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IMF demands pound of flesh from Bosnia
LaRouche wins 11.1% in Colorado primary
Clinton hits Dope, Inc. in Colombia

The LaRouche record

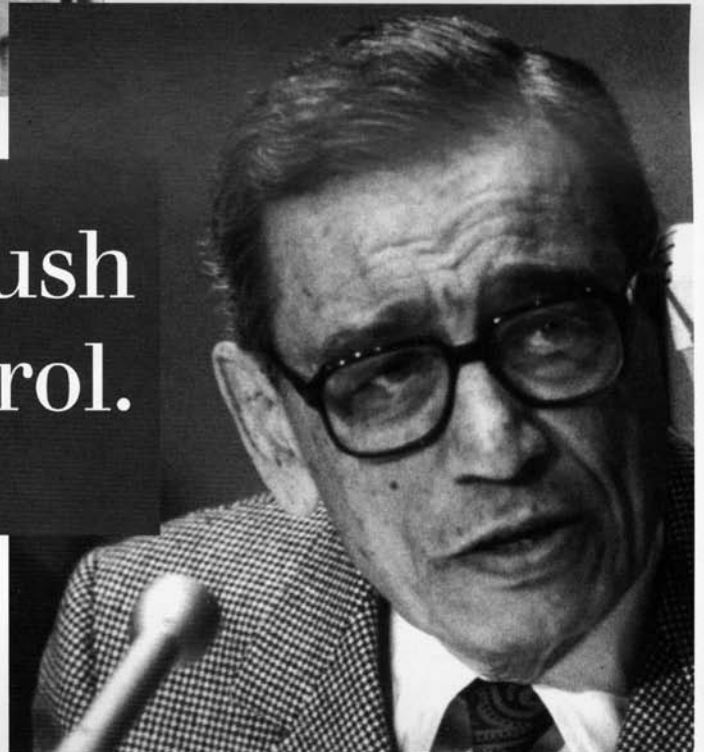
he's Discoveries
VER OF REASON





What do these two men have in common?

They both push population control.



Stop the UN's New World Order: Hitler in Blue Helmets.

DID YOU KNOW:

- that the population control movement is nothing but a whitewashed version of the Nazi eugenics policy, which was developed in Britain and the United States, then exported to Hitler's Germany?
- that the United Nations has set up a series of conferences, beginning with the September 1994 International Conference on Population and Development, in Cairo, Egypt, whose purpose is to reduce world population by more than two billion people and institute a utopian world dictatorship?
- that National Security Study Memorandum 200, written under the direction of Henry Kissinger and Brent Scowcroft in 1974, defines population growth as *the enemy* of the

United States, and targets over a dozen Third World countries on its "population enemies list"?

- that since NSSM 200 was written, American dollars have paid for the sterilization of roughly *half* of Brazil's women of childbearing age?

This report, revised and expanded from the 1992 Special Report "The genocidal roots of Bush's 'New World Order,'" is intended to help catalyze a fight for national sovereignty, the family, and human life in the face of the Malthusian onslaught of the United Nations and its one-world imperial supporters.

The new sections include texts of major statements against the Cairo population conference by the Schiller Institute, Vatican, and others, and self-indicting extracts from the planning documents drafted by the United Nations bureaucrats.

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From the Associate Editor

In September 1962, after a bloody battle which left two people dead, James Meredith became the first black student to enter the University of Mississippi. "One day the South will recognize its real heroes," said Dr. Martin Luther King, Jr. "They will be the James Merediths, with the noble sense of purpose that enables them to face jeering and hostile mobs, and with the agonizing loneliness that characterizes the life of the pioneer."

Today, history is being made again in Mississippi. On March 5, at Jackson State University, some of those "real heroes," veterans of the civil rights movement, joined students and faculty members to listen to Lyndon H. LaRouche, Jr., campaigning for the Democratic Presidential nomination. Speakers included Mrs. A.M.E. Logan, at whose home the Southern Christian Leadership Conference held its first meeting; the Rev. James Bevel, master strategist of the civil rights movement; and Mrs. Amelia Boynton Robinson, heroine of the Selma voter registration drive and vice president of the Schiller Institute. In introducing LaRouche, Mrs. Robinson described him as the successor to Dr. King.

Our cover picture shows Mrs. Robinson greeting Lyndon and Helga LaRouche at the first Schiller Institute conference following Mr. LaRouche's release from prison in 1994. It is a fitting image both for our *Feature* on LaRouche's record of statements on vital issues of national economic security, and for the current reemergence of the civil rights movement under LaRouche's leadership.

The continued strong showing for LaRouche in the Democratic Party primary elections—including 11.1% in Colorado on March 5—demonstrates that voters will respond, when he can reach them with his message. As he said in Jackson, Mississippi, there is a "rumbling" in the country; the truth is breaking out. But the key to a real breakthrough in LaRouche's influence, which is required to solve the economic crisis in the world, is his exoneration. Until his railroad conviction on trumped-up "conspiracy" charges is thrown out, the more timid souls among us will not give him their support.

Finally, don't miss our report on the victory for *EIR*'s campaign against Colombia's President Ernesto Samper Pizano, whose drug cartel-backed regime President Clinton decertified on March 1.

Susan Welsh

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Correction: See page 9.

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Lyndon H. LaRouche, Jr. with his wife, Helga Zepp LaRouche (center), and civil rights leader Amelia Boynton Robinson, at a conference of the Schiller Institute on Feb. 18, 1994.

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World Bank demands pound of flesh from Bosnia

by Umberto Pascali

There are moments in history when potentates and institutions, seemingly all-powerful and feared for a long time, suddenly begin to come crashing down. This has happened with many empires, and with more sophisticated and unlawful powers. Accustomed to considering themselves irreplaceable and eternal, they are blinded by their arrogance and amorality, until they take that last, wrong step, and their evil actions begin to backfire against them.

These reflections came to mind in view of the senseless blackmail being perpetrated by the two most powerful world financial institutions—the World Bank and the International Monetary Fund—against the dying nation of Bosnia-Herzegovina. The blackmail is brutally simple. The financial institutions that control the credit faucet for Bosnia are saying: Either you pay back 17% of the debt of former Yugoslavia—the entity that unleashed four years of genocidal aggression against Bosnia—or we are going to block any serious credit for your reconstruction. Obviously, as was the experience of so many countries that fell victim to the IMF's usurious "shock therapy," it is almost certain that, once a victim capitulates to this financial diktat, it will be crushed by the shock therapy and looting presented as "privatization."

The chance to start its reconstruction represents for the exhausted Bosnians the difference between life and death, and between a real peace and the unavoidable descent into a new and broader war.

Bosnia resists

The Bosnians are resisting this blackmail, with the same bravery that they showed against the overwhelming Greater Serbia war machine. (This is in contrast to the government

of Croatia, which has apparently capitulated to all IMF conditionalities.) But how long can they resist against this immensely more powerful and devious aggressor?

At this very moment, the World Bank is engaged in a dramatic escalation of pressure, while "negotiating" in Washington with a Bosnian delegation. A public threat was delivered on March 1 at the headquarters of the World Bank, by the Bank's "acting Country Director" for Bosnia, Christine Wallich, who announced that a First Emergency Recovery Project has been put together, in the pathetically low amount of \$160 million (mostly pledged by "donor" countries, and \$45 million of which is to come from the World Bank's Trust Fund for Bosnia). "The Trust Fund was established . . . to enable the [Bank] to assist Bosnia *in advance of the country becoming a member of the World Bank*," a Bank news release stated. "Membership is expected in the near future, once agreement is reached on a plan to clear Bosnia's arrears to the Bank." Only then, will Bosnia be given a larger amount of credit—still an amount far lower than the minimum reconstruction needs of the war-ravaged nation.

'First pay the arrears'

And what are these "arrears to the Bank"? A World Bank report, "Economic Issues and Priorities," prepared in December, reveals the unprecedented blackmail against the Bosnian people: "In order to gain access to the longer-term financing needed for a sustainable recovery of economic activity, Bosnia would benefit greatly from being able to normalize its international financial relationships. It has accumulated substantial arrears, including to the IMF, the

World Bank, and other international financial institutions, bilateral creditors, and commercial banks creditors. Based on an assessment of the entire external debt situation . . . the [Bosnian] government will need to design, jointly with the IMF, the World Bank, and other creditors, a medium-term balance of payment. . . . The most important conditions for World Bank membership are for Bosnia to *assume its agreed share of the outstanding Bank loans to the Former Yugoslavia* and agree on a plan to eliminate arrears on these loans” (emphasis added).

Bosnia, of course, is refusing to pay the debts of its aggressor, and the World Bank is blocking the credits. Incredibly, a top official of the Bank, Tim Cullen, denied that the present Yugoslavia (i.e., Serbia and Montenegro) is the heir of former Yugoslavia. But why should Sarajevo pay the aggressor’s debt? Cullen’s answer was that credit had been given directly to Bosnian firms. Sources familiar with the mechanism of the loans to former Yugoslavia have stressed that, indeed, all credits were guaranteed by the government Belgrade, and thus that government was and is responsible for them. Cullen did not answer when asked, “If it is proven that the government of independent Bosnia, created less than five years ago, couldn’t possibly be responsible for the debts of Socialist Yugoslavia, will not this be a major scandal for the World Bank?”

‘Reconstruction, a distant dream’

Christine Wallich did not make a secret of the abysmal inadequacy of the so-called Emergency Project. She kept stressing, “Yes, there is a big gap between the money pledged and the money in hand. . . . I realize this is a small drop. . . . The reconstruction of Bosnia is a distant dream . . . a long process, very long.” How long? “Well maybe in the year 2000, Bosnians will reach two-thirds of their previous income.” In conversation with journalists, Mrs. Wallich declared herself to be much more pessimistic. She kept stressing that the Bosnian people were suffering so much, and that the whole process must be “faster, faster,” an obvious reference to the Bosnian delegation being grilled at that very moment in other suites at the Bank headquarters.

Mrs. Wallich also confirmed one of the most shocking conditionalities imposed upon Bosnia: the governor of the new Central Bank must be nominated by the IMF and “cannot be a Bosnian national,” he must be a foreigner. As if the assault against Bosnia’s national sovereignty were not enough, the “Country Director” stated publicly, she had just came back from a negotiating mission “both in Sarajevo and Pale.” Pale is the capital of Republika Srpska, legally one of the two entities constituting Bosnia. It is only the central government in Sarajevo that has jurisdiction on financial and economic matters. But not in the view of the World Bank.

The country that the Bank is blackmailing is, according to the Bank’s own report, one in which “the war has

destroyed much of the infrastructure and disrupted the economic system.”

“The annual per capita income has fallen to about \$500 (compared to \$1,900 in 1990) and industrial output in 1990 was 5% of 1990 output,” says the Bank. Ninety percent of the population depends on humanitarian food aid. Water supply, power generation, roads, central telecommunication facilities have been “extensively damaged.” Seventy-eight percent of electrical generating capacity is damaged or out of operation. “Virtually all parts of the transportation system have been damaged.” Fifty-nine main bridges are lost, and 63% of all housing units have been seriously damaged, 18% destroyed altogether.

Out of a population of 4.5 million, 250,000 have been killed, 200,000 wounded, 13,000 permanently disabled, mostly young people. Water and sewerage systems are in such disrepair as to represent a health hazard. The number of hospital beds has fallen by 35%, infant mortality has doubled. Some 14,000 children have lost both parents, 24,000 have lost one parent. A state of psychological trauma is very common for children that often have seen their parents killed, tortured, or raped. Around 1 million people—almost one-fourth of the population—are refugees. Workers, especially those employed by the State administration, have not been paid wages for years.

In the face of this suffering and destruction, the World Bank warned the government to save the money it has *in order to pay the debt*, not to help the population. “Every effort should be made to limit the government’s use of domestic banking funds,” says the Bank, which also calls for “rapid privatization of the idle assets of State enterprise,” a measure that brought misery and corruption in many countries of the former Soviet empire, countries that had not gone through four years of war and genocide. Finally the Bank’s specialists call for the “efficient deployment of scarce resources to help the poor.” *Efficient* means here, as little as possible. In fact, “a *bloated social assistance* budget would *undermine fiscal prudence* needed for stability” and “inappropriate targeting and *excessive amounts of social assistance* would discourage work and enterprise restructuring, and *inappropriate foreign aid distribution* mechanisms would impair domestic production recovery.” In the midst of this destroyed country, the World Bank even has the nerve to demand that “emergency food aid be phased out.”

New Marshall Plan is needed

How many countries have the World Bank and IMF destroyed with the same words and the same strategy? But the martyred Bosnia could prove to be the country that puts a stop to their genocidal policies once and for all. According to rumors, opposition to this strategy of death is increasing.

In Washington, Christine Wallich froze when asked, “What about debt forgiveness?” “No, we cannot consider it, our shareholders do not support it,” she said. Still, the idea

that the World Bank has gone too far, that these institutions do not represent the West, but the most insidious enemy of all nations—this idea is gaining ground.

Ten days before Wallich's performance, on Feb. 20, Schiller Institute founder Helga Zepp LaRouche and former Vice Prime Minister of Czecho-Slovakia Josef Miklosko gave a press conference launching a "Committee to Save the Children in Bosnia-Hercegovina." Speaking at the National Press Club in Washington, they called for a new "Marshall Plan" to rebuild Bosnia's economy, and exposed the World Bank blackmail. "I'm appealing to the international aid organizations to become a lobby to demand a *real reconstruction program*," said Mrs. LaRouche, "not just what is going on right now. I'm appealing, also, to the churches, the trade unions, and especially the governments, to agree on a change of policy toward Bosnia; to agree on a kind of Marshall Plan for reconstruction, in a way similar to what was done in the postwar period in Germany. Basically, I'm calling upon all of these organizations to form a lobby to put pressure on the governments, to reverse their course." (For the full text of Mrs. LaRouche's presentation, see *EIR*, March 1, p. 40.)

LaRouche: Are we supporting Hitler?

The day after the World Bank event, in a nationally televised campaign broadcast, Lyndon LaRouche pointed his finger: "The problem is that we, the U.S., 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?"

This is now the point. Will the United States recognize the danger and the immorality involved in formally supporting the World Bank's genocide? Or will the Clinton administration finally take its distance from the monster? Will the resistance of Bosnia help the world to break away from the new Hitler?

The U.S. government should uphold the pledge that it made to the Bosnian people, to help with reconstruction. It was last Nov. 1 that Secretary of State Warren Christopher saluted the participants at the "Peace Talks on Bosnia" with these words:

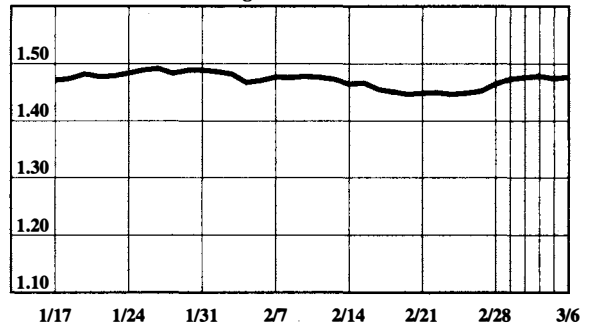
"The international community is . . . determined to help the people of the region rebuild their institutions, their economies, and their lives. . . . A major effort must be undertaken for the reconstruction of Bosnia and Hercegovina, for it is certainly true that *lasting security will depend upon bringing the economy of this troubled region back to life.*"

"If we succeed," said Secretary Christopher, "we can make sure that the sons and daughters of Americans will not have to participate in another major war in Europe."

Currency Rates

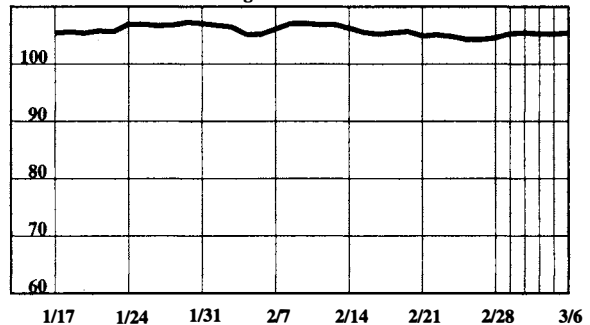
The dollar in deutschemarks

New York late afternoon fixing



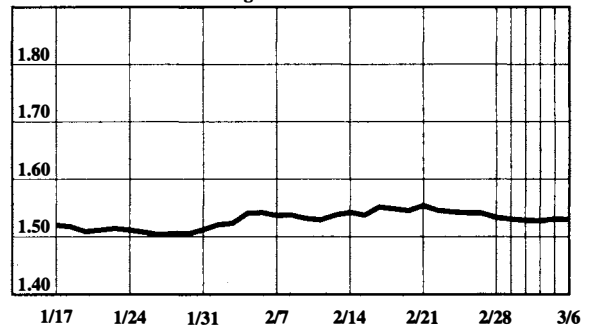
The dollar in yen

New York late afternoon fixing



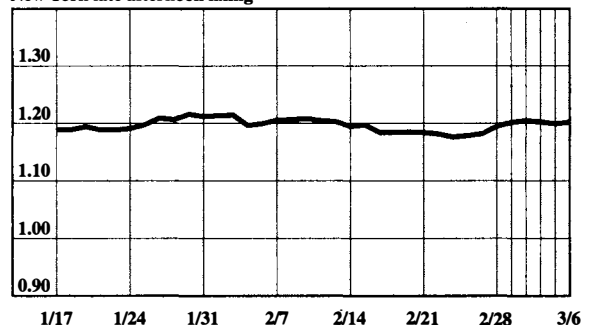
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Financial gurus promote 'virtual reality' in Bonn

by Our Special Correspondent

On Feb. 28, the Friedrich Ebert Foundation, the State-financed German think-tank closely associated with the Social Democratic Party (SPD), sponsored a podium discussion on the theme, "How to Keep International Capital Movements from Interfering with Economic Growth." The title, as well as the pre-event brochure and introductory comments by conference coordinator Alfred Pfaller of the Foundation, promised an interesting discussion. Questions would be raised, about how unregulated capital flows and "globalization" were creating massive problems for the physical economy, and potentially even threatening what Pfaller called "societal disintegration." According to Pfaller, the issue is "how to better control" unregulated financial flows, and "what to do politically" about such problems.

What transpired after his introductory comments, however, was exactly the opposite. To the disappointment of many in the audience, the five persons who comprised the panel rejected the very premise of the event, claiming that it were axiomatically unthinkable that unfettered capital markets could interfere with economic growth. They presented a utopian view of the great benefit to the global economy brought about by unregulated capital markets, derivatives, and the like. Speakers downplayed the danger of "systemic risk" to the international system, and spoke out against any "transaction tax" that would attempt to rein in speculation.

The performance was reminiscent of the bizarre article appearing in the January/February edition of the New York Council on Foreign Relations' *Foreign Affairs* magazine, by CFR Director of Studies Ethan D. Kapstein, entitled "Shock-proof." In that article, Kapstein argued that the world financial system was now, essentially, beyond the era of crises, because of the capacities of international regulatory agencies (see *EIR*, Feb. 16, p. 7, and March 1, p. 4). Cumulatively, the Bonn event was "beyond Kapstein."

Derivatives, not 'national economy'

Speakers included Timothy Geithner, Deputy Assistant Secretary for International Monetary and Financial Policy in the U.S. Treasury Department; monetarist Prof. Wolfgang Filc, Professor of Economics, University of Trier; Marc-Olivier Strauss-Kahn, assistant director for international relations, Banque de France (French Central Bank); and Alfred

Steinherr, Professor of Economics and chief economist at the European Investment Bank, Luxembourg. The moderator was Hans-Helmut Kotz, who is with the European Institute of Public Administration in Maastricht, Holland, and is also chief economist at Deutsche Giro-Zentrale (the clearing house for German banks) in Frankfurt.

Filc began the panel, insisting that "globalization is necessary," because it means the "free movement of services," which "must, in principle, enhance and increase wealth." He acknowledged that this sometimes involves "volatility," especially in the trade in derivatives, especially because "derivatives can cause speculation," through what he called "the speculative lever effect." But Filc was less worried about derivatives than about moves to control them. He warned against those who want to "eliminate or kill" derivatives. "To draw the conclusion that this can be eliminated by political measures" would be wrong, because this would "throw stones in the wheels of economic activity." In any case, it is impossible "to eliminate such instruments by economic policy," because people would then just "invent new instruments."

In Filc's view, "We would be mistaken to try to re-nationalize and re-regulate, to impose new constraints and roll back these developments. . . . We shouldn't spend so much time on national economy."

Another Mexico crisis 'unlikely'

Filc was followed by Geithner, whose comments seemed to be coming from another planet, for anyone familiar with the increasing ferment among U.S. voters over the collapse of the economy, as catalyzed by the national television broadcasts of Democratic Party Presidential candidate Lyndon LaRouche, and as represented in the high vote totals for Republican candidate Pat Buchanan in New Hampshire and other primaries, and the impassioned calls by leading Democrats, such as Sen. Edward Kennedy (D-Mass.), Senate Minority Leader Tom Daschle (D-S.D.), and Rep. Richard Gephardt (D-Mo.), for a renewed commitment to economic growth in the tradition of Franklin D. Roosevelt and John F. Kennedy.

Geithner's performance was of considerable importance from a negative standpoint, because he was speaking as an American official before an audience in Germany's capital city (Berlin officially becomes Germany's capital next year). Those attending would take his views as those of the Clinton administration. Indeed, Geithner made the pro forma demurral that he was expressing his "personal view," but stressed that this view is "at the center of the Washington consensus," and reflected the "general consensus in what might be called 'the Washington establishment.'" At one point, he narrowed this down to be the "Rubin-Greenspan consensus," referring to U.S. Treasury Secretary Robert Rubin ("my boss") and Federal Reserve Board Chairman Alan Greenspan.

Geithner began by "rejecting the premise" of the event, namely that capital movements could "interfere with eco-

conomic growth.” According to him, “a rapid increase in capital movements is a good thing, it is beneficial, not malign or threatening.” Any “unsustainable policies” there might be, would be “punished by the markets, and that is a good thing.” What is key, is strengthening the supervision of the banks, and the regulation over financial markets, particularly by strengthening the “collective capacity” of “the International Monetary Fund [IMF] and the monetary authorities” to “manage risks.” Turning reality upside-down, Geithner insisted that there is “much less systemic risk” if there is *more* “innovation” rather than less, because there is “more risk if you bottle up financial activity in one market.”

The early-1995 financial-monetary crisis in Mexico, he affirmed, had nothing to do with “liberalization,” unfettered capital markets, or “globalization,” but simply resulted from “an absence of disclosure standards” and inadequate resources of the IMF, to handle such events. Hence, he was “very supportive of the efforts of the IMF to strengthen disclosure standards,” and he was fully supportive of doubling the IMF’s General Agreement to Borrow facility. Continuing with the “What me worry?” attitude, Geithner affirmed: “We are unlikely to see a future Mexico, but we’re better served” to have these disclosure and financing capacities.

Geithner argued that “we should not contain volatility artificially, or control change,” because this “would be damaging.” From this standpoint, he advised that “we,” i.e., the

Treasury and/or Clinton administration, “are no fans of transaction taxes. They are ineffective, since they must, by their nature, be punitive, and this would be damaging to capital movements generally.”

French official: It’s all in your mind

French Central Bank senior official Strauss-Kahn next gave a utopian overview of the financial situation. He began by documenting the “tremendous increase” in international capital movements, to the point that “the average daily turnover of the global exchange markets” has reached the level of \$1.2 trillion, an amount “larger than the international reserves held by central banks.” But, he assured his audience, there “is no increased instability in financial prices” in the global financial system, the problem is only that there is a “*perception* of an increase of instability. . . . The mere perception of financial instability may have increased. . . . There is more and better information available, so the awareness of capital movements has increased. Financial price instability may *seem* greater.”

Having put himself on the side of necromancy, Strauss-Kahn advised that what is required is not a change in policy, but rather “pedagogy and better information.”

On derivatives, he affirmed that “in periods of stress,” they may “exacerbate instability,” but this doesn’t happen “in normal times.” While members of the audience were scratching their heads in bewilderment over this statement, Strauss-Kahn concluded: Any transaction tax would be “ineffective and disruptive.” What is needed, instead, is “improved information and voluntary disclosure,” because financial crises are really crises involving the “disruption in flows of information.” Again, he said, “No significant increase in volatility in financial alignments can be observed in 1995.”

The next speaker, Alfred Steinherr, was characterized by Fil as “Mr. Derivatives.” Steinherr poured forth figures and charts, to show the great breakthroughs achieved in the world of “securitized finance”—as opposed to official government financing or commercial bank loans—in the world over the past decade. He saw great hope for the future, saying, “We are still at the primitive stage of development of derivatives,” the which have a great future in the “emerging markets.” In perhaps his only truthful statement of the evening, Steinherr affirmed: “We have failed to explain the relation of the financial markets to the real economy.”

‘Americans are too parochial’

The first question from the floor was posed by a representative from the newsletter *Washington Insider*. He said that the more he heard Geithner associate himself with “the Washington establishment,” the more he understood why more and more American voters were voting for anti-establishment candidates. He charged that the whole presentation was at complete variance with the growing discussion in the United States about “national economic security,” and the “bipartisan” mood seen in the Buchanan and Kennedy-Gephardt-Daschle et al. phenomena.



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.

Geithner cynically downplayed the significance of this phenomenon in the United States, saying that the economic policy ideas of “Buchanan and the left” are “not close to threatening the mainstream view in the U.S.” He said that President Clinton is a true believer in the wonders of “free trade,” and has simply continued the policies of the Bush administration in this regard. This shows “how strong the consensus is in favor of liberalization. The broad neo-classical consensus is *intact* in the U.S.”

Finally, Geithner proclaimed, “most Americans are still too parochial, and insulated enough,” to have meaningful views about the problems posed by “globalization.” Here again, this was disinformation: In a speech made one day earlier, at the Economic Strategy Institute in Washington, Gephardt had singled out “globalization” as one of the central reasons for a growing “economic hunger and anxiety” that “President Clinton himself” has pointed to.

A queasy feeling

Geithner later affirmed his agreement with Kapstein, that there is no significant “systemic risk” to the global financial system, and that the recent big crises (Barings, Daiwa, Mexico) show how resilient the system is, rather than the reverse. Not surprisingly, a representative from the British embassy in attendance was clucking that, while all the

speakers were “very much in line with the City of London view,” Geithner, in particular, “thinks along the same lines as I do.”

One emotional intervention was made from the floor, by an Ebert Foundation expert on Mexico. He charged that the speakers had completely ignored the vital matter of the relation of the financial markets to the real, physical economy, and had misrepresented the causes of the crisis in Mexico. He correctly affirmed that Mexico had, indeed, profoundly suffered from “liberalization,” “globalization,” and the North American Free Trade Agreement (NAFTA). In response, the speakers who were covering up for the ongoing collapse of the financial system, betrayed their utter intellectual bankruptcy. Geithner again sung the praises of the capital markets, saying the successes in the U.S. economy were a testament to how “more open and more competitive financial markets” are “efficient at financing growth” and creating employment. Strauss-Kahn pitched in: “The financial sphere and the real economy are well-linked. This has been disputed for years, and we will not solve it here.” So much for reality.

The irony of the event, is that the moderator’s name, Kotz, is the literal German-language translation for the American slang expression for the act of regurgitating. That was certainly the feeling of many in the audience, by the time the four-hour event had drawn to a close.

Correction

In our March 1 issue, the article “IMF Admits That It Is Exacting a ‘Brutal’ Toll from Russia” contained errors in the tables on the collapse of Russian basic industry and agricultural production. We reprint the correct tables here.

TABLE 1
Collapse of Russian basic industry, 1990-95

	1995	1994	1995 as a percentage of 1994	1995 as a percentage of 1990
Electricity (billion kilowatt-hours)	862	876	98%	78%
Oil (million tons)	307	316	97%	58%
Natural gas (billion m ³)	595	607	98%	92%
Coal (million tons)	262	272	97%	67%
Ferrous metals (million tons)				
Iron	39	36	107%	66%
Steel	51	49	104%	57%
Metal-cutting machine tools (thousands)	16.5	18.2	90%	23%
Stamping presses (thousands)	2.08	3.1	68%	7%
Trucks (thousands)	113	142	80%	39%
Tractors (thousands)	21	28.7	75%	10%
Combines (thousands)	6.4	12	53%	6.7%
Chemical industry (million tons)				
Sulphuric acid	6.9	6.3	110%	54%
Synthetic fabric	0.23	0.19	116%	66%
Gasoline	28	26.4	106%	68%
Diesel/fuel oil	66	70	94%	66%

TABLE 2
Collapse of Russian agricultural production, 1990-95

	1995	1994	1995 as a percentage of 1994	1995 as a percentage of 1990
Grain (harvest, million tons)	64.7	81	80%	60%
Potatoes (harvest, million tons)	37.7	34	110%	94%
Livestock (millions of head)				
Cattle	39.2 ¹	44	89%	81%
Hogs	22.6 ²	25	89%	75%
Sheep and goats	28.4 ³	36	78%	62%
Milk production (million tons)	5.8	7.2	80%	32%
Meat production (million tons)	2.3	3.2	71%	28%

1. Or 29 (from non-government studies).
2. Or 13 (from non-government studies).
3. Or 18 (from non-government studies).

Electricity dereg: At what cost?

by Marsha Freeman

With the bill to deregulate the U.S. telecommunications industry having been signed into law in February, the campaign by the free marketeers to deregulate the electric utility industry is now taking center stage. As Rep. Dan Schaefer (R-Colo.), chairman of the Commerce Committee Subcommittee on Energy and Power, stated at hearings on Feb. 27, "Thanks to the fine work of this committee in deregulating the local telephone companies, the electric utility industry is the last great monopoly of our time."

Proposals for radical deregulation of the electric utility industry are under consideration in a majority of states in the nation, and by the Federal Energy Regulatory Commission in Washington. On Feb. 29, the National Association of State Utility Consumer Advocates (Nasuca) held a conference on Capitol Hill to consider what the effects may be on residential electric utility customers if the industry is "restructured." There is much concern that electric rates for small residential customers may well rise under this new regime of "competition," as utility companies offer preferentially lower rates to large industrial customers, passing their losses on to the little guy, in the form of higher rates.

The cost of electricity and natural gas can have life-and-death consequences, which was made graphically clear at the conference by Pennsylvania Public Utility Commissioner John Hanger. He reported that in his state, over the last five years, 43 people had either frozen to death or were killed in fires at home after their electricity or gas had been turned off for non-payment. A comprehensive study done last year by the Wisconsin Public Service Commission, reported that programs that had been mandated by the state government to prevent winter interruptions of service due to non-payment of bills, would no longer exist in a deregulated industry.

Concern about the impact of rising prices on the poor was also expressed by Paul Greenberg, representing the Citizens Utility Board in Washington, D.C. Greenberg disputed the claim that prices will automatically come down under deregulation, and pointed out that the current system has provided rate subsidies to low-income customers in order to keep them connected to the electric grid. Greenberg pointed out that one of the ways utilities will seek to remain "competitive," will be to try to cut costs through reducing wages and benefits for their employees, as has been carried

out in the airlines and other deregulated industries.

In addition to the myth that prices will come down after deregulation, is the myth that the reason costs will come down is because companies will be more "efficient." Since the push for electricity deregulation began in the late 1980s, tens of thousands of jobs have been lost in the utility industry, as companies found that cutting the payroll was the fastest way to reduce costs. On Feb. 21, the executive council of the AFL-CIO issued a statement on job security in the electric utility industry. It said that the move toward deregulation, "combined with emerging international environmental commitments related to global climate change, threaten the hundreds of thousands of union jobs that depend on the stability of the electric utility industry, while shifting costs to smaller scale consumers. Claims of universal benefit associated with fully open competition for electricity supply are exaggerated and not well founded."

"The U.S. electric utility industry employs directly and indirectly more than half a million workers and is a critical component of our national economy," it continued, warning of the twin likelihood of job loss and increased residential rates from "radical deregulation."

'Celebration of competition'

Few voices, with the exception of those concerned about the poor and the AFL-CIO, have been raised against the madness of deregulation. William Massey, an Arkansas lawyer who was appointed to become a commissioner on the Federal Energy Regulatory Commission (FERC) by President Clinton in 1993, said at the Nasuca conference that we are now "in the midst of a celebration of competition." He stated that from increased competition "will arise the public good," in contradistinction to the fact that the electric utility and other industries were regulated by the government 60 years ago, because the public good was *not* being met by the financial speculators who had control of this key infrastructure.

Massey stated that what was driving deregulation was the "irresistible concept of customer choice." What people believe, he said, is that the "invisible hand of the marketplace" is the best way to go. He cited the "successes" of the 1978 airline deregulation, and the 1980 Staggers Act that deregulated rates on the railroads, but he did not offer any thoughts on the relationship between deregulation and the recent rash of rail crashes.

Although his presentation was organized entirely to fall in line with free market and deregulation rhetoric, Massey said that universal service guarantees are essential for rural customers, and that deregulation should not be done on "too broad a sweep." A representative from the American Association of Retired Persons was skeptical, and told Massey that since natural gas was deregulated, the price has gone down at the wellhead, but up for residential customers. What this portends for electricity rates, no one was anxious to answer.

Industry hit with investment scandals

What the world depression alone hasn't been able to destroy, the bankers and managers have.

In the midst of the world economic collapse, there are still many people that trust in the "German model" of handling industry and exports, labor relations, and monetary affairs. However, this "model" is being run down, because the German economy is linked to the "free market" world economic system, and because the political elites believe in the locust-like habits of this world system, which is eating itself up.

But are the economic and banking elites any better? Given the recent developments in industry, one can only conclude that the bankers and managers are as bad as the politicians. A small group of managers and bankers are presiding over the collapse of traditional industry that once earned Germany the world reputation of being a "model."

The most recent industrial default was the Vulkan shipbuilding group, western Europe's largest, with 22,500 workers and engineers. The conglomerate, which was put together in 1992-93 in a series of mergers of the Bremen-based Vulkan shipyard, two formerly State-run, now privatized eastern German shipyards in Stralsund and Wismar, and several consolidated, ailing western machine-building firms, filed for protection from their creditors in late February.

Vulkan had been in trouble, but it was pushed into bankruptcy by the discovery that management had used about 700 million deutschmarks (\$4.5 million) of funds earmarked for the modernization of the two eastern shipbuilding sites, for emergency pumping of money into the group's loss-making daughter firms in the west. This was made possible through a special

arrangement that concentrated all funds and corporate capital of the group in the central financial management in Bremen.

When the time came to invest, it was revealed that the funds were "no longer there," as the Vulkan management claimed.

About DM 250 million of the missing money had been pumped into the machine-building subsidiary Doerries Scharmann. The firm has been chronically in the red, which had to do with the overall pattern of German machine-builders being caught in the post-1979 trap of high interest rates for new loans, and decreasing income because of a world "free market" dictate to sell at below parity prices. In 1993, the situation of Doerries Scharmann got worse, when its creditor banks merged it with the ailing machine-building firm Schiess.

That firm belonged to the ailing Metallgesellschaft Group, which barely escaped default that year over huge losses incurred by its U.S. branch because of its dalliance in oil derivatives. Deutsche Bank, the chief creditor of Metallgesellschaft, told its debtor to get rid of loss-making subsidiaries, in which consolidation process Schiess was sold to Doerries Scharmann, which then was bought up in turn by the newly formed Vulkan Group.

Now, the old boss of Schiess, Niels Seidensticker, in the context of this merger in 1993, got a job at the Autania investment firm, which has been buying up middle-sized machine-building firms in eastern Germany. In mid-February 1996, however, Autania defaulted on one of its showcase projects, the biggest Berlin-based

machine-building company, Werner and Niles. Seidensticker, the top manager that had moved from Schiess to Autania, has been target of an official investigation since late 1995, for financial irregularities.

The man who replaced Seidensticker at Schiess in 1993, Anton Schneider, who came from a firm with the truly German name of "Boston Consulting," joined the board of directors of Doerries and Scharmann, via a new job at the central financial management at the mother firm, the Vulkan Group. It is through this pipeline that, over 1995, the DM 250 million of Vulkan funds that were "missing," got pumped into the ailing Doerries Scharmann subsidiary.

Now, all of this went on under the eyes of the supervisory board at Vulkan. The head of that board, Hero Brahms, was a director in 1991 at the Treuhand agency, which was in charge of the privatization of the former East German State-sector industry, and which okayed the merger not only of the two East German shipyards with Vulkan, but also of the consolidation of the group's entire financial resources with the central management in Bremen. Now, when this has become a target for investigators, it turns out that controls on the transfer of several hundred million deutschmarks, and of the later use of this money, were at minimum scandalously insufficient. This case of managerial incompetence may have been an attempt to create a framework for future fraud.

The main creditor bank of the Vulkan group is Commerzbank—which is making headlines because of coverage of police raids against several of its branches in Germany on behalf of the federal Revenue Service. Commerzbank is charged with large-scale illegal transactions and tax fraud between Germany and the deregulated Luxembourg banking oasis.

Business Briefs

Africa

Kaunda blames IMF for wars, debt

Zambian Presidential candidate Kenneth Kaunda attacked the enormous debt burden of African countries, and blamed the International Monetary Fund (IMF) for wars in Africa, in a speech in Glasgow, Scottish press reported on Feb. 9. "Is it surprising that we have civil wars, is it surprising that there is social and political disintegration throughout southern Africa?" he asked. He said that Africa is bonded in "debt slavery," and reported that of £225 million of aid given to Zambia in 1995, the majority of it went to pay the debt.

Kaunda was run out as President of Zambia in 1992, amidst heavy complaints in the British and American press that he did not implement the IMF's structural adjustment program.

He was speaking at a conference organized by Debt Crisis Network, an operation composed of 40 British charities. The Network is organizing a "postcard campaign" to get 30,000 messages to IMF Managing Director Michel Camdessus asking for debt relief for African countries.

Economic Policy

Papua New Guinea gov't clashes with World Bank

World Bank negotiators flew out of Papua New Guinea for Australia, to brief Australian finance and foreign aid officials on the likely future of a \$478 million rescue package for Papua New Guinea, the *Australian* reported on Feb. 29. The departure came after the World Bank team's leader, Iranian economist Pirouz Hamadian Rad, received a letter from a senior Papua New Guinea official, Morea Vele, which complained about Rad's attitude, "mood swings," and threats, and said continued talks would not be fruitful. "Therefore it is my intention to recommend very strongly to the secretary of finance to allow you to carry out your latest

threat to leave Port Moresby [the capital] and for the government to deal directly with Washington to continue the discussion," Vele wrote.

Prime Minister Sir Julius Chan denied that the team was forced to leave.

The World Bank team was auditing the government's implementation of the World Bank's structural adjustment program, upon which hinged a total of \$700 million in loans over the next few years. The Bank criticized the government, including for allowing six new forest projects to go ahead, "inadequate progress with trade liberalization," and the granting of a 6.5% pay rise to public servants, instead of slashing the public service by 3,500 employees. The bank also does not like the idea of the government setting up its own infrastructure: It has expressed "concern about the government's failure to facilitate the delivery of more of its resources through the churches extensive rural education and health networks," and has held discussions with non-governmental organizations and churches to "discuss the development situation."

Asia

China outlines plans for infrastructure

China will focus on construction of seven national highways and three main water transport channels during the current (1996-2000) Ninth Five-Year Plan, *China Daily* reported March 2. China plans to develop two water navigation networks, and its first international shipping center, in Shanghai.

In the next five years, the Ministry of Communications said, China will build 110,000 kilometers of highways, including expressways. These will link Tongjiang in Heilongjiang province in the northeast, to Sanya on Hainan Island in the far southeast; Beijing, to Zuhai in Guangdong, in the southeast; and Shanghai, on the east coast, to Chengdu, capital of Sichuan province, in China's interior.

The seaport projects will include building over 200 berths, able to handle 300 million tons of coal, containers, and other

raw materials a year. To help make Shanghai, China's largest port and industrial city, into an economic, trade, and financial center in East Asia, more ports will be built in the neighboring provinces of Jiansu (to the north) and Zhejiang (to the south).

China will build three river transport channels to improve current water transport: on the Yangtse River, on the Xijiang River in south China, and the Beijing-Hangzhou Grand Canal. Some 2,400 km of inland waterways will be overhauled.

Biological Holocaust

WHO issues warning on zoonotic diseases

The World Health Organization (WHO) has issued a series of reports warning of the dangers facing mankind because of the massive outbreak of zoonotic (animal-borne) diseases around the world. In order to deal with these dangers, in October 1995, WHO incorporated the activities of its Veterinary Public Health unit into its newly created Division of Emerging and Communicable Diseases Surveillance and Control.

The reason it did this, WHO said, is that "a significant proportion of the emerging human infectious diseases which occurred recently were due to an infectious agent transmission cycle which involved an animal host (non-human primates, wild ruminants, rodents, domestic food animals, etc.) or consumption of food of animal origin." WHO warned that "it is very likely, in view of the foreseeable global changes over the next few decades that this trend will continue and even increase, especially in view of HIV-AIDS pandemic."

The reports warned that "expenses related to the prevention of these diseases in people are likely to increase dramatically in these countries in the near future, if no programs for their control in animal reservoirs are implemented." These diseases include brucellosis, toxoplasmosis, leptospirosis, anthrax, shigella, rift valley fever, and bovine tuberculosis.

One of the salient points in the WHO reports, is that environmentalist policies

have played a major role in the explosive rise of these animal-borne diseases. For example, there has been a rise in rabies in the United States and Third World nations, while the European nations that conducted a rabies vaccination of wildlife have reduced the incidence by 80%. The environmentalists have fiercely opposed this campaign.

Another problem is the rising death toll from food-borne illnesses, which will become more serious as a result of the ban on chlorofluorocarbons (CFCs). WHO proposes widespread food and feed irradiation to control such illnesses.

WHO considers foodborne diseases to be one of the most widespread health problems in the world. In developing countries, up to 70% of all diarrheal disease in children under the age of five may be of food-borne origin. Overall, about 1.3 billion diarrheal disease episodes are estimated to occur annually in children under the age of five; over 3 million of these cases are fatal.

Finance

Germany extends China credits for power plant

Germany will provide export credits to build the Rizhao power project in Shandong Province, arranged by Chancellor Helmut Kohl during his trip to China in 1995 and signed a few months ago, despite the Chinese refusal to provide official government guarantees, the Feb. 15 *Far Eastern Economic Review* complained. "In the past, export-credit agencies from the United States, Europe, and Japan had informally agreed not to supply concessional funds for Chinese infrastructure projects without such guarantees." An unnamed Hongkong lawyer is quoted saying: "The Germans broke ranks. That greatly irritated the other . . . [nations which] had been trying to shape a common front."

The plant, for which Siemens is supplying most of the equipment and taking a 12.5% ownership share, will be run by the Chinese. "Most foreign power firms are more interested in build-operate-transfer schemes," the magazine commented.

This action has an historical precedent, which may well create fear amongst those

who are planning the renewal of the British Empire in Asia. In 1920, under the direction of Thomas Lamont of the Morgan banking group, Britain, France, Japan, and the United States formed the "New Four Power Consortium," for the purpose of regulating foreign investment in China. The effect was to totally eliminate credit to China. In its 17-year existence, not a single loan was issued to China either by the Consortium powers or any nation under its influence. The Germans broke this virtual blockade, first by providing military assistance to Chiang Kai-shek against the warlords and the communist insurgents. Then, in 1934, through the efforts of industrialist Otto Wolff, Germany signed a trade treaty with China in which China, for the first time in its modern history, was fully equal and independent.

Industry

German machine-tool firms in maelstrom

The Association of German Machine-Tool Producers (VDW) reported that its 300 mostly middle-sized member companies are in a precarious financial situation, at a press conference in Stuttgart on Feb. 27.

Indebted, and with nearly no capital of their own, leaving them at the mercy of the banks; hit by currency exchange fluctuations, new taxes, environmental laws, and other overhead burdens; and forced to sell their products below cost to big industry which threatens to look for cheaper supplies abroad, the producers of machine-tools have been unable to benefit from the relative machine-tool "boom": 18% more contracts in 1995 than the year before, and another 10-15% increase expected this year.

Many firms are incurring losses despite (or, rather, because of) the "boom." Most firms will not employ more workers because they are streamlining production in order to "reduce risks," and are tending to increase output of a smaller array of products. The VDW warned that there is a high risk that many firms will crumble under such conditions. It called on the government to reduce the tax burden and the energy and labor costs of production.

RUSSIA, IRAN, China, and India have formed a new multilateral Asian Fund for Thermonuclear Research to collaborate in the construction of a new experimental thermonuclear reactor, to be completed by 1998, Russian Academician Yevgeni Velikhov, head of the Kurchatov Institute, announced on Feb. 29.

POLAND is experiencing deepening poverty, in which 40-50% of Poles live below the so-called social minimum income of about 250 zlotys (\$100) per month, and 6-10% below the so-called existence minimum of about \$48 a month, PAP news agency reported on Feb. 27, based on figures released by the government Institute of Labor and Social Issues.

IRAN has extended \$230 million in credits to China for the purchase of locomotives and passenger cars for Teheran's new subway, according to Xinhua news agency. Another \$270 million will be delivered by March 20. China will also be responsible for electricity, signalling, and ventilation.

THE MERCHANDISE trade deficit of the United States for 1995 soared to \$174 billion, a record. Because it ran a \$63 billion trade surplus in services, the overall 1995 U.S. deficit for goods and services was \$111 billion.

CANADIAN unionists, teachers, nurses, welfare recipients, and social activists over 100,000 strong rallied in Hamilton, Ontario on Feb. 24, against the Conservative Party government of Prime Minister Mike Harris, elected last June on a program of budget and service cuts called the "Common Sense Revolution," modeled on the Contract with America of U.S. House Speaker Newt Gingrich.

NIGERIA is facing outbreaks of meningitis, cholera, measles, and diarrhea in the northern state of Kano, and about 15,000 lives, mostly children, were lost in February, Health Minister Ihechukwu Madubuike said on Feb. 27.

The LaRouche record: national economic security

by Susan Welsh

Throughout this year's U.S. Presidential election campaign, reflections of Lyndon LaRouche's policies and programs keep popping up. Pat Buchanan discovers that you don't have to love free trade to be a Christian. Circles in the Democratic Party talk about using a tax to curb speculation in financial derivatives. But nobody is telling the truth about the full extent of the crisis the world economic system is facing, and what needs to be done about it, except LaRouche himself. And he is being subjected to a media blackout; even when he won 9.6% in the Delaware primary, the Associated Press lied that "President Clinton ran unopposed."

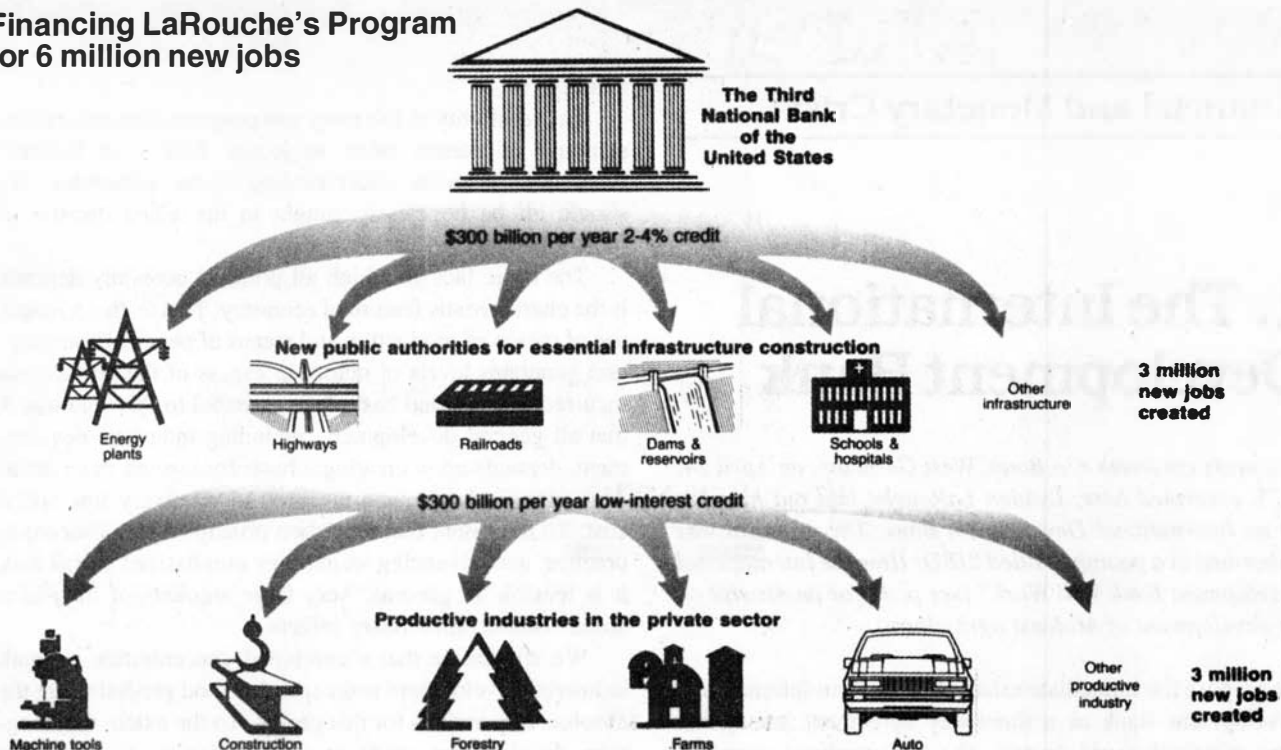
It's time to set the record straight. In this *Feature*, we reproduce excerpts from a few of LaRouche's most important policy statements on issues of *national economic security*, some of them dating back more than 20 years. Had policymakers heeded LaRouche's warnings, and acted to implement his proposed solutions, we would not be in the crisis in which we now find ourselves, careening toward a breakdown of the world financial system.

In recent issues of *EIR*, our readers will have noted LaRouche's emphasis on "the Hamlet problem": Hamlet was destroyed by his tragic failure to overturn the false axioms in his own thinking, which were leading him to doom. He clung stubbornly to his flawed beliefs, preferring to die, than to abandon these received opinions. So today, our fellow citizens refuse to give up the beliefs that have brought them to the brink of catastrophe.

As you will see in reading the documents reprinted here, LaRouche has sought, throughout his life, to act as *the agent of change*: to confront the prejudices of both policymakers and the average citizen, in a Socratic way, that they might save themselves and their nations.

This has nothing to do with populist attacks on "the big guys," such as Pat Buchanan might engage in. LaRouche's method is based on a rigorous scientific understanding of physical economy, of man's unique role in making creative discoveries, acting in the image of God. (For a recent elaboration of the method behind LaRouche's discoveries, see his article in *EIR*, Aug. 11, 1995, "Non-Newtonian

Financing LaRouche's Program for 6 million new jobs



In December 1991, Lyndon LaRouche called for putting 3 million people back to work in the public sector, for infrastructure projects such as railways and water systems, and another 3 million to be employed in the private sector, as a spin-off of these public projects.

Mathematics for Economists.”)

We have divided “the LaRouche record” into three categories, each presented chronologically.

First, are statements concerning the financial and economic crisis, beginning with LaRouche’s historic call for an International Development Bank, presented at a press conference in Bonn, West Germany, on April 24, 1975. The plan called for three-way cooperation by the industrialized capitalist sector and the socialist countries, to develop the Third World. Elements of LaRouche’s proposal were incorporated into the final resolution of the Colombo, Sri Lanka Conference of the Non-Aligned Movement, on Aug. 19, 1976.

Unknown to LaRouche and his associates at that time, U.S. National Security Adviser Henry Kissinger had just commissioned, a few months before, a classified study, National Security Study Memorandum 200, which defined the growth of population in the developing sector as a *national security threat* to the United States. Ever since that time, LaRouche and Kissinger have been at loggerheads, as Kissinger has acted as the enforcer for the International Monetary Fund’s policy of “free-market” genocide and Malthusianism.

Our selection also includes several of the forecasts LaRouche has made on critical developments in the financial and monetary system: his October 1979 warning that Federal Reserve Chairman Paul Volcker’s increase of interest rates would lead to a recession beginning in 1980 (it did); his forecast, in May 1987, that a stock market collapse would occur in

October 1987 (it did); and his “Ninth Forecast” of June 1994.

The second group of statements reprinted here, concerns the physical economy, including notably LaRouche’s pioneering work on what became known as the Strategic Defense Initiative. We also record his October 1988 forecast of the reunification of Germany, and his warning, after the fall of the Communist regime in the Soviet Union, that the West must abandon the dogmas of the British free-trade faction in its dealings with Russia.

Third, is a small selection from the massive programmatic literature LaRouche has produced, on issues of international economic development. We begin with selections from the International Development Bank proposal, on the way Israel might cooperate with its Arab neighbors to develop the Mideast; and we conclude with a recent document that locates the development of Russia in the context of a European “Productive Triangle” and a Eurasian land bridge.

This extraordinary series of documents shows why people all over the world are looking to LaRouche as the best hope for their nation. Yet, it is not as though these programs are unknown to the world’s policymakers. They have been circulating for decades now, but have not been acted upon. Therefore, citizens who understand the urgency of these programs, especially the need to declare the global financial system bankrupt and to replace it with a system of national banking, must take responsibility themselves, to force the policymakers to act, before it is too late.

1. The International Development Bank

At a press conference in Bonn, West Germany, on April 24, 1975, excerpted here, Lyndon LaRouche laid out his plan for an International Development Bank. The proposal was elaborated in a pamphlet titled "IBD: How the International Development Bank Will Work" (see p. 37 for an excerpt on the development of Mideast agriculture).

We propose the immediate establishment of an International Development Bank as a three-way agreement among the three principal world sectors, the industrialized capitalist sector, the so-called development sector, and socialist countries. The Bank would discount letters of credit and bills of exchange authorized by treaty agreement among nations and self-constituted groups of nations, and would thus act as a rediscount bank for those other letters of credit and bills of exchange generated in the course of supplying needs of final commodities producers producing for bookings issued under relevant international development bank treaty agreements.

For example, several key developing sector nations have demanded that the industrialized sector negotiate interlocking agreements concerning three items: energy, raw materials, and food. Our essential criticism of this agenda is that it included only three principal items, instead of the necessary four. The fourth item should be "development." Our remarks concerning this example are not conjectural, provided that suitable initiative proposals are generated by significant forces of the industrialized sector, key forces within the so-called "Third World" will be prepared to immediately begin working negotiations along the lines of such a four-point form of general treaty agreement with the industrialized sector.

On the basis of our own organization's studies, and our discussions of these studies with governments and leading political forces within the "Third World," we have determined to the point of certainty that the activities of an International Development Bank in connection with present wishes and consumption capabilities of the developing sector, would be sufficient to generate a higher rate of industrial expansion in the advanced sector than has been seen during the most prosperous intervals of the past quarter

century.

The feasibility of this proposed program demands understanding of certain often neglected ABC's of Political Economy. Without understanding those principles, we should all be hopelessly caught in the worst disaster of human history.

The basic fact on which all political economy depends is the characteristic feature of economy. That is, that a proper use of means of production and means of personal consumption generates levels of output in excess of the prime costs incurred. The second basic fact, essential to this solution, is that all general development, including industrial development, depends upon creating a basis for growth in an abundant supply of adequate nutrition at relatively low social cost. To the extent that these two principles are observed in practice, and advancing technology emphasized to that end, it is feasible to generate very large amounts of long-term credit without inflationary effects.

We emphasize that a combined concentration on both industrial development and expanded food production are the absolute imperatives for this period. To the extent that long-term development credit to the developing sector places priority emphasis on rapidly increasing the amount and social productivity of world food production, any amount of credit can be issued over a 10- to 15-year term ultimately payable in expanded food, in increased masses of productive labor, and in the social productivity of human labor generally.

The immediate problem the new bank will face is this. In addition to the immediate potential for substantially increasing agricultural output and productivity generally, there are three regions of the developing sector which represent massive opportunities for increases in agricultural output. One of these, the Rio de la Plata region of South America, offers short-term major benefits for development as an agro-industrial region. The other two, the Sahel, and the India-Bangladesh-Pakistan region, represent potentially major world food-producing regions, but will require 10 to 15 years of massive engineering efforts and development to approach their enormous surplus potentials. Therefore, our problem is to provide a level of development equivalent to approximately a quarter-trillion current transferable rubles annually, concentrated on low-interest loans and grants with a typical maturity in the order of 10 to 15 years required for loans.

The apparent difficulty of conducting such programs is only apparent and not actual. To the extent that the industrialized sectors can generate large surpluses in excess of immediate reinvestment requirements within that sector, that portion of surplus can be issued as credits and grants without adverse economic effects. The only real problem involved is that of raising the gross level of industrial outputs to the scale the indicated undertaking requires. . . .

2. Volcker's measures will lead to disaster

This statement was issued by LaRouche on Oct. 16, 1979:

I herewith submit a demand for the prompt impeachment of recently appointed Federal Reserve Chairman Paul Volcker.

Yesterday, appearing before a committee of the United States Senate, Volcker either lied or manifested gross incompetence in the course of a reply to Senator Paul Sarbanes, Democrat of Maryland. He stated, falsely, in his response, that the Federal Reserve System could not channel the flow of constricted liquidity in such a way as to ensure adequate credit for maintaining the operating capital of business employers.

In fact, the Federal Reserve System has the capability, with the consent of the Executive branch and Congress, to

conduct precisely the sort of anti-depression measures which Senator Sarbanes proposed.

Mr. Volcker either knows this, in which case he committed perjury in sworn testimony before the Senate, or he does not know this, in which case he is impeachable for incompetence.

In earlier public statements, Mr. Volcker has stated himself to be a supporter of a doctrine of "controlled disintegration" for both the United States and the world economy. Now, under the semantic pretext of "anti-inflation" "fiscal austerity," Volcker has abused his powers as Federal Reserve chairman to implement measures which constitute an efficient effort to plunge the U.S. economy into misery, chaos, and confusion of the sort ultimately worse than the conditions experienced during the Great Depression of the 1930s. In light of the evidence of a conscious intent behind Mr. Volcker's attempts to ruin the U.S. economy, his conduct in office must be regarded as no better than treasonous in character, if not formally treason by the strict language of the U.S. Constitution.

As one of the world's leading economists, I have caused my staff to conduct a computer-based analysis of the near-term consequences of Volcker's measures (**Figures 1 and 2**).

FIGURE 1
U.S. economy: effects of Federal Reserve credit policy

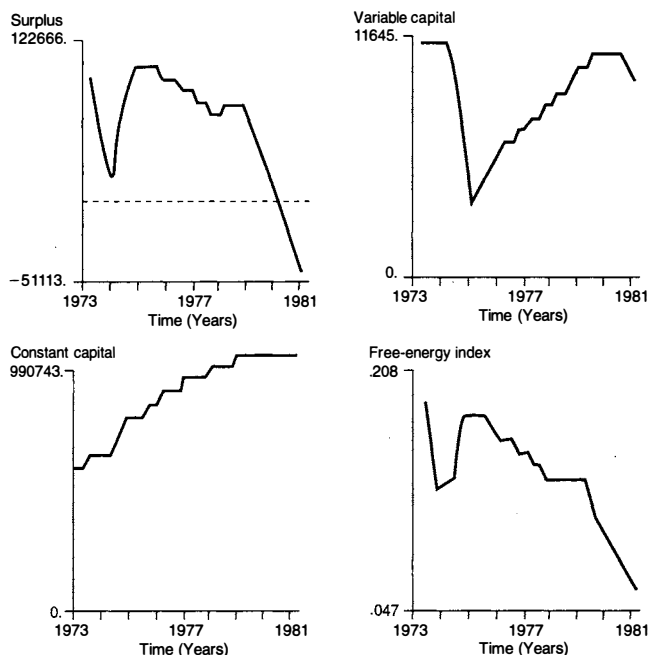
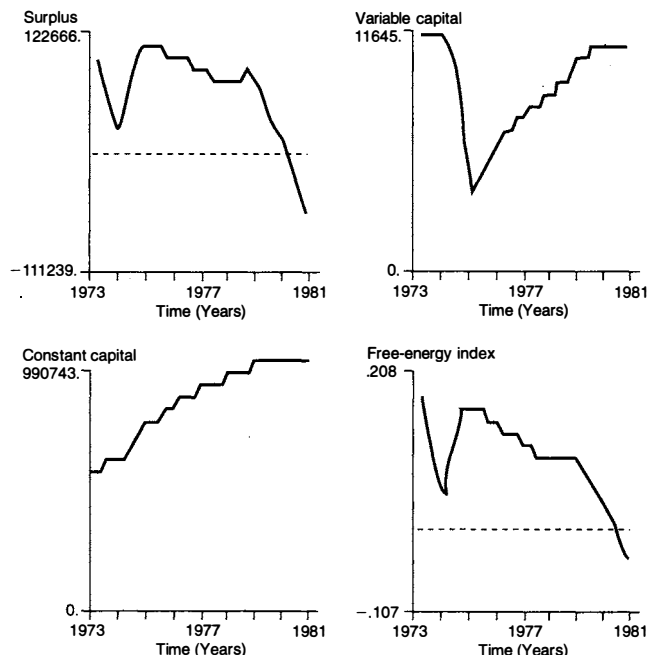


FIGURE 2
U.S. economy: effects of Federal Reserve credit policy plus \$30 per barrel oil price



Surplus shows the total volume of tangible goods production available for investment the following year; variable capital is the total volume of tangible production required to employ goods-producing workforce; constant capital is the cost of maintaining productive facilities plus the cost of raw materials; free-energy index measures the economy's capacity to grow in the future (surplus divided by the sum of variable capital plus constant capital).

Those results, coinciding with the estimates of other analysts reporting independently, indicate that the measures already enacted by Volcker will cause a 15% recession in the U.S. economy, probably putting the United States into a recession twice as severe as that of 1974.

The computer-based analysis has been conducted for two cases. In the first case, the computer run assumed no increase in the average price of energy materials. The computer run showed the 15% decline in the U.S. economy over the months immediately ahead. The second case took into account the estimated 15% further increase in the price of world-market petroleum expected to occur at the end of this year. That case would bring us close to a depression. If loose money measures were used by the Carter administration beginning next Spring, because of election-year considerations, the near-depression might be postponed, but at the price of pushing present 20% inflation rates up toward triple-digit inflation rates around the close of 1980.

Furthermore, the argument that Volcker's "fiscal austerity" will hinder inflation is a hoax. Although there might be some temporary leveling off of inflation-rates during the weeks just ahead, by about January 1980, Volcker's measures would begin to send inflation-rates spiraling upward again. This new spurt of inflation would be caused by the effort to offset higher borrowing costs for operating capital plus efforts to bring total income-volumes of firms back above break-even levels under conditions of a substantially shrunken market.

There are two immediate measures which would ameliorate the present crisis. First, the U.S. gold reserves must be valued at an adjusted current world market value, a value to be negotiated with both the European Monetary System member-nations and the OPEC the "petrodollar" holders. This would stabilize the value of the dollar and take the worst pressures off dollar liquidity. Second, the Federal Reserve must immediately implement the kind of selective credit-flow controls which Senator Sarbanes proposed. This would not solve our nation's problems, but would give us breathing-room for developing a comprehensive, long-term set of monetary and investment-incentive measures.

A depression is not necessary. Any official who adopts a policy of "controlled disintegration" of the United States economy is engaged in a treasonous undermining of our nation's overall security at this juncture.

It is time to cease playing political theater with the election campaign. It is time for the citizens to cease treating politics as a matter of attaching oneself to popular political actors in an electoral beauty-pageant, and to pay attention to the fundamental interests of our nation, especially to those vital interests which determine the condition of individual life and the kind of world and nation we work to leave to our posterity. It is time to force the impeachment of treasurers such as Paul Volcker.

3. Keep the local banks functioning

This statement was issued by LaRouche on March 18, 1987 and was published in The LaRouche Record: Selection of the Candidate's Policy Statements 1986-87, by the LaRouche Democratic Campaign. The statement was issued during a period of widespread collapse of the oil-belt banking system.

The Federal government must take new forms of action now, to deal with the rapidly accelerating rate of banking failures.

First, the government must proceed on the basis of the fact, that most of the banking failures are the fault of neither the banks nor their borrowers. This tidal wave of failures is the result of a general, international financial crisis, combined with a deepening economic depression, which threatens to bring down almost the entirety of the banking system and other classes of financial institutions.

Second, the wave of collapse of local banking institutions must be seen as adjunct to liquidation of farms and plant shutdowns. The loss of a large number of these institutions, during the present economic depression, would represent a major loss of essential structure of the U.S. economy, a loss of structure which could make an economic recovery very difficult to mobilize.

Third, under conditions of economic recovery, many of these banks, farms, and industries would be viable economic entities. Since it must be our intent, to make those changes in policy which bring about such an economic recovery, it should also be our policy to save those banks, farms, and industries which would resume economic viability under recovery conditions.

Therefore, our policy should be, to prevent precipitous collapse of banking institutions, and to take measures to maintain operations of those banks which would become viable under recovery conditions.

Emergency action

It should be determined, whether it were better to take the appropriate action under the President's emergency powers, or whether an emergency, clean bill must be enacted by Congress for this purpose. Were the latter deemed feasible, it were to be preferred, for rather obvious reasons.

An emergency action under law must provide for: the orderly and efficient determination of which imperilled banking institutions could be successfully reorganized under

conditions of economic recovery, and emergency measures of reorganization to provide for the continued operation of banking institutions falling into the latter category.

The following considerations should be included.

1. Congress should resolve that a condition of threatened international financial crisis and economic depression exists, and that the government is resolved to effect such changes in current monetary, fiscal, and economic policies as may be needed to begin an immediate and durable economic recovery.

2. The general approach to financial reorganization should be to classify non-performing assets as ceasing to accrue debt-service charges according to law.

3. Non-performing loans which might become performing assets, in respect to unpaid principal, under conditions of economic recovery, should be considered as potentially performing loans, and that amount of value of unpaid principal should be classed as a frozen asset. If the bank is solvent on this basis, then the bank should be kept in operation.

4. If there is no prospect for successful reorganization under conditions of economic recovery, and if greater damage to depositors would result from continuing operations than otherwise, the best mode of liquidation should be adopted.

Non-performing debts

The same approach should be adopted, on principle, for the case of foreign non-performing debts. Banks holding loans which are non-performing, should carry balances without accruing debt-service charges, unless the bank should elect to write off the entirety or a portion of this unpaid balance, carrying only some residue as a balance.

In the case of currently non-performing debts of foreign governments, except in the case of the so-called "least-developed nations," it should be assumed that a successful reorganization of payment of either all or a substantial portion of the principal amount of the unpaid balance will occur. In the latter case, the amount of unpaid principal shall be carried as not accruing debt-service earnings, subject to negotiated reduction of this principal.

The greatest danger at the present time, would be a refusal to recognize that the threat to our banking system is part of a combined economic depression and an international financial crisis with many analogies to that of 1929-1932. If we pretend that there is no economic depression and no spiralling financial crisis, and if we continue to employ policies attuned to assumed normal business conditions, we invite an unnecessary, deep catastrophe. If we recognize that such crises are deepening, and also resolve to launch an economic recovery, the correct treatment of temporarily embarrassed banking institutions follows more or less as a matter of applied common sense.

4. Forecast: financial crisis of October 1987

This statement was issued by LaRouche on May 27, 1987, and was published in EIR on June 5, 1987. The financial blowout forecast by LaRouche began on Oct. 6, when the New York stock market's Dow-Jones index (or, as LaRouche called it, "the Davey-Jones Index") dropped by more than 91 points. The crisis culminated in Wall Street's more than 500-point crash on "Black Monday," Oct. 19. Some \$1.5-2 trillion worth of equity in U.S. markets was wiped out from Aug. 25 to Oct. 19, 1987.

Leading European financial officials have warned my associates, that we should expect to see the beginning of the world's biggest financial crash by October of this year. My comment on that forecast: It might not occur in just that way, but, if the Reagan administration continues its present policies, it is certain that the world's economic situation will become much worse than it is today over the summer months.

I don't welcome this worsening of the situation. It will cause enormous suffering, for one thing. Also, in the defendant's motion which the Soviet government submitted to a Paris court last Friday, Moscow makes implicitly clear that it will react with efforts to assassinate me as soon as possible, for fear that such a crash might bring me at least close to gaining the 1988 Democratic presidential nomination.

Nonetheless, in history, usually, only the eruption of terrible events brings governments and peoples to their senses. It is when the bombs drop on London or Pearl Harbor—or, something like that—that the English-speaking peoples seem to come out of foolish dreaming, and awaken to reality. It is probable that only a growing sense of the reality of the AIDS menace, combined with a financial disaster, combined with awakening to the reality of the Soviet threat, will get the majority of U.S. citizens out of their present wishful stupor before their TV sets.

Whether the great financial crash of 1987 erupts by October, or later, will depend upon what leading governments do at the international monetary "summit" held in Venice on June 12. Those bankers who are expecting a crash by October, make that forecast on the basis of assuming that the U.S. government's role at Venice will be a continuation of the foolish international monetary policy which the Reagan administration has followed over the past five years. In that case, a crash in October would not be absolutely certain, but it would be, at least, a very good guess.

This forecast is based on the observation, that even now, President Reagan is clinging stubbornly to belief in a "Reagan economic recovery" which never actually occurred. The President believes in that non-existent "recovery" for ideological reasons; he wishes, desperately, to believe that his economic policies have been successful ones. As long as the official line of the administration is to stick to the "successful economic policies" of the past five years, the Reagan administration is likely to stick to those policies. This would turn the Venice "summit" into a disaster, destroying the last bit of confidence in the U.S. dollar in international financial markets. Under those conditions, an October crash would be very probable.

Follies in international monetary policy

Take, for example, one of the most recent developments on the international financial markets. The way in which a small loan was granted to Egypt by the international bankers' club called the "Club of Paris."

Egypt was blackmailed into signing what is called an "IMF letter of intent." Egypt was told, all credit would be cut off, unless it signed that letter. The letter required the consent of the Egyptian government to devaluing its currency, and shutting off the highly successful land-reclamation projects which are the only hope for a basic solution to the problems of Egypt's economy. Reluctantly, Egypt signed, and was then promptly given new lines of credit. Egypt received, however, much less than it lost by devaluing its currency, the pound.

This has been the pattern of U.S. support for IMF "conditionalities" policy. The key margin of increase of the U.S. trade-deficit, has been the collapse of U.S. exports to, and increasing imports from, developing nations which have submitted to the terms of such "conditionalities." The "conditionalities" have, in each case, turned a poor debt-repayment possibility by these countries, into an impossible one, in each case.

This affects the internal economy of the U.S. directly. Take for example, the Reagan administration's reaction to the drop in OPEC petroleum prices.

Continued production of U.S. petroleum requires a price of about \$24 a barrel. Without that U.S. petroleum production, we are dependent upon increasingly uncertain flows of cheaper oil from the Persian Gulf's war-zone. Instead of putting a price-triggered import charge on imported petroleum, to defend domestic petroleum production, the U.S. government decided to go with dependency on cheaper Persian Gulf oil. This, combined with the U.S. Agriculture Department's policy of collapsing U.S. agriculture, was the cause of the financial crisis among the regional banks of Texas, Oklahoma, Louisiana, Wyoming, Montana, and so forth.

Our government's follies in international monetary policy usually come home to cause suffering inside the

United States.

A "zero-economic-growth mafia" inside the IMF and World Bank bureaucracies, acting with U.S. government support, has been collapsing the internal economies and world trade of both developing and Western industrialized nations, while piling up the financial obligations of both developing and industrialized nations. We have been increasing nations' obligations to pay debt, while destroying their means for paying that debt.

Inside the U.S. itself, one of the mechanisms which has been used to prop up apparent consumer purchases, has been a process of increasing average consumer debt, while average consumer income fell. This has been the leading basis for President Reagan's wishful belief in an economic recovery—consumers going deeper into debt to maintain ordinary levels of consumer spending, while average, after-inflation levels of household income have been falling. Now, the growth of consumer debt has reached approximately a saturation-level.

Meanwhile, the prices on the world's stock exchanges have zoomed into the financial stratosphere. Present stock prices are way, way above anything justified by the price-earnings ratio. The bond markets have been sliding down for weeks. About 1,500 U.S. banks are in bad trouble, and more than 200 in immediately serious trouble. Any significant rise in interest-rates could sink as much as half of the savings institutions, and could blow out the banking system generally. If this inflated financial structure collapses significantly in any one sector, all sectors could blow. Any collapse would reveal quickly, that most of the values of financial paper depend upon mere "hot air," such as so-called "junk bonds" or similarly dubious book-keeping accounts.

When the system blows, more than half of the more than \$13 trillion of hard-core debt-obligations could blow, more than half of this inside the United States.

The problem is approximately twenty years of bad monetary and economic policies by all Western industrialized nations excepting Japan. (We sometimes complain that Japan is being "unfair," because it refuses to be as stupid as the governments of other industrialized nations.)

Now, during recent weeks, many of the world's leading bankers have awakened to the seriousness of the situation. Except for the governments of Japan and of France's Prime Minister Jacques Chirac, the governments, and political party leaderships of the other Western industrialized nations are still as much in dreamland on the economic situation as they are on the subject of the AIDS pandemic.

Technically, on any day that the U.S. government came to its senses, this crisis could be brought under control. The crash of 1987 is not inevitable. However, unless the governments come to their senses, it is inevitable. During the Venice monetary "summit," and during the weeks following that, we shall see whether the crash occurs as leading European bankers now suspect it will.

5. Federal Reserve Nationalization Act

LaRouche's Presidential campaign organization announced, on Feb. 25, 1992, the release of a draft Federal Reserve Nationalization Act of 1992 (excerpted here), which would nationalize the Federal Reserve System to create a new National Bank of the United States. The legislation is based on the proposal by LaRouche, to return the United States to the method of central banking originally envisioned by Alexander Hamilton, the nation's first Treasury secretary, and mandated in Article I of the U.S. Constitution.

The current Federal Reserve System's method of monetary creation via Federal Funds "open-market operations" is "unconstitutional," LaRouche stated, because it leaves "the power to create fiat credit in the hands of a powerful cartel of private bankers led by Citibank and Chase Manhattan Bank, "who dominate the Federal Funds markets." This system encourages the majority of funds to flow to speculative, non-productive activities such as junk bonds, leveraged buyouts, and other inflationary activities.

Further information on the proposed Federal Reserve Nationalization Act can be found in The LaRouche Program to Save the Nation, available from the Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

Amendments to the Federal Reserve Act

The Federal Reserve Nationalization Act of 1992 completely revamps the Federal Reserve Act of 1913, which created the Federal Reserve System, to create a National Bank under the Department of the Treasury. This is done through a series of amendments which:

1. Forbid the creation of new fiat credit through the Federal Reserve's current mechanism of *open market operations*, known as creation of "money supply";
2. Create instead large amounts of credit through the new National Bank's *discount window*, providing that all loans presented for discounting by private banks to the National Bank are earmarked for new real physical capital investment, production, or transport of tangible wealth; and
3. Re-regulate *reserve requirements* on deposits of private banks and use them to ensure banks maintain an adequate proportion of lending for purposes of real physical production.

1. Curtailing open market operations

The core of the problem with the Federal Reserve is to be found in the way in which it creates money. The Fed now adds new money supply to the banking system each week, by printing fresh Federal Reserve notes, the familiar dollar bills, for the purpose of *buying a certain portion of the U.S. Treasury debt* (Treasury bonds or bills), that portion of government debt which would not otherwise be purchased by money already in circulation in the banking system. This is known as "monetizing the government debt," printing fiat money to finance the U.S. budget deficit. It is thus axiomatic that since the nation's deficit has ballooned to the \$200 billion annual mark during the 1980s, that the inflationary effects of Federal Reserve open-market operations have taken off.

Worse than the question of "how much fiat money?" is the question "whose"? In practice, the Federal Reserve does not purchase Treasury debt directly from the Treasury, but from the two dozen leading Wall Street government debt houses, such as Salomon Brothers and Goldman Sachs, which have bought up the debt from the Treasury Department in anticipation. . . .

The Federal Reserve Nationalization Act of 1992 therefore limits the new National Bank's open-market operations. . . . This means Article I of the Constitution, which arrogates to the U.S. government a monopoly in emitting legal tender, will be re-implemented, for new Federal Reserve notes will no longer be issued as the currency of the United States. Rather, they will be gradually withdrawn from circulation and replaced by U.S. Treasury bills. . . .

2. Expand productive credit via discount window

The Act then proposes that new, long-term, low-interest credit in the amount of approximately \$1 trillion per annum be issued by the U.S. Treasury via the new National Bank to the U.S. physical economy by an entirely new mechanism. The National Bank is to open wide its *discount window* for general lending of *directed credit* to the productive, infrastructure, and related sectors of the physical economy. The bank may in fact create such credit indefinitely without fear of inflation, as long as it serves to create new productive wealth. . . .

3. Protective reserve requirements

To protect the safety of the banking system, and prevent banks from re-depositing for re-lending, for *nonproductive* purposes, large amounts of the new cheap discount credit, the act reregulates *reserve requirements* for private banks. . . .

From the Federal Reserve Nationalization Act of 1992

Sec. 1 Sec. 1 of the Federal Reserve Act of 1913 is hereby amended to read: "Under Article I of the Constitution per-

taining to the monopoly of the U.S. government in emitting legal tender, the Federal Reserve System is hereby nationalized and placed under the jurisdiction of the Department of the Treasury of the United States. Its name is hereby changed to the 'National Bank of the United States.' Regional headquarters of the Federal Reserve System shall henceforth be known as the appropriate regional branches of the National Bank of the United States. . . .

"Offices and personnel of the former Federal Reserve System shall continue normal functions at the new National Bank except for the amendments set forth below. . . .

"Private-sector member banks' of the former Federal Reserve System shall henceforth be known simply as U.S.-chartered banks. . . .

Sec. 2 Section 1 of the Federal Reserve Act is hereby amended to read: "The Federal Reserve shall immediately cease issuance of Federal Reserve notes as legal tender. As of the passage of this Act, the successor National Bank of the United States shall commence issuance of all new legal tender obligations of the United States in the form of U.S. Treasury bills, to be deposited with the National Bank by the Treasury Department. . . .

"Previously issued Federal Reserve notes may continue to be circulated as currency until such time as the Department of the Treasury shall formulate a currency reform plan for their orderly withdrawal, said plan to be promulgated no later than one year from the passage of this Act. . . ."

Sec. 3 Section 14 of the Federal Reserve Act of 1913 is hereby amended to include the following: "The power of the National Bank of the U.S. to purchase or sell bills, notes, and bonds of the United States shall be limited to these functions:

"a) The anticipation of tax revenues accruing not more than one year from the date of purchase of said bills, notes, and bonds, in order to help maintain an orderly flow of disbursements by the United States Treasury;

"b) To maintain an orderly market in the bills, notes, and bonds of the United States, and to meet the temporary liquidity needs of regional branches of the National Bank system and commercial banks in their districts;

"c) The purchase of such liabilities of the United States as may be presented by foreign governments for sale to the National Bank by said governments;

"The Federal government, however, may not create money supply by monetizing United States government debt. To ensure this, the total holdings by the National Bank of bills, notes, and bonds of the United States shall be set as an annual ceiling as of the enactment of this Act. Said holdings may vary in size in the course of each year, but may not increase in size at the end of the year, following enactment of this act and at annual intervals thereafter, except as a result of purchases of official liabilities of the United States from foreign governments."

Sec. 4 Section 14 of the Federal Reserve Act of 1913 is hereby amended to read: "Any regional branch of the National Bank may receive from any bank, and from the United States, deposits of current funds in lawful money, National Bank notes, Treasury bills or notes, or checks and drafts upon solvent U.S.-chartered banks, payable upon presentation; or, solely for exchange purposes, may receive from other regional branches of the National Bank, deposits of current funds in lawful money; or checks and drafts upon solvent private banks or other branches of the National Bank, payable upon presentation. . . .

"Upon the endorsement of any U.S.-chartered bank, any branch of the National Bank may discount up to 50% of the face value of notes, drafts, and bills of exchange arising from the production of tangible wealth or capital improvements. . . . This shall be defined as the purchase of raw and intermediate materials and capital goods, construction of facilities, or employment of labor to produce or transport manufactured goods, agricultural commodities, and construction materials; to work mines; to build manufacturing, transportation, and mining facilities or dwellings; to produce and deliver energy in all forms; and to provide public utilities for communications.

"Such definition shall not include notes, drafts, bills, or loans issued or drawn for the purpose of conducting business except in the areas so defined, or for carrying on or trading in stocks, bonds, or other investment securities.

"Any National Bank branch may discount the full value of acceptances which are based on the exportation of goods, or 50% of the value of acceptances which are based on the importation of goods, provided that such goods conform to the restrictions set forth in the preceding paragraphs.

"All National Bank branches shall meet all such requests for discount of or participation in notes, drafts, bills, and loans made by U.S.-chartered banks, once the National Bank has determined that the purpose of such credit conforms to the restrictions set forth above. There shall be no restrictions applied to such discounts in furtherance of tangible wealth creation on the basis of private banks' capital positions. . . .

Sec. 5 Section 19 of the Federal Reserve Act of 1913 is hereby amended to include the following: "The above reserve requirements shall apply in the case that private banks maintain 60% of their total assets in the form of loans, bills, drafts, and advances to tangible wealth-creating borrowers, of a type eligible for discount under Sec. 4 of this Act. For every 1 percent by which the bank's proportion of tangible wealth-creating assets falls below 60% of total assets, the National Bank shall require that banks place an additional 1 percent of demand deposits in reserve with the National Bank system. To permit orderly transition to this reserve rule, however, the formula shall apply only to new assets appearing on the balance sheets of banks after the date of enactment of this Act."

6. A universal derivatives tax

LaRouche issued this intelligence memorandum on March 9, 1993, dictated by telephone from his federal prison cell. "Derivatives" are financial instruments in which actual stocks or bonds are not exchanged, but only agreements by two parties to make payments on a future date at a price related to the performance of a commodity or currency. There are three basic types of derivatives: futures contracts, swaps, and options.

It is my proposal that some form of nominal but otherwise significant, universal tax be placed on individual derivative transactions, not only in the U.S., but abroad. The included purpose of this taxation is not merely to derive a new source of revenue, much needed tax revenue from a source whose taxation will be harmless to the real, that is, physical economy, but also to bring into the light of day, under penalties of law for non-payment of this tax, the magnitude and structure of a derivative bubble as a whole.

The John Law bubble gone mad

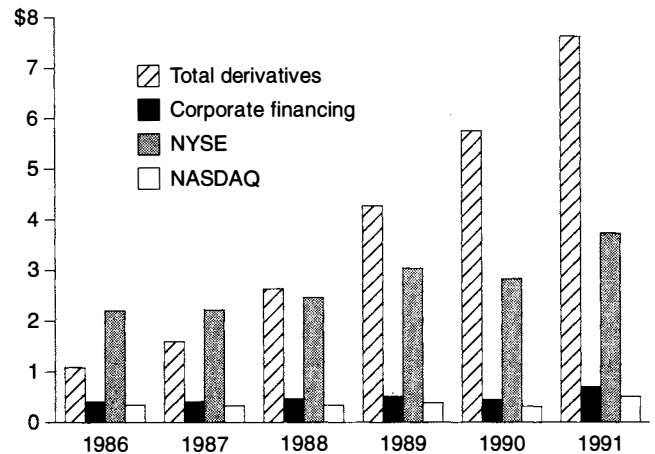
My additional comment qualifying this proposal, is that it is clear that the derivatives bubble, by the very nature of these transactions, is a financial bubble, in the tradition of the more primitive, more rudimentary, and far less dangerous bubbles of the Eighteenth Century, such as the John Law bubble in France and the South Sea Island bubble in England, at the same period of time.

This is the John Law bubble gone mad! The vulnerability to the entire financial system, the chaos and destruction of actual physical processes of production, distribution, employment, and so forth, is of incalculable potential, and therefore this thing must be brought under control promptly; otherwise all fine plans of stabilization of financial markets and economies go out the window, as empty pipe dreams.

We must bring this under control, and the best way to do it, I believe, is to impose a universal tax on each individual transaction, as a percent of the nominal value of the matters which are traded in these credit, interest, and etc. swaps, and other similar derivatives. That is the only way that we'll bring the magnitude of this and the structure of this into the light of day, and force some rationality into the situation, and thus prepare ourselves to be able to take competent moves in order to bring the market as a whole under control.

The down side would be argued from certain sources,

FIGURE 1
Derivatives compared to U.S. corporate financing and stock market capitalizations
(trillions \$)



Sources: Bank for International Settlements; Securities Industries Association.

apart from the wild free market monetarist maniacs, will be that the number of related transactions, related to any single initiating trade, can be enormous, can be over a hundred individual transactions, can be tied to one actual trade, additional trade.

Fine! Tax them all! That's a big amount of paper, they will say. Fine! Tax them all! The burden of doing the paperwork will itself prevent you characters from ballooning this market in that way. If it costs you too much, in administrative work and effort, to account for a hundred transactions linked to one, then that itself will deter you from building up 50 to 100 or other significant amounts of transactions per initial transaction, and that in itself will be a good deterrent against the growth of the speculative bubble.

Financial blowout looms

Finally, in restatement, in summary: Unless we bring this derivatives market under control and begin to shut it down, at least to a significant degree, promptly, we're going to have the biggest blowout, financial blowout in history—bigger than the John Law-type bubbles of the early Eighteenth Century. And we'd better find out what we're doing, fast. We'd better bring it under control fast, and if we need to tax something, let's tax, say, one tenth of one percent of the nominal value, or 10% of the actual amounts, something like that. One of those two. But I think that a tax based on the nominal value would perhaps be a better tax, because of the differentials between those nations or banking systems which allow minting out and those which do not.

7. LaRouche's 'Ninth Economic Forecast'

Excerpts from an article by LaRouche published in EIR, June 24, 1994, titled "The Coming Disintegration of Financial Markets." It was also issued as a mass-circulation New Federalist pamphlet, under the headline, "LaRouche's Ninth Forecast."

It comes as no surprise that the name of the Bank of England's Eddie George is added to the list of which it must be said that "whom the gods would destroy, they first make mad." During the course of the current London meeting of the International Monetary Conference, Eddie joined the ranks of those greed-maddened public fools of finance who insist that the danger from the now metastatically cancerous financial bubble in derivatives speculation is being exaggerated by some critics.

It is a matter of some urgency that responsible governments subject all incumbent and prospective economics and central banking officials to the sanity test which Eddie George would have flunked gloriously. . . .

I say to you now, as I informed various relevant scientific institutions of Russia during the last week of this April past: *The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur during President William Clinton's first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.* That is LaRouche forecast No. 9—the addition to the list of eight, above. . . .

What is a 'cancerous bubble'?

The present global financial and monetary bubble goes one fatal step beyond a mere ballooning of fictitious capital gains. It has a dimension which marks it as fatally cancerous for the financial and monetary systems which it infests.

Asset-stripping is the key to this point.

Let us use the term "leverage" to identify the implied multiplier which converts an imputable annual rate of income-stream into a corresponding magnitude of nominal fictitious capital. In the case of the slumlord, looting the tenants to increase the income-stream from rental income

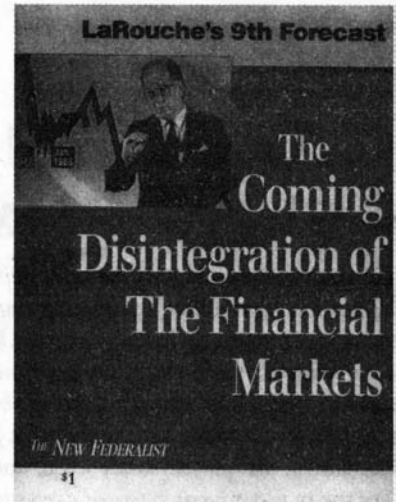
is a way of increasing the imputable income-stream, and thus the fictitious capitalization of the property-title. The valuation of the secondary and tertiary fictitious capitalizations spun off from the imputable marginal gains in fictitious capitals are themselves so based upon leverage against the primary, real income-stream.

The valuation of the interconnected whole market in fictitious capital gains depends thus upon both the relative and corresponding absolute magnitudes of the primary income-streams taken as a whole. This fact is illustrated dramatically by the case of the asset-stripping needed to sustain the massive creation of fictitious capital in the RJR Nabisco operations. Without massive asset-stripping against the economy as a whole, the speculative bubble as a whole would have collapsed approximately a decade ago.

This is complicated by the fact that without an increase in the flow of fictitious capital gains at the top of the bubble, the bubble as a whole would collapse. For, without a continuing growth of the magnitude of fictitious capital gains, the bubble as a whole would collapse under pressures of reversed leverage.

"Collapse" would be a most misleading sort of euphemism in that case. "Reversed leverage" in such a bubble is best approximated mathematically by the same Kolmogorov equations used to describe a chemical, fission, or thermonuclear explosion, or a firestorm like that which the British war-time Royal Air Force created at Hamburg and Dresden: in mathematical-physical terms, a "shock front," and a very hard one at that. In effect, one evening the financial markets appear normal, stable; by the end of the next day, or something approximating that, everything is rubble; the financial and monetary system built up since August 1971 has disintegrated, as it were, in a single day's trading.

As in the case of a heroin or methadone addict, the habit of looting the real-economic basis must be fed to prevent a collapse. Feeding the habit prevents the immediate collapse by hastening the date of total collapse. The addicted state is destroying the basis upon which it feeds to sustain itself. As is illustrated by the tragic fate of the enterprises gobbled up in the RJR Nabisco caper, this is the fate of the world's economy under the rule of the cancerous financial bubble marked by derivatives speculation. . . .



8. A typical collapse function

Excerpts from a speech by LaRouche to a conference of the International Caucus of Labor Committees and Schiller Institute, in Eltville, Germany, Dec. 2, 1995. The full text was published in EIR, Jan. 1, 1996.

... [Figure 1] is a summary of three curves which are characteristic of the process of monetary and financial disintegration of the world economy. . . .

The bottom of the three lines represents the decline in productivity, in physical terms: that is, physical product. It also includes things which are essential, as services, to physical productivity. . . .

Now the second of the three curves, although the per-capita output, physical output, and consumption around the world have declined over the period of the past 25 years, especially the past 25 years, there has been an increase in per-capita monetary turnover, monetary emission. The money supply has been growing while the physical output and consumption per capita in all the categories—production, infrastructure, and households—have been declining.

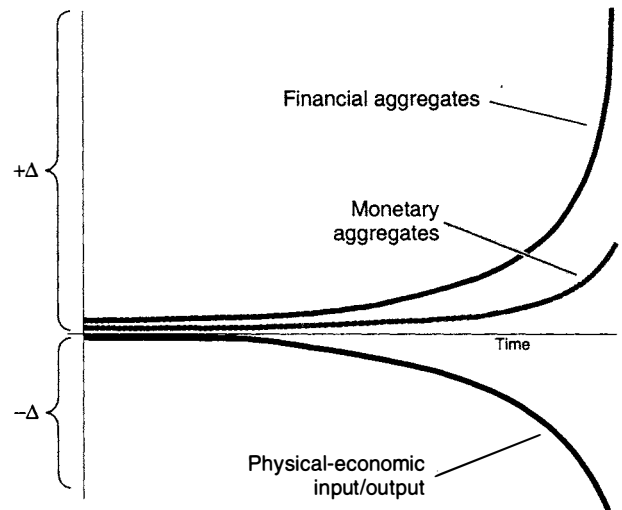
At the same time, a new process has entered in, which is the growth of financial turnover relative to monetary turnover. That is, central banks and similar institutions emit money which is put into circulation through lending in the form of loans emitted by banks cooperating with central banks. Central banks incur an implicit or actual debt obligation, as a result of the emission of that money under present terms. That's the largest part of the debt that governments incur, especially the government of the United States.

The debt is incurred *not* by government spending. The deficit growth is largely incurred as a result of a collapse in the tax revenue base, as a result of a collapse in the economy, and also an increase of debt to cause money to grow, to cause the money supply to grow faster than production. . . .

But, the worst part is the financial one. . . . If we include the best estimates on the off-balance-sheet portion of financial turnover, the financial turnover of this planet per day, now, is probably around \$3 trillion a day. We're getting toward \$600-700 trillion a year now, in terms of financial turnover. If we were to continue this system for another year or so, on the present trend, we would be going to about \$1 quadrillion value of financial turnover per year.

Now, financial turnover also incurs financial obligations, which translates into various forms of indebtedness. However, in order to pay debt, you must pay it, ultimately, out of

FIGURE 1
A typical collapse function



physical production. You must resolve the debt, finally, in physical production. Both the monetary debt or the debt related to monetary circulation, and the debt related to financial circulation.

Now, what you're seeing here, in the peculiar shape of this curve, and in the ratio of the financial curve to the monetary curve, are accurate representations of what the process looks like. Here, in the relationship between curves for monetary and for physical output, you get a tendency, in the past three years, toward a hyperbolic rate of growth of monetary emission to physical output. You get a more pronounced hyperbolic growth of financial obligations from the relationship between financial turnover and that of monetary aggregates.

That is, you pay financial debt in money terms. There's a ratio of financial obligations being generated to money being generated. You settle monetary debt in real terms, as by taxation of firms and persons and so forth. Therefore, the rate at which wealth is being generated, in respect to the rate at which money is generated, is another crucial value. The two values which are crucial: financial debt to the monetary debt, these two ratios here depicted, are the crux of the crisis. . . . We are entering a *discontinuity*.

The very fact that these ratios are changing the way they are, individually, and with respect to one another, indicates that the whole system has now reached the edge of the cliff. It is going to *end*. That does not mean that it's going to fall off the cliff. It *could* fall off the cliff, if we don't do the right thing.

So, the question is, will society continue past the death of the International Monetary Fund? Because the IMF is finished. It is dead. It cannot be saved. It is the *Titanic*, the "unsinkable *Titanic*." . . .

9. Free trade vs. the American System

The issue of protectionism vs. the British free-trade system is sharply posed in this excerpt from LaRouche's book Basic Economics for Conservative Democrats (New York: Citizens For LaRouche, 1980).

Britain versus America

Britain was the avowed military adversary of the United States from 1775 through 1863, and remains the principal adversary in fact of United States' vital interests to the present date. The nature of that continuing, de facto adversary relationship between the United States and Britain is exposed quite efficiently by focusing on the essential points of difference between the American and British systems of political economy.

[Mathew] Carey and others described the British System as a mixed feudal-capitalist economy, with the feudal-minded aristocracy the governing element in that mixture. One might rightly quibble with Carey's use of the term "feudal" according to the mythology popularized by Sir Walter Scott. What Carey clearly meant to communicate by that formulation is indisputable in fact.

The key to the "feudal" character of the British System is the British doctrine of "free trade."

In the American System, as with the Tudors and with Colbert, it is our policy to provide regulation and protection to ensure fair profits and fair wages for those capitalists and wage-earners whose labor is contributing to national prosperity and productivity—to the realization of the development of greater productive powers for labor. A recent *New York Times* issue contained a useful observation—itsself a most unusual bit of behavior by the *New York Times*. In an otherwise monstrously wrong-headed statement of editorial policy, the *Times* referred to Japan's practice of allowing "sunset" industries to die while protecting and fostering "sunrise" industries; to let old, unproductive forms of enterprise wink out of existence while fostering new, higher-technology developments contributing to a more prosperous and productive nation for tomorrow. Ensuring fair profits for "sunrise" industries is the essence of the protectionism built into the American System. Ensuring fair wages, so that the potential productivity of our labor-force might be constantly enhanced through aid of rising living standards, is also a vital policy of the American System.

The meaning of the "free trade" issue was made clear enough in our national political experience leading into the Civil War. The most vociferous defenders of "free trade" were the proslavery forces and those Anglo-Americans reaping large profits from the trade in slave-produced cotton. Similarly, Frederick Engels's corrupting influence on Karl Marx, "brainwashing" Marx into writing a vile, fraudulent denunciation of Friedrich List, and "brainwashing" Marx into admiring British System economists such as Petty, Smith, and Ricardo, is by no means unrelated to Engels's generous income—while his "friend," the brainwashed Marx, was starving—from the cotton trade, at the expense of American black slaves and the American economy as well.

The Southern slave-owning class of pre-Civil War times, estimated to be about 250,000 individual members of slave-owning families at the outbreak of war, was a monstrously evil, oligarchical social class, tied in every imaginable way—in lack of morals, in philosophy, and so on—to the pederasty-reeking British aristocracy. That slave-owning class was an "asset" of British foreign policy, just as the Confederacy itself was nothing but a London-controlled puppet of the British aristocracy and City of London financial interests.

The rise of that treasonous, oligarchical class in the United States should be advantageously studied from the vantage-point of the corruption of Thomas Jefferson.

Jefferson is defined by his own correspondence as a close collaborator of Shaftesbury and of the key executive of the British Secret Intelligence Service of that time, Lord Shelburne's protégé Jeremy Bentham. This was the side of Jefferson which led him to connive at spreading the British subversive operation, known as the "Jacobin clubs," and to verge near to outright treason in connection with insurrections against the United States.

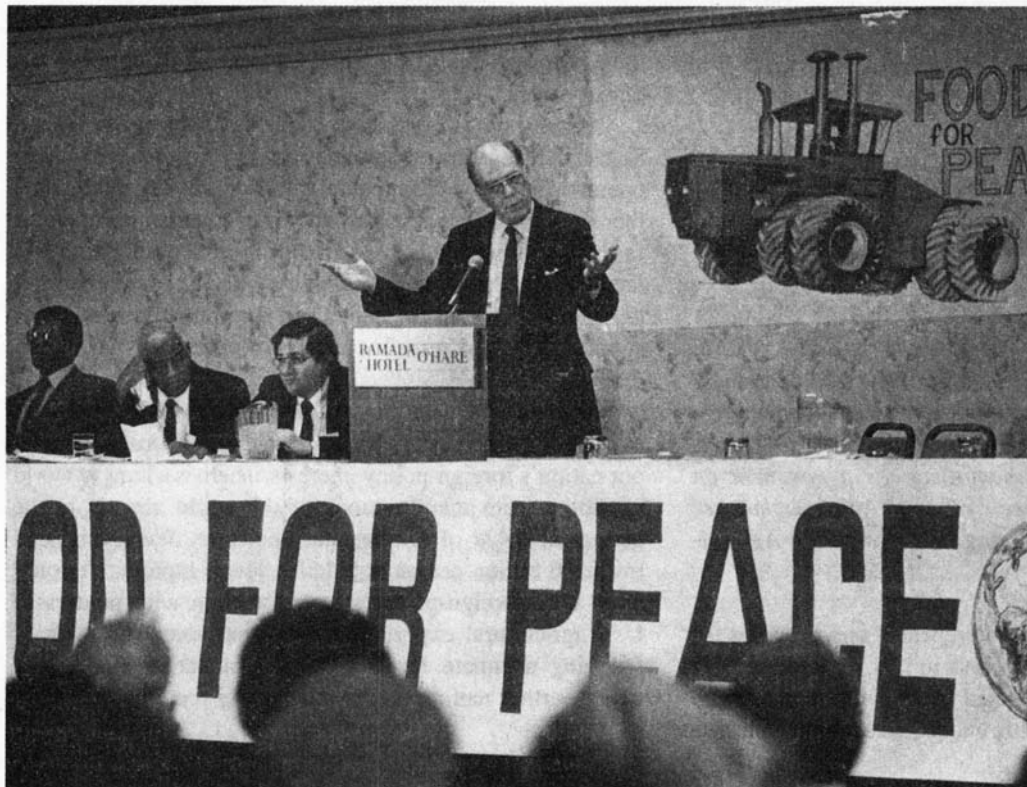
Jefferson is often mistakenly defined as on the side of the antislavery forces. In fact, Jefferson argued strenuously that black Americans were a subhuman species; his affection toward black Americans was akin to the variety one shows toward the humane treatment of cattle. His association with the traitor Aaron Burr and the strong influence of British agent Albert Gallatin on his anti-American System policies and destruction of U.S. military capabilities are indicative.

The practice of slavery transformed Southern planters into a corrupt, treasonous oligarchical class, which was increasingly determined to transform the United States into a backward semi-colony of Britain, if not an outright colony.

The development of the cotton gin promoted this, as is well known even in otherwise dishonest or incompetent texts on American history.

The thrust was to make the United States a deindustrialized exporter of raw materials and plantation agricultural products, and to be a dumping ground for subsidized masses of cheap British manufactures.

American consciousness of this is elaborated by Mathew Carey in an 1819 attack on "free trade" as the direct cause for



LaRouche addresses a Food for Peace meeting in Chicago, Illinois, Dec. 10, 1988. A dirigistic government policy, including guaranteeing farmers a parity price for their goods, is the prerequisite for the recovery of our bankrupt agricultural sector, which is needed to feed a hungry world. This was well understood by the leading economists of the American System, contrary to what you read in the history books today.

the preceding depression of the United States' economy.¹

The trick was to use competition to drive the prices of manufactures so low that American industries collapsed below breakeven points, or, at least offered such low rates of return on investment that there would be a corresponding deterrence of flow of credit and savings into such enterprises. We Americans fought this, demanding tariff protection for our "sunrise" industries, not to gouge ourselves with higher prices for goods, but to maintain price levels at which the economy and employment would increase—and the total level of real, per capita consumption (real wages) would also grow.

The treasonous gang of slave-owners did not wish to foster the growth of an industrial-capitalist power in the United States; they proposed "free trade" not only for the apparent advantage of being a dumping ground for the cheap manufactures of British "economic warfare" policies. Their motivation was not merely greed, but was wittingly treasonous. They sought to weaken the United States to the advantage of Britain.

True, a lot of people today are hoodwinked into supporting Senator Kennedy's and the Heritage Foundation's treasonous "free competition" and "deregulation" nonsense,

1. Mathew Carey, Addresses of the Philadelphia Society for the Promotion of National Industry, 1819, in Allen Salisbury, *The Civil War and The American System*, pp. 375-442.

swallowing out of ignorance and thoughtlessness the specious argument that such competitive reductions in prices must mean cheaper goods and so forth. The fact that misguided people are hoodwinked into paying higher prices for used-car "lemons" does not make those rolling wrecks a "good buy." Opinion does not define truth; rather, the person whose opinion is not defined by truth becomes unfit to judge his own affairs.

Cheaper goods are properly the outcome of rises in productivity of labor. This productivity arises ultimately from basic scientific advances and the spectrum of improved technologies to which such scientific progress leads. This potential is realized by compulsory public and higher education, and by those improvements in leisure and general conditions of household and community life which impart the capability of assimilating advances in culture of a people. The combined potential so represented is realized by employing such a developing labor-force in productive occupations, which involve technological improvements incorporated into plant, equipment, machinery, and so forth—with capital formation.

The higher the rate of capital formation, the more rapid the advances in technology and productivity. Hence, the more rapidly goods are made cheaper in terms of the average social effort required to produce them. So, profits and wages rise simultaneously. That is the way we cheapen the cost of living, improve wages, bring more and better goods into the range of an average week's wage.

10. New calculation of farm parity needed

The statement by LaRouche excerpted here, dated June 6, 1980 and titled "The Necessity for a New Calculation of Agricultural 'Parity,' " was submitted to the Subcommittee on Family Farms, Rural Development, and Special Studies, of the U.S. House of Representatives, as a comment on the General Accounting Office's report, "An Assessment of Parity as a Tool for Formulating and Evaluating Agricultural Policy."

During recent months, I have had repeated opportunities for in-depth review of the present crisis in U.S. agriculture with representatives of owner-operated farms—the farmers who are the backbone of our nation's unequaled accomplishments in agricultural productivity.

These discussions have centered around two categories of problems. The first category is the problem of winning the nonfarmer constituencies of the nation to support of a sensible national agricultural policy.

This discussion has been aided by the fact that I, unlike Ronald Reagan, know what agricultural parity means: the costs of agricultural production plus some fair rate of gross profit to cover the living expenses of the farmer and provide margins for reinvestment of profits in productivity improvements and necessary growth of production.

Ronald Reagan certainly does not even suspect, unless he has been given a recent crash briefing on the matter, the United States presently has no truly accurate measure of proper parity prices for agricultural products. Although public and private institutions have workable, accurate estimates of the standard-cost component of parity price, the calculation of the proper rate of gross profit remains a disputed point.

What is the proper rate of gross profit for the various categories of agricultural product? This is the question which remains to be settled for purposes of policymaking. That is the problem I have committed myself to solve, using the computerized LaRouche-Riemann "model" to arrive at the proper set of values.

The long-standing political problem respecting agricultural parity prices centers around the unwarranted widespread public suspicion that parity-support programs represent some sort of welfare hand-out to farmers at taxpayers' expense. The general public, of whom about 96% are non-farmers, has little or no perception that unless parity prices

are maintained, it is they, the general public, who will suffer most, through loss of a stable supply of food for their dinner tables.

It is my duty, as a prospective President of the United States, to bridge the comprehension-gap between the owner-operator farmer and the general, food-consuming public. It is therefore my duty not merely to provide our owner-operator farmers with the kinds of parity formulas needed, but to win the 96% of the general, nonfarmer public to a comprehension of the way in which our nation can continue to ensure stable supplies of good nutrition at stable prices for the family dinner table.

I should add, that this is a problem involving not only our domestic economy, but involves a most crucial part of our nation's foreign-policy interests. There is a hungry world out there, with many nations of the world already in the genocidal cycle of famine and epidemic. We are headed toward 6 billion person population levels rapidly. Not only must U.S. foreign-policy interests reckon with matters of U.S. agricultural exports, but with the greater problem of fostering adequate levels of food production among our treaty partner nations of the developing sector. . . .

How parity ought to work

Agriculture cannot work merely from the planting to the harvesting, one year at a time. A farmer produces economically by undertaking a program of production for each part of his output, a program involving investments in land-improvements, equipment and so forth, which must be averaged out over not less than a three-to-five year period.

Therefore, to secure economic efficiency—that is, to keep parity-values as low as technology permits—farmers must commit themselves to production programs for their farms based on fair foreknowledge of the market demand in quantities and average prices for forward running periods of between three to five years, allowing for marginal year-to-year adjustments.

In other words, to bring the required parity value down to the lowest sound price, we must work to create orderly markets for agricultural products, in both domestic and foreign markets overrunning three-to-five year forward periods. Farmers can then produce according to reliable forecast demands. As long as we can buffer the excesses and shortages caused by weather and such with reasonable product inventories, the farmers can keep the food-pipelines filled to any reasonably forecast food-requirement at a stable average price for this volume of product.

Let it be clear that we are not hinting at some scheme for governmental de facto "collectivization" of the American farmer. No measure must be introduced which undercuts the independence of the owner-operator farmer. Our job is to use the tools of better forecasting and better agricultural export practices and policies to provide those independent farmers with reliable forecast volumes and prices which they

will use as information to guide themselves in managing their farming. This means also retaining measures such as the Capper-Volstead Act, as means to aid farmers in collaborating among themselves to promote orderly marketing of their product—to protect themselves against being played against one another by greedy middleman organizations. We desire that the portion of the price we pay for food which properly belongs to the farmers should go to the farmers, to keep our food supplies stable and stable in price.

It is the ingenuity and investment-risk of the owner-operator farmer which will work within a combination of orderly marketing and sound parity-values to foster new technological improvements in agriculture by the best independent farmers. The benefits of competition among farmers will be fostered in that way.

Included policy-measures

Several specific measures must be taken immediately by the Federal government to relieve the current agricultural crisis—that is, if the 96% of the nonfarmer citizens are to have proper nutrition at reasonable prices for their dinner tables in 1981 and 1982.

I am committed to a policy of world-market prices for American agricultural exports, for one thing. I am against taxing our farmers in order to dump food on the world market, that being the general drift of Federal policy to date.

Less than 4% of our labor force produces the food which has fed our population and a good part of the rest of the world besides. Of this total, about 1.5% of our total labor force, working as owner-operator farmers, produces the great bulk of the total, with part-time and so-called marginal farmers filling out the total. Until the cumulative disasters of the Kissinger administrations and the Carter administration erupted over the 1970s, we could say with confidence that our farmers were the most productive in the world, producing high-quality food at the lowest social cost of any nation. . . .

Without ignoring other components of our agricultural export categories, my administration will stress three categories of product as paradigmatic for my agricultural policy as a whole. I am committed to increasing grain, beef-cattle, and dairy production, with emphasis on increased margins of export. For the medium-term, grain should be a big seller under treaty agreements secured by my administration. . . .

Perhaps it will be rumored that when President LaRouche greets foreign ambassadors in boots and overalls, the ambassador will know that the President is in a mood to sell grain, beef, and dairy products. I wouldn't actually appear in such dress for diplomatic functions, but the rumor will probably be spread nonetheless. I mean to sell a growing amount of our agricultural product to nations in search of some good eating. . . .

Otherwise, as President, I shall appoint a selection of farmers to staff the relevant positions in the Agriculture Department, with some leading agronomists worked in. . . .

11. Oil industry needs a protective tariff

From EIR, April 11, 1986, p. 32:

On Jan. 29, 1986, presidential candidate Lyndon H. LaRouche, Jr. proposed an oil-import tariff to keep domestic petroleum prices at a level high enough to allow domestic production and investment to continue, for obvious national security reasons. The point of such a tariff would not be to raise revenues, but to protect our internal oil industry, which otherwise faces disaster. Even if we did not face a massive reduction of current oil production, we would feel the effect of lowered exploration within about five years, as old fields run dry. Without continued, aggressive development of new sources, the United States will be on the way out of the oil business by the early 1990s.

On April 1, the National Democratic Policy Committee announced its support for the implementation of the emergency oil tax package, as one step in a program to stop a financial blowout in 1986.

At the center of the package is an "oil parity tariff," which would establish a parity price for oil, and impose a revenue tariff on imported oil when oil was below that price. The parity concept is the same as that in farming. It sets a commodity price which takes into account the cost of maintaining current production, thus allowing the producer the equivalent of a "living wage," and society the provision of needed resources. The federal government is responsible for guaranteeing parity prices.

The current parity price is minimally \$20 a barrel. But the market price is now hovering around \$10 a barrel. That is why oil producers in the United States cannot cover their costs of production, and are beginning to fold up their operations. Thus, Alaska and Texas, two of the largest oil producers in the United States, depend for solvency on an oil price of over \$13 to \$15 a barrel. . . .

Oil production will not be the only casualty, however. As the case of Texas shows, the oil price drop way below parity will trigger a deflationary collapse in real estate, and could pull the entire rotten banking system down with it.

The only way to avoid this disastrous result is for Congress to break from the illusion that the "free market" will save us, and impose an oil parity tariff. Under the tariff, the difference between the current price, and the \$20 a barrel parity price, will be taken as revenue by the federal government. The maintenance of the \$20 price will at the same time protect our oil production and exploration, which are, in fact, vital for national security. . . .

12. Hill-Burton health-care standards

Excerpts from a July 20, 1994 "EIR Talks" radio interview with LaRouche:

I think we have to divide the health-care question into two questions, for purposes of voting, shall we say.

One, do we want universal health care? . . . That is, do you want a situation in which, when somebody falls down on the street, and you as a passerby call the police, an ambulance comes, picks that person up, takes them to an emergency room or something of the sort, while administering whatever care you can in an ambulance on the way, and that that person is going to be treated? Or, if someone is sick, and they call for help, that person is going to be treated, and adequately treated? Do you want a system in which, in your community, there are an adequate number of physicians and related professionals, as well as hospital beds and clinics within reach of you, so that your medical needs can be satisfied?

I think the answer is, "yes."

Do you think you want a situation in which, if someone is poor, and has no money, but requires medical care, they are going to be treated, and adequately?

I think the answer is, "yes."

All right, let's say we all agree on this sort of thing, from a moral standpoint, and as good citizens, to think of health care as *necessary*, not only for *ourselves*, but for our neighbor, *which may be essential to our health, and our family's health*. I mean, if you've got a bunch of sick neighbors, you're likely to catch something, buddy. So, therefore, it's only good, common sense, even if you lack the charity to think so, to wish that your neighbors have good health. It's good for you, and for your children.

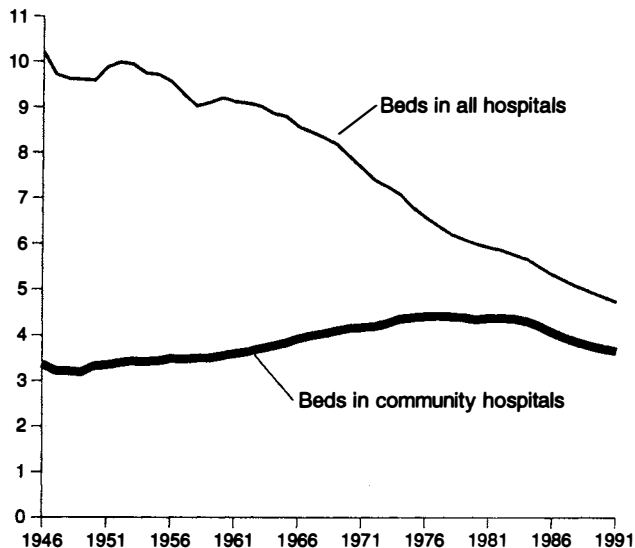
Now, the question then is: *How* do we deliver this result?

I don't like what's happening now. I don't like what's happened over the past 20 years. I think we've gone in the wrong direction. I think we have to go back to the policy we had at the end of the war, when I think we had more sense than we do now, or have had recently.

We had a piece of legislation, about five or six pages of legislation, a very simple, very pungent, very clear piece of legislation, called Hill-Burton. That's what I supported in my campaign in 1992. That's the approach I support now.

I'm not against people having insurance. I think they should have insurance to help out, like the old Blue Cross/Blue Shield used to be. . . . But, the problem today is that, since the introduction of malpractice insurance racketeering

FIGURE 1
Hospital bed availability, 1946-91
(beds per 1,000 people in the United States)



Sources: U.S. Statistical Abstracts; Historical Statistics of the United States.

by the legal profession, and others, back in the late '70s and beginning of the '80s, that malpractice racket was used as a way to virtually shut down medicine and introduce changes, increase the cost of medicine, skyrocket it. Plus, of course, the economy of the United States was collapsing, and therefore, people had less income than before, and therefore, it was more difficult to try to keep pace with medical costs, because you have, really, less purchasing power than you had, say, in 1967. . . .

What I think we ought to do, is to take the overhead and the administrative costs out of health insurance. Let's get the paperwork out of the system. Let's go back to the Hill-Burton conception of a bulk rate, in which people have insurance, they try to cover themselves the best way they can. They have access to an adequate number of physicians, to an adequate number of hospitals when they need them, and so forth; and, if we have a few people who come in without the money to fully cover their care, we give them the care. It's *cheaper* to pay hospitals and clinics in bulk, to help meet these obligations, than it is to go through some very complicated insurance scheme which, in the end, turns out to be a ripoff for insurance companies, or some private investors.

Let's give people health care, let's not give the insurance companies super-ripoff profits. That's where I think the divide comes, and I'm going to do everything I can to help get health care through, but to get it through with the idea of an emphasis on the Hill-Burton philosophy, as opposed to the insurance company get-rich policy.

13. Beam weapons can stop nuclear threat

Address by LaRouche to an EIR conference on the strategic crisis, on Feb. 17, 1982, Washington, D.C.

...Turning to the question of the strategic arms debate itself. We have an insane policy, totally insane. Some of this is discussed as a matter of ridicule by people I don't like in the press. But the fact is, we develop a B-1 bomber and MX missile, which is essentially a conception which belongs to the early 1960s drafting board. But since we got around to developing it late, we said it was the newest thing—even though in terms of strategic geometry, it is already out of date and obsolete. We have not yet built the B-1, and yet it is already obsolete. Then, some people say, well, it's a political problem in terms of cost-benefit analysis to get the Congress to go along with the B-1, so let's go ahead with the MX. But the MX is supposed to go with the B-1! What are we going to do with the MX? . . .

What about second-strike capability? The word is out: submersible? Let's have submersible second-strike capability. Nonsense! At present, I'm looking into two methods for making any submersible a first-strike target! The assumption that a submersible is undetectable as a second-strike capability is utter nonsense technologically at this time. Every form of submersible is inherently detectable. It is simply a matter of doing adequate research and development into systems which can detect and pinpoint these at all times. A submersible in the next five years will be as inherently detectable as a fixed-place rocket. So why spend money on this?

Someone points out that our troops are illiterate and drug-addicted and can't handle complicated weapons. So let's go back to electronically guided bows and arrows: the policy of Sen. Gary Hart over at the Armed Services Committee, a real stone-age Maxwell Taylor. Of course, in war, the infantry soldier with whatever technology is the basis of war-fighting. But we don't arm them, we don't train them, we don't select them. We have an "all-volunteer" army. We had a slogan for it in the 1930s: "USA"—"Useless Sons Accommodated."

A nation that cannot maintain an organized civilian army in depth is a nation unwilling to fight in its own defense. So why kid ourselves about it?

It has been calculated that a 10% exchange of thermonuclear capabilities between the two superpowers would mean a fall-out in long-lived radioactive isotopes which would swirl around the world to the effect that no warm-blooded animal life will exist two years after that exchange. So what the devil

is the sense of even talking about reducing the number of missiles?! That is no solution to this problem. You want to go in the direction of a showdown, with a weapon you can't use! But you might use it, and therefore you live under the threat of nuclear suicide.

How do you get out of this? It's elementary. If I put into space orbit a number of platforms with particle relativistic beam weapons, chemical-powered x-ray or not, which can target any missile in mid-flight, and I proceed to develop that system of detection, I can kill the proverbial 99% of missiles and aircraft carrying nuclear weapons in mid-flight. You can't do it with laser weapons because they have problems, but with relativistic beam weapons which deliver a relativistic shock to a missile, you can fire as if with bullets and kill these things in mid-flight. That is the only solution to the nuclear weapons problem.

Then, why the hell don't we develop it!

Why don't we sit down and agree with Moscow to develop these blasted things? Because they are important to both the United States and the Soviet Union for the mutual defense of each nation from the sword of thermonuclear Damocles. Plus we have Israel with thermonuclear capabilities. Pakistan has been given nuclear capabilities by Israel and Britain in the form of the Islamic bomb which is scheduled to come on line this spring. Brazil is developing its own nuclear weapons capability. South Africa probably has it. China, which has gone insane, has a thermonuclear capability given to it by the British and others.

We have a problem. Not only do the superpowers have thermonuclear capabilities, but many nations wholly out of our control are increasingly coming into possession of nuclear weapons and access to missile delivery capabilities—we have a problem of third powers which could engage in nuclear war becoming the trigger for nuclear power between the superpowers.

Therefore, we must have the ability that if East Podunk decides to have a nuclear war and shoot off missiles, we'll damn well shoot them down. We must have a policy that we will not tolerate the actual deployment of thermonuclear missiles against any target on the face of the Earth by any nation. And we must agree with the Soviet Union on that question. We must agree that we will agree to destroy anybody's thermonuclear missile or airplane carrying a missile which goes up into the air. We've got to make this planet safe.

The idea that we can hold back weapons development, the idea that we ought to have as an objective holding back technological progress in arms and warfare, is sheer idiocy. It always has been idiocy. The only solution is to organize our civilian basis to expand our economic power, to funnel credit selectively into the places that will restore our economic power, and to follow a foreign policy based on credit for viable infrastructure projects for developing nations; to expand especially our corps of engineers to do such things as to build a high-speed railroad from the Atlantic Coast across

the Sahel region of Africa; to build a large water-system between the Congo watershed and Lake Chad region of Sahel.

Our aim is to strengthen the stability of nations through an outpouring of American economic power and American technology in cooperation with each nation.

At the same time, we must have an orderly national defense and a policy of agreeing with Moscow, since we're both going to be around, we presume, for a long time to come, that we shall both insist on full-speed ahead arms-race development of relativistic beam weapons.

If we do this, particularly if we proceed in the totally opposite direction from the austerity policy, and the kinds of economic and monetary policy of the founding fathers of this nation are adopted, a dirigistic system of credit, promoting

the development of high-technology agriculture, high-technology manufacturing and infrastructure, extending the same policy as a matter of relations to the developing nations—then we can eliminate or solve the kind of crises we face in the April-May period. If we do not, but continue in this utopian nonsense which McNamara and Henry Kissinger typify over the recent period, or we proceed with such sheer idiocy as the China-Korean-Taiwan cooperation around a presumably sunken oil deposit in the China Sea—that kind of nonsense—or proceed with the Seaga-centered Caribbean Basin project the way that idiot David Rockefeller wants to do this, and continue to tolerate Voicker—we shall not survive because we have lost the moral fitness to survive, by refusing to make the kinds of policy shifts I have indicated.

Reagan's SDI speech on March 23, 1983

Excerpts from President Reagan's national address, creating the "Strategic Defense Initiative."

The subject I want to discuss with you, peace and national security, is both timely and important—timely because I have reached a decision which offers a new hope for our children in the 21st century—a decision I will tell you about in a few minutes—and important because there is a very big decision that you must make for yourselves. . . .

. . . I have become more and more deeply convinced that the human spirit must be capable of rising above dealing with other nations and human beings by threatening their existence. Feeling this way, I believe we must thoroughly examine every opportunity for reducing tensions and for introducing greater stability into the strategic calculus on both sides. . . .

If the Soviet Union will join with us in our effort to achieve major arms reduction we will have succeeded in stabilizing the nuclear balance. Nevertheless it will still be necessary to rely on the specter of retaliation—on mutual threat, and that is a sad commentary on the human condition.

Wouldn't it be better to save lives than to avenge them? Are we not capable of demonstrating our peaceful intentions by applying all our abilities and our ingenuity to achieving a truly lasting stability? I think we are—indeed, we must!

After careful consultation with my advisers, including the Joint Chiefs of Staff, I believe there is a way. Let me share with you a vision of the future which offers hope. It is that we embark on a program to counter the awesome



President Ronald Reagan

Soviet missile threat with measures that are defensive. Let us turn to the very strengths in technology that spawned our great industrial base and that have given us the quality of life we enjoy today. . . .

. . . [W]ith these considerations firmly in mind, I call upon the scientific community in our country, those who gave us nuclear weapons, to turn their great talents now to the cause of mankind and world peace: to give us the means of rendering these nuclear weapons impotent and obsolete.

Tonight . . . I am directing a comprehensive and intensive effort to define a long-term research and development program to begin to achieve our ultimate goal of eliminating the threat posed by strategic nuclear missiles. This could pave the way for arms control measures to eliminate the weapons themselves. We seek neither military superiority nor political advantage. Our only purpose—one all people share—is to search for ways to reduce the danger of nuclear war.

14. Reopen America's steel plants now!

Excerpts from LaRouche's television address to Pennsylvania voters, March 17-18, 1984, in his bid for the 1984 Democratic Presidential nomination.

Today I'm going to report to you on the measures I will take as President of the United States to restore not only the U.S. economy as a whole, but today I want to talk about, in particular, the measures I'm going to take which will affect directly the state of Pennsylvania, the state of New Jersey, and the state of Ohio. Other states too, but those are three we'll concentrate upon.

A long time ago, it seems now, the state of Pennsylvania was the "keystone" for the building of the United States. A group of people around first, William Penn, then Logan, and then Logan's protégé Benjamin Franklin, built up culture and manufactures and science in the state of Pennsylvania that made the state the center of economic power and political power for the young nation as a whole. Over the subsequent years, beginning with the development of cannon out of the bog iron over in the Pine Lands of New Jersey, industry started in Pennsylvania, spread through Ohio, Indiana, Illinois, into Michigan and along the Great Lakes. And from that time until the present, these states have been the industrial heartland of the United States, the power of the United States at home and abroad.

Now, under the influence of a policy which has governed us since approximately the middle of the 1960s, these states are being turned gradually into a desert. . . .

No 'post-industrial' society

Let's look as the disaster begins to develop. Now we see how the policy of post-industrial society, begun in 1966-67 under Johnson, how this has begun to destroy the very structure of the economy of the state of Pennsylvania. . . .

Now, you are told that the problem of U.S. Steel and other steel companies, is that Japan is unfair. Well, that's a lot of nonsense. Japan has been investing in modern steel plants, in new technologies, which we in the United States now don't even have. While the U.S. Steel Corporation and others have been suppressing technologies, even those new technologies developed by they themselves, or their own people. And they, as a dominant force in the industry, have prevented the rest of the steel industry in the United States from making these technological improvements. That is what our problem is.

Otherwise, the people say we don't need steel. Well, that's a lot of nonsense! That's like saying we don't need to eat because we don't plan to live. There's a shortage of steel in the world if we do the things that we must do to keep our nation and other nations alive. Our transportation system is collapsing; other parts of our national economy are collapsing. Many of the things that are collapsing require steel, new steel, to rebuild them.

Since 1969, the United States investment in maintaining the existing basic economic infrastructure—water management, transportation in all forms, public utilities, power generation, and urban infrastructure—these things have been collapsing to the point that if we were to try to bring the economy back to the state of repair it was in in 1970, it would cost us today at least \$3 trillion.

We are becoming a national junkpile, and if we don't intend to remain that, if we intend to get out of it, we're going to need a lot of steel.

Therefore, we are going to produce steel. And U.S. Steel in Pennsylvania is going to get back in the steel-producing business. Sure, we'll run out the old plants, the old technologies, to produce the things we need now, to drain the last ounce of usefulness out of some of these sick plants; but we're going to turn around and replace those sick plants, and employ those same steelworkers in producing the most modern technologies in the world, and in producing some things that have not yet seen the light of day that we know we can do, in terms of various modes of direct production, new types of ceramics; things of that sort we need badly.

The United States is not going to try to catch up with foreign steel producers in technology; we are going to jump ahead of them. And the United States Steel Corporation is going to get in there and do its part of the job. And if it doesn't, I am going to do, as President of the United States, exactly as Harry Truman did when he had a fight with poor old Blau, and what John F. Kennedy did when he had a fight with these fellows. Steel is essential to our national defense, not only militarily but economically.

No one has the right to destroy the economy of an entire state and to undermine the military and economic strength of the United States simply because they wish to loot their own steel corporation to invest in real estate, in coal mines that aren't producing, and other kinds of feudalistic investments. If U.S. Steel wants to cooperate and get back into business, they won't have any problem with me; but if they are determined to buck me on this when I am President, they are going to find that I am as tough as Truman was with them, I am as tough as Kennedy was with them, and perhaps a lot tougher. This country is going to produce steel; the state of Pennsylvania is going to be what it was once, the keystone state of our national economy; the machine tool industry of the state of Pennsylvania is going to be revived; the navy yard is going to be reopened; we are going to get this economy moving. . . .

15. Campaign 1988: 'The Woman on Mars'

Excerpts from the script for LaRouche's March 3, 1988 national television broadcast, "The Woman on Mars." The program was part of LaRouche's campaign for the Democratic Presidential nomination.

Announcer: Are you there, Dr. Gomez?

Woman's voice: Yes, John. I have the announcement for which you have been waiting. As of five minutes ago, our environmental systems were fully stabilized. Man's first permanent colony on Mars is now completely operational.

Announcer: If Lyndon LaRouche becomes President next January, that message from Mars will actually occur 39 years from now. The woman who will speak from Mars was born somewhere in the United States within the past year or two.

LaRouche: Many of you are shocked. Some of you are saying, "Why is this old geezer talking about a permanent colony on Mars, 39 years from now, with the major budget problems in Washington today?"

In a nationwide TV broadcast a few weeks ago, I told you that on my first day as President I shall declare a national economic emergency, and launch the largest economic recovery program in our history. During each of the first two years of my administration, about \$2 trillions in low-cost Federal loans will be invested in building up our nation's presently rotting industrial infrastructure, plus building up of about 5 millions new industrial jobs during the first three or four years of my administration. . . .

There are no mysterious tricks involved; it is all basic economics modelled upon our successful economic recoveries under Franklin Roosevelt and John F. Kennedy. However, to keep that recovery going, beyond the first three to four years, and to make our economy once again the most competitive on Earth, we must invest in creating new technologies. To do that, we must pick up where we left off with the old Apollo program, back during the 1960s. The old aerospace program of the 1960s paid us back more than ten cents for every penny we invested in it. This Mars program will pay us back much, much more—not 40 years from now, but each year over the 50 years or more to come. The project's spin-offs in the form of new products and new technologies into our civilian economy mean, that by the year 2027 A.D., the average person in the United States will have a real income at least ten times that of today. . . .

There are two reasons why we must choose a Mars project

as the way to achieve the rates of economic growth needed.

First, there are powerful reasons we must have a colony on Mars. To achieve certain very specific kinds of scientific breakthroughs we shall need on Earth, we must do the kind of astrophysical research we can not do without a Mars project. The practical purpose is to build up a system of giant radio-telescopes as far away from the Sun as possible. To sustain the scientists and engineers working on these space laboratories, we need a nearby logistical base. To support those scientists and engineers requires a population about the size of a medium-sized city on Earth. Since Mars is the nearest location which meets the requirements, we must colonize Mars.

The second reason is that the Mars project uses every frontier technology we might expect to develop during the coming 50 years of scientific research. That means, that the space program would be supplying our civilian industries with the most advanced technologies possible at the most rapid rate, putting the United States permanently in first place in technology. . . .

As President, I shall call together the representatives of industries including the automotive and aerospace sector. I shall say to them, "Ladies and gentlemen, I need your cooperation to give the United States the world's most advanced tool industry. I shall wrestle with the Congress to provide such legislation as we need for you to do your part in the job properly. We are going to get the last disgusting vestige of decay, pollution, and poverty out of the nation's life, and you are going to play a key part in bringing this about." It will work like this.

First . . . we are going to pour about \$2 trillions a year of low-cost credit into infrastructure and industrial expansion.

Second, we are going to have an emergency tax-reform which stimulates investment with investment tax-credit incentives.

Third, the research and development of the project will be tightly interfaced with the growth of our modernized tool sector. . . .

This will require sweeping improvements in public school education. It requires more classics and science in the schools. . . .

It means, a much better way to live, than the drab misery, illiteracy, and decay, into which our nation has been drifting the past 20 years.

Then, 39 years from now, we shall hear the broadcast from Mars, announcing that the first permanent colony there is operational. Among those colonists will be some of the children and grandchildren of you watching this broadcast tonight. Many of you will be watching that first television broadcast from the new colony. Already, the woman who will speak to you from Mars, has just recently been born somewhere in the United States.

We shall give our nation once again that great future which our children and grandchildren deserve.

16. Food for Peace: an offer to Moscow

Excerpts from a statement by LaRouche at a press conference in West Berlin's Kempinski Bristol Hotel on Oct. 12, 1988, on "U.S. Policy Toward the Reunification of Germany," which also forecast the collapse of the Comecon economies and elaborated a "Food for Peace" policy for changing East-West relations.

. . . At the same time that we discourage Moscow from dangerous military and similar adventures . . . we must rebuild our economies to the level at which we can provide the nations of the Soviet bloc an escape from the terrible effects of their economic suffering.

I give a concrete example.

Recently, in response to the food crisis, I sponsored the formation of an international association, called Food for Peace. . . .

One of the points I have stressed, in supporting this Food for Peace effort, is that the Soviet bloc will require the import of about 80 million tons of grain next year, as a bare minimum for the pressing needs of its population. China is experiencing a terrible food crisis, too. As of now, the food reserves are exhausted. There are no more food reserves in the United States, and the actions of the European Commission in Brussels have brought the food reserves of Western Europe to very low levels. Next year, the United States and Western Europe will be cut off from the large and growing amount of food imports during recent years, because of the collapse of food production in developing nations throughout most of the world.

During 1988, the world will have produced between 1.6 and 1.7 billion tons of grains, already a disastrous shortage. To ensure conditions of political, and strategic stability during 1989 and 1990, we shall require approximately 2.4 to 2.5 billion tons of grain each year. . . .

If the nations of the West would adopt an emergency agricultural policy, those nations, working together, could ensure that we reach the level of food supply corresponding to about 2.4 billion tons of grains. It would be a major effort, and would mean scrapping the present agricultural policies of many governments and supranational institutions, but it could be accomplished. If we are serious about avoiding the danger of war during the coming two years, we will do just that.

By adopting these kinds of policies, in food supplies and other crucial economic matters, the West can foster the kind of conditions under which the desirable approach to reunifi-



Helga Zepp LaRouche and Lyndon LaRouche at the Brandenburg Gate in Berlin, on Oct. 11, 1988, before the political revolution began that brought down the Berlin Wall, and led to the reunification of Germany.

cation of Germany can proceed on the basis a majority of Germans on both sides of the Wall desire it should. I propose that the next government of the United States should adopt that as part of its foreign policy toward Central Europe.

Rebuild the economies of eastern Europe

I shall propose the following concrete perspective to my government. We say to Moscow: We will help you. We shall act to establish Food for Peace agreements among the international community, with the included goal that neither the people of the Soviet bloc nor developing nations shall go hungry. In response to our good faith in doing that for you, let us do something which will set an example of what can be done to help solve the economic crisis throughout the Soviet bloc generally.

Let us say that the United States and Western Europe will cooperate to accomplish the successful rebuilding of the economy of Poland. There will be no interference in the political system of government, but only a kind of Marshall Plan aid to rebuild Poland's industry and agriculture. If Germany agrees to this, let a process aimed at the reunification of the economies of Germany begin, and let this be the *punctum saliens* for Western cooperation in assisting the rebuilding of the economy of Poland. . . .

17. Break with IMF policy toward Russia

The press release excerpted here was issued by LaRouche on Aug. 20, 1991, as the Communist regime in the Soviet Union was falling. On Aug. 29, the U.S.S.R. was dissolved, Mikhail Gorbachov was stripped of his emergency powers, and the Communist Party of the Soviet Union was suspended.

... Since the 1988 presidential campaign, I have fought against the policies of most of the Democratic Party and the Bush campaign, insisting, that with the present U.S. policies toward Moscow, the pro-Gorbachov policies as they were known, we were working toward a scenario of precisely the type which has now erupted in Moscow, with a danger of a bloody civil war or who knows what else alternative looming rapidly.

I told you so. I was right; President George Bush was wrong, the Democrats were wrong. Okay. Where do we go from here?

Well, you see what's happened. Mrs. Thatcher doesn't know what's going on; though, sure enough, that doesn't stop her from talking. John Major, the prime minister of Britain, is a minor figure in this mess. Bush is acting like a crybaby: "I want my Gorbydoll!" And Ton-Ton Mitterrand, the President of France, is not doing much better. These are the main architects of the so-called "new world order" of George Bush. They're all sitting down on the floor, having tantrums: crying like crybabies. They blundered. They goofed. They caused this problem; it was coming, and they refused to admit it was coming, and now it's come. And now they say, with George Bush: "I want my Gorbydoll!"

Well, it's time to grow up and face reality. The reason this happened—forget all the details, forget the soap opera, forget the gossip of what went on behind the scenes—what happened was *what I saw would happen*, back in 1987 and '88 on the basis of this "I love Gorby" campaign at the time.

What the West is demanding of Russia, and what Gorby—Mikhail Sergeyevich Gorbachov—has so far been acceding to, is what is known in Poland as the plan of Harvard professor Jeffrey Sachs. That plan has ruined Yugoslavia; it is the failure of the Sachs plan which provided the fuel which set off the bloody situation inside Yugoslavia. It is the Sachs plan which has bankrupted Poland. It is the Sachs plan and the Sachs policy which is about to bankrupt Czechoslovakia, which is threatening Hungary. It is the influence of thinking like the Sachs Plan thinking, which

has caused a dislocation in the policy of the Federal Republic of Germany, with the effects we see in East Germany, where development has not proceeded as it should have.

The United States essentially is demanding from the Russians that they accept IMF conditionalities and GATT conditionalities, which are tantamount to the Sachs Plan. That plan, or the attempt of

the Russians to adapt to something like that, has caused a dislocation amounting to chaos inside the Soviet Union throughout. This means that food is not delivered; that up to 40% of the harvest *rots*, rather than getting to hungry people—and things of that sort. Disorder. Chaos.

What has happened, then, is a natural reaction, by a section of the Russian establishment—that is, the people in positions of power, the people who run industries, who run agricultural sections, who run trade union organizations, who run the police organizations, who run the military organizations; the establishment—every country has its establishment. The Soviet establishment says, we cannot risk this; if we go into a winter like this, we're going to have famine; we're going to have incalculable chaos; we must act now. Gorbachov refuses to act; he continues to vacillate; he's capitulating to the West—well, under those circumstances, you might have a coup against Gorbachov, organized by Gorbachov, in an attempt to blackmail the West into changing its policy—to save him, so to speak.

We should learn a lesson

But the essential thing is this. If the United States, and Britain, and Paris, in particular, would learn their lesson, would learn to stop acting like fools, they would say to the Russians, "All right. You can have your own economic reform, on your own conditions, without any Jeffrey Sachs Plan, without any disastrous Polish model." We would say clearly: "We do not want to do to you, the nations of the Soviet Union, what our folly helped to do to Yugoslavia, and is helping to do to Poland, for example. Yes, we have some bad ideas, too, from our quarter. We want something that works; and we offer you cooperation to devise something that will work. We are withdrawing our demands that you accede to the crazy free trade ideas of Margaret Thatcher and similar ideological idiots. Let's have a sensible plan of cooperation for the economic reform and development of the Soviet Union and its member states." . . .



Mikhail Gorbachov

18. Mideast: making the desert bloom

This proposal for Middle East development is from LaRouche's 1975 "IDB: How the International Development Bank Will Work."

The development of Mideast agriculture

Within two years the low agricultural production of the once fertile Mideast can be raised six times the current annual output. The programmatic basis for this rapid development of Mideast agriculture is the exchange of oil for tractors and fertilizers from the advanced industrial countries, replacing Mideast peasant technology with a highly capitalized level now only found in the advanced countries. The former Fertile Crescent and the North African grain basket, now turned into desert, can once again become major food exporters. . . .

Immediate program

On the basis of the current grain area only (both rainfed and irrigated), inputs of fertilizers and tractors can increase grain production six times over current output. This amount of grain production can provide for both human consumption and the feeding of livestock, providing for a far more efficient livestock industry than nomadic herding on the arid pastures. This will immediately provide the 170 million people in the Mideast with a proper diet of 3,000 calories and one pound of meat daily for the first time in their lives. Even with this vast increase in consumption, the Mideast will still have over 100 metric tons of grain for export. . . .

Realization of the projected yields . . . depends on immediate modernization of existing irrigation works. This means the reconstruction of irrigation canals and ditches with modern, permanent, materials, allowing minimal maintenance and easy administration of water in the right amounts at the right time. . . . This means using about \$2 billion worth of excavating equipment to lay clay pipe drainage lines, criss-crossing the land in lines 100 yards apart. This system will also supply additional recycled water for irrigation. . . .

Israel, the key to development and peace

The exchange of Israeli technical manpower and fertilizer for Arab food and fuel is the only alternative to Rockefeller's thermonuclear war provocations.

Immediately Israel can provide 10,000 specialists trained in agriculture and related scientific fields to aid surrounding Arab nations, particularly Syria and Iraq, with efficient methods of "trickle" irrigation, scientific drainage, tilling, etc. A second immediate area of cooperation is fertilizer production. As one of the world's major suppliers of potash fertilizer, within months Israel could be exporting 500,000 tons per year of this fertilizer to its Arab neighbors, 10% of total needs.

With the investment of \$200 million of Western European capital, this industry can be further expanded. Utilizing existing highly skilled labor, an additional two million tons of fertilizer can be produced, including ammonia fertilizer from Arab natural gas. The increase in Arab grain production—at the very first stage of a cooperative development program—can slash food prices in Israel within a year, allowing for a fivefold increase in per capita meat consumption and a corresponding improvement in vegetable and fruit consumption.

'Exportable' educators

Israel's primary contribution to Mideast development is technical expertise. A multi-lateral agreement between Israel and Arab nations, Europe and the Soviet bloc for establishment of the IDB and the funding of giant agricultural development projects in the Fertile Crescent will necessitate tens of thousands of agricultural and other technical experts in the use of fertilizer, irrigation and tractors, to reorganize infrastructural development projects, and so on. As the leading country in arid-land agricultural technology, Israel is uniquely situated to supply such technical aid.

In addition to trained technicians, the Arab states suffer from a general shortage of college-educated specialists capable of educating teachers for massive expansion of education. Of the 300,000 college-educated adults in Israel, more than 80,000 are immediately "exportable"—the unemployed and those employed in banks and hotels, many of whom already speak Arabic.

In exchange for technical assistance and fertilizer, Arab countries will ship to Israel the full ten million tons of oil a year needed for full capacity industrial production and consumer use. Further, on the basis of the political and economic settlement implied by the IDB proposal, allowing for increased exports of fuel for West European production, West European industry will be able to export to Israel the capital goods necessary to alleviate Israel's greatest shortage—housing. Housing supply must double within three years—from 15 square meters per capita to 30 square meters. Peak housing production must triple. 140,000 large (120 square meters) units of housing must be mass produced each year. The \$0.5 billion of modular housing and construction equipment required for this level of production can be imported from Europe. . . .

19. Stop Club of Rome genocide in Africa

On April 28-29, 1980, the Organization of African Unity (OAU), meeting for an economic summit in Lagos, Nigeria, issued a document titled "Lagos Plan of Action." It proposed the use of "soft technology" and "alternative energy sources" like biomass, while praising the "positive role" of the International Monetary Fund and World Bank in supposedly encouraging Third World development.

Lyndon LaRouche and EIR prepared a book-length critical commentary on the Lagos Plan, titled Stop Club of Rome Genocide in Africa! The manuscript was circulated widely, but was never published in English (a Spanish translation did appear). We publish here an excerpt from the Introduction, by LaRouche. More extensive selections from the document appeared in a special issue of EIR, Jan. 1, 1993, devoted to "The Rebirth of Africa."

Development or neo-malthusian genocide

The rise of the so-called neo-malthusian dogma over the course of the past decade and a half is but the most clearly evil among our four principal varieties of powerful institutional obstacles to the economic development of the continent of Africa. Unless the power of those institutionalized policies is crushed, development is impossible.

Therefore, we propose that no development effort can be called either "realistic" or "practical" unless it includes a resolution for mobilizing forces adequate to eliminate those four institutionalized obstacles.

These four institutionalized obstacles to development are:

1. The influence of neo-malthusian doctrines allied to those of the Club of Rome.
2. Post-1965-68 policy trends of leading international monetary institutions.
3. Institutionalized monetary and trade policies, sometimes denounced as "neocolonialist," antedating 1965-67.
4. The hegemony of doctrines of political economy derived from the colonialist doctrines of the eighteenth and nineteenth century officials of the British East India Company (for example, Adam Smith, John Stuart Mill).

To the extent the first three of these institutionalized obstacles are not defeated, net economic development of the formerly colonial nations is impossible. To the extent the

fourth of these institutionalized obstacles influences the methods of attempted development employed, those attempts must fail.

For such reasons, a development resolution becomes practical, realistic, on condition that it begins with a twofold elaboration of policy counter to these four obstacles. First, that policy must treat the body of ideas from which the four cited obstacles are spawned. Second, the policy must define the powerful networks of influence through whose influence such ideas are embodied in institutionalized obstacles of the first three types.

This twofold approach must treat the matters not only in opposition to evil conceptions and influences; it must articulate counter-policies and propose counter-forces.

There are two aspects of the most recent centuries of European development which are of special relevance to such a practical and realistic approach. Twice during recent centuries, Europe suffered conditions broadly comparable to those confronting the formerly colonial regions today. In the first instance, we consider the emergence of the Golden Renaissance of the Fifteenth Century out of the New Dark Age of the Fourteenth Century. In the second instance, we focus on the central position of Jean-Baptiste Colbert and his famous protégé Gottfried Wilhelm Leibniz in leading the continent of Europe out of the ruinous conditions of the 1618-48 Thirty Years War.

By focusing attention on those two periods, we define historically the two opposing policies to be contrasted today in the battle for economic development of Africa (in particular).

By adopting such an approach, we accomplish something more than merely defining a realistic and practical approach to institutionalized obstacles. Out of the lessons of the Seventeenth and Eighteenth Centuries' *mercantilist* and *Kameralist* approaches to the successful economic development of Europe, we adduce a unified conception of *development*, a conception readily restated in forms immediately appropriate to the case of Africa.

On the positive side of the problem of development, we must move beyond mere lists of particular requirements for development, to a *unified conception of development*.

By examining the "Lagos Plan of Action" from the vantage point of the conception we develop in the following pages, it will be made clear why we see dangers in the method of elaboration of developmental goals employed for the "Lagos Plan of Action."

It should also be clear from the same pages that we view it as indispensable to successful development of Africa to transform a growing population of students into a dedicated elite trained in the principles of development as well as in the professions of scientist, engineer, and technician in such specialties as physics, chemistry, biology, agronomy, medicine, civil engineering, and so forth.

20. Operation Juárez: Reorganize the debt

The following are excerpts from a book-length report by LaRouche, entitled Operation Juárez, dated Aug. 2, 1982, which proposed a comprehensive debt-reorganization. The report was prepared following a June 1982 meeting between LaRouche and Mexican President José López Portillo, in which the two discussed the debt crisis in Ibero-America. On Sept. 3, López Portillo nationalized Mexico's banking system. During September and October, he offered to cooperate with the United States, along the lines of Operation Juárez. Instead, the United States sent Henry Kissinger to Mexico to enforce the International Monetary Fund's austerity conditionalities.

... We propose to establish a mutually agreed cut-off date for further accruals of existing contracts of indebtedness of Ibero-American republics. After that date, no further interest-payments will accrue on those contracts. Effective that same date, each of the debtor-nations will deliver to the creditor-banks a portfolio of bonds equivalent in total value to the accrued value of the previous debt-contracts up to the cut-off date. The old debt is thus "sold" for the new debt.

The portfolio of bonds delivered by each debtor to each creditor will have the following most notable features.

1. The interest-rates on the bonds will be nominal, approximately 2% per annum.
2. The final date of payment of principal on the total indebtedness will be significantly later than the schedule indicated by the canceled contracts.
3. In some cases, there will be a period of grace, before payments mature—a deferred-payment provision.
4. Maturities of debt-payment will be determined by maturity-dates of each of a series of bonds issued.

Unfortunately, more or less inevitably, some among the bankers of lesser intelligence will howl with protest: "We are being cheated out of the interest-income we would have received under the old contracts." Such imbecilic gentlemen need to have matters explained to them in very basic terms: "Try to collect the old contracts, and you force us to default, in which case your banks cease to exist." The advantages of the new arrangement may then begin to be apparent even to the most stupid among New York bankers. . . .

The new bonds will have low yield, but they will be discountable for certain categories of issuance of new medium-term to long-term loans. The new bonds will be a

negotiable asset in that way, and should be a very high-grade variety of asset for these bankers, provided they behave sensibly.

Through a combination of debt-rescheduling and correlated economic measures, the bankers involved will have a very important market for new lending on very sound terms throughout much of Ibero-America. This lending may not be significantly profitable in terms of income on the loans themselves; however, this lending will be very rewarding to the banks' clients among U.S.A. capital-goods exporters, and, consequently, to the banks themselves. . . .

Ibero-American 'common market'

We propose that, within the Organization of American States, such republics as may choose to do so, should form an Ibero-American "common market." This "common market" would be based chiefly upon these institutional features:

1. Bringing their respective, internal institutions of credit, currency, and banking into order, as specified here, earlier.
2. Establishing a common banking institution to facilitate exchange of credit, currency and trade among them, and as an institution of common defense of the financial and economic interests of the member-nations and the continent as a whole.
3. To make more effective use of the limited resources at their common disposal, to the equitable advantage of each and all.

Taken as a whole, Ibero-America represents a spectrum of existing and potentially existing capabilities of natural resources, agriculture, capital-goods industries, and other economic resources. What is not immediately at the disposal of the republics taken individually, is in large part at the disposal of those republics taken as a whole. Given the limited means for creating technologically advanced industries of each and all, the attempt of the republics to meet their needs in parallel represents a costly duplication of investment, by comparison with the better use of limited resources if a rational division of labor were to be developed among those republics.

What is required is:

- 1) Agreement to prefer trade within the community, rather than trade without it.
- 2) Medium-term and long-term trading agreements, through which it will specialize for export to members of the community, thus assuring a medium-to-long-term market for products of this sort, are intended to foster the most efficient use of the limited capital and credit available to each and all.
- 3) Fair-pricing agreements, combined with cohering tariff agreements, which have the effect of establishing a customs union among the members of the agreement.

If a sufficient portion of the Ibero-American nations enter into such an agreement, *the result is the assembly of one of the most powerful economies in the world from an array of individually weak powers. . . .*

21. Develop the Indian, Pacific oceans' basin

The following are excerpts from LaRouche's "A Fifty-Year Development Policy for the Indian-Pacific Oceans' Basin," August 1983. The preparation of this 86-page EIR Special Report was initiated during LaRouche's July 9-Aug. 3, 1983 visits to India, Japan, and Southeast Asia, the occasion of an intense schedule of meetings with governmental and other public figures of that region on a variety of topics, of which the issue of economic cooperation and its importance for enhancing political stability, were leading topics.

...The enclosed two-part report is a preliminary study intended to provide the government of the United States, as well as governments and influential private circles of the proposed partner nations, a new agenda for formulating policies of cooperation within the combined Indian and Pacific oceans' basin. The short-term purpose of composing and issuing this proposal in the present, preliminary form, is to provide President Ronald Reagan a fresh set of policy options for his consideration, in connection with his planned visits to Japan and Southeast Asia during November 1983. The medium-term purpose is to set into motion a process of discussions intended to produce a more efficient consensus among the prospective partners of the proposed, early cooperation. . . .

The distinctive feature of the present proposal as a whole is emphasis on the elementary point that the projected economic cooperation within the basin is economically unworkable, unless the Pacific and Indian oceans' basin is treated as an indivisible unit of such cooperation. India's urban labor force is approaching 60 million persons, and includes one of the largest pools of scientific and related professional manpower in the world today, a population adapted for rapid rates of assimilation of advanced technology, and, predominantly, with a cultural disposition for assimilation of both large-scale infrastructure-building projects and advanced technologies. India, Indonesia, and Japan are the pivotal nations for the economic development of approximately 1.5 billion population on the southern and eastern rim of Asia, and thus key to development of the mass of economic power needed to provide China a reservoir of assistance for its own needs for trading-partners and imports of technology.

Moreover, assuming that the world does not continue its presently accelerating descent into a new dark age, as

the proponents of "post-industrial society" and neo-Malthusianism are, principally, efficiently causing to develop, the world will soon effect turnabouts, away from present directions in policy, unleashing potentially the greatest technology-driven economic boom in history, worldwide. Under such happy, and urgently required conditions, the concentration of ocean-borne freight movements in the world will make the combined Indian and Pacific oceans' basin the center of the world's economy. . . . The other principal ocean basins of commerce and economy, the Mediterranean, the North Atlantic, and South Atlantic, must necessarily feed into the center of world economy chiefly through the Suez Canal and augmentation of the present Panama Canal by the proposed new sea-level canal, plus a lesser but significant role for the Cape of Good Hope.

The single most crucial point of strategic weakness visible from this vantage-point is the constricted passage past Singapore through the Straits of Malacca. The obvious remedy for this is the development of a large, high-speed, sea-level canal through the Isthmus of Kra of Thailand—a well-researched project clearly to the long-term objective advantage of that and adjoining nations, but not without subjective and other causes for hesitation within Thailand itself. Those sensitive problems associated with the Kra canal, and with the aborted Mekong River Development Project as well, typify the point of deliberations at which objective determinations of economic science must pass over into the more emphatically political domain of internal and combined deliberations among the nations most immediately affected by such projects.

It is the general view adopted for this report in that connection, that the cultural matrix of that region of Asia be efficiently respected, and that, rather than proposing each desirable project one at a time, a package of such desirable projects be adopted, to the effect that each nation obtain its share of the benefits provided by the combination of projects taken as a whole—the same principle of practice exemplified by the Global Infrastructural Fund (GIF) proposal submitted by the Mitsubishi Research Institute. . . .

The economic development of the Indian-Pacific basin encompasses a span in the order of two generations, for which the general features of the initial quarter-century are rather clear today, and the second quarter-century foreseeable in those broad terms of reference we need to make decisions today. On condition that a crash program effort is dominated by shifts in technology, what must tend to emerge is a new view of man's management of his environment. This will be a view informed significantly by work in designing construction of Earth-like environments on such locations as the Moon and Mars. We will say to ourselves, "If we have demonstrated that we can grow forests on Mars, as well as human colonies, why do we not employ the same repertoire of technology to adopt a similar, gardener's approach to management of our environment on Earth?"

22. Unified approach to developing Eurasia

Excerpts from LaRouche's "The New Role for Russia in U.S. Policy Today," EIR, Aug. 25, 1995.

The present writer's televised Berlin address of Oct. 12, 1988, signalled this proposed application to the new Russia of the tradition of American System political-economy. In that address . . . that policy of reconstruction was later elaborated in significant detail, beginning November-December 1989, in policy statements and prospectuses issued under the rubric of "the European Productive Triangle."

This Productive-Triangle policy anticipated all the principal features, and more, of the later "Delors Plan." It proposed that the emergent world-center of economic progress, since Charlemagne, the approximate spherical triangle whose apices are Paris, Vienna, and Berlin, be mobilized as the pivotal technology-driver for all Eurasia, and that this triangle be the hub of a network of railway-spined developmental corridors, extending eastward and southward, across Eurasia, through such routes as Berlin-Warsaw-Moscow, Kiev, and so on, to the Pacific and to the Indian Ocean. Although the principles embodied in the Productive-Triangle proposal are either unknown or unfashionable in the classrooms and professional journals of the past quarter-century's west European and North American academia, there is nothing in that proposal which is not implicit in established American System traditional doctrine and practice. . . .

Infrastructure policy

Let us summarize the implications of the "Productive Triangle" program for the vast reaches of eastern Eurasia, and thereafter conclude this introduction by focussing upon the mathematical problems posed by the notion of science-driver principles in modern economy.

The most conspicuous obstacle to the successful economic development of Russia's vast potentials, greets one as one flies east of Warsaw: great, undeveloped spaces, whose want of elementary infrastructural development, is the crucial obstacle to successful, modern technological investment in the productive powers of labor. This is the characteristic feature of that vast land-bridge area which development must traverse to reach the densely-populated regions of the Pacific and the Indian Ocean littoral [see accompanying map, pp. 42-43]. This was the key problem addressed by the LaRouche "Productive Triangle" proposal for post-Soviet reconstruc-

tion of Eurasia.

The principle can be traced in western Europe's cumulatively successful development since Charlemagne. First, it was inland waterways, roads, and market-fairs; later, it was more inland waterways, and then railways. . . .

The upshot of that successful economic history of western Europe and North America, is that one does not attempt to develop broad expanses economically. Rather, one traverses those expanses by development corridors, whose width is normally approximately a hundred kilometers, approximately fifty kilometers either side of a spinal artery of transport, such as a navigable inland waterway, a trunk railway, or, superseding rails, magnetic levitation transport.

The principle involved is conveniently illustrated by reference to data for five nations, from the 1967-70 interval. These are, the three model industrialized nations of that period: Japan, West Germany, and the U.S.A., and the two archetypical developing nations, China and India. Since the levels of technology among the first three, were comparable at that time, the similarities show more brightly the significance of the crucial differences in population-density: Japan's habitable territory: extremely high density, relatively speaking; West Germany: high density; the U.S.A.: low density.

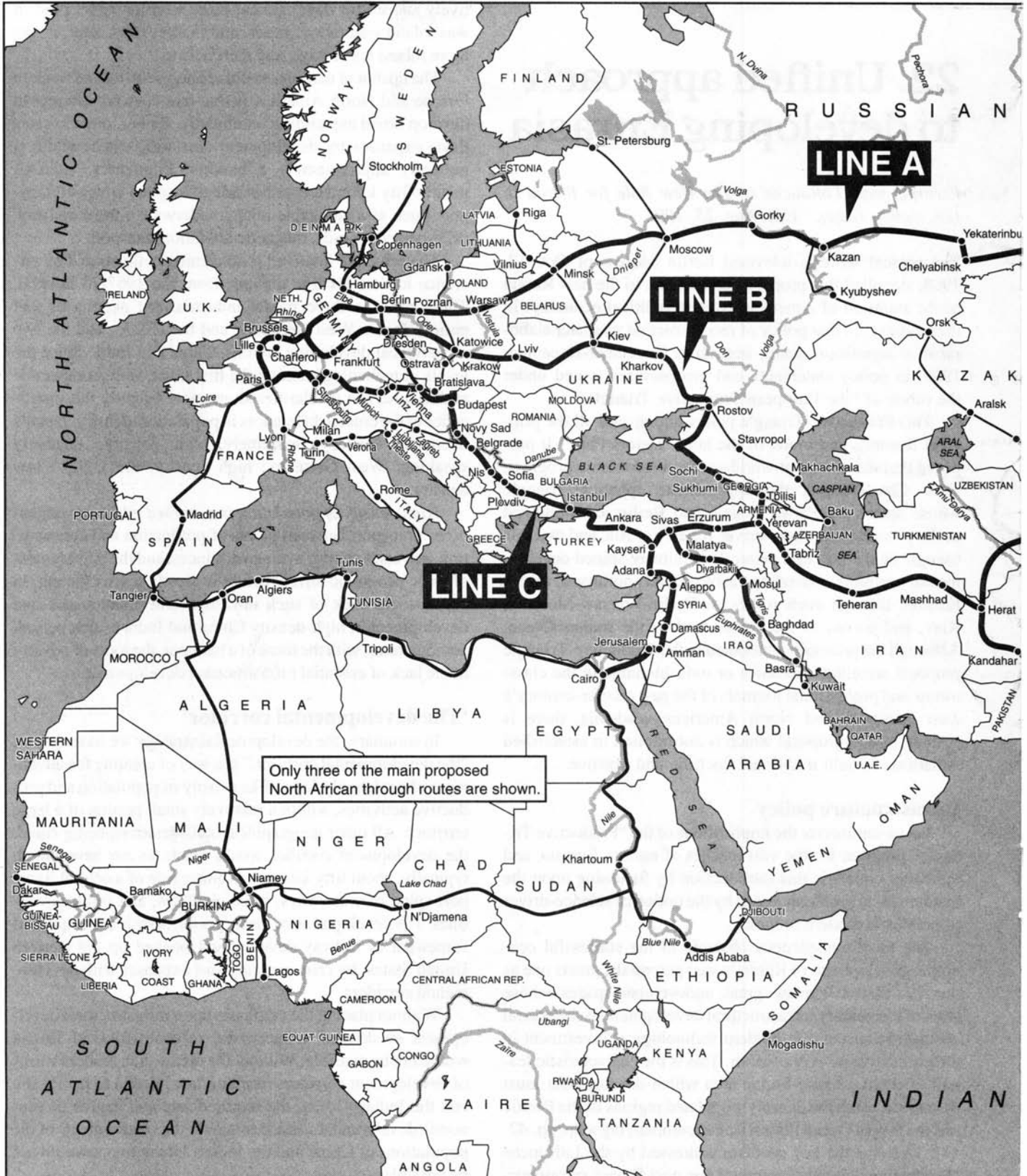
High density of population is a marked economic advantage: Transport between points of production and consumption, traverses shorter average distances, and the employment of basic economic infrastructure is greatly more efficient. In contrast, the lack of such infrastructural maintenance and development in high-density China and India of that period, demonstrates, with the force of a hammer, the roots of poverty in the lack of essential infrastructural development. . . .

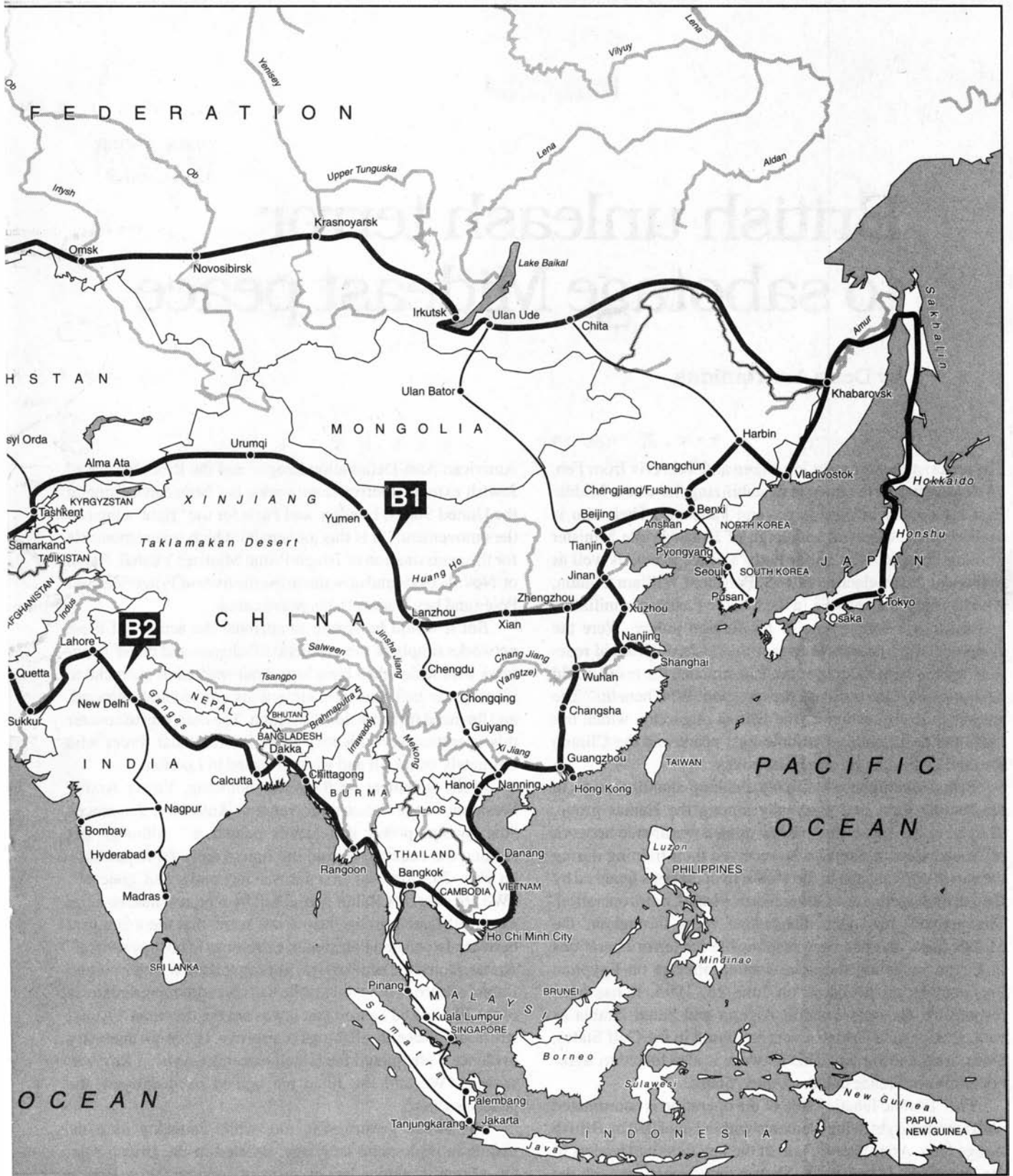
'The developmental corridor'

In summary, the developmental strategy we have termed "the developmental corridor," is a way of creating the advantages of a relatively Japan-like density of population and productive activities, within a relatively small portion of a large territory. All other geographical considerations being equal, the development corridor would reach, as we have noted, typically, about fifty kilometers either side of a central transport-spine of waterways, rails, pipelines, and trunk powerlines. The development of the larger territory is accomplished somewhat as railway development opened up the western United States: by criss-crossing vast expanses with developmental corridors.

Without placing the emphasis upon infrastructural development so defined, a successful reconstruction of Russia would not be possible. Without the use of such modern forms of development corridors reaching from Berlin to the Pacific and the Indian Ocean, the required rate and degree of economic development needed to satisfy the requirements of the populations of China and the Indian subcontinent would not be possible.

Proposed Eurasian rail system: locomotive for development and peace





British unleash terror to sabotage Mideast peace

by Dean Andromidas

The terrorist bombings in Jerusalem and Tel Aviv from Feb. 25 to March 4 were aimed at destabilizing the whole Middle East region, far beyond Israel and Palestine. Their aim is to destroy the electoral campaign of Israeli Prime Minister Shimon Peres and the Labor Party's peace ticket, as well as to prevent the re-election of U.S. President William Clinton, who has played a key role in the Middle East peace initiative and made it a cornerstone of his foreign policy. Were the slaughter of 57 Israelis to trigger the desired "profiled reaction" by the Israelis against the Palestinians, the result could be disastrous. One must ask the question: Who benefits? The answer to that question is: the British oligarchy, which has made the destruction of Middle East peace and the Clinton Presidency the central aim of its policy.

British intelligence has many and long-standing assets in the Middle East, and especially among the Hamas group. They have the capability to draw upon a worldwide network of "mujahideen fighters" who received their training during the war in Afghanistan in the 1980s, in operations financed by British intelligence and Oliver North's Iran-Contra operation. The network has deep clandestine roots throughout the Middle East, and has been responsible for terror operations in Egypt, including the assassination attempt on Egyptian President Hosni Mubarak on June 26, 1995. It has been responsible for operations in Algeria and Saudi Arabia as well. Clandestine British assets are based in the Gulf States, Syria, Iran, and Jordan. This network is also linked to terror operations in France and the United States.

The "Islamic fanatic" side of the operation is coordinated with extreme right-wing elements within Israel, led by British stooge Gen. Ariel Sharon, one of the key factional leaders in the opposition Likud Party. Sharon, in cooperation with the

American Anti-Defamation League and the Brooklyn-based Jewish extremist/terrorist networks, has been fundraising in the United States, London, and Paris for the "right-wing settlers movement." It is this movement which was responsible for the assassination of Israeli Prime Minister Yitzhak Rabin on Nov. 4, 1995, and now threatens the lives of Prime Minister Peres and key leaders in his peace camp.

But it would be wrong to attribute the actions of these networks simply to the synthetic ideologies and belief-structures with which they have been brainwashed. It is crucial to identify the fact that all their actions are ordered, directed, and financed from outside the region. The only way to counter this operation is to identify those international forces who ultimately control it and who are based in London.

In his statement on the terror bombing, Yasser Arafat, President of the Palestinian National Authority, denounced "the foreign power that stands behind it." Although not naming the country, he told the Italian daily *La Repubblica* on Feb. 29, after the first Jerusalem bombs had gone off, "We are sure that Rabin was killed by a representative of an extremist Israeli group, just as we know that there is a pact between Israeli and Palestinian extremists to obstruct peace." Arafat quoted the head of Eyal, the organization which plotted Rabin's death, who "said that he had met with representatives of the Jihad. And he said that it was not the first time." Arafat stressed, "These are all things I can prove. I have documentary evidence." He quoted the Israeli extremist Avishai Raviv as saying, "We and the Jihad are agreed on destroying the peace process."

The Israeli government, too, while couching its complaints in diplomatic language, pointed to the British role. On March 4, senior Israeli security sources told a British

journalist that Hamas terrorists were not only enjoying safe haven in London, but that London was the source of millions of dollars in funds. The senior officer charged that \$10 million is transferred annually from London to finance the Hamas infrastructure in the West Bank and Gaza. He pointed out that the family of Majdi Abu Wardeh, who blew himself up in one of the bus bombings that left 22 dead, had received money from a Hamas welfare fund financed out of London.

Although the British government denied the charges, an Israeli embassy spokesman in London confirmed the following day that "constant discussions" were going on between the two, as the Israelis were demanding that London "act, so as to prevent the flow of funds from Britain to the Hamas." A member of the Israeli embassy staff in London told the British press: "It is not the first time we have pointed out that Islamic terrorists are in Britain. We have stressed, again, we need urgent action to stop such funding and allowing Hamas and others any assistance in this country."

British Labour Party parliamentarian Grenville Janner, head of the British-Israeli Parliamentary Group, denounced the fact that Britain has been a "haven for terrorists" for far too long. He also announced that he is writing to Home Secretary Michael Howard, asking him to investigate whether supporters of terrorists are abusing immigration laws to gain entry to Britain, in order to use it as a base to organize their activities abroad.

A spokesman for the British Foreign Office denied the charges, claiming, "We have seen nothing to support allegations that funds raised by Hamas in the U.K. are used directly in support of terrorist acts elsewhere." This denial is ridiculous. It is well known that every leading Arab faction, especially those opposed to the peace process and tied to British interests, operates out of London. It is well known that Hamas terrorist cells have been active for years in London. The current head of the Islamic Jihad, the Hamas offshoot responsible for several of the recent bombings, Ramaden Shallah, spent three years at the University of Durham in Great Britain, prior to taking command of the organization. And of course, British banks play a key role in transferring funds from the Persian Gulf States into the Hamas organization.

By contrast, last year, President Clinton invoked the National Economic Emergency Act to declare various groups illegal and to empower government agencies to investigate and block such financing, thus admitting that Israeli and Palestinian terrorist groups were receiving financing from U.S. sources. No such action has been taken by the British government.

Target: Israeli elections

In an interview in the French daily *Le Monde*, Nabil Shaath, president of the Committee of the Palestine National Council, in answering the question "who benefits?" said, "Who beyond the massacred innocents, are the victims of these bombings? The Palestine National Authority, our



Palestinian National Authority President Yasser Arafat in Gaza, in 1995. Arafat charged that a "foreign power" stands behind the recent terrorist bombings in Tel Aviv and Jerusalem.

people, Shimon Peres, and his Labor Party. Look, open your eyes, it is quite clear."

When Prime Minister Peres announced early elections at the end of February, it was obvious that only in the case of a dramatic shift in the political situation in Israel, could the peace ticket lose the elections. It is also no coincidence that Ariel Sharon, British stooge and godfather of the extremist settlers' movement, has been brokering a unified electoral slate among the highly factionalized Israeli opposition. Sharon had already negotiated an electoral deal with the Tsomet Party led by the radical anti-peace Gen. Rafael Eytan. And negotiations are now under way with the new party of David Levy, the former foreign minister who broke from the Likud last year to form his own party. The resulting "dream slate" would bring together all the significant right-wing anti-peace leaders behind Likud Party leader Benjamin Netanyahu.

The current crisis has led to calls for the cancellation of elections and the formation of a government of national unity, a move that could put the peace process on indefinite hold or lead to its rapid collapse. Sharon and his political associates have geared up a hate campaign against Peres and the peace process. They take every opportunity, particularly in front of TV cameras, to denounce Peres. This campaign is having visible results against the prime minister in the electoral polls.

Target: Arafat

It is also no coincidence that the terror campaign is being initiated just at the point when President Arafat has consolidated his position within the Palestinian National Authority. The withdrawal of Israeli troops from most major population centers and the successful and internationally recognized elections had enhanced his position. In fact, preliminary discussions had been taking place between Yossi Beilin, the Israeli minister attached to the office of Prime Minister Peres and his special coordinator in the peace talks, and Abu Abbas, Arafat's representative. These talks were to prepare for negotiations on the Palestinian proposal for the final status of the Palestine territories scheduled for the end of May. The question of the creation of a State of Palestine was high on the agenda.

These developments, and Arafat's victory in the elections in the territories in December 1995, had led to a state of disorganization and factionalization within Hamas. The splintering of Hamas only underscores the fact, that outside forces are in control of the latest terror campaign. Hamas, as a movement, has recently undergone a three-way split, which became openly manifest during the recent bombing spree.

First, there is Hamas, the political movement, which is based within the territories now under the Palestinian Authority. This grouping had come to a *modus vivendi* with Arafat; although this wing had officially boycotted the Palestinian elections, many Hamas members ran as "independents." A de facto cease-fire had been in force for some months. The agreement between Hamas and the Palestinian Authority was that violence would be halted, in return for Hamas participation in the political process.

But, a second political leadership exists in Hamas. It is composed of radical elements, based mainly in Damascus. This grouping is tied to the terrorists of the so-called El Qassam Brigades. This Hamas grouping has also consolidated a working relationship with the extremist-terrorist Islamic Jihad. However, in recent months, Israeli intelligence has decapitated this terrorist network by killing Islamic Jihad head Shíqáqi and El Qassam Brigade leader Ayyash.

Third, there is a super-clandestine terrorist network, the so-called "military structure." Its numerical strength is estimated at around 50 hard-core terrorists. In addition, it is believed that some 300 activists provide logistical support (weapons, hideouts, communications). The question is: Who gives the orders to these terrorist desperadoes? It is clearly not the Hamas political leadership in the Palestinian areas. These Hamas leaders have called for a halt to the violence, but their demands go unheeded.

The "third force," the hard-core terrorist Hamas structure, has broken loose from any political movement on the ground in Palestine. The orders for the terrorist suicide bombings are issued from abroad. The individual cells, which have suicide bombing capabilities, are wont to operate

autonomously. And this brings us back to what we said in the beginning: Who from the outside has the capability—and the motivation—to steer these terrorists into committing bloody atrocities of the type we have seen between Feb. 25 and March 4?

LaRouche: 'Take it from the top down'

In a radio interview with "EIR Talks" on March 6, U.S. Presidential candidate Lyndon LaRouche had this to say on the latest Mideast developments: "Let me take it from the top down. Put this together with the situation in Northern Ireland, and the bombing in London, which was attributed by the British, with their tongue in their cheek, to a sleeper IRA unit, which I don't believe. Look at the Middle East in those terms, and you come up with another terrorist operation, you come up with a pattern. First of all, the Hamas operation was set up jointly by the Sharon faction in Israel, to use the generic term, and the British. It was set up as an operation to destroy the influence of the Palestine Liberation Organization of Chairman Yasser Arafat."

LaRouche went on underscore how both the Israeli and Hamas terrorism are being run through the Quatuor Coronati, or so-called research lodge of the Scottish Rite Freemasonry in London, a lodge which was set up by Lord Palmerston. "This lodge plays a key part in the Arab Bureau operations of British intelligence, to which Henry Kissinger was affiliated," LaRouche said.

"These are the guys who are actually running this Hamas operation, particularly. Now Hamas, of course, has two aspects. Hamas had a lot of people recruited to it, who wanted a more militant, Islamicist position, relative to the more moderate position of the PLO. Also, under the cover of this, the British created another group, which was also sponsored by the, I'd say again generically, Sharon wing of right-wing Israeli factions, who used it as an operation against the Rabin-Peres faction. . . .

"This is part of the same process as the Brooklyn-sponsored assassination of Prime Minister Yitzhak Rabin," said LaRouche. "This is obviously an effort to destroy the peace process in the Middle East. The power behind it, is the British Empire, or British government, or whatever you want to call it, the same agency which is behind the outbreak of incidents trying to disrupt the peace in Northern Ireland."

LaRouche warned of the consequences of *not* identifying the British role. "My concern in this, is that I'm afraid that if people start using the appellation "terrorism" as such, they're going to look for some poor Arab in the Middle East as the author of this. And that would be totally counterproductive. And I would worry about anyone who says, 'It's only an Arab terrorist operation.' It's *not* only an Arab terrorist operation, it's a British operation. . . . If we would say that publicly, I think the terrorism would stop. I fear that if we don't say it publicly, the terrorism will continue, and might even be successful in its strategic purpose."

Palestinian music project takes off

Debate in the ongoing Middle East peace process has centered on economic policy options, and rightly so. Either the regional peace partners break the stranglehold that the International Monetary Fund and World Bank have had over economic policy options, or the region will be turned into a free-market nightmare, with dwindling, not rising, living standards. Yet, crucial though it be, economic development is not the *only* ingredient necessary for peace. There is also music.

The Palestinian Music Conservatory has officially opened its activities. According to one violin teacher, "Everyone agrees, that economic progress is necessary for peace. But food is not everything. In addition to feeding the body, we have to feed the mind and the soul. That can be done only by music."

The ambitious project, which is the first of its kind for Palestinian youth, began last summer, as a workshop. Twenty-eight students participated in the six-week program, which was focussed on string instrument instruction, for violin, 'cello, viola, and double bass. All the youngsters were beginners, who learned the basic technique, through a variation on the Rollin method. The instructor, an accomplished violinist with years of experience in teaching, uses the classical Verdi tuning, of C=256, which the Schiller Institute has revived worldwide. The campaign reached the Arab world first in spring 1994, when Schiller Institute representative Sheila Jones gave a week-long series of music education workshops in Jordan.

Following his successful summer school, Sahel Khoury, who is the director of the project, expanded it to establish a real conservatory. The first music school was based in Ramallah, a Palestinian city in the West Bank, beginning in October 1995. Now, the conservatory is expanding to other cities in the West Bank, and in Gaza. Plans include expansion to Nablus, Jerusalem, and Bethlehem, by the end of this year.

At the conservatory in Ramallah, there are 30 string students, 80 piano students, 10 students of the oud (the Arab stringed instrument which was the precursor to the lute), and wind instruments. There is a core group of six teachers, which the conservatory hopes to augment, with volunteer teachers coming from abroad. The fundamental idea is to build a string orchestra as the centerpiece of the conservatory, gradually adding instruments and students, to make complete orchestras. Students will master the Classical rep-

ertoire as well as Arabic music.

While teaching the Rollin method, the school is developing its own course of study for beginners, which is particularly adapted to Arab students. They have taken well-known Palestinian folk music, and used the common melodies as the basis for a graded series of exercises. The exercises begin with the simplest melodic line, for beginners, then become progressively more complex. The course is composed of six volumes, with 20 *études*, or studies, in each.

The enthusiasm with which the project has been greeted is evident in the rapid growth and expansion of its activities. This project, which is planting the seeds for the Palestinian national orchestra of tomorrow, needs support of all kinds. Thanks to contributions from Japan, the conservatory has been able to establish a basic stock of instruments, but many more are needed. In addition, tuning forks in the lower tuning are required, as well as books, music scores, exercises, all for beginners in violin, viola, 'cello, and double bass, as well as piano. Volunteer teachers for all instruments except the piano, are in urgent need. Teachers should be fluent in English, and be able to stay for one year. The Schiller Institute supports the initiative wholeheartedly, and calls on its friends to join, by contributing teaching materials. Write to the Schiller Institute, P.O. Box 20244, Washington, D.C., 20041-0244.

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President Clinton hits Dope, Inc. in Colombia, decertifies Samper

by Andrea Olivieri

President Clinton defied pressures from within and outside his administration to soft-pedal his policy toward the Samper Pizano narco-regime in Colombia on March 1, the day the President is required by law to certify or decertify narcotics-producer countries as “cooperating fully” with the United States in the war on drugs. Faced with a “mountain of evidence” implicating Colombian President Samper, as well as significant parts of his administration, with “cooperating fully” with the so-called Cali Cartel of cocaine and heroin traffickers, President Clinton denied Colombia certification status. In so doing, he provided much-needed support for those inside Colombia who have been battling to drive the drug cartels out of their country, at great personal risk.

Making the announcement to the press that day was Assistant Secretary of State for International Narcotics and Law Enforcement Robert Gelbard, who has been a consistent hard-liner toward the Samper regime, versus that faction in the government associated with the Inter-American Dialogue, the bankers’ lobby which had been urging Clinton to seek “cooperation, not confrontation” with the cartel’s government in Colombia, up to the last moment.

Said Gelbard: “The decision to deny Colombia certification was not made lightly. We work with some extremely dedicated individuals who, in spite of tremendous odds, have continued to attack the drug syndicates. Many valiant Colombians have died fighting the drug trade. . . . These efforts have been undercut, however, at every turn, by a government and a legislature not only plagued by corruption, but which are fostering corruption in order to protect themselves. The Cali traffickers have been running their operations from prison, and the prosecutor general has been the target of a public campaign to undermine and discredit his efforts.”

Decertification, according to U.S. law, requires that all U.S. bilateral aid to Colombia, except humanitarian and anti-drug financing, be ended, and that access to loans and investment credit from such entities as the U.S. Ex-Im Bank and Overseas Private Investment Corp. be cut off. The United States must veto loans to Colombia in the half-dozen international financial institutions in which it is a member. President Clinton has reserved the right to apply trade sanctions,

including cancellation of preferential tariffs and suspension of imports from Colombia, in the future, should that prove necessary. In this context, Gelbard warned the Samper government against taking reprisals against the United States.

Cartel fights back

Samper’s reaction to the decertification decision by the Clinton administration was one of defiance. In a nationwide speech that night, Samper “deplored” the U.S. decision as “unacceptable intervention” into Colombian affairs, promised to “review” all existing cooperation programs with the United States, and announced plans to seek new commercial partners. Fully aware that the decertification decision was directed at his administration, and at him personally, Samper insisted that he was “here to stay.” Finally, he denounced those Colombians who have dared to air their criticisms of his regime abroad, a reference to, among others, Ibero-American Solidarity Movement (MSIA) President Maximiliano Londoño, who spent 10 days in Washington to lobby for Colombia’s decertification. Samper insisted that he would resolve his country’s internal crisis “Colombian-style.”

What that means, concretely, was detailed by *La Prensa* columnist Diana Duque Gómez, who wrote on Feb. 29 that Samper’s “blatantly criminal and amoral” regime was applying the law of *omerta*, “the old mafia tactic of bribery, intimidation, and assassination” in order to try to silence its critics. Duque enumerated the recent assassinations of Samper’s political opponents, of potential witnesses against him, of investigating attorneys, and others. Duque’s warnings were echoed by a columnist in the daily *El Nuevo Siglo*, who charged on March 3 that Samper has formed his own “Ton Ton Macoute” to silence his enemies.

Other columnists have described how Samper is using millions of dollars to buy support, including of radio and television companies, journalists, and congressmen. Samper has been travelling around the country, distributing funds for numerous social projects designed to buy him sympathy, while at the same time cutting back on the already pitiful budget of a military engaged in full-scale war with narco-terrorism. As Samper’s former campaign manager Fernando

Botero put it, Samper “is raffling off the nation to save himself.”

Samper is also trying to use the decertification of his administration to stir up a “narco-nationalist” rage against the United States. Wrapping himself in the Colombian flag, the cartel’s President and his cronies have repeatedly accused the United States of violating Colombian sovereignty, and of trying to destabilize his regime. But his arguments won’t wash. *El Nuevo Siglo* editorialized on March 4, “U.S. decertification was not against Colombia, nor against all Colombians, but is a procedure to make public protest against the evidence recognized everywhere” of Samper’s narco-corruption. *La Prensa* headlined its coverage, “The U.S. Decertifies Samper.”

On March 5, *La República* carried a column by the former head of the Latin American Banking Association, lawyer Fernando Londoño Hoyos, who wrote that, in decertifying Colombia, “the United States understood, as anyone would, that when three-fourths of the State is dominated by the Cali Cartel (Presidency, Congress, Attorney General, and Comptroller), one can have no confidence in a war against the drug trade.” Londoño said, “While we may not all be drug traffickers, nor accomplices, nor protectors of the cartel, we are all guilty of the ugly sin of omission. We want to live off the blood of the martyrs, but we don’t deserve to.”

“Rodrigo Lara Bonilla, the entire Supreme Court burned alive in the holocaust of the [Justice] Palace, Guillermo Cano, Carlos Mauro Hoyos, Luis Carlos Galán, Alvaro Gómez, and so many others, are the true heroes of the Fatherland. But in their tombs, they are suffering from our betrayals: the treason of the Constituent Assembly, when, in an evil alliance with the cartels, it prohibited extradition; the treason of those who made an Octavian deal with the people from Cali; the treason of the people when they elected Samper and the corrupt congressmen; and the treason of all when it was proven that the President and the Congress were corrupt, and they were nonetheless tolerated so as not to ‘weaken’ the institutions.”

The British and drug legalization

For two decades, Colombia has been targetted as a special project of the international financial elites who run the international drug trade. That project is now nearing its final goal: to use a renegade State run by the drug cartels to establish a precedent for legalizing the drug trade itself. At the head of the legalization project is still, just as it was in the days of the Opium Wars against China, the British Crown. It comes as no surprise, therefore, that Samper is now turning to the British for the support Clinton has refused him.

As part of a new “anti-narcotics strategy” just announced by the Samper regime, a diplomatic mission is being dispatched to London to formalize new “cooperation agreements” with that country, while existing U.S.-Colombian anti-drug programs, and relations with the U.S. Drug Enforce-

ment Administration and Central Intelligence Agency, are “under review,” preparatory to being axed altogether. As Samper’s Justice Minister Carlos Medellín put it, “We’re only receiving a few coins from the United States. I think we should stop receiving them.” Medellín declared that “Colombia will look to the European Community and, in particular, to Great Britain. . . . There will surely be economic cooperation on the part of Great Britain.”

Britain is ready to welcome Samper with open arms, as a glance at British diplomatic relations with Samper over the past two years reveals:

- In April 1994, one of the inner core of the Samper team visited London: Gustavo de Greiff, an outspoken advocate of drug legalization who was then serving as Prosecutor General of the previous Gaviria administration, and would later play a key role in covering up the first hard evidence of Samper’s narco-corruption. De Greiff’s daughter was Samper’s first campaign treasurer. De Greiff told the media on April 20: “The British welcomed and understood my thesis on drug legalization. . . . Here the subject is treated with more rationality.” Moreover, he said, Britain is “a country with dignity and pride, which does not let itself be pressured by other countries.”

- In July 1994, immediately following his election to the Presidency by a scant 1% margin, and at the height of the “narco-cassette” scandal implicating him in taking drug money for his campaign, Samper was summoned to the United States and given a stern warning against any collusion with the drug cartels. From there, he went to London, where, according to *El Espectador* of July 19, 1994, “The President-elect. . . received the warmest welcome from the government, press, and businessmen.” In London, Samper pledged to retain standing cooperating agreements with Britain, including that the British secret services would train Colombia’s political police, the DAS. Today, the DAS is widely viewed as Samper’s personal Gestapo, deployed against his political opponents.

- On Feb. 20, 1995, while U.S. authorities were demanding that Samper take action against the cartels or face decertification, the British foreign affairs undersecretary, David Davis, travelled to Colombia in the company of British Petroleum President Lord Ashburton. BP has a concession to exploit Colombia’s vast Cusiana oil fields. Davis told Samper that British aid “is not conditioned. . . . The British government has very strong ties of friendship with Colombia, and part of this friendship implies confidence.” Colombian television showed Davis sniffing poppy flowers during a visit to a Colombian plantation of opium poppies. Samper responded to British “confidence” in him by ordering that Colombia’s Petroleum Stabilization Fund, which handles 40% of Colombia’s oil income, be held abroad, exclusively in British banks.

- On June 1, 1995, British Trade Minister Richard Needham arrived in Colombia as part of a 40-man business

delegation, and declared that drugs and narco-terrorism were not an obstacle to British investment in Colombia. Asked what he thought of other countries' concerns about these factors, he answered, "That's their problem."

• On March 1, 1996, the London *Financial Times* editorially denounced the U.S. certification procedure as flawed, and instead urged "a cooperative international approach" to the drug problem, "up to and including the possible decriminalization of some currently illegal substances."

Samper's troubles have just begun

On March 1, EIR intelligence director for Ibero-America Dennis Small was interviewed by phone by Samir Vergara, of F.M. Radio Caracol in Colombia. The call was prompted by the demand of the Ibero-American Solidarity Movement in Mexico that Colombian Ambassador to Mexico Gustavo de Greiff be recalled, and by an EIR Memorandum, "Why Colombia Must Be 'Decertified' by the Clinton Administration" (see EIR, Jan. 26, p. 40:



Dennis Small

Caracol: One of the news items this week is the request in Mexico to declare [Colombian Ambassador] Gustavo de Greiff *persona non grata*. Colombian officials say this is a big operation against Colombia; there have been protests in front of our [Colombia's] embassy by the Ibero-American Solidarity Movement. It was founded in 1990 and represents the Washington news agency, *EIR*, or *Executive Intelligence Review*. Mr. Dennis Small, good morning. . . . What is your relationship to the Ibero-American Solidarity Movement?

Small: The Ibero-American Solidarity Movement is a group of Mexican citizens who are politically active in their country. *EIR* is based in Washington, and was founded by current Presidential candidate Lyndon LaRouche. Recently, *EIR* published a memorandum proposing that Samper's government be decertified on the issue of fighting drugs.

Caracol: Let's talk about this. In that four-page document,

you recommend that the U.S. not certify Colombia.

Small: Yes, we indicated three reasons for this: First, the elections which put Samper in the Presidency were illegal and dirty, because of the role of drug money. Second, throughout his Presidency, he has kept his side of the deal with the Cali Cartel; and third, Samper has established a narco-dictatorship, not a narco-democracy, as some say, under which opponents of the Samper regime have been assassinated; Alvaro Gómez, for example. Others, such as the journalists affiliated with our magazine, Javier Almario and Maximiliano Londoño, have been intimidated and threatened with death.

Nonetheless, I think that the issue of decertification, the decision on which will be announced today in Washington, is really the least of the problems Samper will face in the coming period. I think it's quite possible that there will be hearings in the [U.S.] Congress from which the entire truth of the Cali Cartel's Presidency, that is, Ernesto Samper's Presidency, could emerge.

Caracol: Where do you get your information, and by what means do you affirm what you just said about Alvaro Gómez's murder, a still ongoing investigation? The killers, and what was behind his murder, are unknown—no information has been released on this in Colombia. Where do you get your information?

Small: We publish information which is publicly available and well known to Colombian, U.S., and other media. What I just said is public knowledge: Alvaro Gómez Hurtado, an anti-Samper opposition leader, was assassinated. Yes, the murder's material authors are unknown at the moment. Nonetheless, if we ask the famous *cui bono?* that is, who benefits from this assassination, then the investigation must necessarily lead in the direction of the Cali Cartel and the politicians associated with it.

Caracol: This is a bold assertion, and I would say, one which doesn't follow the rigorous journalistic guidelines which are especially demanded in the United States.

Small: No, no. What we're saying is what any honest journalist is saying right now. . . . I repeat, the beneficiaries—also of the murder of General Cifuentes's son, and of other threats and murders—are the Cali Cartel. And when they threaten our correspondents and representatives in Bogotá, just as they have threatened other journalists who have fought against drugs by indicating who is behind the drug trade, who proposes drug legalization, any investigation necessarily leads in this direction. I would say, in fact, that anyone *not* looking in that direction, is the dishonest journalist.

Caracol: You mean that anyone who disagrees with you is dishonest.

Small: No. I think the dishonest journalists are those not investigating who benefits from these murders, and trying to cover them up.

Caracol: But you're not investigating, you're drawing conclusions.

Small: No. We are indicating, as we have done in this document, the direction in which the investigation should go. I think it's clear, and rather obvious, that the beneficiary of Alvaro Gómez's murder is the Cali Cartel.

Caracol: Why?

Small: Because he was one of the strongest opponents of Samper's government. He was one of those who insisted in having a serious war on drugs. This is also the case with *EIR*'s correspondents in Colombia, who have been the victims of death threats, break-ins, and other attacks.

Caracol: But Mr. Small, don't you think that this government has given very clear signs of its willingness to fight drugs, having put [the cartel's] capos in jail, and fully backed the Prosecutor General in his investigation of the congressmen who received this money? Doesn't that indicate to you that it is really attacking the cartels?

Small: No, I don't think there are any such signs, and I think that this is exactly what circles in Washington are saying, too. I think that this is what will come to light in the hearings which may very well occur in the U.S. Congress. The point is that the jailed capos stay in jail until they decide to leave, as the Santacruz Londoño case showed.

The key point here is that Samper's Presidency is a 20-year-long, or more, project of those international forces which want to legalize the drug trade. In 1979, Samper . . . came to the United States, invited by the so-called drug lobby, organizations such as the National Organization for the Reform of Marijuana Laws (NORML), and *High Times* magazine. And here, Samper began to promote the idea of drug legalization, just as Colombian ambassador in Mexico Gustavo de Greiff does.

This idea of legalizing the drug trade is a two-decade-long project of very powerful financial circles in the United States and internationally, with strong representation from George Bush's political group and British financial circles represented by the London *Economist*. This drug legalization project is also something that will be exposed in the coming period.

Caracol: Speaking about Washington circles, to which do you belong? Who finances you? Who is behind you?

Small: Our magazine was founded by Lyndon LaRouche, a controversial American politician who is currently a Presidential candidate. LaRouche won nearly 10% of the vote in the recent Democratic primary in Delaware. About 10% of all state legislators in the United States have written President Clinton to demand the exoneration of LaRouche, who became a political prisoner under the Bush administration. Bush jailed LaRouche as a political prisoner for five years, and LaRouche was paroled after Clinton took office. Ten percent of all U.S.

state legislators not only oppose what happened to LaRouche, but demand his exoneration.

Caracol: That is to say, you represent a person in the United States who is really a criminal.

Small: No. We represent an American political figure who is a Presidential candidate, who for five years was a political prisoner of the Bush administration, precisely because he fought against drugs and the financial interests behind the drug trade. Perhaps you don't know it or understand it, but in the United States we have had many cases of political prisoners, as happens in many nations in the world.

Caracol: So who gives the money for your magazine?

Small: Our magazine is financed through subscriptions and other services. For example, *EIR* has an Alert Service. We sell subscriptions, special reports, and so forth; for example, two or three years ago we published a special report that sells for \$250, entitled "The Bush Plan to Legalize Drugs." Hundreds of those special reports were sold, both in English and in Spanish.

Caracol: Mr. Small, are you the people who are demanding the removal of our ambassador, Gustavo de Greiff, in Mexico City?

Small: Well, through its Mexico City offices, *EIR* circulated a letter criticizing Ambassador De Greiff and indicating his role in Mexico in defending drug legalization. Ambassador De Greiff answered our letter, and we in turn replied to him. The information *EIR* circulated has also been used by Mexican political groups opposed to the drug trade who want Ambassador De Greiff to leave the country. Mexico has enough problems with having a Cali Cartel representative as Colombia's ambassador in Mexico.

Caracol: But, Mr. Small, how can you say that Gustavo de Greiff, a man who was Colombia's prosecutor general, is a Cali Cartel representative? What evidence do you have to make such a bold assertion? Everything you've told us seems to be totally lacking in seriousness.

Small: I refer you to public information on the fact that in 1980, Gustavo de Greiff was a partner—and he admits this—in an aviation company called Aerolíneas el Dorado with Rodríguez Orejuela. And at that time, the Rodríguez Orejuelas had already been identified internationally, if not yet convicted, as drug traffickers. Either we assume that Ambassador De Greiff is dim-witted, which I don't think is the case, or he was working with these people, fully aware of what they were up to.

Caracol: Mr. Dennis Small, editor of *Executive Intelligence Review*. Thank you for taking this call from Cadena Caracol of Colombia. Have a good morning in Washington.

Small: Thanks for the chance to speak with you.

Nepal emerges as a growing security threat in South Asia

by Susan Maitra and Ramtanu Maitra

A well-coordinated series of terrorist raids in six remote mountain districts in February by the Maoist faction of Nepal's Communist Party has raised the specter of a new wave of terror, ready to be unleashed in a most-sensitive region of South Asia. Intelligence reports of large amounts of arms flowing into Nepal through the arms-drugs conduit from Southeast Asia, and increasing evidence of activity by "afghans" (British-backed veterans of the war against the Soviets in Afghanistan) in this remote kingdom sandwiched between India and China, indicate a serious security threat to India's northeast, Bangladesh, and even Sri Lanka.

Reports indicate that during the raids by the radical Maoists, who identify themselves with the Shining Path terrorists in Peru and the Zapatistas in Chiapas, Mexico, slogans of "Long Live Maosim" and "Long Live the People's War" had rent the mountain air. Masked men and women struck under the cover of night, overrunning the police posts, looting the houses of wealthy families, and even engaged the police in the western Rolpa district in an hour-and-a-half gun battle. Eleven people have been killed and dozens injured in clashes, news agencies report.

One of the radical Maoist factions of the Nepal Communist Party, led by Babu Ram Bhattarai, claimed responsibility for the attacks. Bhattarai, and his party, had mobilized support for Shining Path leader Abimael Guzmán following Guzmán's arrest in 1994, and had organized a black flag demonstration demanding his release when U.S. First Lady Hillary Clinton visited Nepal last year.

A protected asset

Unlike any other member of the London-based Revolutionary International Movement (RIM), the Communist Party of Nepal (CPN), which has various faces, came to power, and ruled Nepal from 1994 through August 1995. The Nepali communist movement, initially an adjunct to the democratic movement, is a product of the 1950s and was a mere sideshow in the movement waged against the ruthless landlords, the Ranas, by the mainstream democratic forces. The party was, however, banned in 1960, along with all other political parties, when the Nepali monarchy took back absolute power and persecuted the democratic forces. However, as early as 1965, Nepal's late King Mahendra, who had sidled close to

Mao's China following the India-China border conflict, allowed concessions to the aggressive Maoists and let them build close contacts with Beijing.

The CPN continues to have close relations with North Korea, as do several other members of the RIM. During the 1994 elections, the posters, manifestos, and pamphlets of the CPN were reportedly printed in Pyongyang. The statement by Luo Bin, director of the foreign affairs of the Chinese Ministry of National Defense, which appeared in an interview with the Xinhua news agency on March 2, clearly states that China's objective is to strengthen exchanges and cooperation with the armies of its neighboring countries. Although Nepal has not been named as one of China's future beneficiaries, the spurt in Maoist activities has made New Delhi wary.

Afghansi footprints

During the uprising in Punjab in the 1980s, when some externally aided Sikhs were demanding a separate Sikh nation carved out of India, Nepal was identified by intelligence reports as sheltering these so-called Khalistanis. These Khalistanis were using Nepal to bring in arms and drugs for enhancing their operational capability in northern India. In later years, it was noticed that although the Khalistanis ceased to function from Nepal, the country became a major center of the afghansis. The object of the center was to encourage secessionists and terrorists operating within India and to replenish the coffer through export of drugs and guns into India through its porous borders. For example: a recent arrest in New Delhi of a Swiss national, carrying a cache of arms in the undercarriage of a caravan bus, brought in from Nepal, for delivery to a Pakistani Inter Services Intelligence agent within India. The incident identified Nepal as the transit point for the arms, and the source as Pakistan, the operational headquarters of the afghansis.

The raids by the armed radical Maoists in Gorkha, Rolpa, Jajarkot, Ramechhap, and other impoverished districts, indicate that an alliance has already formed among the Bhattarai group, other radical factions, and the afghansis. The afghansis bring in arms for the Maoists, and the communist terrorists use them to spread terror throughout the country.

Intelligence reports indicate that Harkat-ul-Ansar, an afghansi-sponsored terrorist organization active in the Indian-

part of Kashmir, has recently recruited 60 youths from Bara district for training in an Islamic country, most probably Bangladesh. Recruitment is also in progress in the bordering Sili-guri district of India's West Bengal province and in Parsa, Rajbiraj, and Sunsari districts of Nepal. Mosques and madrassas (Islamic schools) have begun to appear in Trishuli, Narayanghat, and Gorkha Bazaar on the Indo-Nepal border—the funds allegedly provided by the Nepal-Arab Bank.

At a recent seminar in New Delhi, a paper presented by Hisila Yami of the All Nepal Women's Association (Revolutionary), a Maoist front-group, identified "Indian expansionism as an heir to British colonialism in South Asia" and "the principal external enemy of the Nepalese people." Calling for a Maoist communist revolution, she said: "It is more urgent and important in the case of Nepal, where the unity of all progressive forces opposed to Indian expansionism and its puppets would be needed to thwart the impending danger of external armed intervention against the people's war led by the Maoist revolutionaries."

The kingdom had long been nurturing a most dangerous form of nihilist forces. As far back as 1988, college campus elections were dominated by the Leftist Joint Progressive Students' Front and the Nepal Vidyarthi Sangh. The Joint Progressive Students' Front consists of the Nepal Progressive Students' Union, the Nepal National Student Federation, the

Revolutionary Students' Union, and three factions of the All-Nepal National Independent Students' Union (Annisu). It is no secret that the Nepal's left as a whole had been the staunchest backers of the monarchy, and on many occasions has provided the necessary teeth to the weak democratic set-up organized from the palace.

A food-deficit nation

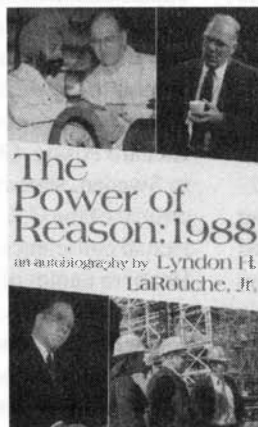
On the other hand, the degeneration of Nepal's internal situation is brought about by a number of factors. The monarchy, and its disreputable hanger-ons, have turned the capital city of Kathmandu into a modern entrepôt, where tourists of lesser moral values descend for flesh and other pleasure. In the remote mountain districts, where western activists, financed by myriads of pro-environmentalist foundations from abroad, organize environment-protection groups, the people are on the verge of starvation. Nepal, once a food-surplus nation, has now steadily waded into the misery of food dependency.

Bhattarai and his brainwashed colleagues claim that the Maoist solution is the only one left for the rural poor. The poor, however, have still remained loyal to the monarchy, which has practically abandoned them to the Maoists and environmentalists, in its frenzy to make Kathmandu "another Bangkok."

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

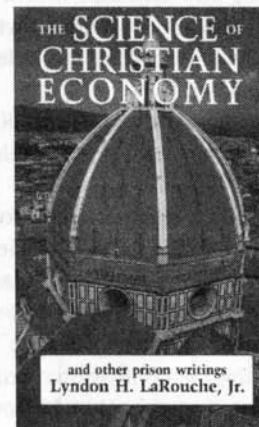
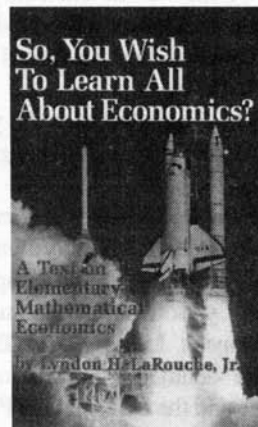


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Book Reviews

Who killed Olof Palme? The coverup continues

by Lotta-Stina Thronell

Stories About Palme

by Toma Ahland and Birgitta Zachrisson
Norstedts Förlag AB, Stockholm, 1996
238 pages, hardbound, in Swedish, SKr 272

Ten years have passed since Sweden's controversial Social Democratic Prime Minister Olof Palme was murdered, late in the night of Feb. 28, 1986. *Stories About Palme* is one of several books which have been issued on this occasion. The authors, who include 30 interviews in their book, try to portray Palme as his friends and enemies saw him, rather than presenting any hypothesis on why Palme was killed. Ten years after the assassination, Swedish authorities have made no headway in finding the killer or killers, and a political coverup prevails.

EIR, however, has published information over the years that, if pursued, would yield quite a different investigative result.

In late summer 1992, for example, former East German secret police (Stasi) agent Herbert Brehmer publicly admitted that he had been tasked to launch a disinformation campaign to pin Palme's assassination on Lyndon LaRouche and his Swedish associates in the European Labor Party (EAP). Brehmer's confessions provide detailed confirmation of repeated assertions by LaRouche and the EAP that the Palme murder was used to launch a "black propaganda" operation against them. In the weeks after the murder, the Soviet KGB and major Western news outlets indulged in an outburst of lies against LaRouche.

In the United States, this defamation played an integral part in the secret intelligence warfare leading to several political frameup trials, as well as in LaRouche's imprisonment by the Bush administration on Jan. 27, 1989. A key role in this was played by the Anti-Defamation League of B'nai B'rith (ADL) and NBC-TV. The slander campaign came fast on the heels of the March 18, 1986 election victory of LaRouche Democrats in the Illinois state Democratic gubernatorial and secretary of state primaries.

Lyndon LaRouche repeated, in the Nov. 24, 1995 issue of *EIR*, his charges that Palme, before he was killed, "was a major political threat to the entire apparatus of combined East bloc [and] other 'Iran-Contra' gangsters involved in what was the most extensive and most murderous weapons-and-drug-trafficking operation of the recent quarter-century."

Palme's friends and enemies

A red thread throughout the interviews in this book, is that Palme's own incalculable personality created a great deal of controversy. One of the non-socialists attacking him was Gösta Bohman, who was the leader of the right-wing Moderate Party until the early 1980s. In Bohman's 1974 book, *Reflections About My Sweden*, he stated that Palme's rhetoric was poisoning the political climate in Sweden. In his 1983 book, *This Is the Way It Was*, Bohman repeated that "a heavy responsibility rests upon Olof Palme for a changed and poisoned climate in society." In the daily *Dagens Nyheter* in 1983, Bohman wrote about Palme and "his infamous, his perfidious, his uninhibited, and almost reckless attacks upon his adversaries." Asked by the *Stories About Palme* authors about his these statements, Bohman answered: "that was my judgment then and I see no reason to retract it now." Bohman added, "this is the way he was seen, and it is one of the reasons for the so-called hatred of Palme."

Bohman charges that Palme's condemnations of the U.S. bombings of Hanoi in December 1972 were ill-advised and unpatriotic, and caused an open feud with the United States. According to Anders Ferm, the close Palme collaborator who was then Swedish ambassador in Washington, he was summoned to the U.S. State Department and "bawled out" by Alexis Johnson on orders from Henry Kissinger and President Richard Nixon. Gunnar Helén, a former Liberal Party leader in Sweden, stated in the book that through this 1972 speech critical of the U.S. bombings, Palme "made himself the intellectual conscience of the entire Western world, by comparing Hanoi to names of places from World War II where Communist and Nazi acts of violence had been committed. And that was what had provoked Nixon and Kissinger so terribly, to be compared to the Nazis."

Reading the interviews in the book, it seems that the Portuguese government takeover by the Socialist Party in the 1970s had been a turning point in relations between Kissinger and Palme. Social Democrat Anders Thunborg, former Swedish defense minister, describes the revolution in Portugal, and how Palme and the Socialist International in Europe acted to "convince the Americans" that the country was not lost. And Social Democrat Carl Lidbom, former Swedish justice minister, describes how "we sat a whole day in cabinet negotiations together with Kissinger, and, among other things, we discussed the urgent question concerning Portugal. . . . And only [the new Portuguese Premier] Mario Soares and his Socialist Party could save democracy there, and Olof's message to Kissinger was that, instead of backing the right-wing

forces in Portugal, he ought to back Soares. Later on, Kissinger admitted that Olof was right, but at the time they did not agree.”

After that, however, whenever Kissinger would go to Sweden, he made a point of visiting two people: fellow Trilateral Commission member and Kissinger Associate Per Gyllenhammer, and Olof Palme.

In 1980, Palme accepted a job as United Nations peace mediator in the war between Iran and Iraq. Another close collaborator of Palme, Jan Eliasson, discusses how Ayatollah Beheshti, a senior operative of the ruling Islamic Republican Party in Iran, was visited by eight U.N. representatives in 1981. He only let two of them in, Eliasson and Palme, because they were the only ones who spoke German, and he himself did not speak English. Eliasson: “I have almost never seen

Palme so upbeat, as after this meeting. We felt that we had met a person, who had the power to get the religious leaders to accept a peaceful solution. But he tragically died later.” Beheshti was murdered in Teheran in the middle of 1981.

Asked whether there were any discussions about arms deals between Palme and the Iranians and Iraqis, Eliasson says he cannot remember any. Concerning the Swedish weapons producer Bofors, and an eventual arms deal with Iran, Eliasson just answers that it surfaced only in 1985.

The book underscores the need for further investigation of what actually happened in Palme’s peace talks with Iran and Iraq. Did Palme perhaps make himself inconvenient for the international arms cartel, for the complex involved in the Iran-Contra scandal, in which Kissinger and Bush, among others, are implicated?

Palme’s killers were LaRouche’s enemies

Lyndon LaRouche made the following remarks in an interview with the weekly radio broadcast “EIR Talks,” on Feb. 29.

... First of all, we know essentially the major motive for killing Palme. Palme was a totally disreputable person. But sometimes, God works in very mysterious ways. And this very disreputable person, Palme, was, in the mid-1980s, prominently and publicly, the selected figure to blow open the arms trafficking of George Bush and his British friends. The international Iran-Contra operation, which involved the Afghan war; arms sales to India, to offset what was being done through Pakistan; funding both Iraq and Iran in the Iraq-Iraq War; the drug-running Contra operation, which George Bush was running together with subordinates such as Oliver “Buck” Revell of the FBI and Ollie North of the—nominally of the CIA—in Mena, Arkansas, for example. Not Clinton. This was Oliver North, Oliver “Buck” Revell earlier, and Georgy Porgy Bush.

So, at that point, about 1985, there was a blow-up, a raid which was totally unexpected, on an Israeli agent, an arms dealer, in Malmö, a suite, his office. These offices, because they were so well-protected by political influence, had a lot of paperwork in there which, had they acted more discreetly, they would not have had there.

So the customs officials of Germany and Sweden involved in this raid, came out with a host of information leading, pointing toward leading Swedish arms firms and international drug-traffickers and gun-runners *such as*

Oliver North, and the Bush people, and the Israelis as well, as being involved in this weapons-trafficking, conducting of U.S. weapons, drug-trafficking, and so forth, all into India, Pakistan-Afghan war, Iran, Iraq, and so forth.

Now, Palme was the head of this so-called peace operation, and was going to investigate who the gun-runners were, who were supplying all these weapons from Sweden and elsewhere. Palme then was hit.

A well-prepared hit

Now apparently, it was a very well-prepared hit. Because at about the time they were preparing to hit Palme, they were working with George Bush’s and Oliver North’s Soviet friends, who also happened, at that time, to be enemies of mine because of the SDI, to have me take the blame for the Palme hit.

The proof of this came out later, even though we had inklings of that already in—as early as March 1 or 2 of 1986, we had inklings that there was a Soviet hand behind this operation, but not exclusively Soviet. And then, later, after the Wall came down in East Germany, a couple of officials of Abteilung 10, which is the International Special Operations Division of the former Stasi, the East German Security Ministry, produced reports and paper, documents, proving that the operation against me, trying to link me to the Palme assassination (an operation which had been prepared *prior* to the Palme assassination), had been leaked by them, using agents that they controlled in the Swedish press and other press. . . .

So it’s no wonder that the Palme assassination becomes a mystery. . . . The interest in a coverup by the leading Swedish press, in covering up the Palme assassination and the involvement of elements of the Swedish Social Democracy, including friends of Henry Kissinger there . . . has led to this result. . . .

We don't have a free press today in Russia

Viktor Yugin was removed from his post as director of the St. Petersburg TV Company in November 1992, for allowing the broadcast of TV programs disloyal to Boris Yeltsin. He was accused of corruption, but the City Court ruled that he (like former Vice President Aleksandr Rutskoy in Moscow, who was jailed after the October 1993 storming of the parliament on Yeltsin's orders) was absolutely innocent, and that Yugin's dismissal was illegal. The Moscow powers had to invent a trick of re-naming the TV company, to which he could not return as he was judged as having been illegally fired from a company with another name!

As head of the Supreme Soviet's Commission on Mass Media and Information, and as a person regarding himself as a true democrat, Viktor Yugin stayed in the Moscow "White House," the seat of the parliament, in October 1993, though many of his former friends advised him to leave and save his career. His choice was to save his dignity.

At present, Yugin is head of the press department of St. Petersburg's City Assembly. In late 1995, he published a book entitled *A Coup d'Etat for 16 Francs*, depicting the manners and habits of the supreme executive power, and the true history of such episodes of Russian post-Soviet history as the "Rutskoy case," and Dmitri Yakubovsky's role in its fabrication, the Ossetian-Ingushi military conflict, and the siege of the "White House." Gabriele Liebig, Michael Vitt, and Konstantin Cheremnykh spoke with him on Feb. 16 in Mariinsky Palace in St. Petersburg, the seat of the City Assembly.

EIR: Do you enjoy freedom of the press in Russia?

Yugin: Actually, we don't have a free press, today. Not more than in the 1980s, when we progressive journalists struggled for a free press against the control and pressure from the transforming State bureaucracy. This pressure did not originate with the communist ideology as such, but rather was a dogmatic remnant of this ideology, a system of punishment and praise.

For example, the question of private property. A right to private property, actually is important for the freedom of an individual, as it enables him or her to travel, to engage in creative work, etc. Before 1989, as soon as you mentioned private property, you would get a call from the regional

party committee: "You mustn't do that, because this is violating the proletarian conscience, proletarian ideals, and proletarian principles."

But in order to have an evolution, you must have different forces arguing and competing with each other. Otherwise you get stagnation, in which nothing is moving because of a lack of dialogue. We didn't have that dialogue, and therefore no development of thinking. We had no intellectual opposition, because thinking in a different direction was not allowed.

Now, after 1990-91, seemingly the press is allowed to say and write anything they want. Some journalists believed: "Now we can criticize anyone we want." They didn't understand, that every paper, every radio or TV station has its financial base, which is based on certain banking structures. Instead of the Communist Party and the State as general manager, the journalists now got a multitude of such controllers.

Some political parties now have the possibility to speak on TV, they have some financial ability to do this. But the main TV or radio stations are still financed by the State budget. Actually, the top executive power finances these mass media.

Today's leaders are not like communists, but more like Bolsheviks of 1917-18 in the way they act. The main thing they have in common with the Bolsheviks is that they are illiterate, utterly uneducated. They use manipulation through the mass media in the same illiterate manner as the Bolsheviks of 1918.

As a result, when the President or the prime minister says something that makes Europe, the U.S., and Russia tremble—in other words, when he says something stupid—the journalists and editors are often afraid to express their own opinion about that.

For the last five years we had no normal development of the economy, of science or law, including the law concerning the mass media. This State can't guarantee the social condition of the people. For example, a huge number of banks are registered by the State, then half of them or more go bankrupt, their chairmen disappear somewhere abroad, freely, and the people who had put their assets into these banks are left behind. And the State can't do anything.

For example, it is possible here to appoint as general prosecutor a person who takes bribes. [He refers to the recent arrest of former General Prosecutor Alexei Ilyushenko for corruption—ed.] Some officials conducted false criminal investigations based on falsified documents, as in the case of General Rutskoy—they falsified documents allegedly proving that Rutskoy was keeping money in Swiss banks, etc. The person who started this operation didn't lose his position. And the mass media repeat all these officially circulated rumors and accusations.

EIR: What are your own experiences as a journalist?

Yugin: A fair person, who is caring for the people, the town, and his own dignity, can't work in the mass media now.

In 1992 I had a conversation with President Yeltsin, and I told him: "We have political opposition. You as President have to conduct something like a roundtable, you have to talk to these people, including the so-called national patriots, the communists, and so on. The President answered: "We don't have communists any more. We have no national patriots. We just have some dissatisfied people, but this is not significant." But I knew myself such people; some were dogmatic communists, but others were normal people, who could be talked to. But they had certain opinions for example on the privatization of land and property. I said so. And the President said: "You must not give these people access to TV."

The President was informed about specific cases of corruption, very concretely documented cases. He said "Thank you," and put the dossiers in his drawer. He used this information later in another way, in order to blackmail these people. He left the corrupt officials at their posts, but had them on the hook, so to speak. They were now easier to manipulate. He used the charges against them to make them more obedient.

Two years later, the journalist Vadim Poegli from *Moskovski Komsolts* wrote about the corruption in the Western Group of the Army in Germany. He presented undeniable facts, all documented; none of these facts was officially rejected. But Poegli was brought to trial and convicted by the court for calling Defense Minister Grachov a "thief." Actually, the court didn't reject any of his facts, but based the conviction just on the insulting word.

EIR: We know that practice all too well. . . But I have another question: Was there a specific reason, why you left your post as head of the St. Petersburg TV station?

Yugin: I am a romantic democrat. We are four persons here in this discussion. I am sure, each of us has his or her own opinion on certain issues, for example, if it is useful to smoke or not. I had a program called "Politics," in which many different parties could express their positions and proposals. There was a topic given for the discussion on which representatives of different parties could express their views. We also gave speaking time to people who were not "in favor" at a certain time. We gave the floor to opposition parties, to such politicians as Yuri Vlasov, Mikhail Bocharov, Sergei Andreyev, Vasili Starodubtsev; we showed the Russian Supreme Soviet, not in the enemy image, as Ostankino did, but as it was in reality. This became dangerous for Yeltsin, as he was preparing his April 1993 referendum to ask the people whom they trust more, him or the parliament. Since they did not succeed through psychological pressure, the only thing they could do was to call for my resignation.

So, my "fault" was, that I was against dictatorship under a democratic cover, but for real democracy.

Documentation

To set the context, we quote from our own coverage of Moscow events, in an article by Konstantin George in EIR's Oct. 15, 1993 issue, regarding events on Oct. 4 of that year: "The White House [parliament building], which had some 2-3,000 people inside it when the attack began, nearly all of them unarmed, was not stormed, but pulverized by tank-fired artillery. According to eyewitness reports, this carnage produced a death toll conservatively estimated at over 700." On the previous day, Sunday, Oct. 3, George reported, there had been a smaller bloodbath at the Ostankino television center, providing the pretext which the "regime needed to justify the destruction of the White House the next day."

The following excerpts from Viktor Yugin's book, recounting the events of Oct. 3, A Coup d'Etat for 16 Francs, were translated from the Russian and edited by Konstantin Chermnykh.

Ostankino

The Ostankino Co. [now transformed into ORT] has always been and will always be an empire of officiousness. This is its nature. . . .

In the tragic minutes of the country, I happened to be in Ostankino, and two episodes, in 1991 and 1993, appeared to be almost equal. The only difference was that Leonid Kravchenko [head of the company removed on Aug. 22, 1991—ed.] was a high-ranking professional, and Bragin was nothing [Vyacheslav Bragin, Ostankino director in October 1993, later removed, ex-first secretary of Lipetsk CPSU committee].

. . . . On Aug. 19, I took Yushenkov and Bragin [who, in 1991, were both members of Yugin's committee in the Supreme Soviet], and we went to Ostankino. We could not come in, as a strict-looking lieutenant stopped us and said that entrance was allowed only for members of the Presidium of the U.S.S.R. Supreme Soviet. [Only some days later this Union parliament was dissolved on Yeltsin's initiative, without any resistance.]

Next day I managed to reach Leonid Kravchenko by his car number:

"Hullo, Leonid Petrovich."

"Hullo."

"About the TV. . . . The Russian company is closed, but Ostankino is working. . . ."

"Yes. . . ."

"Fulfill the will of your President [Yeltsin, President of R.S.F.S.R. since June 12, 1991—ed.]. Tell about the real situation at the White House. . . . He needs your support now. . . ."

"I understand, but I don't make decisions."

"Who does?"

"Lazutkin." [Valentin Lazutkin is now the executive

director of the ORT!—ed.]

“Should I call him?”

“Useless.”

“Who makes decisions?”

“The Committee members [i.e., the putschists—ed.]”

“Can you talk to them?”

“I’ll call back.”

I understood Kravchenko’s position: He could end his career immediately if he did what I was asking him. But he might also become a hero.

In five minutes, he called back.

“We can’t give you the TV time. . . .”

“Whom should I call?”

“Call Yanayev [head of the putsch, vice president of the U.S.S.R.—ed.]”

“Leonid Petrovich, you have an opportunity to become a legend. Tomorrow you’ll be resigned, in two days appointed again. . . .”

“I can’t. Good bye.”

* * *

. . . In October 1993, I also came into the Ostankino hall. But I was the only person from my committee there. All the others had already hurried to Yeltsin’s team, queuing up for the wages and getting posts. [Those councilmen who agreed to leave Khasbulatov and Rutskoy, immediately got their wages for half a year ahead, and were offered posts in the executive power—ed.] Yushenkov was already heading the Federal Information Center, and Bragin was the director of the First Channel. I was immediately stopped by a policeman:

“Councilmen are not allowed here!”

I called Bragin’s office. A security person said, “He is busy.” Then, “He is on a visit.” Then, “He’s having dinner.” I called my friend, a TV official. He told me that Bragin is at his place, and the phones are “managed” by the government security officers. In some minutes, my friend came down.

His first question was:

“You need [you’d like to put on TV] Khasbulatov?”

“Why Khasbulatov? . . .”

“Everything will come to an end with all of you.”

“Petrovich, and what about honor, and law?”

“What are you talking about? You should save yourself, and the rest you’ll get later.” He turned around toward the police. “See, they have already reported you came here. So, let’s go out through the back gates.”

Through the glass, I saw that the hall of the building was quickly occupied by men in bulletproof jackets. They were checking the documents of those who were coming in and going out. . . . My friend hurried back.

I was standing near the Ostankino ponds, and thinking about the reverse in history, about the court psychology, about thievery and baseness, about the essence of the power and that it does not need us at all. . . .

[On Oct. 3], the squads for storming Ostankino were formed in a stupid and nervous way. All those who had arms could place themselves in one van. The others could rely only upon their fists. . . .

They could be understood. All the time, since evening Sept. 21, all the TV channels were telling lies about the situation, picked up and filtered by Bragin and Poptsov. From lengthy cassettes brought by dozens of cameramen they cut out what they needed and with the language of Svanidze, Sorokina, Pravdyuk, Radzikhovski and others, told *their own* truth, and not what was really happening.

. . . On Oct. 2, in the evening, I managed to connect with Oleg Poptsov [head of the Russian Radio-TV Co., RTR, at that time and till February 1996]. He recognized me immediately:

“Where are you?”

“I’m in Moscow. Don’t worry, not in Petersburg [meaning: not at the St. Petersburg TV Company—ed.]. Oleg, could you come to the Congress tomorrow, and tell about the concept of TV covering the events?” [The Tenth Extraordinary Congress of the Russian Supreme Soviet was still going on in the besieged White House—ed.]

“No. . . . There is no quorum at the Congress!”

“If you come, it may have a quorum.” [Poptsov also was a councilman, but disappeared from the White House immediately after Yeltsin’s Order 1400, Sept. 21, 1993—ed.]

“I have other tasks.”

“But still, can you show what is happening in the White House?”

“We show everything.” [How they were doing it, the author already said.—ed.]

“Still, Oleg, please, try to come.”

“I’ll not come. . . .”

* * *

. . . We hardly managed to convince Khasbulatov that he should not follow us to Ostankino. We [journalists from the Supreme Soviet—ed.] came there in two groups. At the Ostankino pond we saw a burning car and heard shooting. We realized that we’d be unable to get to Bragin. In the crowd of several hundred people nobody was armed. Right near the crossing, beside a burning bus, a group of young strong men were carrying away the dead bodies. . . . Three armored cars [the Supreme Soviet people had none—ed.] were shooting at the Ostankino office building, at the level between the 4th and the 6th stories. Nobody was shooting back from inside; it was silence in the building.

Then the armored cars would turn and start shooting at the crowd. People fell down, some of them staying on the ground motionless. . . .

Then, suddenly, ten more armored cars with switched-on lights appeared from out of the corner, and also started shooting at the building of the radio station, then at the TV building. . . . We fell down, expecting they’d shoot at us.

Andrei covered me with his body.

"Everything all right," he said.

"... And these bitches will lie today about alleged guerrillas. . . ."

"We have to get out of here alive," Andrei said. . . . The power was attacking its people already, not just with TV lies, but with lead. Those who came here saw the real face of the power and not the surrogate demonstrated by Poptsov. They did not know that a trap was ready for them. Those who had prepared this trap were real provocateurs. . . .

We came back to the White House. The crowd near it had become much smaller. The House, with no electricity, was swimming into an unknown land.

I came into my office. Father Nikon [an Orthodox priest, deputy editor of the *Patriarchy Journal*—ed.] had just come from his duty. Olga, Yakov, Igor, and two Pavels came in. We told what we saw there. Andrei and Pavel went back to Ostankino. . . .

* * *

Half a year before, on the eve of the April referendum, at the peak of the conflict between Ben [Yeltsin—ed.] and Joe [Dzhokhar Dudayev—ed.], Joe was writing to Ben:

"I'd like to offer you a strategy of behavior before the referendum, and after it. . . . If we have to choose one of the bad alternatives, the best of them, to my mind, would be dissolving the Supreme Soviet and simultaneously setting the day for the new parliamentary elections, together with the referendum on the new Constitution."

Joe could give such advice to a person like him. All this was already carried out in his republic. This experience was studied by Poltoranin, Burbulis, Yarov, Grachov, and other specialists in creating revolutionary situations.

Nowadays, the situation in the Caucasus is bound into a dead knot. Joe's and Ben's methods to untie it only hide the ends which could loosen it. The power structures assist them, playing with the ambitions of both.

Throwing their armies into the battle, they continue with the disintegration of the country which was begun by communist Gorbachov and communist Zavgayev. . . .

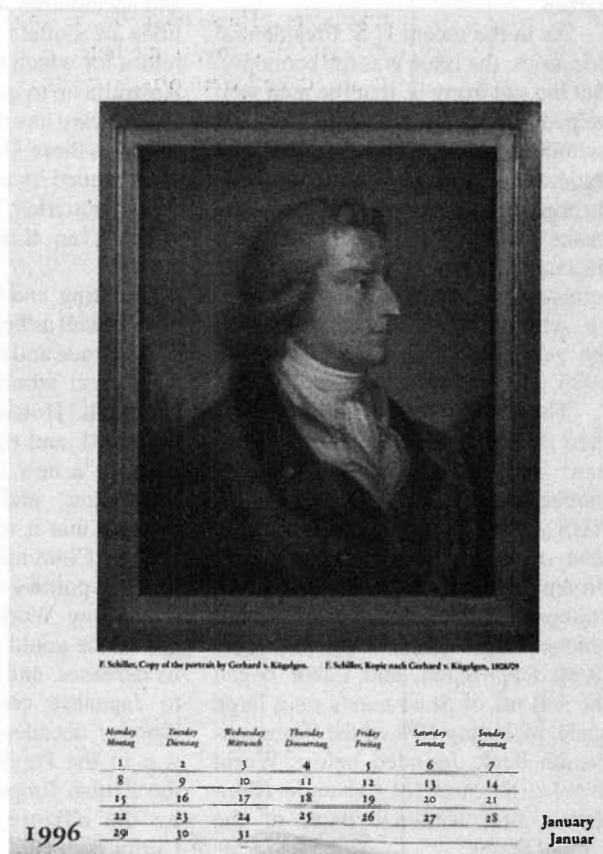
Commemorative Schiller calendar released

A beautiful 1996 calendar, "Friedrich Schiller, Poet of Freedom," was published in early 1996 as the result of a political determination by the Schiller Institute, to reverse the decision of the Weimar Classics Foundation in Germany to indefinitely close the excellent exhibition of the Schiller Museum in Weimar. The calendar, in German and English, includes 12 color pictures from Weimar and Marbach on the life and works of Friedrich Schiller, with a statement by Schiller Institute founder Helga Zepp LaRouche.

In her statement, Mrs. Zepp LaRouche writes, "The Schiller Institute was founded in 1984 to stand up against 'the spirit of the times.' The new Renaissance, which we urgently need, will be possible only if we learn how to reestablish the ideal of humanity for Schiller and of Classical art. That is why we have decided to publish an annual Schiller calendar. We hope it will bring you joy and will encourage you to read the works of the great poet."

The calendar can be purchased for \$20, plus \$5 for shipping and handling. Virginia residents add 4.5% sales tax. Order from:

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F. Schiller, Copy of the portrait by Gerhard v. Klippen. F. Schiller, Kopie nach Gerhard v. Klippen, 1820/21

Labor trounced in national elections

Prime Minister Paul Keating was dumped, but the Liberals will continue his Churchillian free trade policies.

On March 2, Australian voters delivered a crushing defeat to Prime Minister Paul Keating and his Labor Party, which had been in power since 1983. Though votes are still being tallied, the Liberal Party-National Party coalition looks like it will have an astounding 49-seat majority in the 148-person House of Representatives. An unprecedented five independent candidates were elected, showing the disgust of the electorate with both parties.

As in the recent U.S. Presidential primaries, the issue was the economy. But the sad irony is, that the man who helped design most of the policies, including financial deregulation, free trade, and privatization of State assets, through which Keating and his Labor mates have savaged the economy over the last 13 years, is now the new prime minister. He is John Winston Howard, 56, who was the Liberal treasurer in the years before Labor took over in 1983.

The Keating years were an unqualified disaster for the average Australian: Australia's foreign debt ballooned from AUS \$36 billion to over AUS \$206 billion (over \$150 billion), tens of thousands of farmers were driven from the land, infrastructure collapsed nationwide, unemployment reached the highest level since the Great Depression, and Labor began the sell-off of State assets on a large scale, including 49% of the Commonwealth bank, founded before World War I on the model of Alexander Hamilton's first National Bank of the United States.

Everything that the "old Labor Party" of such anti-City of London

legends as Commonwealth Bank founder King O'Malley; anti-"Money Power" campaigner Frank Anstey, and his protégé, wartime Prime Minister John Curtin; and New South Wales Labor leader Jack Lang, who declared a debt moratorium against London in the 1930s in order to protect jobs and social payments, was spit upon by Keating and his cronies. Keating et al. were beholden to the "Big End of Town," the corporations and speculators who forked over millions of dollars in contributions in return for which Keating et al. opened Australia up to quick-buck looting.

Howard has pledged to move even faster on these Thatcherite "reforms," spearheaded by a drive to "deregulate the labor market," i.e., bust the unions, which even Keating had dared not attempt.

Keating and Howard are personally, as well as because of their pursuit of free trade and imperial looting policies, great admirers of Sir Winston Churchill. Howard was named after Churchill, and was caricatured in the press as a new Sir Winston, striped suit, cigar, and all; Keating proclaimed that it was his great admiration for Churchill, which caused him to enter politics in the first place.

During World War II, Churchill did all he could to strip Australia of its defenses, and lay bare the country to Japanese conquest, to create a bloody, decades-long U.S.-Japanese war in the Pacific, to the benefit of the British Empire. He was defeated by the alliance of Prime Minister Curtin with Gen. Douglas MacArthur and President Franklin Roosevelt.

Today, as Australia is fast losing

any shred of sovereignty, that Australian-American alliance has reemerged as a potent factor in Australian politics, through the Citizens Electoral Councils (CEC), the Australian co-thinkers of U.S. Presidential candidate Lyndon LaRouche.

The CEC is the fastest-growing political movement in the country, and, in December 1995, it announced its intent to field a nationwide slate of candidates who would run on a platform of reestablishing Australian national sovereignty through a national bank, revived tariffs, the establishment of a true republic, and, finally, the exoneration of U.S. economist Lyndon LaRouche.

In late January, almost coincidental with Keating's announcement of the federal election, one of the most intense negative media barrages in recent Australian history was unleashed against the CEC, beginning with a series in British intelligence veteran Conrad Black's Melbourne *Age* newspaper. The attacks continued in prime-time television propaganda broadcasts, and culminated in a Feb. 6 press conference by Labor MPs Clyde Holding and Peter Clelland, in which they called for a federal investigation of the CEC (see *EIR*, Feb. 23, p. 36).

The attacks were ostensibly based upon the (fictitious) accounts of two disgruntled former CEC members. In reality, as CEC National Secretary Craig Isherwood emphasized repeatedly, the entire uproar was due solely to the Establishment's hysteria about "the political personality of Lyndon LaRouche."

In part because of the intense negative publicity, vote totals for the eight-person CEC slate were modest. But the uproar, and the debate over national sovereignty, which LaRouche's co-thinkers have introduced downunder, will continue.

'Kidnap, Inc.' expands in Mexico

Mexican politicians offer death penalty as a sop to the population, while narco-terrorists run loose.

The kidnapping and murder of businessman Reynaldo Díaz Brown has ignited a debate on restoring the death penalty in Mexico. A wealthy agriculturist from the state of Sonora, Díaz Brown was kidnapped on Nov. 28, 1995. Demands for ransom, rumored to be \$5-15 million, were received. Apparently his family did not come up with the money; his body was found on Jan. 22, bound in chains, with evident signs of torture, in an irrigation ditch into which he had been thrown, while still alive, to drown, in Obregón, Sonora.

At his funeral the next day, Sonora Gov. Manlio Fabio Beltrones called for studying the possibility of "reestablishing the death penalty." Some were willing to entertain the idea, particularly given the heinous manner in which Díaz was murdered.

Just as in Colombia, where it is the largest criminal activity after drug trafficking, kidnapping has reached epidemic proportions in Mexico. So much so, that those who can afford it are hiring private guards, in some cases virtual armies, to protect themselves. Others, *EIR* has learned, are making weekly payments as an alternative to being taken hostage. Many of the victims of this protection racket are not wealthy, but are middle-class druggists, shopkeepers, farmers, professionals, and the like.

While the idea of getting revenge through the death penalty may appeal to some, it will not work, said former state legislator Alberto Vizcarra, according to newspapers *El Imparcial* and *Diario del Yaqui* on Jan. 25. It is silly to deal with the problem as a

sociological phenomena, while ignoring its true roots: political terrorism and drug trafficking, said Vizcarra, the Sonora leader of the Ibero-American Solidarity Movement (MSIA) and one of the founders of the Permanent Forum of Rural Producers (PFRP).

Vizcarra noted that kidnappings "reached high-density proportions," starting with the January 1994 Zapatista National Liberation Army (EZLN) insurrection in Chiapas. "The kidnapping industry has grown in the shadow of the narco-guerrilla and terrorist movement, as a tool for financing the irregular warfare they have launched against society," he said.

Evidence of this international "Kidnap, Inc." was discovered in Managua, Nicaragua, when a bunker maintained by the Sandinistas, El Salvador's FMLN, Spain's ETA, and others blew up in May 1993, disclosing tons of weapons, fake documents, and a list of millionaire potential victims, he said.

Thus, it is a farce to propose to kill criminals, on the one hand, while at the same time the government engages "in dialogue with the death cultists" of the EZLN, Vizcarra said.

At a Feb. 22 hearing of the Forum on Consultations set up to discuss the governor's proposals, Vizcarra said that unless the British-run EZLN and other narco-terrorist organizations in this international ring are gone after, there will be no end to kidnappings. There is no need for new legislation, he said. Article 22 of Mexico's Constitution already provides for the execution of kidnappers, highwaymen, and

"traitors to the fatherland under conditions of foreign invasion." All that's needed is to recognize that the EZLN is a foreign occupation force and deal with it accordingly, he said.

Vizcarra submitted a resolution, calling for the Mexican federal government to suspend its power-sharing negotiations with the EZLN, and to classify kidnapping as a violation of "national security."

In fact, the first major recent kidnapping was that of Abasalón Castellanos, a former governor of Chiapas who was taken hostage by the EZLN in January 1994. In 1995, Sonora businessman Alfredo Harp Helú, whose name was also on the list found in the Nicaragua bunker, was taken hostage and released on the payment of a ransom reportedly worth millions of dollars. Just a few weeks ago, a member of the well-known publishing family, Pérez Porrua, was kidnapped in Mexico City; reportedly the Spanish ETA is involved.

For Sonora Governor Beltrones to be advocating the death penalty is ludicrous. He shares not a few attributes with Colombia's President Ernesto Samper Pizano. The latter—a card-carrying member of the Cali cocaine cartel whose opponents are gunned down with impunity in the streets of Bogotá, and who not only dialogues with narco-guerrillas guilty of murder, but appoints them to government posts—proposed on Feb. 21 that the death penalty be applied to kidnappings and other heinous crimes in Colombia.

Beltrones, a crony of the now-fugitive former President Carlos Salinas de Gortari, has been mentioned in connection with the 1994 assassination of Presidential candidate Luís Donaldo Colosio, and "the state of Sonora has become a corridor for cocaine and heroin," headed for the United States, reported the Feb. 10 *El Imparcial*.

International Intelligence

British expert foresees terror in India

There will be a significant continuing escalation of terrorism around the world, with a special flashpoint being the Indian Subcontinent, a senior British defense/intelligence source, who had "tipped off" *EIR* months ago to expect new terrorism outrages in Jerusalem, told *EIR* March 5.

"You don't have to be too intelligent to realize what limited resources are needed to disrupt a society," he said. "Look at the price Israel is paying, for some 30 people dying. This produces a 'force multiplication' effect: minimal force, maximal effect. There's an inevitability about all this. Soon, chemical substances will enter the game, and we will move from the era of Semtex terrorism to chemical-weapons terrorism."

He went on: "What I see, is a growing recognition of the power of terrorism. The place to watch, in my estimation, is India. All bets are off in India, and, conceivably, Pakistan as well. Politically, India is a bloody shambles. The country is entering an election period, and the place will be a touchstone for violence, terrorism will be on the increase. If something similar happens in Pakistan, the army could take over. The pots are boiling over there."

Poles worry about Russia-Belarus linkup

The Poles are very worried about the implications of the Russian-Belarus rapprochement, particularly by Russia's demands for a directly link, through Polish territory, to Kaliningrad, the French daily *Le Monde* reported from Warsaw on March 4.

The idea of a direct link was made public by Russian President Boris Yeltsin following a meeting with Belarus President Aleksander Lukashenko on Feb. 25-27. Although Yeltsin pooh-poohed any notion that the U.S.S.R. was being re-created, the scope of the accords reveals how far the two

republics have come toward a future union. Agreements were signed on forging much closer economic ties and for enhanced "cooperation in the military sphere."

The decision to put off a formal union was made partly in order to save it for potential use as a pretext to postpone the June elections in Russia, and also so as not to provoke a backlash in Ukraine, which is opposed to any Russian-dominated union idea.

Yeltsin had said, "We want to obtain the accord of the Poles, to construct a highway across their territory." *Le Monde* noted that this was the first time this idea had been raised at such a high level.

Talk of such a corridor, for many, evokes memories of Hitler's 1939 moves to build a corridor to Königsberg (Kaliningrad's name in German).

According to *Le Monde*, the Poles see the corridor issue as only the "tip of the iceberg," with the real concern being over the "progressive disappearance of Belarus into the Russian world."

Mapuche 'cause' promoted in France

While Argentine President Carlos Menem visited France in late February, the leader of the Argentine Coordinator of Mapuche Organizations met in Lyon and Paris with representatives of several human rights groups to publicize the Mapuche "conflict" with a governmental agency.

The Interstate Pulmari Corp. is the State entity responsible for managing lands claimed by the Mapuches in the Patagonian province of Neuguen. The Mapuches are a small tribe with members in both Argentina and Chile, which appears to be on its way to getting international status as an "indigenous" *cause célèbre* like Mexico's Zapatistas and other groups manipulated by Prince Philip's World Wide Fund for Nature and by U.N. non-governmental organizations, as well as by the International Labor Organization (ILO).

The France-Latin America Association,

Amnesty international, Doctors of the World, Radio France International, and AFP wire service, all hosted Veronica Huilipan, the Mapuche group leader, while she was in France. She complained that the Pulmari Corp. is "repressing" the tribe and preventing it from controlling its territory.

But Raul Grimaldi, an officer of Pulmari, warned the state congress of Neuguen that the Mapuches want to create a "sovereign state" with their own flag inside Argentina.

German Social Democrats feel anti-Green ferment

The jobless situation and deepening depression have allowed the rise of an anti-ecologist ferment in the German Social Democratic Party (SPD), a party long penetrated by the cult of political "environmentalism."

There has been a pattern of bigger clashes over policies between SPD and the Green Party, of which the protracted crisis of the SPD-Green coalition in the state of North Rhine-Westphalia is just the most spectacular aspect, these days. There, an influential current in the SPD around Economics Minister Wolfgang Clement has openly declared bigger concessions to the Green Party coalition partners on infrastructure projects, like airport, highway, or railway projects, "unacceptable" and "non-negotiable." The SPD side of this conflict has maintained that industrial outsourcing cannot be stopped, nor can new jobs be created, if the ecology is put first.

Similar clashes have occurred between the SPD governor of Lower Saxony Gerhard Schroeder and the Greens, as well as with the radical ecologist wing of his own party; the issue also has come up in the state of Rhineland-Palatinate, where, in the countdown for the elections on March 24, attacks on the Greens have erupted among the SPD labor union wing. The chairman of the state labor federation, Dieter Kretschmer, has attacked the Greens for their fanaticism against the chemical

industry, which he said is jeopardizing 90,000 jobs in this sector in Rhineland-Palatinate.

The latest policy platform of the Greens, passed in Mainz at a national convention March 2, is certain to escalate the conflict: The call for a pollution tax as well as for a gasoline price hike to DM 5 per liter (a four-fold increase) are demands which the aforementioned SPD politicians have repeatedly declared "non-negotiable at a time of economic recession."

'New' French Army echoes NATO restructuring

Reports on important compromises reached among France, other European allies, and the United States, indicate that the restructuring of the French Army, partly motivated by the financial crisis, is also part of a global restructuring of NATO. The French press reported over the March 2 weekend that the United States has agreed to the principle of creating within NATO "multinational inter-army groups of forces" (GMIF in French). These new groups would give Europe the possibility of using NATO capabilities, whenever in the interest of Europe, without necessarily implying a U.S. command. This agreement will be ratified at the June meeting of the Ministerial Council of NATO to be held in Berlin.

These GMIF, which were proposed back in 1994, will be organized around 1) a core of leading elements of the chiefs of staff and other commands, of which a good portion will be American, and 2) a module of troops and materiel, for operational deployments under configurations tailored according to the circumstances. This proposal had not been adopted earlier because the Europeans, the French in particular, were pressuring for the possibility that these modules be run by national chiefs of staff. The American position was that they be composed either of NATO elements with participation of other commands, or by a mix of multinational forces.

The Americans have finally given their

agreement for the national commands, which, according to *Le Monde* and *Le Figaro* of March 5, opens the way for the possibility of operations being run directly by a European command without American participation. This decision is part of the overall process of reintegration of the French defense capabilities into NATO.

Early elections slow 'reforms' in Italy

The strategy for dismantling Italy's political and economic institutions through "constitutional reform" has been dealt at least a temporary setback by the advent of early general elections, scheduled for April 21. President Oscar Luigi Scalfaro was forced to dissolve Parliament in February and call the elections, after the major political forces failed to give support to Antonio Maccanico to form a government which would have had the aim of making significant changes in Italy's 1948 Constitution.

Maccanico, a former director of Enrico Cuccia's Mediobanca, was the latest in a long line of unelected "technicians" who have been called on to administer the dismantling of Italy's economy since the "Conservative Revolution" came to Italy in 1992, fueled by privatization and free-market policies directed from the City of London. Maccanico, chosen by the President to succeed the previous "technical" prime minister, Lamberto Dini (a former long-time executive of the International Monetary Fund), was to have opened a period of constitutional reform, with the pretext of creating a "stable, bipolar," political system based on French-style Presidentialism.

The fact that the parties didn't give their support to a "reform" government, suggests that there is still some resistance to the direct looting of Italy as called for by oligarchical financial interests. However, both Silvio Berlusconi and Romano Prodi, the two major candidates for prime minister, signed a call to work to reform the Constitution after the elections.

JORDANIAN engineer Laith Shubeilat, jailed in Amman on political charges, plans to run in an April 15 by-election for a seat in parliament vacated in the city of Salt. The independent Islamist is the informal head of the opposition to the regime, and especially critical of Jordan's acquiescence to the policy-dictates of the IMF.

THE ROYAL family of Britain is under a new phase of attacks over its scandalous behavior, since the announcement that Prince Charles and Princess Diana will divorce. Various British dailies reported March 4 on Conservative parliamentarian George Walden's call for a message to the Windsors modeled on the "Great Remonstrance" of 1641 sent to King Charles I. (Charles I was later beheaded.)

'COMANDANTE' Samuel Ruiz, the Red Bishop of Chiapas, recently toured England and Switzerland to collect funds for the Zapatista National Liberation Army, according to the Mexico daily *La Prensa* of Feb. 23. Supposedly the money is for the impoverished Indians of the state, but *La Prensa* reports, it goes straight to the terrorists.

LITHUANIA'S new prime minister, Mindaugas Stankevicius, said on March 2 that he would push forward with economic reform, meaning "shock therapy" measures to open the country to foreign capital. He was thrust into power by a banking crisis.

MALAYSIA "would be happy with any Australian government provided they are friendly to us and would not call us recalcitrant," said Malaysia's Prime Minister Mahathir about the new Australian head of government, John Howard. The label "recalcitrant" had been applied in 1993 by Howard's forerunner Keating, at a time when Malaysia was the strongest foe of Australia's push into Asia.

Voters respond to LaRouche Presidential campaign

by EIR Staff

On March 2, Democratic Presidential candidate Lyndon LaRouche aired his second national half-hour television campaign broadcast, on the NBC network, on the theme of restoring national economic security. On March 5, in the so-called "Junior Tuesday" primaries, LaRouche continued to shake up the political establishment, taking a significant share of the vote in the six states in which he was on the ballot, topped by a vote of 11.1% in a race with President Clinton in Colorado.

The results, despite the continuing blackout of LaRouche's campaign by the major media, and outright lies that President Clinton has been running "unopposed" in the Democratic Party primaries, followed upon the 9.6% LaRouche received in the Delaware primary on Feb. 24, and the 34.5% he received in the North Dakota primary on Feb. 27. LaRouche came in second in the three-way race in North Dakota, in which President Clinton was not on the ballot.

Although the candidate has not yet won any delegates, which requires that he take at least 15% of the vote (the North Dakota primary was non-binding and the delegates will be selected in caucuses), he continues to qualify for federal matching funds. His campaign has announced that it has purchased time for another national half-hour televised broadcast, on April 18 on the CBS network, between 9:30 and 10 p.m., Eastern Time.

In Colorado, LaRouche polled over 20% in eight counties, according to the March 7 *Denver Post*, and received 5,941 votes statewide overall. In rural Dolores County in the southwestern part of the state, he received 30.6%. The *Denver Post* headlined its coverage of the results, "LaRouche Vote of 11% Jolting." Several Democratic Party officials in the state told the paper that they were shocked at the LaRouche vote. One

county chairwoman said that she is curious to know who voted for LaRouche, "just to see why they did it." "Our [Democratic] central committee has a regular meeting on Friday," she said. "We're going to have something to talk about."

In the other March 5 primaries, LaRouche polled 4.4% in Maryland (12,710 votes), 3.4% in Massachusetts (4,317 votes), 4.8% in Rhode Island (381 votes), and 2.7% in Maine (697 votes). In Vermont, where votes were not totalled statewide, a sampling of local results indicated that LaRouche polled over 3%.

The campaign is 'doing its job'

LaRouche said that his campaign "would do much better if the major news media would cover me as it would any normal candidate, instead of trying to black me out; nonetheless, it's doing its job," in an interview on the "EIR Talks" radio program on March 6.

As LaRouche has made clear throughout the campaign, that "job" is to prepare the President to respond effectively to an imminent disintegration of the global financial system, and to build a political force in the population and in Congress that will back the needed bankruptcy reorganization of that system before the disintegration occurs. As LaRouche noted recently, the ongoing global financial collapse could, under certain circumstances, hit a point of implosion, in which the system could disintegrate over three to four days.

"One must understand that what is going on in the campaign, is essentially that even though Dole seems to have been securely placed in position, with help from quarters which I prefer not to mention at the moment, nonetheless, the turbulence which we have seen in that—what has been the 'Gong Show' called the Republican primary—and the turbulence

which we're seeing, also, in a different way, on the Democratic side, reflects the fact that none of the campaigns, I think, except my own, has so far addressed the underlying issue which is causing an uneasy rumbling among the voters on both sides" of the party aisle, LaRouche told "EIR Talks."

"That is, we're now facing the worst financial and monetary crisis in modern history, which is coming up fast, and most people seem to prefer to believe that that's not happening, even though it is.

"At the same time," he said, "we have a collapse in the living standards. We have also a social crisis in the United States, in the sense that the top, approximately, 10% is widening its prosperity enormously, aided by tax giveaways, while the ordinary people, at least, say, the bottom 60%, are plunging down rapidly in their standard of living.

"So we have an emerging social crisis expressed behind this divergence between the top and the lower strata, the lower tier and the top tier, which is going to explode. We're seeing the explosion in the fact that people are screaming about their jobs; we see an explosion reflected in the sensitivity of Senator Kennedy or Senator Daschle, or someone like Representative Gephardt; we see an *explosion* reflected in their sensitivity. Representative Gephardt refers to a 'political earthquake' going on, a political crisis going on. There is."

The only one addressing the questions

LaRouche continued that, "so far, apart from the fact that Buchanan, who had some other features which are less pleasant, did address the jobs issue, the economic issue—he seems to be out of the picture, at least for Republican purposes now—I'm the only one who's really addressing the questions.

"So we're seeing a very significant increase in the vote for me," LaRouche continued. He summed up the election to date, in the context of building a national political movement: "For example, we have—9.6% in Delaware is not generally significant, unless you take into account the pressure against me by the news media and others, other circles which I won't bother mentioning. But it's a significant vote. And 34.5% in North Dakota, which occurred in a blizzard, means there was some pretty determined percentile of the voters who did turn out, was concerned to support me; second in a three-plus race.

"Then," he said, "Colorado, overall, 11.1%, is doubly interesting, because you have five counties in which between 20.9 and 30.6% of the vote went to me in the primary, and in the sixth one, it was 18.4%, and there are, I think, nine total which are over 15%—essentially, the Denver vote pulled down my average for the entire state significantly. The rest of the state was pretty much going for me, in a very strong way.

"Now, while they're only in the single digits, approaching, reaching up toward the double digits in the New England primaries of this Tuesday, nonetheless, these two are significant, when you consider the realities of what was going on there behind the polls; which indicates that it's not possible

any longer to pretend that I'm not a major factor in shaping not only the Democratic Party policy, but having a very significant impact on the thinking of Republicans. People denouncing my most recent show from the Republican side, really were denouncing it because they considered it very effective, and as hurting their man, Gingrich, and the crowd around him. For which I can offer no apologies. I can offer condolences to my Republican friends, but no apologies. That really was the right thing to do. So we see that tumult."

In his March 2 broadcast, LaRouche said that Gingrich "is a Hitler-style criminal. His entire mafia are Hitler-style criminals," because they are proposing policies which they know will result in an increase in death rates in entire sections of the population (see the March 11 *New Federalist* weekly newspaper, for the full text of the broadcast).

LaRouche continued: "What you have, is a public which does not yet understand what the problem is, but does understand the *acuteness of the symptoms* which they're experiencing. They recognize that the leading candidates, including Dole, and even the President, in what he's doing as campaign work, is *not* addressing the reality of the situation.

"For example, the President's State of the Union message signalled a reluctance at the moment to address any of the realities of the real situation in the United States, in terms of the overall situation. The public is reacting to that. I don't think the public knows *what* the problem is; they do know the symptoms. And they do know that what's being said, both in large degree by the President, not entirely, but in large degree, and almost entirely by the Republicans, has no relevance to anything."

'The truth is breaking out'

LaRouche, who has so far campaigned in most of the states in which he has been on the ballot, took his campaign to Mississippi and Louisiana the week of March 4, where he is on the ballot on March 12. In Mississippi, he spoke at Jackson State University and at the Central United Methodist Church in Jackson. At the latter event, sponsored by the Schiller Institute and the Kappa Alpha Psi fraternity, LaRouche told the audience, which included city and state officials and civil rights leaders, that "the truth is breaking out," about the nature of the crisis facing the United States. We have to keep this earthquake going, LaRouche said. We have to get our fellow citizens to force these politicians to get off their behinds.

On March 6-7, LaRouche visited Louisiana. He gave an interview to KTLN radio in Alexandria, and held a press conference. In Monroe, he spoke to a meeting of supporters, and, in his capacity as *EIR* Contributing Editor, addressed the Downtown Rotary Club. You must not approach the crisis with fear, LaRouche told the Rotary members. His generation, he said, has a special role to play, given what it faced with the depression in the 1930s, World War II in the 1940s, and the explosion of optimism at the end of the war.

Conservative Revolution is placed on hold

by Carl Osgood

James Carville's famous line from the 1992 Presidential campaign, "It's the economy, stupid," could be what the Republican Party has discovered since Pat Buchanan's upset victory in the New Hampshire primary on Feb. 20. That, combined with the bloody nose that congressional Republicans received in their confrontation with President Clinton over the budget, has forced them to abandon, at least temporarily, the blackmail strategy they had pursued throughout 1995, in order to force through their Conservative Revolution agenda.

A signal of the dilemma the Conservative Revolution finds itself in, was sent by Arianna Huffington, one of House Speaker Newt Gingrich's (R-Ga.) gurus, during a forum at the American Enterprise Institute on Feb. 26. She sadly reported that we must see the current circumstance as like what happens at an airport under construction: there is a sign that says, "Service area closed for repairs." Likewise, "We must say that the Conservative Revolution is suspended, for the time being." She pleaded with the audience to help her move the unresponsive population to support drastic cuts in welfare, coupled with personal philanthropy and "spirituality."

A similar signal came from the London *Economist*. The lead editorial of its Feb. 24-March 1 issue, under a cover picture of Pat Buchanan labeled "Voice of America?" all but admits that the Buchanan successes in the early primaries have merely served to open up the carefully concealed ideological divisions within Republican ranks. "Mr. Buchanan has opened with axe blows the cracks which the Republican Party, for eight years, has been delicately papering over. Is the party the voice of the religious right, stoutly opposed to abortion, homosexuality, and all that could be called liberal? Or can it speak for the confused but tolerant majority? Is it the party of free trade or tariffs? Internationalist, or vowing to keep American boys and American aid safely at home? And, most important of all, is it a forward looking party of reform, limited government, and faith in the market, or one that, in the name of conservatism, demands a stronger and more intrusive State?"

On March 6, an article by Stephane Marchand in the French daily *Le Figaro* was even more pungent in its evaluation of the current situation. "The Conservative Revolution is perhaps in the process of devouring its children, less than

two years after its polemics about bringing down the 'FDR State' had seemingly triumphed politically in the U.S.," he wrote. Marchand picked up on Buchanan's "conservatism of the heart," centered around "protectionism," and quoted Buchanan on his dream of a "Republican Party attentive to workers whose standard of living has fallen."

Republicans make concessions

All of these signals were followed by open concessions to President Clinton on the part of congressional Republicans. As of this writing, the House is going ahead with both a temporary debt limit bill to raise the public debt ceiling until March 29, and an omnibus spending resolution that will keep the remaining departments of government that still lack their annual appropriations funding, operating until Sept. 30, 1996, the end of the current fiscal year.

House Majority Whip Tom Delay (R-Tex.) told reporters on March 5 that "the polls said we've gone too far by shutting down the government and by bickering and fighting amongst ourselves. They wish that we could get something done. That's what I read in the polls."

The House leadership has also backed down on its threat to attach the welfare and Medicaid reform proposal made by the National Governors Association, to the short-term debt-limit bill. They dropped the plan because they feared they wouldn't have enough Republican votes to pass it. Senate Budget Committee Chairman Pete Domenici (R-N.M.) told the *Washington Post* on March 5, "I don't think there's going to be anything on the debt limit legislation." Similarly, House Budget Committee Chairman John Kasich (R-Ohio) added, "When the underlying premise is we will not default, then we have some limits on what we can put in there."

The omnibus spending resolution is likely to be passed with several billion dollars in funds that had been cut by the previous continuing resolution, although probably not the full \$8 billion that the Clinton administration had asked for. House Appropriations Committee Chairman Bob Livingston (R-La.) said on March 1 that the House will probably approve \$4.5 billion of the President's request. The Senate Appropriations Committee voted, on March 6, to restore funding to many of President Clinton's favored programs, including \$975 million for the "cops on the beat" program, \$383 million for the national service corps, and \$240 million for safe drinking water.

None of this means, however, that the Conservative Revolution has abandoned its agenda. In a speech to the Association of Advanced Underwriters on March 6, House Ways and Means Committee Chairman Bill Archer (R-Tex.) announced an agenda for his committee that is nothing more than a continuation of the "Contract on America." House Majority Leader Dick Armey (R-Tex.) suggested that the Republicans will be sending their agenda to Clinton in bits and pieces, rather than in the 1,300-page monster bills he's been vetoing. "We now move what we can, when we can," Armey said.

Elephants and Donkeys by Mel and Kathleen Klenetsky

Dole wins big on 'Junior Tuesday'

Junior Tuesday, March 5, gave Robert Dole a big boost toward the Republican Presidential nomination. Dole took 194 of the 259 delegates in the eight primaries and two caucuses (996 delegates are required to secure the GOP nomination).

Dole, with the largest war chest, saw his win in the South Carolina primary on March 3, as the turning point. Party leaders, from House Speaker Newt Gingrich (R-Ga.) to New York City Mayor Rudolph Giuliani, in order to ensure that Pat Buchanan's New Hampshire upset was not repeated, all let it be known prior to Junior Tuesday that Dole was their man.

Dole still faces serious difficulties

Dole's campaign scored from 40% in Georgia, to 67% in Rhode Island. But his victories could not sweep away the fact that he has not touched upon the issues that concern the American population. Polls showed that a majority of Republicans would have preferred another candidate.

The Buchanan candidacy, according to Democratic Presidential candidate Lyndon LaRouche, despite its racist and chauvinistic aspects, touches upon a desire for national economic security among American voters. As LaRouche has pointed out, Buchanan's Louisiana victory, which knocked Phil Gramm out of the race, came about because the religious right, which originally went with Gramm on moral issues, did not buy into the Conservative Revolution. When Buchanan offered them a platform of moral values and economic nationalism (against the North American Free Trade Agreement and other free trade pacts, and for protective tariffs), they bolted from Gramm's rad-

ical free trade doctrines.

Dole did not win the Ross Perot voters, although, in Georgia, he won the independent vote. This means there is still the possibility of a third party challenge from the Perot quarters, which would threaten Dole more than Clinton, come the general election. LaRouche pointed out that the Buchanan vote is there for Perot, if he wants it. (Clinton would be affected more by a Jesse Jackson third-party effort.)

While Dole does not represent the Conservative Revolution ideology of a Gingrich, Dick Armey, or Gramm, he is of that mentality that would cut basic entitlement programs. During the 1980s, Dole set up the National Economic Commission to push for just such cuts. Gingrich and Gramm's declining popularity underscore the difficulties Dole will have selling a Republican program of entitlement cuts, free trade, and balancing the budget, especially if Democrats rebuild that party.

And some Democrats are doing just that. Lyndon LaRouche has defined the programs to revive industrial and agricultural development, thereby reversing the last 30 years of the post-industrial society, and the last decade of junk bond and derivatives trading. Others, such as Sens. Thomas Daschle (S.D.) and Edward Kennedy (Mass.), have laid out a defense of minorities, the elderly, and the working population.

Buchanan and Forbes still in the race

Buchanan (with 63 delegates) and Forbes (72 delegates) will stay in the race. Buchanan runs a shoe-string campaign, depending more on radio interviews than paid advertising. Forbes has spent \$24 million, most of it his own money, and has indicated that he will continue, despite poor

showings since his Arizona and Delaware victories. He has launched a million-dollar advertising spree in hopes of taking the New York primary (93 delegates) on March 7.

Buchanan's New Hampshire victory put his anti-big business, anti-free trade policy on the map. But his negativism has led voters to start to turn against him. Polls indicated that voters thought him too extreme, even in Georgia, where he was hoping for an upset against Dole. (Buchanan equated "Dixie" with the Civil Rights movement anthem "We Shall Overcome.")

Buchanan is an avid fan of Teddy Roosevelt and the Confederacy. LaRouche commented, "To understand Buchanan personally, what you need is a set of Teddy Roosevelt false teeth, a big stick, a mustache, a pince-nez, and a lot of recorded messages of 'Bully!' What he is, is a real Confederate creep, underneath. . . who raised the Confederate flag over his campaign headquarters. . . . But . . . he has another aspect to him. And the aspect is, is the populist pitch, is to protect American jobs, to attack NAFTA, GATT, and so forth. Now he does it from a completely racist, chauvinist way. But what do you expect of Teddy 'Bully!' Roosevelt, particularly in a reincarnation."

Lugar, Alexander drop out

On Junior Tuesday, Sen. Richard Lugar's campaign generally garnered under 3% of the vote. The Indiana Republican's campaign said that he would drop out later that week.

Former Tennessee Gov. Lamar Alexander had said that his decision would depend on the Super Tuesday Florida primary on March 12. However, ABC News reported on March 5 that he will drop out before Florida and endorse Dole. His media purchases have been pulled.

Lautenberg introduces rail safety bill

Sen. Frank Lautenberg (D-N.J.) introduced a bill on Feb. 27 in response to the recent spate of train accidents, including the commuter train accident in New Jersey on Feb. 9, and the collision just outside Washington, D.C. on Feb. 16, of an Amtrak passenger train and a Maryland commuter train, in which 11 people were killed.

In his floor statement, Lautenberg pointed to deficiencies in safety technology and procedures that were factors in both accidents, as well as in three freight train accidents that occurred in February. He said that his bill mandates installation of automatic train control systems, new safety standards for locomotive fuel tanks, and better crash protection for rail passenger cars. "I recognize," he said, "that some in the rail community may object to the costs of additional safety measures," however, "we in the Congress have an obligation to protect the public."

District appropriations stalled by filibuster

Senate attempts to bring the District of Columbia appropriations conference report to a vote failed twice during the week of Feb. 27, because of a filibuster by Democrats objecting to school voucher and abortion provisions of the bill.

Herb Kohl (Wisc.), the sole Democrat on the D.C. Appropriations subcommittee, said that if the voucher provision were dropped, and with changes in the provisions on abortion and the Davis-Bacon Act (which mandates that government contractors pay the prevailing wage), the conference report would pass unanimously. On the voucher provision, Kohl said that

"private schools have selective admissions policies," whereas "public schools do not discriminate; they are charged with educating all children. Our first priority must be to help public schools meet their goal. Unfortunately, this bill does not reflect that priority."

Kohl said that the bill has been held up over the \$660 million federal payment to the District. "Unless Congress releases the balance of the federal payment," he said, "the city will be unable to meet payrolls, pay bills, or provide basic services." He called on the Republicans to "stop holding the nation's capital hostage in order to debate a subject that would be better resolved on an education bill."

District Mayor Marion Barry warned, after the second cloture vote failed on Feb. 29, that without the federal payment, the District would run out of funds by the end of March.

Constitutional amendment offered on tax increases

Senate Republicans, led by Jon Kyl (R-Ariz.), on Feb. 27 introduced a proposed constitutional amendment that would require two-thirds majority votes in order to levy new taxes or increase existing tax rates.

In remarks on the Senate floor, Kyl said that his proposal "represents the first concrete step toward comprehensive tax reform." He revealed that his proposal was one of the recommendations of the National Commission on Economic Growth and Tax Reform, chaired by former Housing and Urban Development Secretary Jack Kemp. Kemp and former Delaware Gov. Pete du Pont, also a member of the commission, presented their proposals, which included a flat tax not unlike that offered by Presidential candidate

Steve Forbes, before a Senate committee in January. A companion resolution was introduced in the House on Feb. 1 by Joe Barton (R-Tex.) and 155 co-sponsors.

The House has incorporated into the Rules of the House a requirement for a three-fifths majority vote to pass a tax increase. This rule is under legal challenge by House Democrats, including David Skaggs (D-Colo.) and Bruce Vento (D-Minn.). Vento called the rule a "Trojan horse" that will be the "vehicle to undercut the power and the ability of the majority of the people in this country to have decisions made," in announcing the lawsuit last year.

Panel weighs independent counsel law reform

The House Judiciary Committee Subcommittee on Crime held a hearing on Feb. 29 to consider proposals to reform the independent counsel statute. The witness list, in addition to Judiciary Committee Chairman Henry Hyde (R-Ill.), was a who's who of past independent counsel investigations, including Iran-Contra special prosecutor Lawrence Walsh.

Hyde told the subcommittee that the standard for triggering independent counsel investigations "is far too low." The statute holds that a preliminary investigation "must" begin when a person covered by the statute "may have violated any federal criminal law." Hyde said that because of this, "Often allegations of criminal activity are prompted by political motives rather than real facts."

In an implicit reference to the independent counsel investigations initiated against the Clinton administration, Walsh said that such investigations "should be restricted to the conduct of officials in federal office and

not be authorized for the investigation of acts of a person before he becomes a federal officer." He said the conflict of interest that an Attorney General may face in the case of an act committed by a federal officer prior to his taking office "is of lower public concern than one arising from conduct during public service." For acts committed prior to public service, Walsh said, "the Attorney General should proceed without the use of the independent counsel act."

Livingston moots another government shutdown

House Appropriations Committee Chairman Bob Livingston (R-La.) suggested that when the current continuing resolution runs out on March 15, "all of the employees subject to those departments [the nine that still don't have appropriations bills passed] could be put on the street again." He asserted that no one in either party in the House or Senate wants to see that happen again, but it may be "unavoidable."

Livingston endorsed the idea of an omnibus spending resolution that would cover those departments through the end of the current fiscal year. He pointed to the fact that FY 1997 begins in the middle of the election cycle, and, if an omnibus resolution is not passed into law, "we're going to be dragged into the whole election process and really befuddle the whole situation."

In contrast, Sen. Arlen Specter (R-Pa.), chairman of the Senate Appropriations Labor, Health and Human Services, and Education subcommittee, said only two days before that he was "optimistic" that such a bill could be passed. He pointed to the problems that the departments that still don't

have a budget are having. "It has been impossible for the secretary of labor to plan on worker safety, and impossible for the secretary of education to advise various states as to the allocation of their funding."

Specter reported that he had communicated with White House chief of staff Leon Panetta about additional funding for these agencies, and had discussed this with President Clinton during Clinton's visit to Wilkes-Barre, Pennsylvania to survey flood damage. He said that the President agreed "that we needed to do just that." Lastly, Specter said that the day before, he was "advised that there would be an additional \$4.5 billion in budget authority . . . so we can go ahead."

Inhofe, Dorgan clash on strategic defense

On Feb. 28, Sens. James Inhofe (R-Okla.) and Byron Dorgan (D-N.D.) slugged it out in an impromptu debate on whether the United States should build a national missile defense. For months, Inhofe has been using this issue as a battering ram against President Clinton's foreign policy toward Russia. Because it does not emphasize technology based on "new physical principles," it would also be relatively ineffective against a strategic missile threat.

While Dorgan failed to mention this, he pointed out that the system that Inhofe supports would not protect the United States against threats which may be more imminent than a ballistic missile attack. What a missile defense system won't deal with, is "cruise missiles" and "other elements of terror, including fertilizer bombs [referring to the 1995 bombing of a federal building in Oklahoma City] or deadly biological agents."

Specter looking into economic espionage

On Feb. 28, the Senate Select Intelligence Committee, chaired by Arlen Specter (R-Pa.), held a hearing on proposed legislation to combat economic espionage. The bill would extend federal protection to a proprietary company information regardless of whether the buyer was a foreign government or corporation, or another U.S.-based corporation.

Herb Kohl (D-Wisc.), a co-sponsor of the bill along with Specter, said, "We have done a good job of protecting people when their hard work produces something tangible like machines or hardware," but now "the time has come to protect people who produce information and ideas."

The primary witness, FBI Director Louis Freeh, complained that there is a hodgepodge of federal and state laws that cover economic espionage, and that in some states, some types of such activity are not covered at all. "What's lacking," he said, "is one systematic federal law which addresses the scope of the problem and doesn't depend on individual circumstances to assert jurisdiction." Freeh praised several provisions in the bill, including one which would give federal law enforcement agencies jurisdiction over activities committed in a foreign country by foreign nationals against a U.S.-based company.

There was no direct reference to the "Webster Doctrine," promulgated in 1989 by then-CIA Director William Webster, in which he committed U.S. intelligence capabilities to economic espionage against Japan, Germany, and other U.S. allies. However, Freeh and members of the committee, such as Bob Kerrey (D-Neb.), said that the United States, as a rule, doesn't "engage in economic espionage."

National News

Audubon Society: more population control

The National Audubon Society has urged its members to mobilize to overturn Congressional budget cuts in the population control programs of the U.S. State Department, arguing that wildlife habitat is more important than preserving human life.

In its Feb. 22 "Action Alert," the Society howls that opponents of population control in Congress were able to include restrictions on the U.S. international family planning program, as part of the omnibus continuing resolution passed in January. Funding for population control programs "was reduced from last year's level of \$547 million to \$72 million in this fiscal year."

These cuts "will have a profound impact on efforts to stabilize population growth, which is critical to long-term global protection of wildlife habitat," according to the genocidal ideologues of the Audubon Society. The "alert" directs its activists to "contact their representative and senators and urge them to restore funding for international family planning programs by whatever means possible."

LaRouche vote 'jolts' Colorado Democrats

Lyndon LaRouche's 11% vote in Colorado's March 5 Democratic Presidential primary sent shockwaves through the state's party leadership—and beyond. The *Denver Post*, under the headline "LaRouche Vote of 11% Jolting," began its March 7 analysis by stating, "Nearly 6,000 Colorado Democrats rejected Bill Clinton in Tuesday's Presidential primary and decided it was time for another Lyndon in the White House." The accompanying subhead claimed, "Democratic leaders don't know anyone who cast a ballot for maverick economist."

Grasping for any slanderous straws at hand, the article declared, "Ultraconservative economist Lyndon H. LaRouche, Jr., an ex-convict and perennial candidate, cap-

tured 11.1% of the Democratic vote statewide and more than 20% in eight Colorado counties." The paper adds a telling variation, on the typical claim that LaRouche says the Queen of England pushes drugs—declaring instead that LaRouche says that Queen Elizabeth is "behind plots to destroy the world's economy."

Carolyn Boller, executive director of the Colorado Democratic Party, is described as being surprised by LaRouche's "double digit performance." Perhaps reflecting some dim recognition of the "rumbling" in the country, Boller said, "I think that there's a fringe element that's growing, and these people are getting out and voting. I think people are upset with government and they're looking for some other way to voice their options. . . . We're going to have something to talk about," she said, at the next meeting of the State Democratic Central Committee.

Prosperity is a thing of the past, says Times

The *New York Times*, the paper which has rejected the idea of progress for a century and a half, has now declared that prosperity and economic security are gone forever. Launching a seven-part feature on March 3 on "The Downsizing of America," the *Times* urges Americans to adjust to the new "reality" that life will be worse for their children.

It reports that 43 million U.S. workers have been laid off since 1979; and claims that though newly created jobs have more than matched the layoffs, the majority of rehired workers have lower wages than before. The median wage, adjusted for inflation, is 3% lower than it was in 1979, says the *Times*; and life for the average working person is harder and meaner than it used to be.

With the "unprecedented" economic growth of the 1940s, American psychology was unnaturally convinced that progress and job security were a birthright, the *Times* rants. "The postwar years led many people to the succoring belief that they had an almost divine right to a very particular American

dream entailing a home, a secure job, and a raise every year." This was an "unwritten social contract, codified in part by strong labor unions," in which "managers and workers pledged their loyalty to one another."

The rise of computer technology, however, has supposedly made more and more workers unnecessary: "Computer programs rather than lawyers prepare divorce papers. If 1,000 movie extras are needed, the studio hires 100 and a computer spits out clones for the rest." The *Times* offers as a model of realism the case of a man attending a "Dad's Group" at his church, "rooting for the emotional sustenance he used to get at work. He said he was seeking 'a peace within myself instead of the rush of the job.' "

The *Times* warns, "There remain, however, other downsized workers who resist reining in their lives, as if denying what has happened. . . . Today many who grew up in the 1950s and 1960s are refusing to accept that a period they see as enduringly golden is over."

Wal-Mart becoming king of 'downsized' jungle

Wal-Mart, the largest employer left in the United States, is now forcing its own suppliers to shut down some of their production facilities—and send more workers into the ranks of the unemployed. The March 11 issue of *Forbes* magazine, a leading promoter of the "flea-market" theory of economics, reports that the giant discount chain (\$90 billion in annual sales) is passing on the costs of declining income, to the very suppliers forced to depend on contracts with Wal-Mart.

The collapse of Americans' real incomes has accelerated a wave of bankruptcies hitting major discount retailers in the last few months, including Caldor, Bradlees, Jamesway, and Hills Stores, and the near bankruptcy of the K-Mart chain.

Wal-Mart built its dominant position by locating its stores in shopping malls, and then undercutting and driving out of business the traditional retail clothing stores, hardware stores, etc., which once contrib-

AFL-CIO PRESIDENT John Sweeney called upon the Catholic Church to back labor's drive to "reclaim America," in a speech to the Catholic Social Ministry Gathering in Washington, D.C., Feb. 27. "We need the public support of the church. We need to restore the ability to strike," Sweeney said. "My idea of America is a country where honest labor raises the standard for all."

BRUTAL RECYCLING of tens of millions of American workers has been accompanied by further innovations in corporate "doublespeak." The March 4 *New York Times* offers a list of alternatives to the word "fired" currently in vogue among corporate managers. Among the most notable examples: decruited, de-hired, deselected, excessed, nonretained, nonrenewed, surplussed, vocationally relocated, and involuntarily separated.

THE 50TH anniversary of Winston Churchill's infamous speech in Fulton, Missouri, was commemorated by the March 1 *London Times*: "Time has obscured still more deeply the logic of Churchill's . . . grand theme . . . his plea for a 'special relationship between the British Commonwealth and Empire and the United States,' a relationship which he wished to see expressed not just in political but military terms and even, eventually, in 'common citizenship.'"

NEWT GINGRICH has tossed Virginia Gov. George Allen overboard. Newt told a recent "mock convention" at Virginia's Washington and Lee University that Allen is "a terrific person," but he should forget about any hopes of getting the Republican vice presidential nomination.

FLORIDA has approved a \$4.8 billion, high-speed passenger rail system. A private consortium will build and operate the 320-mile railroad, using French TGV technology capable of speeds up to 200 miles per hour. The first leg, covering the 224 miles from Orlando to Miami, is due to open by 2004; a leg from Orlando to Tampa will open two years later.

uted so much to the nation's cities and towns. Wal-Mart pays workers \$5-8 per hour, with few benefits, and makes its store managers work long hours for little pay. Over the last few years, 3-4% of all jobs "created" in America were at Wal-Mart.

Large numbers of American manufacturers sell 10-35% of their product just through Wal-Mart. One company, Rubbermaid, which makes rubber and plastic housewares and other products, sells 15% of all its goods through Wal-Mart, generating 20% of Rubbermaid's operating income. In 1995, when Rubbermaid's raw materials costs increased, Wal-Mart refused to allow the company to pass the costs on, in order to keep its own profit margins up.

Instead, Wal-Mart began offering more shelf-space to Rubbermaid's competitors. As a result, Rubbermaid's earnings plunged 30%; the company closed nine facilities and laid off 9% of its 14,000 workers.

Hillary Clinton's law firm cleared by FDIC

In a report to Congress Feb. 28, the Federal Deposit Insurance Corp. (FDIC) said it had found no evidence of fraud or intentional misconduct which could sustain a legal claim against Hillary Clinton's former law firm. The report, prepared by the law firm of Pillsbury, Madison, and Sutro for the FDIC, states that "the evidence taken as a whole does not amount to convincing proof that the Rose Law Firm knowingly aided and abetted a fraud."

The Resolution Trust Corp. (RTC) also reported late last year that there was no basis for legal action against the Clintons personally. The RTC went out of existence on Jan. 1, and its functions were taken over by the FDIC.

The FDIC also reviewed records of the Rose Law Firm found at the White House in late December. Its report states that it found no evidence to suggest that Mrs. Clinton, or other members of the firm, were aware of fraud involving Madison Guaranty Savings and Loan, or with regard to the Castle Grande project—a major topic for speculation by Sen. Alfonse D'Amato (R-N.Y.) and

other GOPers on the Senate Whitewater committee.

Mark Fabiani, special associate counsel to President Clinton, said of the FDIC's findings, "All of the innuendo that's been thrown around in the last months on the Senate committee, I think, is dealt with fairly extensively in this report. . . . It calls the Whitewater conspiracy theories implausible. It deals with the major allegations that have been made about destruction of records. And on and on. It deals with every one of the major allegations and disposes of them in a way that supports what the President and First Lady have said all along."

Clinton speaks on drug use and violence

President William Clinton, Vice President Albert Gore, and newly confirmed White House drug adviser Gen. Barry McCaffery keyed a national conference on youth, drug use, and violence in Greenbelt, Maryland on March 7. Speaking before 3,000 high school students, cabinet members, and anti-drug activists from all across the United States, the President declared that no nation can be truly free if its most precious resource, its youth, are terrified by drugs and violence.

The conference, convened one day after General McCaffery's swearing-in as the nation's leading anti-drug fighter, represented a major public initiative by the White House to escalate the war against the domestic side of the drug epidemic—growing drug use by Americans between the ages of 12-17, and the increase in youth violence. Seven members of the Clinton cabinet chaired workshops on various facets of the drug and youth violence crisis.

President Clinton chaired a round table discussion, involving several high school students, anti-drug experts, and nationally prominent activists. Among the speakers at the round table were former cabinet secretary Joseph Califano, Jesse Jackson, James Burke (chairman, Partnership for a Drug-Free America), and Dr. Lonise Bias (mother of former college basketball star Len Bias, who died of a cocaine overdose).

Editorial

How to make your child a dope

For several years, we have warned of the dire consequences of the outcome-based education (OBE) curriculum, which has replaced academic standards with manipulative social work practices, which rely upon encouragement of deviant sexual behavior and brainwashing sessions using transcendental meditation and other hypnotic techniques.

Worst of all has been the deliberate undermining of parental authority by these so-called educators, who have told children to keep secret what is going on in their classrooms. Now we are confronted with a situation in which school authorities are being legally permitted to drug rebellious children into submission to their authority.

Over-worked parents are being coerced into allowing this, with the threat that otherwise their children will be expelled from school. Many times the children are "acting-out" in school, because they lack adequate supervision in the home. There are also children who are merely bored or disgusted with the New Age curriculum being dished out to them, in place of education.

In any event, what are symptoms of a social problem are now being labeled as evidence that children are suffering from a brain disease, for which a chemical remedy is needed. They are being prescribed a dangerous stimulant drug, Ritalin, the brand name of methylphenidate (MPH), as a means, in reality, to pacify them.

Ritalin, although a stimulant, supposedly quiets hyperactive children, and helps them to concentrate. Like amphetamines, it has a euphoric, and addictive, effect on users. Shockingly, it is now being medically administered to over 2.5 million Americans. According to a report released by the Narcotics Control Board on Feb. 28, American children are literally being fed drugs *on school property*.

The Narcotics Control Board, a Vienna, Austria-based institute, says that methylphenidate is being so over-prescribed in the United States, that 3-5% of all U.S. schoolchildren are taking this drug. Boys between

the ages of 6 and 14 years appear to be the population most targeted by teachers, who single them out as disruptive.

The Board's report states: "According to some reports, ADD (Attention Deficient Disorder) may be diagnosed too often as other causes of attention and behavioral problems might be overlooked." It complains that ADD is a very vaguely defined disorder, and that Ritalin in America is overused as an easy solution for any troublesome child.

The U.S. representative on the International Narcotics Control Board, Herbert Okun, said that the U.S. Drug Enforcement Administration (DEA), and other agencies, had requested that the International Narcotics Control Board investigate the potential dangers of this prescription drug: "The board is looking at this at the request of the United States. It is putting up a yellow flag. It's saying: 'Be careful, go slow, check it out. Our concern is overprescription.'" Methylphenidate production worldwide has gone from less than three tons in 1990, to more than 8.5 tons in 1994. *Ninety percent of this is consumed in the United States.*

There is no question but that Ritalin has serious side effects, such as insomnia, loss of appetite, nervous tics, growth suppression, and dizziness. It has also become an increasingly popular drug for abuse by youth, who snort it to get high. A report verifying this problem has been prepared by the DEA.

In addition, there is a movement afoot to downgrade the danger classification of Ritalin as a drug, in order to make it easier to obtain. Reportedly, one influential parents' group supporting the use of Ritalin is receiving significant financial support from the drug's manufacturer, the Swiss-based Ciba-Geigy company.

While drug pushers caught in the vicinity of school buildings are given harsh sentences, similar practices by teachers and other school officials who push drugs on the children in their charge, are condoned and encouraged. All drugs are evil, but the use of institutional authority to force children to take drugs is a far more hideous evil.

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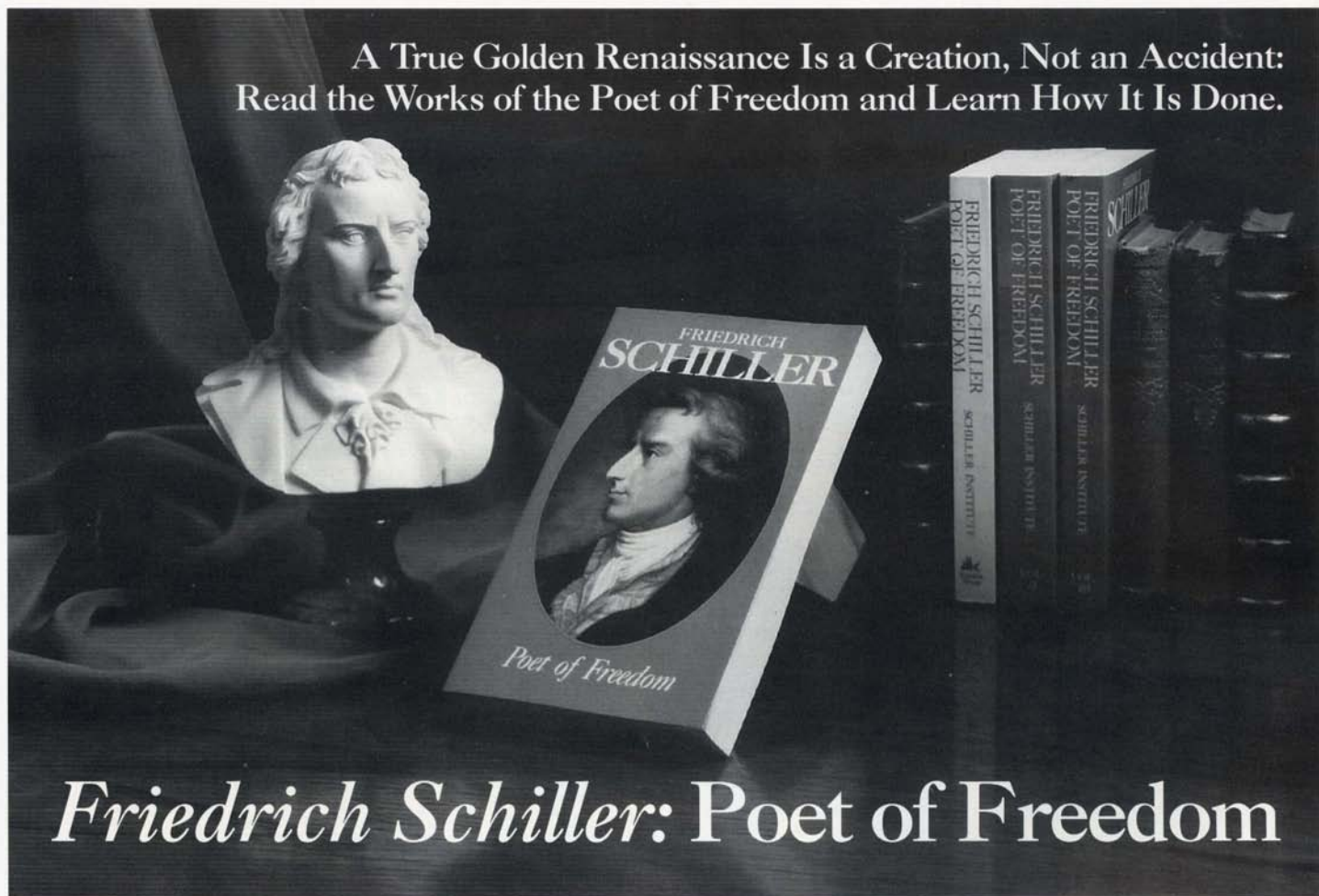
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