, and less social welfare spending. The German daily *Frankfurter Allgemeine Zeitung* reported on Feb. 10 that Séguin

thinks that Prime Minister Alain Juppé's "economic stimulation" program will fail by the second half of 1996.

Le Figaro, the Paris daily, on Feb. 8, saw the maneuvers in the context of efforts to form a post-Juppé government, in which Pasqua could well become a minister.

Hawala scandal shakes Indian political scene

Since mid-January, at least eight politicians of national stature in India have been accused by investigators of receiving some \$18.3 million in laundered money or illegal foreign exchange. The case is based on diaries seized in March 1991 from the residence of two brothers, S.K. Jain and J.K. Jain, who were involved in money laundering. On Jan. 17, three cabinet ministers in the government of Prime Minister Narasimha Rao, were forced to resign—Agriculture Minister Balram Jakhhar, Human Resource Minister Madhav Scindia, and Parliamentary Affairs Minister V.C. Shukla. All are top leaders of the Congress Party.

But the scandal goes across all party lines. Lal Krishna Advani, head of the Bharatiya Janata Party (BJP), who is tied to the Anti-Defamation League in the United States, has also been named. Advani has resigned from parliament. The top man in the BJP ticket, Advani said he will not run for re-election unless his name is cleared.

The Jain brothers were involved with "hawala" traders—professional money launderers. The scheme worked as follows: A multinational, Gec-Alsthom, for instance, would deposit a significant portion of cash to the Jains in advance for aiding the multinational to win a contract. Jain would pass the money to the hawala dealers, who would use the money to buy gold in Arabia, smuggle it into India, and then sell the gold at almost 50% the purchasing price. Some money would be passed back to the Jains, for purposes of politician-buying. The hawala dealers would also buy drugs with the money from the gold sales, and then sell the drugs at an even higher profit rate. The source of

Briefly

DENG XIAOPING, the Chinese supremo, is in good health, according to his son, Deng Pufang, who recently visited Manila. The message was relayed by Filipino President Fidel Ramos, who had invited Deng's son to the Philippines, at his weekly press conference on Feb. 7.

THE CHINESE military's general logistics department sent its assistant director and five other high-ranking officials to visit the U.S. at a time when Sino-U.S. relations are tense around the issue of Taiwan, from Jan. 29 to Feb. 10, for talks on logistics modernization, training, and education of China's military, as well as a tour of several U.S. bases.

LEIBNIZ, the German universal thinker who exerted a seminal influence on the thinking of Lyndon LaRouche, as well as on American history, will be the subject of an international symposium in Leipzig on April 9-11. The gathering celebrates the 350th anniversary of the birth of the scientist and political thinker, and is sponsored by the city of Leipzig, its university, and several German scientific academies.

INDIAN External Affairs Minister Pranab Mukherjee told the press that India will not allow Tibetans in India to build up a campaign against China. He said India has a clear-cut policy on Tibet, and "our concern is as much that as providing political asylum to Tibetans. We will not permit them to pursue political activities from India," he said, according to the *Indian Express* of Jan. 14.

POPE JOHN PAUL II'S three-day visit to Venezuela has given a new sense of optimism to the country. *EIR's* reporters on the scene emphasized that this was the most crucial aspect of the pontiff's pastoral visit from Feb. 9 to Feb. 11. He was warmly welcomed by President Rafael Caldera, who has been resisting the furious assaults of the international banking fraternity on the country's sovereignty.

the money coming into the hawala traders is Dubai or London.

It has further come to light that the Jains were siphoning off some portion of the money to send to anti-India terrorists in Jammu and Kashmir. The list of beneficiaries of Jain largesse is over 100, and also involves high-level bureaucrats, who so far have not been named.

Sri Lanka asks Brits to stop funding Tigers

On a visit to London in January, Sri Lankan Foreign Minister Lakshman Kadirgamar asked his British counterpart Malcolm Rifkind to cut down on the propaganda and fundraising support in Britain for the murderous LTTE, the Tamil Tigers.

Kadirgamar observed that the LTTE is using its London office as a center for subversion of Sri Lanka. "The vast sums of money remitted to the Tigers by front organizations in western countries such as Britain, contributes substantially to their campaign of terror and subversion. Kadirgamar appealed to the British government to resolve this problem," the Colombo Broadcasting Corp. reported on Jan. 17. Specifically, the London office of the LTTE is run by Anton Balsingham, the group's "theoretical" leader, who is married to an Australian.

A 'Desert Storm' against China?

The world has to move against China now, as it "should have" against Iraq in 1990, advised Gerald Segal of the International Institute for Strategic Studies in London recently. A Chinese invasion of Taiwan is not the most likely outcome of the current crisis, Segal admitted, but, "when anybody moves this many troops around, you'd be crazy to ignore it. We made that mistake with Saddam Hussein, in 1990. The Chinese are on a ladder of escalation. They don't quite know where they are—but they are moving up," he was quoted in the London *Independent*.

Alleged Iraqi troop movements threatening Saudi Arabia, used by George Bush to justify U.S. troop movements to the Gulf and the subsequent war, have long been exposed as a lie. Journalist Jean Heller, who exposed the hoax in Florida's *St. Petersburg Times*, told *EIRNS* that satellite photos taken in September 1990 showed large-scale U.S. military presence in Saudi Arabia, but nothing of an Iraqi presence pointing anywhere near Saudi Arabia, and not much in Kuwait. The Bush administration claimed that 500,000 Iraqi troops threatened Saudi Arabia.

Zapatistas don't want Mexican Army to hit dope

Gen. Mario Renán Castillo, head of the 7th Military Zone of the Mexican Army in the state of Chiapas, told the press on Feb. 6 that the Army's anti-drug campaign is needed because Chiapas "has long been a thoroughfare for drug traffickers who have tried to introduce huge quantities of cocaine" through the area, and the Army had detected a "bombardment" of cocaine in Chiapas rivers.

The general spoke to reporters from San Cristóbal, the state capital, to explain the Army's operations against trafficking bases, networks, and airstrips.

"Commander Tacho," a spokesman for the Zapatista National Liberation Army, which has been committing mayhem in the state since early 1994, called in reporters on Feb. 5 to threaten to pull out of peace talks with the government if the raids continue. The Zapatistas pretend to be oppressed Mayans struggling for human rights, but the identity of foreign organized crime interests in pulling their strings is becoming more obvious by the day.

A few days earlier, El Barzón, a national Zapatista front, announced a mobilization to demand implementation of the deregulated trucking provision of the North American Free Trade Agreement (NAFTA), which would allow free transit across the border to the United States—a provision most congenial to the drug cartels.

Senator Kennedy takes the point

by Jeffrey Steinberg

On Feb. 8, 1996, Sen. Edward Kennedy (D-Mass.) delivered a speech at the Center for National Policy in Washington, D.C., in which he warned that the U.S. economy is going in the wrong direction, and that we are in a “quiet Depression,” which can only be overcome by a return to the kind of economic policies that were the hallmark of the Presidency of his slain brother, John F. Kennedy. Senator Kennedy presented a blueprint for a drastic overhaul of the country’s tax and investment policies, aimed at overcoming the vast inequities that have left 60% of the nation’s employed workers in a state of economic decline—while the wealthiest 1% make out like bandits. “As we approach the 21st century, we confront an economically unjustified, socially dangerous, historically unprecedented, and morally unacceptable income gap between the wealthy and the rest of our people,” he said.

The Kennedy speech signals that the senator has taken the point, in a much broader effort among sections of the Democratic Party, to launch a fight for a return to the kinds of policies once associated with Franklin D. Roosevelt and JFK—policies that not only led the Democratic Party to become the majority party, but that led to the only periods of genuine U.S. economic growth in this century.

On Feb. 14, the London *Guardian* reported that Senate Minority Leader Thomas Daschle (D-S.D.) has been chairing a “high wages task force” that has just completed an 80-page draft proposal, taking up some of the issues highlighted in Senator Kennedy’s Center for National Policy address. The final draft of the plan is scheduled to be released on March 1, and is expected to form the basis for the Democratic Party’s congressional election strategy.

The Kennedy speech, and the move by other Democratic Party elected officials, including Daschle, House Minority Whip David Bonior (D-Mich.), and House Minority Leader

Richard Gephardt (D-Mo.), to join in this fight, was warmly greeted by Lyndon LaRouche, who is running in the Democratic Party Presidential primaries on an even more ambitious platform to overcome the worst financial and monetary crisis in the modern epoch.

While campaigning during the week of Feb. 12-16 in New England and the mid-Atlantic states, LaRouche applauded the Kennedy speech and the task force report in an interview with the weekly “EIR Talks” radio program on Feb. 15: “Even though there may be disagreements among us, or lack of agreement, shall we say, more than disagreements among us, we are all agreed that the Democratic Party, in an anti-Gingrich posture, so to speak, must be moved in this direction. We must go back to becoming a nation of producers in which we have education, we have skilled labor, we produce our own products, we’re proud of them and justly so, of their quality; justly proud of the improvement in the conditions of life. We’re justly proud of opening up the gates to employment, meaningful employment, to more Americans, including the minority groups which are still squeezed out of many opportunities they should have. And that’s where we agree. We’ve been moving in the wrong direction, we’ve got to correct that direction, and go back to some of the good things we used to try to do.”

LaRouche continued: “Now the difference, of course, among us, is my difference. That doesn’t mean, necessarily, that Kennedy, Daschle, or Gephardt would dig in and have absolute opposition to what I’m saying. It means that they’re not ready to go that far, or have not reached that conclusion yet. . . . This trend of the past 30 years, this downward trend, as I refer to the drip-by-drip, step-by-step, drop-by-drop change in public policy-shaping, and in toleration of changes in policy, which has brought us to ruin, has led us to the point

that not only is our economy very sick, as anyone can plainly see, even over the recent years' changes, but that the international monetary and financial system, including our own Federal Reserve System, is hopelessly bankrupt, is terminally ill, is on its deathbed. And that the United States government, as the most powerful nation in the world today, must take leadership, both in the United States itself, and in cooperation with other countries which will cooperate, in creating a new monetary system and a new international credit system, to replace the bankrupt, hopelessly bankrupt, Federal Reserve System, and similar institutions, analogous institutions, central banking institutions abroad. . . .

"We've got to consider, at this time of crisis," LaRouche concluded, "not only the kinds of things that Daschle and Gephardt and Kennedy are saying, which are all good, and with which I'm totally sympathetic. But we have to say: How are we going to make this work? To make it work, means that we have to scrap the present Federal Reserve System, we have to scrap—even Pat Buchanan is saying, to his credit—we have to scrap these NAFTA [North American Free Trade Agreement], and GATT [General Agreement on Tariffs and Trade], and World Trade Organization deals, which we lately prided ourselves on contributing to. Just scrap them. They're bunk. They don't work. They're against our interests."

GOP shakeup

At the very moment that Senator Kennedy was taking his stand for a faction of the Democratic Party establishment, the Republican Party was being hit with a political shockwave, which promises to accelerate the process of political realignment in the United States that Lyndon LaRouche first forecasted, right after the November 1994 mid-term elections, in which the GOP won control over both Houses of Congress. LaRouche forecast, at that time, that once the American public found out what kinds of murderous consequences were in store for them, if they allowed the GOP's Contract with America and other brutal austerity measures to go forward, there would be a shakeup in both political parties.

Now that the Presidential primaries have begun, that realignment has bubbled to the surface. Republican voters who turned out for the Presidential caucuses in Alaska, Louisiana, and Iowa, delivered a mighty blow to the Conservative Revolution. In Alaska and Louisiana, Pat Buchanan—campaigning against NAFTA, GATT, and the WTO, and for a return to protectionist tariffs—won outright victories. And in Iowa, he came in a close second, behind GOP front-runner Senate Majority Leader Robert Dole (Kan.). The two leading Conservative Revolutionists in the race, Sen. Phil Gramm (Tex.) and half-a-billionaire publisher Malcolm S. Forbes, Jr., did poorly, coming in behind Dole, Buchanan, and former Tennessee Governor and Bush administration Education Secretary Lamar Alexander.

Within a day of the Iowa caucuses, Gramm announced

that he was dropping out of the race. Gramm could scarcely conceal his fury, not only at his rejection by voters, but that the free trade lunacy that he has peddled throughout his career is also being rejected. He fumed that protectionism is the "recessive gene" in American political life.

The crushing defeat suffered by Gramm was a personal victory for Lyndon LaRouche, who, one year earlier, had launched a campaign to expose Gramm's Conservative Revolution as a new form of fascism. In a Feb. 17, 1995 *EIR Special Report*, "Phil Gramm's Conservative Revolution in America," LaRouche had cited a Jan. 10, 1995 speech by Senator Kennedy at the National Press Club, in which Kennedy called for the Democratic Party to return to its traditional blue-collar, farmer, and minority base. "This country does not need two Republican Parties," Kennedy had said.

GOP insanities falling flat

With Gramm out of the race, and with Forbes hanging on by his checkbook, even the GOP primary race appears to be shifting away from a debate over such insanities as the balanced budget and the "flat earth tax," into a brawl over real economic policies. In the wake of the Buchanan surprise victories, the major U.S. media, led by the *Wall Street Journal* and the *New York Times*, have become hysterical at the mere mention of "protectionism."

Mont Pelerin Society guru Edwin Fuenler, of the Heritage Foundation, ranted against Buchanan's push for a return to protectionism: "What he's proposing isn't in the mainstream of conservative economics, as exemplified by William Simon and free-market economist Milton Friedman. It's the hard-core left-wingers who are basically on his side of the economic argument. I disagree with him profoundly." Other Conservative Revolution hacks referred to Buchanan's talk of protectionism as "scary," "goofy," and "far-left." The *Washington Post* pronounced that not a single "mainstream economist" will ever accept protectionism.

While the media attacks against the idea of abandoning the global-market, free-trade dogmas have been largely leveled against Buchanan, the underlying fear of the London-Wall Street financial establishment is that the ideas of LaRouche are increasingly shaping the debate. Over 3 million American households watched LaRouche's Jan. 27 nationwide half-hour television show, in which he declared that "unbalanced minds cannot balance the budget." An even larger audience is expected for his March 2 broadcast at 8 p.m. Eastern time on NBC-TV, in which he plans to elaborate on his theme of economic national security.

While most Presidential election campaigns over the past 25 years have earned the label "the silly season," LaRouche has vowed to turn the 1996 election into a debate over "heavy ideas." If the opening weeks of the primaries are any measure of what is to come, LaRouche is on track. The March 1 release of the Kennedy-Daschle-Gephardt-Bonior task force report promises to push this process even further.

Senator Kennedy: 'A rising tide must lift more boats'

Sen. Edward M. Kennedy delivered the following address to the Center for National Policy in Washington, D.C., on Feb. 8. Subheads have been added.

I'm grateful to your president, Mo Steinbruner, for that generous introduction, and I also want to acknowledge your chairman, my former outstanding colleague in Congress, Mike Barnes. I'm honored to address the Center for National Policy. The Center has made impressive and innovative contributions to the national debate. It truly is a national policy center. I hope to speak with you today in that spirit—about the future of the American economy, the clear and present threat to the American standard of life, and a strategy for a prosperity that lifts not only the numbers and statistics, but the wages and hopes of hardworking people.

By most indicators, the economy is doing very well. The stock market is hitting record highs. Inflation has been low and consistently so. Unemployment is down. And after years of slow growth, productivity is finally on the rise.

But those appearances are deceiving. The prosperity is less than it seems—because it is uneven, uncertain, and inequitable. All is not well in the American economic house, because all is not well in the homes of too many American workers and their families.

Americans are working more and earning less. Their standard of living is stagnant or sinking. They have been forced deeper into debt and they have less to spend. They worry—about losing their jobs, losing their health insurance, affording their children's education, caring for their parents in old age, and somehow still saving for some semblance of security in their own retirement.

President Kennedy said that a rising tide lifts all boats. And for the golden decades after World War II, that was true. But today's rising tide is lifting only some of the boats—primarily the yachts.

The vast majority of economic gains are being channeled to the wealthy few, while the working men and women who are the strength and soul of this country and its economy are being shortchanged.

From World War II until 1973, national economic growth benefitted the vast majority of Americans. We were all growing together; but now we are growing apart—and the result is a tip-the-iceberg economy. Since 1973, the lower 60% of

American wage earners—three-fifths of our entire workforce—have actually lost ground. Real family income has fallen for 60% of all Americans, even as the income of the wealthiest 5% increased by nearly a third, and income for the top 1% almost doubled. As we approach the 21st century, we confront an economically unjustified, socially dangerous, historically unprecedented, and morally unacceptable income gap between the wealthy and the rest of our people.

Twenty years ago, the typical CEO of a large corporation earned 40 times the salary of the average worker. Today that CEO earns 190 times more. Can this be called fair? Can this be the basis of a good or even a stable society?

Productivity gains used to guarantee wage gains. But not anymore. In 1994 and 1995, productivity rose by 3%. Yet wages fell by more than 2%—the biggest drop in eight years. So the average worker did more, and yet the income gap grew worse.

Flat or falling wages are compounded by the ever present specter of layoffs. Once, corporations reduced their workforces only when they were in trouble. But now profitable companies are laying off good workers, at a time of increasing sales, in an endless quest for ever fatter profits and ever higher stock prices.

The recent merger between Chase Manhattan Bank and Chemical Bank earned rave reviews on Wall Street—but brought anguish and loss to so many homes. Stock prices soared, but 12,000 jobs will be lost. Can this be called fair? Can this be the basis of a good or even a stable society?

And as economic insecurity multiplies, other values suffer. Community and family feel the pressure. Parents work longer hours or take second jobs, and every extra hour on the job is taking from their children—time not spent at Little League, or PTA, or simply reading a bedtime story.

Every loss of health insurance; every cut in support for child care, schools, colleges, and job training makes it harder for families to earn a better future. There are those, even in my own party, who see a separation between economics and values—a theoretical opposition which they use and misuse as an excuse for evading fundamental economic questions. But we cannot solve great social problems by instructing people to be good while their financial situation is going from bad to worse. The V Chip [device installed in televisions that allows parents to block pornographic and violent programs]

makes sense, but it is no substitute for college loans. It will not buy clothing or food. It will not give working families a sense of hope. We have no chance of restoring values if we don't improve the lives of working Americans. When the economy is wrong, nothing else is right.

A storm is coming, and the effects are already being felt by most families. Only the short-sighted, who look only to the next quarterly report, can be content to live with the clouds that now also shadow corporate horizons. Soon the winds will be blowing through the boardrooms too. America's workers are also America's consumers. We can only lay off so many workers, cut wages and benefits by so much, and tear down government support programs for so long, before we downsize the consumer sector as well. In a winner-take-all economy, eventually there will be fewer buyers, and fewer winners, and ultimately even many corporate losers.

The Republican program, from the Contract with America, to the flat tax, exploits the income gap—but does nothing real to solve it. The silence on this fundamental issue from the Republican Presidential candidates on the campaign trail is deafening.

By bashing Medicare, slashing education, and trashing the environment, Republican budget plans only widen the disparity. In fact, half of all spending cuts in the Republican budget that President Clinton vetoed came from programs benefitting the bottom 20% of families; less than a tenth of

the cuts come from the top 20%.

Two-thirds of the tax breaks in the Republican plan would flow to the top 20%—and the bottom 20% would actually face a tax increase. The middle 60% would suffer a net loss too, once the spending cuts are factored in.

It makes no sense for Republicans to preach hope, growth, and opportunity—while touting policies that bring growth only to the richest, deny hope to the poorest, and restrict opportunity for the vast majority.

We need to set a different course. Early in this century, as Henry Ford pioneered one of America's great new companies, he raised the wages of his workers to twice the average in other industries. It made little apparent sense in terms of short-term profits. But he knew that in the long run, he would sell more Model T's if his own workers could afford to buy them. In the truest sense, he created his own consumers.

There are still some Henry Fords left, like Aaron Feuerstein, the Massachusetts mill owner, who decided to keep paying his employees instead of laying them off while he was rebuilding a factory that burned down last December.

The issue is not rich against poor, management against labor, or individuals against government. Sadly, the Party of Lincoln is now dividing America against itself. We cannot permanently sustain a prosperity that permits us to be divided between the wealthy few and the worried many.

We are committed to a free economy. But in times of



Sen. Edward Kennedy (right) at hearings on the GOP's budget-cutting plan, Dec. 5, 1995. Actress Whoopi Goldberg holds the microphone for speaker Marian Wright of the Children's Defense Fund. Says Kennedy: "A storm is coming, and the effects are already being felt by most families. Only the short-sighted, who look only to the next quarterly report, can be content to live with the clouds that now also shadow corporate horizons."

testing in the past, we have had to act together as a nation to maintain the economy's freedom. A century ago, when economic power was concentrating in monopolies, we enacted the antitrust laws. In the midst of the Great Depression, we created a New Deal of employment programs and a social safety net.

Our day is different and our answers must be matched to it. But one basic principle remains the same: Government does have a role to play as the agent of our common concerns, and the expression of our shared values. The era of big government may be over, but a return to the era of no government is no answer.

President Clinton has spoken eloquently about this issue. So has Secretary of Labor Robert Reich, and so has the Center for National Policy. This is a defining moment for our nation—and a defining test for our party. We say we are the party of the people. Then how can we say little, and offer even less, while the very people who are the very reason for our being, watch their livelihoods and lives become diminished?

We are in a 'Quiet Depression'

Other great tests of conscience and purpose, like civil rights and the Vietnam War, may have been more visible and more immediate. The income gap has been opening slowly, over a period of years. Perhaps it could have been diagnosed earlier and treated sooner. Instead, it has festered quietly, and caused a long, slow-motion depression of wages and job security.

If we do not respond to this Quiet Depression, if we do not stand up now for the people we are supposed to represent, then as Democrats we will not deserve our name, our history, or their continuing confidence. It is our urgent task to fight for an economy where working families and the middle class can begin anew to make gains.

So today, I am proposing a strategy to end the income gap—to put the American dream back in the dreams of all Americans. Each part of society has its role to play—the business sector, the individual, and government. The strategy I advocate combines incentives for good corporate citizenship—improved protections for workers' rights—increased investment in education, training, technology and research—and greater wage and benefit security for all workers.

I realize that any strategy that requires legislative action has little chance in the present Congress. But the temporary ascendancy of reaction is no reason to be silent about what's right for America. Let us fight out the 1996 election on the fundamental issue of the income gap. And when President Clinton is re-elected, and Democrats retake Congress, let it be our pledge and our priority to right this lopsided economy.

Nothing less will do. The economic insecurity of millions of American families breeds distrust among our citizens and disrespect for our government. It tears us apart as a nation, and erodes law and order. It undermines family and community life—and threatens the character of America as a society of

opportunity and justice for all.

First, as a basic precondition of all else, we must assure reliable, substantial and sustainable economic growth. Growth alone does not guarantee better incomes; but without it, we have no chance of closing the income gap. We cannot solve the problem of stagnant wages by redistributing rewards within a stagnant economy. Inflation has been lower for longer than at any time in decades; the Federal Reserve Board must become more aggressive in permitting and encouraging economic growth.

The Federal Reserve's charter requires it to pay attention to two goals—reducing unemployment and fighting inflation. Both goals are critical, but the Board too often seems to attend to only one of them. We need greater growth. We cannot right the nation's economic imbalance, or reverse the income gap facing working families, if 2.5% is the fastest which the Federal Reserve will let the economy grow.

America is historically a growth nation—and any policy that long defies that history will put this society at risk. We are stable, free people in part because we are also a people of plenty.

Incentives for 'Most Favored Companies'

Second, we should create a two tier corporate tax rate that rewards those corporations which create higher quality and better paying jobs here at home. Let's accept the profit motive, and make it work for our workers as well as our corporations. I am not proposing tax penalties for bad corporate conduct, but tax incentives for good corporate citizenship.

We reward other countries with tariff benefits if they qualify as "Most Favored Nations." Now we should establish a category of "Most Favored Companies" and reward them if they share profits with workers, maintain or add good jobs, and treat their employees well.

Businesses will qualify for Most Favored Company status on the basis of their quantifiable track record over a rolling four-year period in creating jobs—avoiding layoffs designed simply to maximize profits—paying adequate wages—sharing gains—training and upgrading skills—and providing decent health care and retirement benefits.

Most Favored Companies will be taxed at a reduced rate—for example, 30% rather than 34%—or a 10% reduction for companies taxed at lower rates. To take advantage of the reduced rate, the company would agree to allocate half of the tax benefit to its workers.

Third, we should supplement the two-tier corporate tax with other incentives to close the income gap.

We should provide comparable incentives to encourage fair treatment of employees in the non-profit sector, and in start-up firms and other enterprises that pay no tax or little tax.

We should adopt a tax incentive to encourage employers and workers to place retirement savings in pension funds, IRAs, and 401(k) plans that invest in Most Favored Companies.

We should reduce the capital gains tax on new equity investments in Most Favored Companies.

We should give preference to Most Favored Companies in awarding government contracts and grants.

We should provide tax credits to businesses that convert full or part-time workers without benefits to employees with adequate benefits. We should encourage companies that award dividends to their stockholders to contribute a similar benefit to their employees. Shareholders in companies that do so should have their dividends taxed at a reduced rate.

We can pay for all these changes by eliminating costly tax loopholes that encourage layoffs, discourage job creation, and reward companies for moving American jobs overseas. Over the next seven years, corporate welfare, tax loopholes and tax preferences will cost the federal government over \$4 trillion. In 2002, these tax entitlements will represent a larger share of the federal budget than Social Security, Medicare, or Medicaid.

The loopholes are gaping. In 1991, seventy-three percent of foreign-based corporations doing business in the United States paid no federal income taxes—I repeat, not a single dollar. And more than 60% of U.S.-based companies paid no U.S. income taxes.

We should eliminate the transfer-pricing loophole, under which multinational companies avoid U.S. taxes by shifting income through rigged transactions to overseas subsidiaries.

We should eliminate the runaway plant loophole, which lets foreign subsidiaries of American companies defer taxes on income earned abroad. These companies never pay taxes on their profits if they reinvest them overseas. The painful, preposterous result is that our tax laws generate new jobs and investments in foreign countries rather than here at home in America.

We should close down the foreign sales corporation loophole, a paper shell that lets companies shield 30% of their income from U.S. taxes.

We should eliminate the title passage loophole, which encourages U.S. companies to move profitable transactions onto the high seas to avoid U.S. taxes. In fact, this loophole was closed in both the House and the Senate versions of the Tax Reform Act of 1986, only to have it reappear behind closed doors in the final bill.

We can and must close the Benedict Arnold loophole, which allows billionaires to renounce their citizenship and move to a foreign tax haven in order to avoid taxes on the wealth they have accumulated in America. In 1995, the Senate voted overwhelmingly to end this disgrace. Yet the Republican budget quietly restores it.

Fourth, we should act to put new trust in antitrust, by amending the law to restrain mergers and acquisitions in cases where combinations and spinoffs will cause layoffs so large that they are contrary to the public interest. Our goal is not to penalize the efficiency and productivity needed to compete in the new international economy. But the antitrust laws now bar

monopolies harmful to communities, to geographical regions and markets, and to consumers. The same prohibition should apply to mergers that can affect communities, regions, and workers even more adversely than any monopoly ever would.

We should eliminate tax deductions for expenses for mergers and acquisitions that result in substantial layoffs, and strengthen existing provisions in current law that limit the deductibility of interest on massive debt utilized in these acquisitions. We should re-examine accounting rules that invite the corporate restructurings that encourage massive layoffs, downsizing, and reduced wages.

The fifth step in this new economic strategy is to expand opportunities for workers who want union representation. Today, employers who interfere with free choice and intimidate union advocates get away with only a slap on the wrist for their lawless conduct. Penalties for such violations should be strengthened. And the federal government should deny contracts and business to companies that repeatedly, flagrantly, or willfully violate their employees' rights and dignity.

We should also re-tool labor law itself to fit the growing number of temporary workers who move from one employer to another on short-term assignment, as we did in the construction industry. It is almost impossible under current rules for them to be represented by unions in negotiating for better wages, benefits, and working conditions. Federal law here has to be changed. A flexible workforce must not mean an exploited workforce.

Education, small business, and science policy

Sixth, government at every level—federal, state, and local—must invest in education and training. In an increasingly global economy, uneducated workers in America will find their wages increasingly pressured downward by unskilled and underpaid workers overseas.

We need to work with states and local school districts to demand and to help all schools meet high standards of achievement and to expand early childhood education. We need to change the way we train teachers and offer them the recognition and support they deserve on the basis of their performance. As President Clinton has pledged, we should install computer technology in every school by the year 2000, in co-operation with businesses across the nation. We cannot prepare children for the 21st century in 1950s classrooms.

The doors to college must be re-opened to more Americans. Tuition costs should be deductible, and every qualified high school graduate should be guaranteed economic access to higher education.

We must provide training for real jobs to high school students not going on to college. We must provide retraining for workers who lose or change their jobs. We must reward companies that invest in upgrading the skills of their workforce.

Seventh, since small business is the real job creator in the new economy, it must be encouraged to do what it does best—

create new products, enter new markets, increase productivity, and thereby put more people to work.

We must reduce the red tape associated with government assistance and regulation. Small businesses employ 50% of our workers, yet bear more than 60% of the regulatory burden. The average annual cost of regulation, paperwork, and tax compliance for small business far surpasses what large companies have to spend as a percentage of revenues. A recent Small Business Administration study found that 19¢ of every revenue dollar in small companies of less than 50 employees was spent on regulation. Genuine regulatory reform can ease these burdens. It could have been enacted by Congress long ago, if so many on the other side were not so intent on misusing regulatory reform as an excuse and a cover to protect polluters, undermine the environment, and jeopardize health and safety in the workplace.

Eighth, we should make research a priority—in terms of both direct federal funds and new incentives for business. Despite its far smaller economy, Japan will spend more dollars on non-defense R&D than we do next year. Yet, the Republican budget plan would cut R&D spending by 30% by the year 2002. Nothing could be more short-sighted than this policy of financing an unneeded tax cut by retreating from the scientific frontiers of future prosperity. Both the laser and the transistor resulted from government financed R&D. Computers, integrated circuits, medical breakthroughs like MRIs, and even the revolution of the Internet were federal R&D initiatives.

Protect American labor

Ninth, we should do more to defend American workers against low-wage labor and sweatshop practices from overseas. It is not protectionist to refuse to compete on the basis of who can exploit their workers the most. We should declare a pause before entering into new free trade agreements, so our economy and our companies can adjust to NAFTA and GATT. And we should condition any and all new trade benefits on compliance by other countries with international labor standards. We favor free trade. But it must not mean that more and more of our workers have to work more and more of their days for free to match sweatshops overseas.

We should strengthen our immigration laws to prevent the importation of foreign wages and working conditions. We should make it illegal for employers to lay off Americans and then fill their jobs by bringing in workers from overseas. Any U.S. employer who wishes to hire from abroad—even for temporary jobs—should have to recruit U.S. workers first. And we should end the unskilled immigration that competes with young Americans just entering the job market.

Tenth, Congress should take long overdue direct action to improve incomes and benefits.

We can and must raise the minimum wage. The present level of \$4.25 an hour is a national scandal—not even enough to lift a family out of poverty. We should start now by raising

the minimum wage to \$5.15 an hour, and restore as much as possible of the purchasing power it has disgracefully lost in recent years. No American who works for a living should have to live in poverty.

We can and must strengthen the Earned Income Tax Credit, not reduce it. President Reagan called it the “best anti-poverty, the best pro-family, the best job creation measure to come out of Congress.” Ronald Reagan was right, and the Republican Congress should heed his words.

Health care, too, can and must be a priority again. I for one will not permit health care to become the forgotten issue. It is all too present for Americans who have to pay the bills and face the fears every day. My abiding goal is still health security for every citizen. The reform I have introduced with Sen. [Nancy] Kassebaum [R-Kans.] is a significant step with broad bipartisan support. It could be enacted quickly—if we can overcome the obstruction of a handful of Republican senators doing the bidding of insurance industry profiteers. Our reform is simple justice: Workers who change their job or lose their job should not lose their health insurance too.

Finally, we must secure the safety and sanctity of pensions. They must never become a corporate slush fund or a piggy bank for risky investments. Here again, the Republicans, instead of building more protections, seek to undermine those that already exist. The Republican Congress proposes to let unscrupulous corporations raid workers’ pension funds, and they even make the preposterous claim that they’re closing a tax loophole. This is odd, coming from those who previously never seem to have met a tax loophole they didn’t like. In fact, it will cost the government nothing to protect pension funds against corporate raiders and unscrupulous investment managers.

We should create new incentives to extend pension coverage to all workers, not just the 48% who are currently covered, by establishing a new class of multi-employer, portable pension accounts.

We can also put workers’ pension funds to work to close the income gap. We should maintain and strengthen the incentives which the Republicans seek to eliminate that can direct the \$4.5 trillion currently in pension funds to investments that will mean more and better jobs here in America. The AFL-CIO Investment Trust is now committing half a billion dollars a year to housing and economic development projects. Their rate of return is highly competitive, and there are similar examples across the country. The issue here is as plain as the investment opportunity. The pension funds of American workers should be financing economic growth at home, not the export of American jobs overseas.

Restore true progress in America

Of course, no economic program, no matter how far-reaching, can resolve all the hurts or fulfill all the hopes of a nation. But all too often we forget the link between values and economics. We lament the loss of traditional “family

values,” yet we forget that the golden age we look back to was also a time when family incomes were steadily rising. We berate Hollywood for glorifying sex and violence, yet we worship the profit motives that generate the very films we condemn. We hear voices calling for the end of affirmative action, or worrying that our society has become too diverse to survive, but we ignore at our peril the fact that those voices are driven by fear of economic loss. We worry about the loss of patriotism, yet our tax policies encourage corporate decisions that are plainly anti-American.

If we really believe in family values, then let's do a better job of valuing families. Let's change policies that threaten their jobs, their health care, and their pensions. Let's help people educate their children and care for their parents. If we really want to put the “United” back in the United States, then let's do all we can to expand the pie and provide economic opportunity for all, instead of letting the nation fragment into two separate and unequal factions of haves and have-nots.

We will only make things worse by pursuing nostrums and illusions—whether they take the form of social reaction, or the new deception of the flat tax. The flat tax is a cynical response to the income gap—offering but perhaps not even delivering a small tax cut as the only raise most workers will get—while surely providing a shameful windfall for those who already have the most. The Forbes flat tax gives new

meaning to Franklin Roosevelt's indictment of the Republicans as the party of the privileged. The only family value the Forbes flat tax would enhance is the net worth of the Forbes 400.

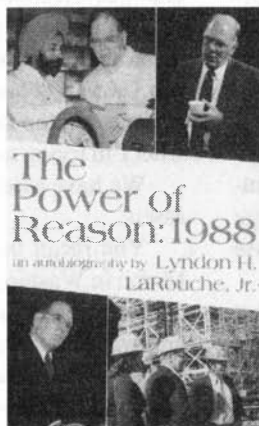
We are coming to the close of what has been called the “American Century.” It has been an extraordinary era in which we have conquered imperialism, fascism, and communism abroad. We have wrestled with racism, sexism, poverty, depression, crime and other enemies within. We have struggled, often imperfectly, yet with great success, to build a fairer and freer society. And we have wisely used some of our resources to help other nations achieve and protect their own democratic ideals. The danger is that the achievements and the vision that made this possible are fading too quickly into the forgetfulness of history, and that we are becoming a nation fragmented between rich and poor, its values diminishing as its standard of living is devalued.

We can and must end the income gap in America. It will require a new Progressive Era which will come, just as the first one did, just after the forces of reaction think they have achieved their dominance. We can and must restore true progress in America. That is our duty as progressives. That is the defining mission of the Democratic Party. And in my view, that is the only way we can win—and the only way we will deserve to win—in 1996.

Books by Lyndon H. LaRouche, Jr.

The LaRouche case “represented a broader range of deliberate cunning and systematic misconduct over a longer period of time utilizing the power of the federal government than any other prosecution by the U.S. Government in my time or to my knowledge.”

—Former U.S. Attorney General
Ramsey Clark



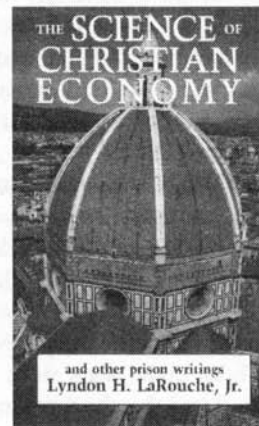
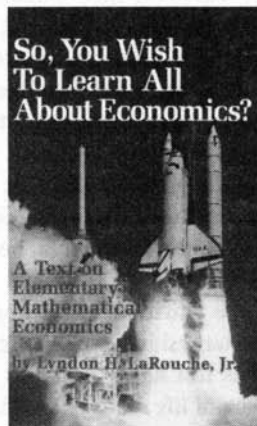
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LaRouche campaigns in New Hampshire for U.S. national economic security

This speech was given by Lyndon LaRouche, Jr., a candidate for the Democratic Party's Presidential nomination, in Manchester, New Hampshire on Feb. 6:

What I wish to talk about tonight, is something which may seem a very strange and remote subject to New Hampshire these days. It's called U.S. national economic security. But first of all, I'm going to make a few preliminary remarks, partly for the record, saying things that most of you perhaps know, but which perhaps we should put on the record, since this is the first time I've appeared in Manchester in some years.

I was born here in New Hampshire. I lived for the first ten years of my life in Rochester. And my acquaintance with New Hampshire continued, because my father maintained business activity here, which brought me into Manchester in particular, as well as Nashua, in subsequent years, up into the wartime years, as late as 1942. My father was in the shoe-manufacturing field as a consultant, second generation in that, and I was being brought into that, and, naturally, I was up here to deal with things like the International Shoe and things like that, which once were up here. It had factories all over the state of New Hampshire.

And then, of course, I came back in 1979-80 for that Democratic primary, in which we did manage to help sink George Bush, but we obviously didn't sink him far enough, because he came back as President later on.

But then, I have followed the situation, and I find that every time I come back to New Hampshire, even though this has been eight years since I was last here, or almost eight years, I find that the first ten years of life, being raised here, I blend in quickly. Somehow, we New Hampshire people are quaint people, and I guess the first ten years of life are long enough to inculcate that quaintness in each of us. But we seem to enjoy it, so that's good.

Otherwise, I'll just talk about the campaign, identify the campaign, before getting to the substance of matters.

The purpose of my campaign

First of all, as I said today to a group of legislators here in the state of New Hampshire: I'm not—even though I'm running for President, I'm not a “rival” of Bill Clinton. That's a wrong way to put it, it has wrong connotations. I just simply have a division of labor. We don't agree on many things, I

think. We do tend to agree on some things. I have supported him as President, while always keeping my own views clear. And since I am the contributing editor of a newspaper, or magazine, and since I travel and speak to people in many countries, with whom I share my views, I don't keep my differences with the President on various issues under a bushel.

But to me, politics is a process. I think this year the Democratic Party, again, is the party which must be rallied to take the leadership in this process for the nation, for reasons I shall indicate to you tonight. And thus, my concern now is twofold.

First of all, we're going to have a Democratic Party convention in August, in Chicago. As of now, the Democratic Party is in no shape to have a convention. It has no idea of what to do about any of the important questions of life in the United States. So therefore, between now and convention time, during the primary campaign, we have to bring into the dialogue, considerations which the Democratic Party National Committee, at present, would chiefly abhor. That doesn't mean that [House Minority Leader Richard] Gephardt [D-Mo.] would abhor it, or other Democratic leaders, but there are many in the Democratic National Committee who *abhor* what I'm trying to do. But we're going to have to change that.

We have assets for that purpose. Let me list some of the assets.

You recall that late last year, there was a Million Man March in Washington. I've looked at the pictures, there were over a million men there. As a result of that march, there are over 300 organizations around the country, built around veterans of the march, which are attempting to organize people in the African-American community, in particular, around things like voter registration.

In a subsequent period, we have a proposal from groups which represent Mexican-Americans in the California and the Southwest, and Puerto Rican and Spanish-speaking or Spanish heritage Americans in the area around New York City-New Jersey, which are moving to have their own Million Man March.

As a result of [House Speaker Newt] Gingrich, the man who stole Christmas, we have many senior citizens and organizations of senior citizens around the country who are also on the march, knowing that *their very lives* may depend upon eliminating what Gingrich represents in our national political system. We have, also, many other groups, including a reacti-

vated AFL-CIO. It's a small organization, much reduced now from what it used to be; but it's reactivated.

In other words, we have many constituency groups which know that they are threatened by the kinds of policies which Newt Gingrich, [Sen.] Phil Gramm [R-Tex.], in particular, and so forth, and Steve Forbes, if he ever discovers what his policy is, also represent. Thus, these forces, which have been, in a sense, not represented significantly in the Democratic Party in the past elections, if they register to vote, and mobilize, as they are beginning to do now, that will mean that, as we go into the convention, we will have a new situation in the country, which the Democratic Party will have to pay attention to: minority groups which are organized in the millions.

For example, around Los Angeles alone, there are 3 million Mexican-Americans. And these are not illegal immigrants; these are citizens. Legal residents and citizens of the United States. Three million around one city alone, in one area. So, this is not inconsiderable. Senior citizens are not an inconsiderable part of our population; and many of them have organizations which are not insignificant as lobbying organizations, particularly if they have allies.

The labor movement is insignificant by itself these days, but, together with allies, it is *not* insignificant, as we've seen in the recent anti-Gingrich movement. So therefore, we have new forces which were not involved in the 1984 election. Remember Gingrich and his crew were elected by less than 25% of the voters. Over half did not bother to vote. Gingrich and his crew of freshmen do not represent the majority of Americans. They represent about 25%, at most, of the U.S. eligible citizens. So they're an easily defeatable process.

My concern is to mobilize, not only thinking people who are already in the Democratic Party, but to show to them, that there are many other people in the country who will naturally gravitate to the Democratic Party, as a way of *stopping what Gingrich represents, and what Phil Gramm represents, and what Steve Forbes represents*. And thus, it's possible that if we can get new ideas out, particularly bringing them to these kinds of constituencies which I've identified, that we can transform the Democratic Party, so that what will come out in the course of the latter part of the year into next year, will be far different than what we face today from Washington.

Our financial system is bankrupt

We have faced, in this country, *the most frightening world crisis which has existed in this century*, a worse crisis than World War II represented. The entire world monetary system and the attached financial institutions, are collectively bankrupt. Nothing can be done to save them.

As you know in New Hampshire clearly, if you count—if you're old enough to remember when there used to be manufacturing firms here, remember when there used to be some farmers, when there was industry, when there was a greater sense of prosperity, even back to the time that Grimes

had a restaurant on Elm Street, where I used to eat many times. If you can remember those times, there was a time when there was a base in this state for economic security. There were farmers, there were industries, and so forth. There were skills. The children of New Hampshire families did not have to flee to other parts of the country to find employment, which has become a general pattern.

We know, therefore, in this state and in other parts of the country, that this economy, physical economy, has been deteriorating over the past 30 years, especially the past 25. We don't have a budget crisis; we have a collapse of the tax-revenue base. The taxes have been dropping, tax rates have been dropping since the end of the war. Remember what the tax rates were in the 1950s; remember what the tax rates were on income in the 1960s; what they were even in the 1970s; and how they were cut in the 1980s, and cut again. So people are not facing a "great, growing tax burden" in this country. No; the tax burden is *less*; per dollar of income, the tax burden is less on everybody, especially the rich.

So there's no problem of growth of big government taxes, that's a complete fraud. That doesn't exist. What there is, is there's a collapse of the tax revenue base. The income of people, the income of industry, the income of the agricultural sector, has collapsed. And therefore, these groups in the population, which are businesses and individuals, *have less income*

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than they had before. And therefore, they can pay only lower rates, lower amounts of taxation at the existing rates. Whole sections of the economy, such as the speculators on Wall Street, are virtually untaxed. What is accounted for, is the greatest portion of increase of national income, money income, is in categories which are relatively untaxed, as a result of Kemp-Roth and other things which came along during the recent period.

So what we have, is we have a dying economy, which is no longer able to support itself. And instead of saying that the policies which led us to this collapse were wrong, and we should change those policies and go back to the kinds of policies that worked, people are saying, "No. We have to cut pensions, we have to cut this, we have to cut Medicare." Now, that's not acceptable. And it's not just not acceptable. This is *Hitler thinking*; and I'm not exaggerating.

Nazi policies

In the famous Nuremberg trials of the Nazi doctors and judges, U.S. Supreme Court Justice Robert Jackson, who was representative to the Nuremberg Court in the postwar period, presented a doctrine which was adopted by the court. The doctrine was, that any government official, or any person in an influential profession who *knew or should have known* that the policies they were pushing would increase, wrongfully, the sickness rate and the death rate among categories of persons, was guilty of crimes against humanity.

What Newt Gingrich is, is a Hitler-style criminal. His entire mafia are Hitler-style criminals; because they are proposing policies which take entire categories of people, including senior citizens, young unwed mothers, etc., etc., and propose policies which result in an increase in the death rates in that section of the population. *They are killing people as much as if they killed each person individually with an axe*; but they're doing it with a pencil or a personal computer in Washington, or with orders to somebody who's running a personal computer, not with the axe. What they're doing in Medicare—not just Medicare, but in other categories such as these medical associations, HMOs, they're killing people.

Let me just give you an example of what I mean by this, because some of you know this, some of you don't. Today, a physician generally is not allowed to treat a patient. What I mean by that, is this. If you go in for treatment, you go in for diagnosis, diagnostic treatment, the physician is supposed to put your symptoms, the results of tests into a computer. The computer then matches these results with a master checklist. *Then the computer gives a diagnosis of what your disease is, and prescribes precisely what will be treated.* And when you have exhausted precisely those treatments, and *nothing less and nothing more*, you're thrown out in the street, whether your health is improved or not. That's murder.

So, *physicians are not allowed to treat patients*, they treat computers. They do what the computer tells them, not what the patient's need tells them is required. Because even the

same sickness contracted by different people, is a different sickness; because people are different. Therefore, they react to sicknesses in different ways. There are complications which have to do with other problems they may have, or conditions of life.

In the old days, a physician would consider all of these things clinically in diagnosing the case, in prescribing for the patient, and in the treatment ordered for the patient. He's not allowed to do that any more. The physician is being *depersonalized* by computers in orders dictated by financial institutions, including insurance companies. *This is nothing but calculated mass murder.* People *die* as a result of policy. And when agencies, especially insurance companies, which employ actuaries, adopt policies which the actuary will tell them *must necessarily increase the death rate* among categories of persons; and when they are *making a profit* by increasing the death rate, there is no difference between those people, including Newt Gingrich, and Adolf Hitler. No difference at all.

If you kill somebody by subterfuge, it's the same as if you kill them by some other means: It's murder. And the respect for the individual person and the right for life is the sacred principle upon which all of our society depends. Once we lose that, once we stop treating our fellow human being as being sacred, their life as being sacred, and fighting to enable them to live that life to the fullest, we're no longer human. We're no longer decent. We've become like animals.

And that's what's happening to us.

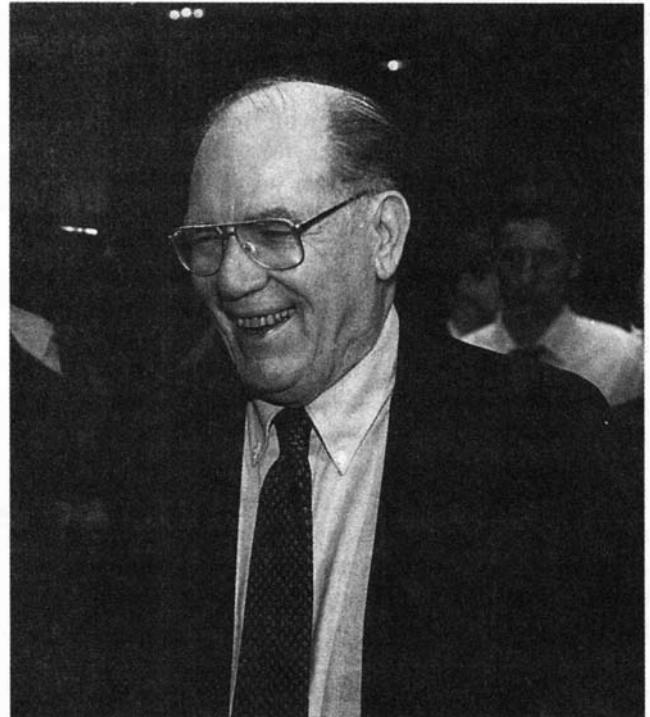
So we face a moral problem; and the reason I reference this moral problem, is not because of its inflammatory character, but because it goes to the heart of the matter.

What has gone wrong?

Our problem today, takes the form that the world's monetary and financial institutions are collectively bankrupt. That is, per capita and per household, the income of families' households has collapsed, in *physical* terms. I'm talking about market baskets of physical consumption, quality of education, quality of health care, quality of scientific and technological services. In that respect, the income of Americans today, is about *half* of what it was 25 years ago.

This is reflected in a change in family structure, and many people will talk about family values, but they're hypocrites. Because I recall, as many of us can here, what a family structure used to mean. It meant a family household which was essentially supported by one working member of the family. It was a family household, in which the relationship to the children and the neighbors, were defined on that basis. It was a family in which the return of a parent, a male parent or others, to the household at evening, was occasion for joy.

It's not the amount of "quality time" you spend with your children, as it's called these days, that counts. What counts, is whether the child is overjoyed at the prospect of the parent's return to the house after being away. If the child is overjoyed



Left: Bill Clinton campaigning in 1992. Right: Lyndon H. LaRouche, Jr. Says LaRouche: "Even though I'm running for President, I'm not a 'rival' of Bill Clinton. That's a wrong way to put it, it has wrong connotations. I just simply have a division of labor. We don't agree on many things, I think. We do tend to agree on some things. I have supported him as President, while always keeping my own views clear."

by the return of the parent, and has all kinds of happy things to say and discuss with that parent, that is a successful family household; because the loving relationship between the parents and the children is established. No matter what the privations are in the household, and I've lived through the '30s, as you know, as some of you did. And those were hard times for many people.

So, it wasn't the amount of time or the number of things, or the number of toys and so forth that you brought home that counted. It was the loving relationship within the household, which constituted the essential nurture of the household. It was the attempt to maintain a school system which somehow would reflect the continuation of that relation between the child and the parents, with professional teachers who were dedicated in the school system. And they weren't getting paid too much then, either; but they did a fair job. And that's been destroyed, because now it takes two and a half jobs in a family, to maintain a standard of living.

For example, to provide the standard of living which the average American skilled or semi-skilled worker, say, of 40 years of age, would have had for the household in the latter half of the 1960s, today, that family would have to have an income of about \$75,000 a year, in order to match the same physical standard of living and care as then. And that income would have to be earned by *one* member of the family, not by two and a half jobs in the family. So those who talk about family values, and don't consider these matters, are just using

words, and not addressing reality.

What has happened, is that the physical income has collapsed, per capita. In order to produce the market basket of things which we used to have as a typical American family—annual household consumption, physical goods, health care, education, science and technology services, back in the second half of the 1960s, in most industries which produce the articles in that market basket, *we would have to double the number of Americans working in those jobs today.*

Meanwhile, our jobs have fled overseas, through a free trade policy, like the NAFTA [North American Free Trade Agreement] policy and the GATT [General Agreement on Tariffs and Trade] policy, in which every American who's seeking employment, must now implicitly compete with a Chinese coolie in an enterprise zone on the coast of China, who is getting the equivalent of about 20¢ an hour.

If you look at footwear—remember International Shoes? Some of you may remember, they used to have it, down at the end of the street here, on Elm Street, in Manchester. Where is it? Where are the shoe factories which used to be one of the industrial characteristics of New Hampshire, back in the postwar period, and before? They're gone. Where is the footwear made, that Americans wear? Mostly in China, by coolie labor, at 20¢ an hour, or something like that.

We don't have food independence any more. We have a grain production which gives grain exports; but our leafy vegetables and other things are imported from places of pov-

erty and food shortage, such as Mexico, or Brazil.

Our jobs have flown overseas. How can Americans pay taxes if their employment has flown overseas, and if we have to import products from overseas on the basis of their cheapness, when we don't produce anything for which to pay for that? We swindle these countries out of their proceeds, by financial deals, where we get them to owe us money, and they ship their products to the United States in order to pay those financial bills. And then we go to the supermarket and buy things which we can mostly ill afford, which are imported from the poor countries of the world which are going hungry, in a world short of food. Because we've stopped producing food, at least in adequate supply for our own needs. The same thing is true up and down the gamut.

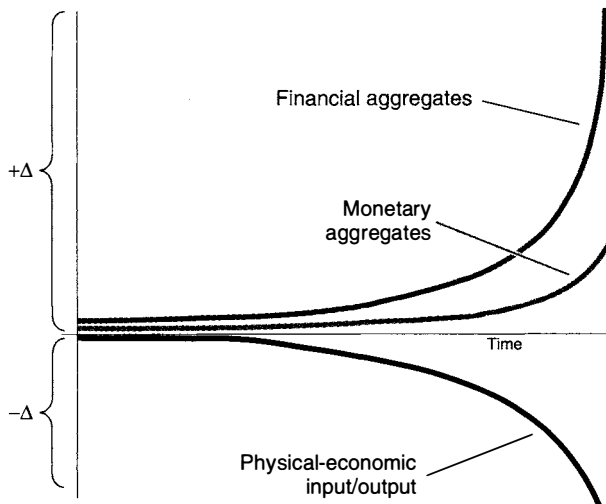
Some of you recall, at the end of the war, we had a policy. It was called *national economic security*. And I want to talk about that national economic security as two things. First of all, in terms of our domestic economy, domestic society, and in terms of our foreign policy. But let me just complete, first, this other part of the picture.

Consumption, productivity are collapsing

All right, so, the curve, as you'll see—I'm sure they've got the magazine out there which you can procure, showing the triple curve [see **Figure 1**]*—*the curve of productivity and consumption per capita in physical terms over the past 30 years, is *down*. Until a few years ago, the increase of monetary circulation was *up*; which meant more money in circulation, but *less product* in circulation. This is called inflation. This is called debt, including the Federal Reserve debt, the federal debt. Because the money which is put into circulation by the Federal Reserve System, is put into circulation through the mechanism of Federal government

FIGURE 1

A typical collapse function



debt, and corporate debt, discounted corporate debt. Therefore, we as a nation are going into debt, because our real production is collapsing, while the monetary circulation, until a few years ago, was increasing.

In the meantime, we no longer invest in industry. You can see that up and down the street. We invest in real estate speculation. You buy a house, say, around Washington. You buy a house for a quarter of a million dollars which you wouldn't sneeze at, back 25 years ago. It's made by unskilled Mexican labor, or some kind of labor of that sort. It's nothing but a piece of board. If you have a bunch of rowhouses, and if you put a piano on the first floor of one of the rowhouses, they're all going to collapse. It's a piece of junk. There's no structure, no strength to the building. It's a shack, fancied up with a Hollywood outside, but nothing inside. And families go into debt at today's financing prices on a 30- to 40-year basis, to finance the acquisition of a house for a quarter of a million dollars, or something like that, where the real income of families have declined. Those are the houses on which you can get credit. You can't get credit on old houses the same way, which may be better houses, actually.

The family needs a house. They need the credit. So they go to the bank, they go through the mortgage-dealer, and they get the credit to buy this house, and they're in hock; and they may pay actually a half-million dollars or three-quarters of a million dollars for some piece of shack, which, I say, is a house that has a 50-year mortgage and a 40-year life-expectancy, if you don't have a 30-mile-an-hour wind in the meantime. A piece of junk. So even though we seem to have some things, what we have is junk compared to what we were accepting before.

When people went into debt to buy a house in my youth, or before, they bought a house which would last for 100 years. Many people in New Hampshire are living in houses which were built 200, 100 years ago. And they're better than the houses you pay a quarter-million dollars for today in that area. Because our philosophy has changed.

The speculation in real estate, which is like a bloodsucker sucking the blood of the economy. You have junk bonds and derivatives. The pattern is, industries which used to be good industries are taken over by some raider, like these people who are ruining the airlines. They go in and they loot the industry, move on to the next one like a pirate, they loot that one, and the airlines get poorer and poorer and poorer.

Just compare when I flew up here, say, in 1988, as against today. What's the logistics? The whole New England is *poorer* than it was then, vastly poorer. Everything is poorer, the quality of everything. People are being ripped off, as a matter of this kind of policy. On top of it, you have, in addition to junk bonds, and hostile takeovers, and ruining of what once were perfectly decent companies that could produce something and were respectable, which are looted into the ground, we have derivatives.

Now, derivatives are not investments. They are gambling,

like putting your money on the table in Las Vegas. There is no difference. There is no investment, unless you consider putting a gambling stake on a Las Vegas gaming table an “investment”; and, in those days, they’d send you to a psychiatrist if you said something like that. “I went out there to invest, to Las Vegas, to invest.” But that’s what goes on every day.

Financial debts growing even faster

Today, on the markets, international markets, over \$3 trillion a day is turned over in financial exchange. The rate of financial exchange turnover, 75% of it, used to be accounted for by imports and exports; today, it is *less than one-half of 1%*. Most of it goes into this churning, multi-trillion-dollar mountain of speculation, which creates tens of trillions of dollars of debt. So, you have the ordinary debt, the federal debt, the private debt; and the difference between the rising monetary circulation, as against the shrinking real value. That debt is essentially unpayable. Because the means to pay is shrinking, while the obligation to pay is increasing. That’s called bankruptcy.

In the meantime, it’s worse, because the obligations to pay financial debts, for which there is *no* security, are galloping ahead, like skyrocketing to the heavens, even against the monetary debt. And therefore, you have a monetary system which is dying. *It’s bankrupt*. The Federal Reserve System, including its financial institutions, is *dying*. The banking system and monetary system of France, Spain, Germany, the Benelux countries, Italy, Britain, Japan, as well as all of the countries of Central and South America, as well as all of the countries of Africa, and many other countries in Asia: *They are all hopelessly bankrupt*. There is *no possible way* that these countries, under the present circumstances, with present institutions, could cease to be bankrupt. They’re hopelessly bankrupt.

Now, there are two ways to look at this. Some of you say it’s a disaster, and it could become a disaster. I look at it as an opportunity. And the trick is, whenever you see a disaster, you have to find the opportunity in it. You have to find the way of solving the problem which you should have solved anyway. And the discrediting of institutions which were bad or misdirected, is the opportunity, when they are discredited, to step in and reform those institutions.

The role of the Constitution

Before, in this country, we did that. We did it when the Federal Republic was organized in 1789. We created, in the Constitution, the ability of the Federal government to create money and *to have a monopoly* on the creation of money, that *no private institution such as the Federal Reserve Bank, can lawfully issue money under our Federal Constitution*. They do it, yes; but it’s unlawful. It’s against the Constitution.

The Constitution provides that the Congress shall enact bills which give the Executive branch the authorization to print money and put it in circulation, and also to put conditions on the circulation of that money, which should be, primarily,

loaned to government agencies and to private organizations, for useful purposes, to make the economy grow: to create more employment, to produce things, to increase the tax revenue base. And it’s by increasing the tax revenue base that the economy grows.

For example, there was a Chase Econometrics study which was done in 1976, which showed that the Kennedy aerospace program gave the U.S. economy 14¢ of increased income for every penny the government spent on aerospace. The same thing is true in general of infrastructure spending, and of government action to create advanced industries. Even the case of military expenditure: The government investment in wartime, in creating advanced industries, was, of course, pure waste, because military—you can’t eat war. War eats you, you don’t eat war.

But the *industries that we created*, the tool capacity, the productive capacity we created to fight the war, or to prepare for it, actually *increased* the productive powers of labor and increased the national income. And we found that when we did things sensibly, no matter how much we spent on these blasted wars, the economy seemed to get *stronger* after the war than it had been before. Precisely because, in wartime, you have to invest in advanced technology. And the injection of advanced technology into the economy, results in increase in productive powers of labor, better quality products, problems solved that couldn’t be solved before, and so forth.

The space program is just an example of that. Fourteen cents to the U.S. economy, for every penny spent on the Kennedy aerospace program! That’s not bad; and it’s the function of government to do things that are necessary, because nobody but government *can* do them, but also, to do things like this, which make the economy grow.

So the fact that we face a crisis, means that we can now say, “Well, the policies we’ve had over the past 30 years, the policy changes, were wrong, or most of them were wrong.” Prior to 1966, we still believed, as a nation, in providing credit, preferably at low rates, for useful industries, useful investments, with the idea of increasing the national wealth, increasing the income of Americans, the real income, through, largely, improvements in technology, and improvements in the productive powers of labor. That’s what we did. It worked, it was fine. So therefore, what government did and what others did, would increase the national income *faster* than government expenditures.

‘We thought in terms of programs’

In those days, we didn’t talk about “balancing the budget” much. We talked about responsible balancing of expenditures against income, but we thought in terms of programs. As a matter of fact, the United States, as I said recently in a broadcast, the United States *did not have a chronic budget deficit until Carter*. Carter, in a sense, gave the United States a chronic budget deficit—which did not exist prior to that.

And why did Carter give us a chronic budget deficit?

Because he brought in the ideas of Phil Gramm, saying that you had to balance the federal deficit the same way a household on a fixed income tries to balance the household budget. And the minute that policy was introduced to government, the national debt increased. Carter was the one who set the national debt into growth. Carter was the one who gave us a chronic deficit in the national federal budget. Reagan increased that, twice; once by legislation such as Kemp-Roth and the Garn-St Germain bills, in his first term, and, second, by lunacies, by allowing Phil Gramm to put the Gramm-Rudman bill (and there was a guy from New Hampshire who was involved in that criminality, you may know); and Phil Gramm and [Warren] Rudman *doubled the national deficit rate!* And that was nothing: When George Bush got in there, he sent it skyrocketing, by the same policies.

When Clinton got in there, *the national deficit rate sank*. Now why are the Republicans saying it's the Democrats who are the problem? It has nothing to do with anything.

I'll take the case of this funny fellow who runs around here in New Hampshire these days. He's trying to buy the place, I understand. His name is Steve Forbes. And I think New Hampshire people should take the money, but they shouldn't take his advice.

Steve Forbes is operating on the basis of what I call "the drunken driver principle": If it feels good, do it, and don't worry about the consequences. That's what he's saying: "Your taxes are going to be less under me."

You know, he will make money on this. If he should get the flat tax through, he probably would make about \$70 million in tax savings himself on the deal. So it's not a bad investment. He's not *entirely* stupid. He's only *mostly* stupid, not entirely so.

So these kinds of crazy ideas are just crazy ideas, they don't mean anything. The way you balance the debt of the economy is, you cause the economy to grow.

When you have people who are unemployed, when you don't have enough income in households, when you can't meet your needs, what do you do? You increase your income. You think about how to increase the income, how to get more people employed. How to improve their productivity. How to protect American businesses, so they can make a profit and pay taxes, and contribute to wealth and employment. How to protect American farmers so they don't go bankrupt in order to steal food from Mexicans and others who are already short of food. That's what you do.

A constituency for reorganization

Okay, so that's the situation. This thing is bankrupt. The Federal government is going to have to put the Federal Reserve System into receivership, sometime soon. Otherwise, chaos. Every government in the world has the same problem, but the United States is the most powerful government in the world. *We* have to take leadership in organizing a group of nations to join us in doing these measures to create a new

monetary system, to keep the world from collapsing, to keep business functioning rather than collapsing when this thing hits, or before it hits. And that's one of the main things I'm trying to do, is to get a constituency around the White House, in the Democratic Party, within the Congress, and among the citizens, which realizes *this* is the problem, this is what we must do. Take the "hot-button issue," take all those crazy fellows who are trailing after Bob Dole on the Republican side, dump 'em into a zoo someplace where they'll be happy, and let's get about our business.

We have a crisis. We have a crisis which is like a wartime crisis; let's hope there's no war as a result. And we have to fight this like war. We have a collapsing monetary system, a sick economy, and a bankrupt banking system. We will not lie down and die in the face of such a problem. We will use our Constitution, which provides the means for dealing with this, to create a new issue of currency, to loan that currency to get business going, to get banks back in business, good banks back in business, to make the economy grow, and we'll manage. We'll manage with the same spirit that we fought wars. And we'll win. And we'll know that what we're doing is the right thing, the right thing for our children and grandchildren, and we can take pride in what we do.

We need a constituency for that in the White House, we need a constituency for that in the Congress, we need citizens who believe in that. And the people I referred to: African-Americans, Hispanics, who are among, largely, the underprivileged, senior citizens. They all need this. They all need it! They are the constituency which is willing to say: "We should not have to lie down and die, to make Phil Gramm happy, or Newt Gingrich happy. He's a Hitler anyway."

What we need to do, is do *what we learned to do before*, before 1966: Go back to being an economy, an industrial economy again based on technological progress; an economy which can put a man on the Moon, or a colony on Mars, which can solve our problems on Earth. And let's *enjoy* it. Let's enjoy the sense of achievement. Let's rebuild our school system. Take those teachers out of the school who are pushing a dangerous drug, Ritalin, on children. Things of that sort. And that's what we have to do.

National economic security

Now, national economic security. We used to have a national economic security policy. We came out of that, out of World War II, and we learned it, largely, during the war. Not that it was a new idea during the war, but during the war, as some of you recall, we started with almost nothing. I recall 1939-40, when the first steps of mobilization were being cranked up. We took businesses—some up here, too—shops of various kinds which were junkheaps, people who represented largely lost skills, lost during the depressions. And then we gave them a chance to get a try on a government subcontract. And we told the bank to give them a chance, by giving them a little credit there to see if they could make it.

Now, some of them didn't make it, but others did. And out of that process, we built up, within two to three years, an industrial machine, to supply for the sinews of war, which was the greatest industrial machine on this planet. Out of a garbage heap; because we mobilized to do it. And we can do it again.

We realized, though, out of that experience, the experience of the 1930s, that we had to have a concept of national economic security. That meant *full employment*; national economic security. That meant things like the Hill-Burton Act, that every community must have hospital facilities which were accessible to it, which would provide for that community; very simple. The Hill-Burton Act, which has now been virtually repudiated, since 1975, approximately.

We had to have a policy of protecting our vital national industries. We had to have supplies of helium and other kinds of essential materials, so that we could not be cut off from those supplies needed for a mobilization for peaceful or other purposes. We had to protect those industries, by tariff protection and trade agreements, which were struggling to emerge as the future industries of the United States. We did those things, we believed in those things. There was vacillation under Eisenhower. Kennedy tried to get it back on the track. Johnson would have been for it, except Johnson was a frightened man, and, by 1966, they'd broken him. But that's another story.

We turned away from those policies which served us well. These ideas of national economic security were not new. They were ideas of Benjamin Franklin; before Franklin, they were the ideas of people like Cotton Mather in Massachusetts; before that, they were the ideas of people in the Massachusetts Bay Colony in the Seventeenth Century. These were basic American ideas, on which the success of this nation was based.

The protective tariff. Every patriotic President, was for the protective tariff. The Whig Party, out of which the modern Democratic Party comes, as well as all decent Republicans, comes out of that tradition, of the Clay-Carey Whigs of the early Nineteenth Century; of John Quincy Adams and James Monroe, and Lincoln, and people like that. McKinley was part of that, too. The McKinley Tariff of 1890, to protect American industry.

Under those conditions, we emerged repeatedly as a leading world power. We established the highest level of income in the world, under these policies. We didn't hurt anybody by doing that. These protectionist policies were good for us, and they were good for others who imitated us in doing it. We could cooperate on trade agreements with nations which were doing the same thing; and find that nobody was hurt. We just had to be sensible. We've gotten away from that—since 1966. We now have free trade.

Our jobs are running overseas, Perot is right about that. All our jobs are being *sucked* overseas, and headed, ultimately, not to end up in Mexico, but they're sucked out of Mexico

to go to China, at 20¢ an hour. Because the Mexican slaves who are dying of the wages they're getting in the *maquiladoras*, can't keep pace with the Chinese who are being murdered as coolies in these enterprise zones, because they're treated as surplus labor in these enterprise zones. That's not good for the human race, that's not good for us. *That must come to an end.*

NAFTA must come to an end, free trade must come to an end, GATT must come to an end, the World Trade Organiza-

Every patriotic President, was for the protective tariff. . . . We established the highest level of income in the world, under these policies. We didn't hurt anybody by doing that. These protectionist policies were good for us, and they were good for others who imitated us in doing it. We could cooperate on trade agreements with nations which were doing the same thing, and find that nobody was hurt. We just had to be sensible. We've gotten away from that—since 1966. We now have free trade.

tion must come to an end, and the system of finance that ruined us over the past 25 years, that must come to an end.

We must say that the national economic security, the protection of the employment, the health, the essential industries of the United States as a sovereign State, is the prime base of national domestic economic policy. The fostering of national income through investment in scientific and technological progress for the test of improving the standard of living and productivity of the American people. That's the foundation on which we solve all our material and related problems.

Now, let's look at the same policy internationally.

America's international responsibility

I'm involved deeply in a number of countries, and have been for a number of years. I've been involved, for many years. I first got the idea during World War II, when I was in India, serving in India, the CBI theater, China-Burma-India. And I saw the conditions of life of people in British colonies. I saw the way they were treated; not merely the *material* conditions of life, but the way they were treated. They were treated as dogs, or *worse* than we would treat our dogs. I saw British soldiers kicking Indians, saying, "Dirty wog! You



President Franklin D. Roosevelt signs the act creating the Tennessee Valley Authority in 1933. With infrastructure development programs like the TVA, followed by the mobilization of industry for World War II, the United States created the greatest industrial machine on this planet.

have to kick them to keep them in line.” Other Americans saw that, who served with me at the same time.

Now, I didn’t know what Roosevelt was saying at the time, but I found out later. It was the same thing *I* thought, and the same thing many of us thought at that time overseas: that we had just come through the greater part of a war, a great war, a very frightening war. We had much sacrifice, we had lost many friends and neighbors in that war. Other countries have lost a great deal.

Now, I said, others said—as Roosevelt said to Churchill: We cannot allow colonialism and the British Empire, and British methods—the methods of Winston Churchill—to continue in this world, beyond this war. Because if we allow this, there will be no security for the United States or any other nation, because these conditions can lead to a new source of conflict and danger to civilization. Therefore, we must *end* colonialism with the end of this war. All the colonies of the British, the Dutch, and the French must be given back to the people. Colonialism must *end*. British Eighteenth-Century methods must go from this planet, and American methods, the methods of the American Revolution and its tradition, must be made available to every people and every nation on this planet.

I didn’t know at the time that that was what Roosevelt was saying, but that’s what I believed, too. That’s what many of them who served with me overseas believed, at about the time the war was ending and the time we were coming back from overseas.

Many people turned away from that, when they got back here. They faced a Truman depression, which hit in ’46, ’47.

People had been through the Depression, they were afraid of a new depression. And they began to look this way and that way. They didn’t want to say anything that would endanger their family economic security. And so they became, where they had not been cowards in warfare, they became cowards in peace back here. A lot of our problems started then in that way, as it transmitted to our children.

But I’ve always understood that. And when the time came, that I became influential to some degree in politics, I began to become involved in this question, this unresolved question of my wartime service: The concern of justice for the so-called underdeveloped or former colonial nations, that our security as a nation, our protection against the dangers of war engulfing this planet again, lay in committing ourselves to destroying those things on this planet, which denied justice for the greatest part of the human population. I became most deeply involved in Central and South America, which I am to the present time. I became deeply involved in Africa, in all parts of Africa. I became involved in the Middle East, where I worked with people such as Shimon Peres’s circle for a Palestinian-Israeli peace, on the basis of economic development back then. And I got some enemies in the ADL [Anti-Defamation League] and so forth here, who didn’t like that idea, because they didn’t think Arabs were human.

We worked also in eastern Europe. We tried to do something with the Soviet Union; it couldn’t be done. Since the [Berlin] Wall fell, my friends and I have been deeply involved in the former Soviet territory, as well as with China, and Japan, and so forth. I’m well known—as a matter of fact, you know, I was the number-one enemy of the Soviet Union from

about 1984 on, for various reasons. I was probably attacked more in their press than any living individual outside of government had *ever* been attacked by the Soviet press.

But by 1993, I'd become an Academician of the [former] Soviet academic system; because of these issues.

So, I know what goes on in the world. I'm involved directly and indirectly, daily, with most of the countries of South and Central America, with most of the leading countries of Africa, with the Middle East, with every country in Europe, with the territory of the former Soviet Union, Russia, Ukraine, and so forth, with China, with Japan, and so forth and so on. And I can tell you that the policies which we find oppressive here in the United States, the murderous and mass-murderous policies of Gingrich and his crew, are the policies which can bring great danger to the United States from without, as the United States, in its isolationist phases, has been shocked to find a danger from the outside before.

And Americans who have said, "Don't worry about the world outside, we've got too many problems at home," are being very foolish. Because the problems you ignore in South America, in Central America, in Africa, and Europe, and Asia, can come here in such forms as Chinese thermonuclear missiles, and other forms. The diseases which are breeding as epidemic diseases now, in the ruined parts of Asia, in hemorrhagic fever sweeping across the former Soviet Union into Europe, threatening to come here, and we have no immunological resistance to these kinds of hemorrhagic fevers. If they hit us, they're going to be mass killers, just like this new kind of Asiatic flu.

These problems will hit us. You cannot seal our borders and hide behind our Atlantic Coast and our Pacific Coast, and pretend that the rest of the world doesn't exist, and we cannot afford to be concerned with it. *We must* be concerned with it. We should have learned, from wars of this world in previous time, especially in this century: *You cannot ignore the world outside the United States and say we should not be involved in it, we should mind our own business.* That is our business. It has almost destroyed us before, and it can destroy us again.

The lost opportunity of 1989

Now, what does the national economic security of the United States mean?

When the Wall crumbled in 1989 in Eastern Europe, we had the greatest opportunity for peace and security which we'd had on this planet in this century. We have the opportunity to approach those countries which are coming out from under the Soviet system—which had given up the fight, in effect—and say, "All right. Now we will help you develop, which is to your advantage and ours. And it's the basis for lasting security on this planet: peace through economic development, and through recognizing the mutual benefits of cooperation in economic development." They were open to that.

But *no!* Margaret Thatcher was running the British Empire; at least, she was the figurehead for it. And George Bush was the cat who rode on the tail of her broom. And they said,

"Now, Russia and Eastern Europe are collapsing. *They must never rise again.* We are going to destroy them." How? It was called the IMF [International Monetary Fund] economic reform, it was called the Polish model, and other names.

As a result of that, what is developing in Russia and elsewhere today, is a hatred against the United States which did not exist several years ago, a hatred which is based on the effects of a criminal policy, a murderous policy, which the United States has imposed not only upon Poland, not only upon Slovakia, not only upon Hungary, not only upon Romania, not only upon Belarus, not only upon Russia, not only upon Ukraine, which is mass-murderous.

The genocide in the Balkans

I'll give you an example, just one anecdote which is probably important for you to know.

As you probably *do* know, when President Clinton was campaigning for the Presidential nomination and election in 1992, one of the planks of his platform, was a moral concern, which he shared, in large part, with people like Bob Dole on the Republican side, a moral concern to bring about justice in the Balkans. An end to this mass murder. It was a good idea. The President was committed to that in 1993, in 1994. But why didn't it happen? The United States is the world's leading power. Why didn't it happen?

Because the British, and the French and Mitterrand, had *created* the Balkan war, as part of the same policy which they dictated, successfully, to the cat on the tail of Thatcher's broom, George Bush, to destroy the nations of Eastern Europe, to destroy the Balkans. And they unleashed the Serbians, who were assets of Mitterrand's faction in France, but primarily of the British, to commit genocide against their neighbors in Croatia, and in Bosnia-Herzegovina. Pure genocide, on orders from London, and with support from France.

And therefore, the United States could get no support from the British or French on getting peace in the Balkans. As a matter of fact, the British and French did everything possible *to sabotage* the attempts of the United States to bring about an end to the war in the Balkans, and still do. Still do. Though Chirac has a somewhat different policy than Mitterrand.

Then came the time, in 1995, that the President was really determined. He'd had enough with this French and British mass murder, and evil. He was going to get peace.

But at that time, what had happened? Because of the idiotic policy of the United States in dealing with Russia, the so-called reform policy, the Russians were being filled with hate, and began to focus their hate against the United States on the question of the U.S. opposition to the Serbs in the Balkans. So the Russians at that time emerged with the British and French as protectors of Milosevic and his friends in the Balkans.

When the President went to attempt to get peace, he found three problems in Western Europe: The British were the enemies of the United States, and the enemies of the Balkans,



The Civil Rights Movement Solidarity demonstrates in Augsburg, Germany, in March 1994, against the genocide in the Balkans. The British and French did everything possible to sabotage the attempts of the United States to bring about an end to the war in the Balkans.

always have been. The French, under Mitterrand, were total enemies of the United States. Chirac was—Chirac. The Germans under Kohl liked the United States, but refused to do anything to offend the Brits.

Therefore, the United States *had no active support among its Western European allies*, for peace in the Balkans. So the United States went into the so-called Dayton Accord negotiations, for peace in the Balkans, having assembled there Serbians, the government of Bosnia-Herzegovina, the government of Croatia, and the Contact Group—that is, the Russians. So what could be negotiated between the Russians and the Americans, with the consent of the Croats, the Serbs, and the Bosnians, became the Dayton Agreement.

Now obviously, this is a somewhat *unprincipled* agreement which *cannot* work, by itself. Therefore, it could only work if the United States and other forces would put troops into the Balkans as guarantors of the peace, to enforce the peace. The United States also agreed to ante up a kitty, that is, to take a part in putting a kitty together, for about \$3 billion in aid to Bosnia, to rebuild its infrastructure and get its economy moving again.

Two things happened to that aid; and don't let any Republican tell you that the President goofed up in Bosnia. Because it was the Republicans who stopped that aid which was necessary for that to happen. But that wasn't all that happened. That is, the Republicans sabotaged the peace in Bosnia, and then said the President had made a bad deal! And this was Gingrich, primarily, and his friends.

Secondly, the aid to Bosnia from multinational sources, was channelled through the World Bank, and the World Bank

said, "No, we will give Bosnia the \$3 billion which is being raised for them; but first of all, they have to pay \$5 billion of the Serbians' debt." And that's what happened, in the Bosnia situation.

In other words, *we could have a war breaking out in Bosnia, in the Balkans again, because of the World Bank*. Now the issue here is not, as some Republicans would tell you, that the President made a mistake in putting the U.S. military into the Balkans. That's a lie. He made no such mistake.

The mistake was, in not putting the military in the Congress to get rid of Newt Gingrich! Of course, he couldn't do that by law; but that would have been a good idea. And a lot of people in this country would have been happy with that.

The problem was that the United States' failure in the Balkans, is not failing to deliver money, though that is a problem. The problem is that *we are supporting Adolf Hitler against his victims!* Adolf Hitler, in this case, is the World Bank bureaucracy, which says that the Bosnians, *who are the victims of Serbian aggression*, including genocide, will not get a penny of the aid offered to them, unless they give \$5 billion to pay off the Serbian debt. And the United States does not denounce the World Bank and break off relations with the World Bank? Does not break off relations with Adolf Hitler?

U.S. policy toward Russia is insane

I'll give you another case, the IMF in Russia. There was recently a strike in Russia of coal miners, who have not been paid for about a year. On the basis of the strike, the Yeltsin government, Boris Yeltsin, said, "Okay, we'll pay the wages." The World Bank said, "We will *cancel* the status of Russia

under IMF conditionalities, because they're being 'profligate,' they're throwing money away by paying it in back wages to miners."

You see what is done by this kind of policy to build up hatred against the United States, by our tolerating the policies of the IMF, the World Bank, and similar entities? It's not because we don't give enough money, that's not the problem. The problem is that we get on the side of the enemies of people, and then wonder why they hate us!

So we take an open situation, which is wide open to the United States—and I know it, I was there, I've been there, I meet with top leaders in Russia repeatedly. I *know* them. Many of the people are my friends there. No question. Top people. No question about it. I know *exactly* what's going on.

The policy of the United States toward Russia is insane, strategically insane. The policy of the United States in terms of the World Bank—same thing in the Middle East, or Middle East peace: World Bank again—is insane. Because the President, presently, is unwilling, in an election campaign, to take on the World Bank, and the IMF, and the Federal Reserve, at the same time he's got this bunch of clowns who are around there trying to eat Bob Dole, who are trying to say he's "Big Government," or something, accusing him of being "Big Government," and Newt Gingrich. And he's got a bunch of bad advisers in the Democratic Party, too.

Stop supporting British imperial policies

But the problem here, is *not* that the United States is not delivering aid to these countries; the problem is that we are supporting the enemies of the people of these countries, by demanding the reform policy, by supporting the IMF conditionalities, by supporting a Hitler-like organization, the World Bank, and doing the same thing in Mexico, the same thing in various countries of South America. People praise Chile: Chile is a disaster! Chile is a vast economic failure, a disaster which is about to collapse. And people are praising the Chilean policy as a great success. It's a failure.

The United States is condoning *genocide* against Nigeria. The British, together with the so-called President of Uganda, committed the genocide in Rwanda. The British, together with the same Museveni, the President of Uganda, created the genocide in Burundi; attempted the genocide in Kenya, started a war there; are running the war in south Sudan; and Frank Wolf, a Republican congressman from my district in Virginia, is supporting the British, who are behind genocide against the nation of Sudan.

The British are doing the same thing to try to destroy the nation of Nigeria. What you hear about Nigeria in the press, is crap. Not true. Nigeria is a country, it has many problems. Many countries have problems. You get two Nigerians from neighboring towns together, they'll tend to beat each other up. That's all right. That's their problem. But that does not justify killing the country, or plunging it into civil war, which the British are determined to do. The British have a plan to

have genocide in South Africa. If Mandela is shot, South Africa will explode in genocide.

The problem is that we are supporting the wrong things, with the authority of government. We are supporting the wrong things in our policy at home, in terms of national economic security, and we are failing to realize that the people of Mexico, of South America, of the nations of Africa, of the Middle East, of the Balkans, of the former Soviet territory, *also have a right* to national economic security, and to respect for those measures which they must take, in terms of trade and tariff agreements to bring about that economic security.

So what we are doing is, by following the British in this kind of policy, which is the old Eighteenth-Century, Nineteenth-Century imperial policy, imperialism in a new form against the billions of people who should be our friends, we are turning a *world* of which we are nominally the leaders, into our enemies!

There are 1.2 billion Chinese in China. There are about 350 million Asians in Southeast Asia. There are over a billion people in South Asia. There is Europe, there is Africa. There are nearly 400 million people in Central and South America. The Pacific region, the Pacific and Indian Ocean, is the center of world trade and economy in the coming century because the most people are there, and the greatest growth will be there. We are turning the parts of the world which *would* be our friends, in a mutually beneficial friendship, we are turning them into our enemies, because we don't respect *their* economic security, their *right* to economic security, as we have lost respect for our own.

Forget the 'hot-button issues'

Therefore, in this light, I will say that what you see on the media, with the so-called "hot-button issues" on CNN, on these clown shows with these packs of clowns who follow Bob Dole around and try to chew at his heels: This doesn't mean *anything*. This is a fraud. There is no budget-balancing problem, there's a mind-balancing problem in Washington.

We are not tending to business. The business is to build up this economy again, to rebuild our national economic security, to provide economic justice, the opportunities for economic justice in the United States. To extend the same policy as our foreign policy, toward the people of Eurasia, the people of Africa, the people of Central and South America. To recapture the ideas which all the great leaders of our country have had: John Quincy Adams, for example, as a President, as foreign secretary, secretary of state, and as leader of the Congress. Lincoln; Franklin Roosevelt; Kennedy's effort, in his short time in office; and what Clinton would really *like* to do, even though he's not yet fully formulated such a policy. It's what his inclination is, to go in that direction. He'd prefer to be that way.

That's all we have to do. Get back to business, realize we have a crisis, we have a good Constitution if we use it, we can solve these crises.

But we have to start from the right assumptions: respect for life; we do not tolerate mass murder, even if it's done with a pencil or a passage of a policy. We do not consider that the pain, suffering, and death of Americans, is a way of solving problems, a budgetary problem. We do not believe that this should be done in other countries. And if we get about our business, we can survive.

What we must do, is to recognize the commonality between what is right for us, and what is right for others; and base our domestic policy and our foreign policy on the same principles. This is not a matter of giving away large sums of American money to foreign countries. This is *giving them their rights* to solve their own problems in cooperation with us. And that's national economic security. And that's what we've turned away from.

As I've said, my job is to deal with this terrible situation called a campaign, which is not a campaign. The President was supposed to give a State of the Union message, but he couldn't do that. He had to give a Christmas tree, in which he had, you know, like Santa Claus standing at the Christmas tree: "Hey, so-and-so, I've got this for you," "So-and-so, I've got this for you," "So-and-so, I've got this for you." A Christmas tree. It's not a State of the Union. It didn't say anything about the state of the nation. What he said about the state of the nation, was *wrong*. He said it's "prosperous." It's *not* prosperous. It's poor, it's getting worse daily. We're about to go under the bridge.

But on the Republican side, it's worse. Dole is not stupid. Not all the Republican candidates are stupid. Yes, Steve Forbes probably is. I know Gramm is; I don't think this fellow Newt Gingrich has thought recently. I mean, he's an energy-saver, he turns his mind off when he turns his mouth on. That kind of thing. Most Americans aren't thinking. They're so glad to have a tax reduction, they don't think about the consequences of what these guys are proposing, that it means the end of government, the collapse of our government.

They're not talking. They don't *say* anything. They're all news-media hounds, they're out there trying to propitiate the news media. What's the news media say? "Give us a bite-size statement. Give me your answer to the 'hot-button' questions," all of which is nothing.

Most of these candidates, those trailing after Dole, are just babbling. They're not saying anything. They're babbling like idiots. Not worth listening to. They're not candidates, they're jesters. They're clowns. And the Democratic candidates generally are not doing too much better. Gephardt's not doing too bad, a few other people are doing fairly well. But these vital issues which I've raised, for example, tonight. They're not being addressed.

Admittedly, they are hard issues. They are "heavy ideas." Why are they heavy? Because what happened to us, in destroying us as a nation, didn't happen overnight. It happened over at least 30 years: step by step, drip by drip, we caved in to post-industrial society. We caved in to the myth that we

are in a "Third Wave" society, an "information society." We caved in to the idea that free trade was good, contrary to all our successful traditions. Step by step, we caved in to these funny, new ideas. Not all at once; but drip by drip by drip by drip, over 30 years.

So the typical American today, doesn't *think* any more. They think what they should be overheard saying to the news media, or to their friends. They don't think! If we're in trouble, how did we get into trouble? Well, partly because of the American people. Either they didn't vote, or they voted for dumb candidates. One way. They believed their newspaper, they watched too much television. They watched the Idiot Box too long. I mean, how many times do you have to see a television program, to know that people bleed when beaten, that they often get undressed when they have sex, and so forth and so on. How many times do you have to watch television, to get that information!?! And why do you have to stay up all night doing it?

We're living in virtual reality, not reality, in terms of our mental life. We're not paying attention to business.

What's needed there, is for someone to do the terrible things that I do. More people. Is to go out and *insult* my fellow Americans, but in a loving way. Say, "Look, you guys have been behaving like idiots. You're like the guy who went back to the same used-car dealer that sold you the car without the engine last year, and you bought it again! You've got to realize that *you* may not have concocted these evils, but you, who have a brain, who could have used it, should have gotten wise to this racket, before now. So, why don't you give up the idea that everything has to be simple, everything has to be stupid, everything has to be in bite-size answers, and let's talk about it, and let's think! You got a question? *Ask* it! Something's confusing? Demand clarification. But *you must, in your own mind, know what this is about*. Not necessarily *all* the technical details, but you have to know what it is for which you should vote, what it is you should demand of candidates and representatives, and why."

You should know what the mistakes were in policy, that got us into this mess, and be resolved not to repeat it. You should refresh yourself on the history of the United States, to find those things that made us great, as opposed to those things which made us bad. And we should tap our resources, because we were the best nation on this planet. Other nations *envied* us, because we were the best. We also were very bad. But among all the bad nations—and they were all bad—we were relatively the best.

Now, forget what made us bad for a moment. What made us good? And perhaps, what made us good, is the thing to which we must return, and to eliminate all the things that prevented us from continuing to do those things that were good. Let's make reforms and changes where they *should have been made*; let's not make the changes which eliminate what should not have been eliminated. Let us not throw out the baby, instead of the garbage.

Rees-Mogg prepares for Clinton second term

by Scott Thompson

Lord William Rees-Mogg, the co-editor of the U.S. news-letter *Strategic Investment* and the former editor of the London *Times*, recently told an interviewer that President Bill Clinton will probably be “Watergated” in his second term in office. “I have a sort of feeling that what will probably happen is that he will be re-elected, but that something will emerge in the second term,” Rees-Mogg said. He added, “That’s what happened in Watergate, and I think it can happen again.”

For over a year, the British strategy against President Clinton has been one of hard cop versus soft cop, to force the President further into compromises with Britain’s assets on Capitol Hill, the Conservative Revolutionaries, led by Speaker of the House Newt Gingrich (R-Ga.). Rees-Mogg is the premier Peer among a handful of journalists who have played the hard cop: inventing nonexistent scandals, transforming truthful statements with innuendo, targeting Hillary Clinton in a manner that has been done with no other First Lady, and spreading rumors and strife. The other journalists in this British hard-cop operation notably include: Sir Peregrine Worsthorne of the Hollinger Corp.’s Telegraph Plc., who is the stepson of Montagu Norman, the man who, as head of the Bank of England, helped impose Adolf Hitler on Germany; and, the self-confessed British intelligence asset Ambrose Evans-Pritchard, who is also with the Hollinger Corp.’s *Sunday Telegraph*, and has fabricated stories out of whole cloth that Deputy White House Counsel Vince Foster was purportedly murdered.

A British intelligence front

Hollinger Plc., whose nominal owner is the Canadian Conrad Black, has been a British intelligence front since it was founded as the Argus Corporation after World War II. Its international board of advisers includes Lady Margaret Thatcher, Lord Peter Rupert Carrington, Sir Henry Kissinger, and former British Prime Minister Brian Mulroney.

While these British journalists outdo William Hearst’s notorious “yellow journalism” in their attacks on President Clinton and his wife, House Speaker Gingrich and the Conservative Revolutionaries have more and more adopted a soft-cop approach, telling the President that he must compromise, just a bit more, must take just one more step toward

them. President Clinton’s concession after the first U.S. government shutdown, that he would accept a seven-year balanced budget calculated using congressional budget figures, was the first major step in this process. And, now, Rees-Mogg has revealed that at the end of this process, if President Clinton is re-elected, the British intend to try to “Watergate” him.

In the interview, Rees-Mogg agreed that he had “either written quite a bit, or had been involved with people who did, on the Clintongate scandals.” Asked whether sufficient momentum had been generated by the hard-cop journalists to make Clinton a one-term President, Rees-Mogg responded:

“I think they [British journalists] could, in that I think there are some quite serious matters that have been successfully kept under wraps. I don’t think you shred all those papers for no good reason. Whether they will, is another problem. I don’t think that anything has yet been established in public that would stop him becoming President again or stop him winning a second term. I have a sort of feeling that what will probably happen is that he will be re-elected, but that something will emerge in the second term. That’s what happened in Watergate, and I think it can happen again.”

However, Rees-Mogg was vague about what it was exactly that the British had in store to topple President Clinton: “No. I mean the whole sort of interconnected mess of scandals, what collectively go under ‘Whitewater,’ although I’ve followed them closely, have now so many aspects. . . . And, I just can’t make a guess what part will unravel.”

Northern Ireland

Asked whether President Clinton had undermined the postwar United States-United Kingdom “special relationship,” Rees-Mogg said:

“Not really. It is true that he’s an American President whom the British don’t particularly feel attracted to and who does not feel particularly attracted to us. And, so, I think that it’s reduced the normal warmth of the relationship. . . . Inevitably, some Rhodes Scholars [like President Clinton] are going to take against the environment [in the United Kingdom]. . . . [But,] Presidents come, Presidents go.”

Asked whether President Clinton’s peace mission in Northern Ireland was viewed as anti-British, Rees-Mogg patronizingly referred to the Northern Irish as “tribesmen”:

“I don’t think the British admire his [President Clinton’s] foreign policy. But . . . the English attitude is that we wish that the two fighting tribes of Northern Ireland would settle their differences. . . . The one thing we do understand, I think, much better than Washington does, is that the Protestant tribe is the majority in Northern Ireland, and that no settlement that the Protestant tribe won’t accept will actually work. And, that, therefore, courting the Protestants is just as important as courting the Nationalists. But, having the American President courting the Nationalists doesn’t bother us a bit.”

Placido Domingo supports Verdi tuning

Leading world tenor Placido Domingo told a press conference at the Kennedy Center in Washington, D.C. on Feb. 12, that *A Manual on the Rudiments of Tuning and Registration*, commissioned by statesman Lyndon H. LaRouche and published by the Schiller Institute, is "an extremely important initiative for the future of opera." Domingo, who is also an important conductor, enthusiastically supported the "Verdi tuning" of A=432 Herz (C=256) as "most desirable."

Maestro Domingo was presented with the Schiller Institute book at the conclusion of his press conference, his first in Washington, called to announce his plans for the 1996-97 season of the Washington Opera, of which he has just become the new Artistic Director. Domingo stressed that he is beginning a "new era" in his career, to "bring to the capital of this great nation . . . the understanding of a singer, and what beautiful singing can contribute to American culture."

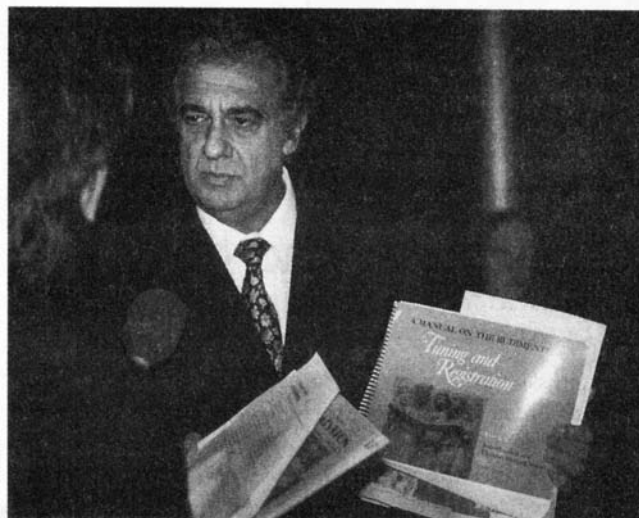
He also stressed the need to educate a new generation of young opera singers. He announced a 1996-97 Washington Opera season with many new singers "barely 30 [years old], or just over 30," in which some 60 artists will be making their debuts. He described the "Placido Domingo World Opera Competition" he has been holding around the world, and his efforts to follow up all finalists, create productions for them at various opera houses, and educate them in singing, long after the contest.

Domingo announced that his 1996 opening night production will be the Washington premier of *Il Guarany*, the 1870 opera by Brazilian composer Antonio Carlos Gomes, a collaborator of Giuseppe Verdi. Carlos Gomes, the centennial of whose death is 1996, wrote in Italian, he said, "in the *bel canto* style of Verdi. . . . I want the Latin American people to hear, that they have produced such a great composer, who wrote based on an Italian singing line, but also with strong South American characteristics."

Saving young voices

Maestro Domingo's comments were sought by the Schiller Institute, for the upcoming publication of Book I of the *Manual* in both Italian and German, in Europe this spring. Domingo held the *Manual* up before the U.S. and European TV cameras, and stated enthusiastically, "This is an extremely important initiative for the future of opera; it must be continued without fail. . . . The modern rise in the singing pitch is most destructive to the *bel canto* voice, especially to young singers. . . .

"Did you know," he asked reporters, many of whom were



Placido Domingo said at a press conference at the Kennedy Center that the Schiller Institute's manual on tuning is "an extremely important initiative for the future of opera."

from Ibero-America and Spain, "that the tuning here may be at A=440, but in Vienna it is as high as A=448? This makes singing almost impossible; it chokes us off," he said, with a choking motion of his hand to his throat. "And Verdi himself wanted legislation to hold it down to A=437." When a Schiller Institute representative mentioned that Verdi had desired the tuning be as low as A=432, he replied, "A=432? Even better! This is most desirable."

Domingo also noted that he still endorses the comments he made at the time of the Institute's 1988 Milan conference on the Verdi tuning:

"It is very important that we singers start doing something, because the conductors are tuning the orchestras way too high today . . . and that means that a singer does not last long. So far, we have been obedient and sung without complaints, but throughout my career, the pitch has just gone up and up.

"Even the 440 cycles for A, which is the standard today, is much higher than, for instance, at the time of Verdi. And now there are even some conductors that tune at 445-446, because they believe that this gives a beautiful sound and brilliance. . . . This is simply outrageous.

"I remember one time, when we had to sing *La Boheme* with the Boston Symphony, Renata Tebaldi arrived before the performance and gave the oboist an A. . . . He got very offended and said: 'Madame Tebaldi, what is this supposed to mean?' 'That you are too high,' she answered. 'That you don't have to tell me, I know my work,' he said, and then a lot of trouble and confusion arose. But the end of it was, that the orchestra was tuned in the original way and this was a very good experience."

Domingo joked that, since he is now running an opera company, he might have to withhold his final 1988 comment, calling for "a singers' strike" for the Verdi tuning.

House GOP treats 'Russian organized crime' as the new enemy image

by Edward Spannaus

Congressional hearings on Global Organized Crime, held Jan. 31 and organized by Republicans on the House International Relations Committee, were used as a forum to attempt to paint a new *Feindbild* (enemy image) of Russia, as a country hopelessly dominated by organized crime. In the eyes of some unreconstructed "Cold War" Republicans, such as Ed Royce (R-Calif.), there is little difference between the old communist-dominated Russia, and the new mafia-dominated Russia, and therefore, they say, the United States should still treat Russia as a strategic threat, and certainly should not extend to Russia any kind of assistance.

The first witnesses at the hearings were Jim Moody, Deputy Assistant Director of the FBI Criminal Investigative Division, and David Carey of the CIA, who is Director of the Crime and Narcotics Center of the office of the Director of Central Intelligence (DCI). The second panel included Arnaud de Borchgrave of the Center for Strategic and International Studies (CSIS), and Ariel Cohen of the Heritage Foundation.

While not underplaying the magnitude of the problem in Russia, the first panelists nevertheless stressed the cooperative relationship between the United States and Russia with respect to organized crime—which was obviously not what the organizers of the hearing were interested in hearing. Moody said that the United States is attempting to assist Russia with legal help, legislation, training, etc. He described U.S. strategy on global organized crime as that of entering into working partnerships with other countries, working with the Group of Seven industrial nations (plus Russia), developing multi-country task forces, and so on.

Rep. Jan Meyers (R-Kan.) asked the panelists about cooperation with other countries, and about the problem of corrupt officials in foreign countries. Moody said the United States attempts to identify officials to work with, who are not corrupt. He said that this has been particularly successful with Russia; we have had no leaks, and no problems, with the Russians. Under Presidential Decision Directive No. 42, the United States can use the International Emergency Economic Powers Act, and the authority of the State Department with respect to the issuing or withholding of visas. If the United States identifies members of a foreign government who are involved with organized crime and drug trafficking, we can try to get them removed from their government, Moody said,

or even indict them in the United States.

In response to questioning by Royce on the extent of control of Russian organized crime by Russian intelligence agencies, Carey's assistant, Ray Innis of the DCI, said that in 1989-90 there was some sanctioned activity by Russian intelligence agents and agencies, but currently, the United States has no evidence of ties between Russian intelligence and organized crime. In fact, Innis said, Russian organized crime is doing very well on its own. He reiterated that the United States has no evidence that organized crime is controlled by the Russian intelligence services; if there are ties, he said, they are more historical than current.

The neo-Cold Warriors

The second panel gave Royce and others opportunity to expound their neo-Cold-War views. Prof. Phil Williams of the University of Pittsburgh joined de Borchgrave, who heads a project on transnational organized crime at CSIS, and Cohen, on this panel. Royce had presented a prepared statement for the hearings which contended that Russia has become a "superpower of crime," and that Russian organized crime now poses a serious threat to world financial markets and to the United States.

De Borchgrave described the massive scale of "transnational" organized crime, including the targetting of the United States and U.S. corporations. He called Russia a "feudal plutocracy," and asserted that "the KGB and organized crime are inextricably intertwined." Some "30% of the Duma [parliament] is directly linked to organized crime," de Borchgrave claimed.

Not to be outdone, Cohen claimed that the Communist Party and Vladimir Zhirinovsky's forces control half of the votes in the Duma today. He said that organized crime is rampant in Russia, it is undermining the reforms, and as a result, Russia is now discarding free-market reforms.

His solution? As might be expected from the Heritage Foundation, Cohen insisted that Russia should deregulate even further, so as to decrease "bureaucratic intervention into the economy," so that there is less opportunity to bribe government bureaucrats!

Both de Borchgrave and Cohen argued that more covert action is needed. Both questioned whether U.S. intelligence agencies today are "up to the job."

One of the most bizarre moments of the hearings arose when Rep. Toby Roth (R-Wisc.) asked a series of questions as to whether the nation-state can deal with the problems of global organized crime, and, if individual countries can't do it, what might replace the nation-state?

De Borchgrave answered: "There is no such thing as the nation-state in cyberspace. The nation-state is obsolete in cyberspace. Where is the nation-state? I don't see it. But we still think in terms of the nation-state."

Unfortunately, no Democratic members of the committee participated in the hearings, leaving the field wide open for the new Cold Warriors. According to one Democratic congressman's office, they had not been notified of the hearing until the night before, which has become a common practice in House Speaker Newt Gingrich's 104th Congress.

Luttwak: Organized crime is beneficial

CSIS, true to its British sponsors, is developing a talent for positioning itself on different sides of the same issue. While de Borchgrave was damning Russia for being dominated by the mafia and organized crime, another CSIS adviser was praising the mafia as the best thing that could happen to Russia.

Edward Luttwak, who is an adviser on strategic policy to Gingrich's GOPAC, as well as a senior fellow at CSIS, presented his argument in the Feb. 4 *Washington Post*. Luttwak said that there is a political threat from the hard-line communists and Stalinists in Russia, but, he argued, "the conventional wisdom that the mafia is bad for Russia is, in purely economic terms, all wrong."

"To begin with, it overlooks the natural evolution of the capitalist animal," Luttwak continued, arguing that "the fat cows" of today's advanced capitalist economies "started out as lean and hungry wolves" that accumulated capital through extremely unscrupulous means. There are times, when economies are undergoing drastic transformations, such as after World War II, that "only the most ruthless hyenas can survive and prosper."

Black-marketeering, predatory buying, substandard manufacture, and outright stealing were the means by which the great postwar fortunes in war-ravaged countries were built up. "Had the respective police forces been effective enough to round up all the hyenas and lock them up, the economic recovery of West Germany, Italy, and Japan would have been much slower, and many of the successful entrepreneurs of the 1950s and 1960s would never have been able to get their start."

This is even more true in Russia, Luttwak argued, because "in the Russian economy simple theft can be relatively productive," because the old Soviet economy was so inefficient. "In such a counterproductive economy, stealing can be highly productive."

His argument is that raw materials, diverted from official channels, could be made into useful products by illegal work-

ers; stolen fertilizer and farm tools could be used to grow food, etc. Thieves and consumers could only be brought together by an illegal market, and only the mafia was strong enough to organize this market and pay off corrupt officials. To do so, it had to collect "protection," i.e., its own unofficial taxes. Voilà! A proto-capitalist system!

Thus, Luttwak contended, "organized crime remains a very beneficial force: It is the only counterweight to the great number of firms backed by corrupt officials that now engage in ruthless monopolistic practices."

"One day," he concluded, "Russia will acquire a functioning system of commercial law, administrative and fiscal courts that can actually protect citizens from the demands of arbitrary, corrupt government officials, and can even impose anti-monopoly safeguards. Only then will it be safe to unleash the police against the mafia, to stop the social and political damage it is certainly inflicting. In the meantime, organized crime is the only force interposed between the new economic boyars and the defenseless consumers and entrepreneurs of Russia."

Bringing Russia to ruin

So, the black hand of the mafia is really just the "invisible hand" of Adam Smith. The argument is even older than Smith, of course; Smith's mentor in such matters was Bernard Mandeville (1670-1733). Mandeville's 1714 essay, *The Fable of the Bees, or Private Vices, Publick Benefits*, is the classic argument as to how greed, avarice, slavery, and depravity, all result in good in the end. Mandeville's argument, adopted by free-market ideologues ever since, is that it is folly to attempt to apply morality to economic matters, which only interferes with the free workings of the marketplace.

International Monetary Fund (IMF)-sponsored free market reforms and "shock therapy" have brought Russia to economic and social ruin, with industrial and agricultural production falling by one-half in the past five years. The imposition of monetarist criteria as the sole gauge of so-called "democratic" reforms, the rapid deregulation of prices and markets, and the withdrawal of the State from economic affairs, have created a vacuum in which organized crime has flourished. It is no wonder that many in Russia view this as a deliberate policy designed to destroy Russia as a great power.

It is ironic that some in the West use the rise of organized crime in Russia—a condition created by IMF free-market methods—as the pretext for now arguing that the West should again view Russia as our mortal enemy. Others, like Luttwak, suggest that the rise of the mafia signifies that Russia is on its way to becoming genuinely capitalist. Both arguments are reckless in the extreme, and represent the height of strategic stupidity. And both arguments are intended to prevent the Clinton administration from breaking with the Bush-Thatcher-IMF policy of intentionally destroying Russia as a great power, and of destroying Russia as a potential strategic ally of the United States—as it once was.

Elephants and Donkeys

by Kathleen and Mel Klenetsky

Forbes falls flat in Iowa caucuses

Steve Forbes, the half-a-billionaire publishing mogul who has been pursuing the flat tax as though it were the Holy Grail, came a cropper in the Feb. 12 Iowa caucuses. Despite pouring millions into campaign advertising, Forbes found himself scrambling to place fourth or fifth, way behind Bob Dole, Pat Buchanan, and even Lamar Alexander.

One may expect that Forbes will lay the blame for his pathetic showing at the feet of Buchanan and Dole, whose organizations he accused of carrying out a smear campaign against him in Iowa. Forbes claimed that campaign workers for these two rivals had telephoned Iowa voters charging he favored taxpayer-funded abortions and same-sex marriages.

However, it may be that Forbes's media-hyped, flat-tax mania has gone a little flat, and that, as they find out more about him, voters will rule him out completely.

What will the impact be on the electorate as it becomes more widely known that Forbes favors privatizing Social Security, à la the Chilean model? (Such knowledge may have been a factor in Forbes's inglorious showing in Iowa, since Bob Dole ran TV ads in Iowa warning that "Steve Forbes plans to end Social Security as we know it.") Or that Forbes wants to privatize Medicare as well? Or that his flat tax will lay waste to what remains of the U.S. economy?

A friend of the British oligarchy

Forbes didn't cook up these horrors all by himself. He is linked to the networks of the Mont Pelerin Society, the

Swiss-based, British-backed organization which is bent on destroying the United States through free-market policies.

Indeed, Forbes's major issue, the flat tax, came straight out of the Hoover Institution, one of Mont Pelerin's principal outposts in the United States. It was picked up by Gingrichite Rep. Dick Armey, once a distinguished fellow at the Fisher Institute, whose board included Mont Pelerin founder Friedrich von Hayek!

The flat tax itself is a purely oligarchical scheme. Not only would it raise taxes on the middle class, by eliminating such crucial deductions as mortgage interest and medical expenses, but, far worse, it would tax *only* income from actual work, and exempt income from investments.

In other words, a Wall Street speculator, who made millions speculating on currency swaps, farm futures, or other derivatives, would pay no tax on his profits, but a steelworker or other salaried person would pay a hefty tax on his income.

Oligarchism dominates Forbes's life and outlook. Raised in wealthy New Jersey horse country, educated at Princeton, Forbes inherited control of the eponymous business weekly, which was founded by his grandfather, after the death of his father, the flamboyant Malcolm Forbes.

Forbes magazine has long served as a propaganda outlet for British-inspired attacks against the "American System" of dirigist economic development. Just take a look at some of its senior editors, beginning with Steve Hanke of Johns Hopkins University.

Affiliated with the Cato Institute, Heritage Foundation, and other "Conservative Revolution" hotbeds, Hanke co-authored a column for *Forbes* with Sir Alan Walters, then personal adviser to Prime Minister Maggie Thatcher.

Hanke attended the recent Mont Pelerin Society meeting in Cancún, Mexico. (See *EIR*, Feb. 9, 1996.)

Another senior editor is black conservative Thomas Sowell, housed at the Hoover Institution and a member of the Mont Pelerin Society.

Forbes's brother, Tim, a VP at Forbes, Inc., is a director of the Margaret Thatcher Foundation, while another brother, Kip, is married to a baroness, and holds membership in the English Speaking Union, the British Institute of the U.S., and other British organizations that were set up to extend British control over the United States.

The eugenics factor

Another senior editor is British-born Peter Brimelow, the author of the immigrant-bashing book *Alien Nation*, who is tied into various eugenics circles in the United States and Canada. This raises another point about Forbes: his affiliation with Nazi-style race science.

A key architect of Forbes's Presidential bid is Tom Ellis, a North Carolina political operator close to Jesse Helms. Ellis was a director of the brazenly pro-eugenics Pioneer Fund from 1973-77. The New York-based foundation has bankrolled research by Arthur Jensen and other "scholars," purporting to prove that blacks are genetically inferior to whites in intelligence. It has financed such publications as *Aryan Evolution*. Its first president, Harry Laughlin, was the associate editor of *Eugenical News*, secretary to the Third International Conference on Eugenics, and helped write the Model Eugenics Sterilization Law.

Is that what you have in store for us, Stevie?

National News

Call for Puerto Ricans to help stop Gingrich

A spokesman for the Schiller Institute called on Puerto Rican legislators, as well as trade union and religious leaders, to join the institute's national bipartisan coalition to stop Newt Gingrich's "Contract on America," during a radio interview on Feb. 12. Iván Gutiérrez del Arroyo detailed for the island's WKII "Public Affairs" broadcast how the institute had organized to place an ad in the *Washington Post*, signed by hundreds of state legislators, including Puerto Rican Sen. Mercedes Otero de Ramos, labor and civil rights leaders, and Presidential candidate Lyndon H. LaRouche.

"The Contract on America's goal is to privatize and eliminate our Republic, especially the commitment of our Constitution to secure the general welfare of all citizens—the basic rights for productive employment, public education and health services," said Gutiérrez. "Gingrich and his controllers within the Mont Pelerin Society and Hollinger Corporation, such as Kissinger and Bob Strauss, want to eliminate those with dark skin, and their genocidal programs will be subject to the Nuremberg Tribunal trials, as were the actions of some of Hitler's accomplices and executioners."

'Free market' farm bill is boon to cartels

On Feb. 7, the Senate passed a "free market" farm bill by 64-32, with 20 Democrats joining 44 Republicans. The bill is essentially the "Freedom to Farm Act," advocated by the Heritage Foundation, and sponsored in the House by Pat Roberts (R-Kans.), which calls for ending all government intervention in support of domestic farm and food sectors, in seven years.

Versions of this law were earlier approved by Congress, and vetoed by President Clinton. The new version would give out government payments directly to farmers over the seven-year period, in decreasing

amounts each year, in what is called "market transition contracts"; and then, nothing, as the "pure market" takes over. Production controls and annual acreage idling would cease.

The farm bill means the replacement of the farm laws of the past 30 years, which called for price support measures for farmers' products, nominally tied to the rise and fall of the "market," and of supplies. The new law abolishes any semblance of market-based price supports. Over the years, the "market" has increasingly become an obvious fiction: Up to 90% of the U.S. market (such as poultry production and processing) is dominated by international commodities cartel interests, connected to London finance.

Some concessions were granted to secure Democratic votes: especially, that the Agriculture Act of 1949 would go into effect at the end of 2002, if no new legislation is enacted. The 1949 law calls for continuing parity pricing for farm commodities, at 60-90% of parity, unless superseded by legislation; and providing for the security of the national food supply, and the good of the economy. Other concessions included the reauthorization of food stamps, emergency meals, and related nutrition programs.

Pennsylvania governor proposes killer budget

Republican Pennsylvania Gov. Tom Ridge's new state budget calls for more than \$300 million in state welfare cuts, while increasing funding for prisons, and reducing the corporate income tax and the capital stock and franchise taxes, according to the *Philadelphia Inquirer* and *Philadelphia Tribune*.

The budget would eliminate health insurance for 157,000 people. Some 133,000 people fall under the category of "Medically Needy Only," who often work in minimum wage jobs, and are too poor to afford health insurance, for planned "savings" of \$249 million. "The hope is that through their own work, they'll be able to acquire their own insurance," said the governor's press secretary. The remaining 24,000 are disabled peo-

ple who cannot work; they will lose \$205 a month in cash assistance.

Ridge also plans to refuse \$9 million in federal funds for assistance to children under 3 years old, and replace the lost money with \$6.5 million in state funds this year. This means that the state will not have to abide by federal regulations in this area.

Budget provisions listed by the *Tribune* include: cuts in medical assistance, and funding freezes for schools and mass transit; business taxes slashed by \$60 million, including a \$24 million reduction in capital stock and franchise taxes; increased funding for prisons from \$836 to \$916 million; and halving state subsidies for private colleges and freezing funding for state-owned colleges.

Anti-drug author blasts Buckley, Soros

Rachel Ehrenfeld, author of two books on drug-money laundering and narco-terrorism, penned a devastating refutation to William F. Buckley's call for drug legalization in the *Wall Street Journal* on Feb. 7. "Until the early 1990s, the voices to legalize drugs were not in sync," she began. "This picture changed when international financier George Soros donated \$6 million to the Drug Policy Foundation, \$4 million to his own Lindesmith Center, \$3 million to Drug Strategies, and smaller grants to a variety of institutions in the U.S. and abroad. His sponsorship unified the movement to legalize drugs and gave it the respectability and credibility that it lacked. Mr. Buckley's latest endorsement of legalization has added 'intellectual' weight to the movement."

Point by point, Ehrenfeld refuted the arguments of William F. Buckley's *National Review*, which pushes for drug legalization because the war on drugs is allegedly lost. Ehrenfeld cited two standard studies ("Monitoring the Future" and "The National Household Survey on Drug Abuse") to show that there has been a measurable drop in drug usage among children over 12 years of age since the peak year of 1979. She also showed that drugs are the primary cause of crime in America.

Her conclusion: "A recent national Gallup Poll revealed that 85% of Americans reject drug legalization. The public . . . realizes that being under the influence of mind-altering substances is the problem, not the drug law."

Seniors, mayor vent ire at D.C. control board

Hundreds of senior citizens jammed a meeting of the Washington, D.C. financial Control Board on Feb. 7, waving signs and booing the board to protest the threatened shutdown of D.C.'s Office on Aging and \$150 million more in cuts this year, which the Control Board is demanding. Already, because of austerity cutbacks, the garbage in the nation's capital is rarely collected, and schools are regularly closed when heating, electricity, and plumbing break down.

Mayor Marion Barry said the District needs \$500 million more in federal funds to pay vendors, and that he refuses to go along with many of the cuts being proposed. He was broadly applauded in his testimony.

On a related issue, the Control Board held a closed-door meeting earlier in the day with city labor leaders, in an attempt to win their support for large-scale privatization of city services—another austerity move—while the issue of disciplinary action against dozens of workers who demonstrated last December against privatization is still pending.

Florida flouts law in effort to fight NAFTA

Florida State Agriculture Commissioner Bob Crawford, has established a regimen of inspecting every truck entering Florida, for foreign agricultural goods, according to the *Journal of Commerce* on Feb. 9. Samples of imported cargo are taken for testing in state laboratories, and a \$70 "inspection charge" imposed on the trucker. Trucks are being turned back if they do not pay the charge, or if they are found in violation of state laws.

Crawford made it clear that his action was motivated by the fact that, since the implementation of the North American Free Trade Agreement (NAFTA) and the subsequent December 1994 collapse of the Mexican peso, Florida's share of the U.S. winter vegetable market has plummeted from 68% to 37%. He also cited findings, presented at a recent conference in Texas, that 17-25% of Mexican produce sampled in that state was found to be contaminated with *E. coli* 057H7 bacterium.

U.S. Customs and the U.S. Agriculture Department officials are fully aware that Florida's actions are illegal, and "usurp the federal government's power to regulate foreign trade, as spelled out in the U.S. Constitution," reported the *Journal*. The administration is treating the situation gingerly, however; officials have reportedly dissuaded Crawford from widening his inspections to include state's airports and marine ports.

Governors issue plans to gut Medicaid, welfare

The National Governors Association unanimously drafted two proposals to "reform" Medicaid, Medicare, and welfare at their Feb. 6 winter policy conference in Washington. Both the White House and Congressional leaders have said that they will carefully study the documents, titled "Restructuring Medicaid," and "Welfare Reform." Congressional hearings will take place shortly after the recess.

Indications are that the governors are moving in a direction of drastically reducing the current level of federally guaranteed "entitlements" and reverting many policy and spending decisions to the states. The states would receive the greatest latitude of independence from the federal government in the case of the disabled.

The welfare reform proposal places great emphasis on job training and getting people off of welfare and into jobs within five years. Much of the welfare program—with the exception of food stamps and school lunch programs—would revert to the states with only minimal federal oversight.

Briefly

MICHAELMILKEN, the convicted junk bond king and ADL moneybags, is coming under more intense scrutiny by the Securities and Exchange Commission, since he began advising several of the media giants, including Ted Turner, who is merging his Turner Broadcasting with Time Warner; and acting as a go-between in MCI's decision to invest heavily in Rupert Murdoch's News Corp.

JACK KEVORKIAN, "Doctor Death," is set to go to trial in Michigan the week of Feb. 19, on charges that he violated the state's expired ban on assisted suicide in connection with two deaths in 1993. A three-judge panel of the Court of Appeals on Feb. 13 lifted a stay that had been imposed by the court the previous week.

LADY MARGARET Thatcher landed her broomstick at the College of William and Mary in Williamsburg, Virginia on Feb. 1. She participated in Charter Day ceremonies with keynote speaker Pamela Churchill Harriman, the U.S. ambassador to France and Democratic Party "fat cat," who is down to her last \$15 million after legal battles with Averell Harriman's children over his estate.

PHIL GRAMM announced he was dropping out of the Presidential race on Feb. 14, after failing to cross the double-digit threshold in the Iowa caucuses. In other campaign news, Conservative Revolution posterboys, Virginia Gov. George Allen and Massachusetts Gov. William Weld, endorsed front-runner Bob Dole, one week before the New Hampshire primary.

OVER 10,000 Puerto Ricans and Hispanics will gather on March 29 in the nation's capital to affirm their Hispanic heritage and political power, announced Manuel Mirabal, the chairman of the National Puerto Rican Affirmation Day (NPRAD), on Feb. 8. The rally is a prelude to the Hispanic march of One Million in Washington set for next Oct. 12, Columbus Day.

The Hamlet principle

Abraham Lincoln's famous quip: you can fool all of the people some of the time, and some of the people all of the time, but you can't fool all of the people all of the time, is relevant to the political fate of Newt Gingrich and Phil Gramm. The 1994 congressional sweep by neo-conservatives (better described as neo-fascists) testified to the stupidity of those who voted them into office; but the repudiation of Gramm in the Republican Presidential primaries by these same voters, shows at least their partial return to sanity.

Nonetheless, the level on which the primary fight is being conducted shows no cause for congratulations. The American people today have become foolish. They are willing to tolerate elections conducted as sales campaigns, because, essentially, they still wish to vote for the politician who offers them an apparently "good deal." They are willing to traffic in slogans, such as getting rid of "big government," or the need for "free trade." They are willing to allow the electoral process to be turned into just another soap opera, run by media experts.

What they have not yet been willing to do, is to take seriously their responsibilities as citizens of a republic. And this, unfortunately, is the stuff of which tragedies are made—the failure of a people to reflect upon, and then correct, their errors in judgment.

In a crisis period such as today's, it is not sufficient that the electorate is no longer willing to buy a Newt Gingrich or a Phil Gramm; we need an informed population prepared to support a President who will make urgently needed sweeping changes in policy, such as abolishing the Federal Reserve System. People recognize that they have been fooled; they must take the correct action necessary to change the situation.

The most serious problem that President Clinton faces is the low level of culture in the United States today, compared with that of even two generations ago. Whereas President Franklin Roosevelt, faced with the reality of the Second World War, mobilized the United States on a scale hitherto undreamed of, a similar mobi-

lization today is far more problematic.

The American people, even in the earlier part of this century, were far less educated than in the eighteenth and nineteenth centuries, when Americans were the most educated citizenry in the world. William Shakespeare was the favorite author of Presidents John Adams and Abraham Lincoln, and soliloquies, such as Hamlet's famous "To Be or Not To Be," were memorized in the schoolroom. These plays became a point of reference for the necessary self-reflection which enables men and women to live up to their responsibilities as citizens.

Shakespeare, in his tragedy *Hamlet*, tried to arouse the English people to avert the calamity of a succession to power of James Stuart, following the reign of the pathetically indecisive Queen Elizabeth I.

We can easily imagine that the model of the moral coward Hamlet, was on Abraham Lincoln's mind as he assumed office, facing the question of whether to go to war or to accept destruction of the Union. Lincoln was able to rise above the cowardice of those who urged compromise on the question of defending the Union. The function of tragedy is to educate the audience, so that they can ponder the momentous consequences of acting, or failing to act, when history demands that the citizen rise above his or her fears, or merely private needs and considerations.

Tragedies occur when people stubbornly refuse to take actions which are dictated by reason, but which flout conventional wisdom. For Hamlet, this stubbornness was exemplified by his unwillingness to avenge his father's death in the face of a popular opinion which might condemn him for regicide.

Today, it is exemplified by the banality of the American people, most of whom are still willing to accept comfortable slogans in place of facing the implications of the present harsh reality. It is not enough that the voters have recognized how Phil Gramm and Newt Gingrich have fooled them; they must come to understand what it was in them which allowed them to be so fooled.

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LOUISIANA

- NEW ORLEANS—Cox Ch. 8
Mondays—11 p.m.

MARYLAND

- BALTIMORE—BCAC Ch. 42
Mondays—9 p.m.
- MONTGOMERY—MCTV Ch. 49
Weds.—1 pm; Fri.—8:30 pm
- PRINCE GEORGES COUNTY—
PGCTV Ch. 15
Thursdays—9:30 p.m.
- WEST HOWARD COUNTY—
Comcast Cablevision—Ch. 6
Daily—10:30 a.m. & 4:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MICHIGAN

- CENTERLINE—Ch. 34
Tuesdays—7:30 p.m.
- TRENTON—TCl Ch. 44
Wednesdays—2:30 p.m.

MINNESOTA

- EDEN PRAIRIE—Ch. 33
Wed.—5:30 pm; Sun.—3:30 pm
- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- MINNEAPOLIS (NW Suburbs)
Northwest Comm. TV—Ch. 33
Mon.—7 pm; Tue.—7 am & 2 pm
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Mondays—8 p.m.

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Sundays—6 a.m.

NEW YORK

- BRONX—BronxNet Ch. 70
Saturdays—6 p.m.
- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1 or Ch. 99
Wednesdays—5 p.m.
- BROOKLYN
Cablevision (BCAT)—Ch. 67
Time-Warner B/O—Ch. 34
(call station for times)
- BUFFALO—BCAM Ch. 18
Tuesdays—11 p.m.
- HUDSON VALLEY—Ch. 6
2nd Sunday monthly—1:30 p.m.
- ILION—T/W Ch. 10
Fridays—3 p.m. & 10 p.m.
- ITHACA—Pegasys—Ch. 57
Mon. & Weds.—8:05 p.m.
Saturdays—4:35 p.m. Ch. 57
- MANHATTAN—MNN Ch. 34
Sun., Mar. 3 & 17—9 a.m.
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 25
Last Fri., monthly—4:30 p.m.
- OSSINING—Continental
Southern Westchester Ch. 19
Rockland County Ch. 26
1st & 3rd Sundays—4 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4:30 p.m.
- QUEENS—QPTV Ch. 56
(call station for times)
- RIVERHEAD
Peconic Bay TV—Ch. 27
Thursdays—12 Midnight
1st & 2nd Fridays—4 p.m.
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—P.A. Ch. 27
Wednesdays—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)
Time-Warner Cable—Ch. 12
Saturdays—9 p.m.

- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.
- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.
- YONKERS—Ch. 37
Fridays—4 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

OREGON

- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- AUSTIN—ACTV Ch. 10 & 16
(call station for times)
- DALLAS—Access Ch. 23-B
Sun.—8 p.m.; Thurs.—9 p.m.
- EL PASO—Paragon Ch. 15
Thursdays—10:30 p.m.
- HOUSTON—PAC
Mon.—10 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—5 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
Saturdays—12 Noon
- RICHMOND—Conti Ch. 38
(call station for times)
- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.
- YORKTOWN—Conti Ch. 38
Mondays—4 p.m.

WASHINGTON

- SEATTLE—TCI Ch. 29
(call station for times)
- SNOHOMISH COUNTY
Viacom Cable—Ch. 29
Weds., Mar. 6—3 p.m.
Weds., Apr. 3—3 p.m.
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—11:30 am; Thu.—8:30 pm

WISCONSIN

- WAUSAU—Ch. 10
(call station for times)

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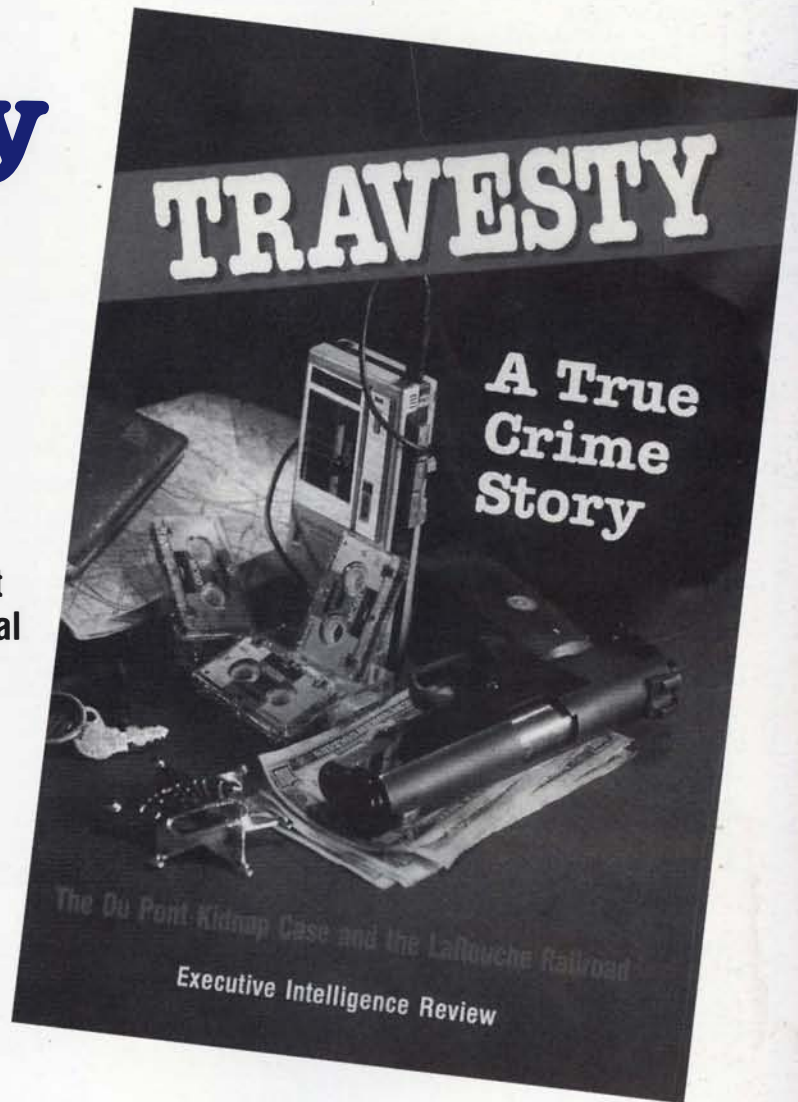
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