

EIR

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London wins the Israeli elections
Citibank linked to Mexican money-laundering
LaRouche demands resignation of DNC's Fowler

**How 'consensual pragmatism'
wrecked U.S. policymaking**



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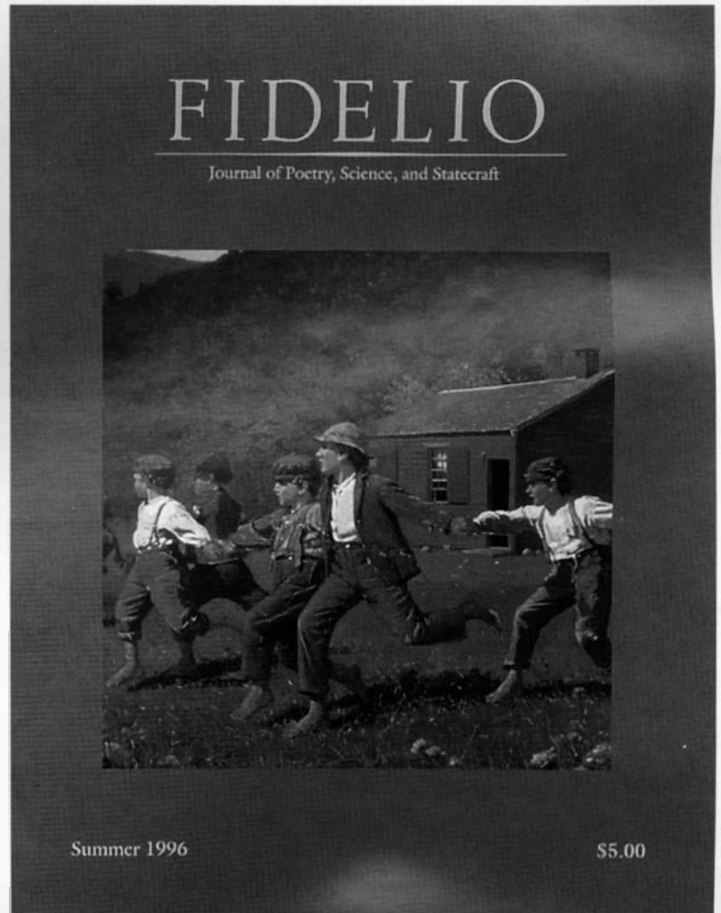
by Lyndon H. LaRouche, Jr.

“Although no mathematical model of economic processes would attempt to program the artistic factor in social progress, the mathematician must take into account that potential margin of error in his ‘model’ which might be introduced by excluding consideration of Classical art forms.”

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From the Associate Editor

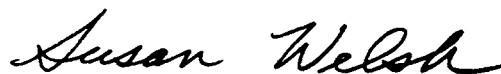
As we go to press, the world strategic situation has arrived at a crucial turning point. With the victory of Benjamin Netanyahu in the Israeli elections, the fragile gains of the Mideast peace effort are now in grave danger. Second, the verdict in the Whitewater case against the McDougals and Gov. Jim Guy Tucker in Arkansas, has set the stage for an escalated assault against President Clinton, by the British networks out to destroy the U.S. Presidency at any cost.

Both events are the direct result of policy blunders that *EIR* has been warning about. They are the lawful outcome of the “consensual pragmatism” that has plagued U.S. policymaking during most of the postwar period, as Lyndon LaRouche eloquently explained in a speech in Washington, D.C. on May 16 (see *Feature*). Portions of this speech were included in LaRouche’s June 2 nationally televised Presidential campaign broadcast.

In our first report on the Oslo Accords, a cover story of Sept. 17, 1993 titled “PLO-Israel Accord: Last Chance for Mideast Peace,” we underlined the necessity of a Marshall Plan for economic development. We quoted LaRouche: “The urgent thing here, is that we must move with all speed to *immediately* get these economic development projects, such as the canal from Gaza to the Dead Sea, going immediately, because if we wait until we discuss this out, enemies of progress and enemies of the human race, such as Henry Kissinger and his friends, will be successful, through people like Ariel Sharon’s buddies, in intervening to drown this agreement in blood and chaos.” The latter scenario is now proceeding, due to the failure of the international community to deliver *any* significant assistance for economic development of the Palestinian Authority.

On the domestic front, just one year ago, in a cover story of June 30, 1995 entitled “The Long Overdue Cleanup of the Justice Department,” we warned that unless President Clinton and Attorney General Janet Reno moved to oust the “permanent bureaucracy” from the DOJ, and to exonerate LaRouche, the British assault on the Presidency would intensify. This has now occurred.

See *National* for LaRouche’s initiative to break the Democratic Party free of those who are responsible for these strategic setbacks, starting with DNC Chairman Don Fowler.



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Feature



Lowland gorillas: "You scratch my back, and I'll scratch yours."

20 How 'consensual pragmatism' ruined U.S. policymaking

Lyndon H. LaRouche, Jr. reports to a Washington, D.C. audience on the crisis faced by the United States, and the current very dangerous situation in Russia. The essential problem is the cultural outlook of the postwar generation that is now running the U.S. government: "The Baby Boomer doesn't try to make things work. He tries to make everybody satisfied, whether it works or not. And the way this is done, is they have a meeting. It's like a sensitivity group, a T-group, or a seance. . . . When everybody's happy, or when the degree of unhappiness is minimized, that becomes policy. Does that correspond to reality? That's not the point! Does it maintain the *process of dialogue*, whether or not the plane crashes or the ship sinks?"

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Democratic National Committee Chairman Don Fowler's outrageous call for party officials to "disregard" the vote for LaRouche in the Presidential primaries, has sparked anger among influential party figures. LaRouche demands Fowler's resignation: "His continuation as National Chairman, at this time, could bring about the otherwise unlikely defeat of the party, at the polls, in the November general election."

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Money-laundering scandal could rock Citibank, Fed

by Richard Freeman

U.S. authorities should now be asking the question: What role did the top echelons of Citicorp-Citibank, America's second largest bank, and of the Federal Reserve Board of Governors, including Federal Reserve Board Chairman Alan Greenspan, have in the unfolding tale of Raúl Salinas de Gortari's international money-laundering scheme, which involves initially at least \$100 million? Raúl Salinas de Gortari, the brother of former President of Mexico Carlos Salinas de Gortari, is currently under indictment in Mexico on theft and murder-conspiracy charges. Grand juries in the United States have reportedly also begun gathering evidence in the case, including records subpoenaed from Citibank.

An investigation by any one of a half-dozen U.S. agencies, rigorously conducted, would show just how deeply money laundering, including drug money, is woven into the functioning of the U.S. banking system. As much as \$300-350 billion of hot money, with half that amount being drug money, courses through the U.S. banking system every year. The banks' take on this is large.

The Salinas-Citibank-Fed case, as we shall call it, should dispel the average person's misconception of how money-laundering works, a misconception heavily reinforced by the British-run media. The misconception starts with the idea that the illegal money trade—money derived from drugs, flight capital, tax evasion, illegal arms shipments, the financing for terrorism—is run by mafias. The mafias somehow trick or corrupt one or two bankers, in an otherwise clean and upstanding bank, into laundering their ill-gotten gains. However, the Salinas-Citibank case demonstrates, as a case study, that a British financier cartel directs the trade from the top, with foreknowledge and precision on the part

of the banks. The very dangerous and wealthy mafias, such as the Colombian drug organizations, are appurtenances of the financier cartel.

Citibank's Amelia Grovas Elliot

A competent investigation into the Salinas case starts with Amelia Grovas Elliot, who, since 1981, has been the head of the Mexico team at Citibank's mammoth Private Bank. Private Bank, a bank within Citibank, has \$80 billion in assets, nearly one-third of Citicorp's total assets of \$260 billion. Elliot was Raúl Salinas de Gortari's personal banker, and during 1989-93, she moved tens of millions of dollars of Salinas's money around the world. As we will see, testimony that Elliot presented at a 1994 Texas drug-money trial, at which she was the star witness, defines how perfectly well the highest levels of Citibank track and approve what is going on with money laundering.

According to investigators for Mexico's comptroller's office, Raúl Salinas holds a vast fortune of real estate, bank accounts, and other assets valued at more than \$1 billion, much of which was obtained through "illicit enrichment." Salinas apparently received some of this money from Juan García Abrego, the kingpin of Mexico's Gulf Cartel. The Mexican daily *Reforma* revealed on May 22 that the Mexican Attorney General's office possesses a Nov. 23, 1995 report, charging that Raúl Salinas not only met with García Abrego, but provided him protection, including hiding him on his ranch and properties. García Abrego was captured last year and is now incarcerated in a high-security U.S. penitentiary, awaiting trial on charges of being one of the world's largest drug traffickers.

Further, other government documents show, Salinas was also linked to the head of the Sinaloa Cartel, Joaquín “El Chapo” Guzmán. But in addition to drugs, Raúl Salinas is being investigated by the Mexican Congress and others, for stealing tens of millions of dollars from a Mexican government agency, the National Commission for Public Subsidies (Conasupo), during the time that Salinas headed that agency in 1985-88. Conasupo’s mission is to buy food and sell it, at reduced prices, to the poor.

But Salinas’s troubles do not end there. He is detained in jail in Mexico, on charges that he participated in the September 1994 British Intelligence-orchestrated murder of PRI Secretary General José Francisco Ruiz Massieu.

Raúl Salinas’s money-laundering activities came to light when his wife, Paulina Castañón, was arrested by Swiss authorities on Nov. 15, 1994, as she attempted to withdraw \$84 million from an account that he maintained at the Pictet & Cie. Bank in Geneva. Citibank officer Amelia Grovas Elliot is the person who set up that account for Raúl Salinas, using a false name. She had set up other accounts for him using false names, at a Citibank affiliate in Geneva, called Confidas; at a Cayman Island corporation, etc.

Citibank officer Elliot is no novice: In addition to being the head of the Mexico team of the international private banking group at Citibank for 15 years, she is a 29-year veteran of Citicorp. At an earlier drug trial, Elliot disclosed that she does not act alone at Citibank, and defined a chain of command.

Elliot’s testimony

On May 12, 1994, she testified at the trial that the U.S. government prosecuted against American Express International Bank (AEIB), a division of American Express, in Brownsville, Texas, for laundering tens of millions of dollars for the head of Mexico’s Gulf Cartel, Juan García Abrego. American Express was convicted, and had to pay fines and forfeitures totaling \$35 million. Elliot was brought in by the prosecution as a star witness to testify how a supposedly “clean” bank, Citibank, then America’s largest bank, administers banking operations in Mexico. In her testimony, Elliot revealed enough for indictments against the entirety of Citicorp’s leadership in the Raúl Salinas case. She said that as part of bank policy, her department would “visit our clients in their country 10 to 12 times a year.” Her testimony provided a clue as to what the top echelons knew. Below are excerpts of her testimony:

Q: What is international private banking?

A: Private banking is the area of the bank that deals with clients with more money than the general public, that does it on a more white gloved kind of environment. . . . In the private bank of a bank, you are a name. The person [private banker] knows you, knows who you are, knows your family, they recognize your voice. . . . [Elliot testified that private banking customers usually have a net worth starting at \$5 million. That

starting net worth is now \$10 million.]

Q: Does your team manage funds in some assets . . . for former Mexican political leaders or their family members?

A: No. [Elliot discussed the long vetting process, including approval from higher-ups, that Citibank engages in before it accepts a large deposit from a customer, which is called in the banking world, the “due diligence procedure,” and which Citibank calls “know your client.”]

Q: [About the Citibank “know your client” policy.]

A: . . . The “know your client,” at least in our bank, is part of the culture. It’s part of the way you do things. It’s part of the way you conduct yourself. If you come in with a prospect and/or name of a prospect, you will be sure to be asked, “Who is this person, what do they do, who introduced them to you?” *by at least three or four people higher than you are.* It’s just the way it is” (emphasis added).

Elliot later praised Switzerland as a place to deposit money, “because Switzerland is known for having numbered accounts. . . . A Swiss banker can, in fact, be put in jail if they divulge the confidentiality of the name of an account.”

A Citibank spokesman told *EIR* on May 10 who the “three or four higher people” in Citibank’s chain of command would be, who would approve Elliot’s decision to move Raúl Salinas’s tens of millions of dollars around the world. Elliot reports directly to the Citibank executive vice president in charge of the international private banking group, who is currently Alvaro DeSousa. (DeSousa is new to the job. He replaced Hubertas Rukavina, who was transferred in January out of that post, perhaps as a result of the Raúl Salinas caper.) DeSousa reports to the Europe and North America Division chief, who in turn reports directly to Citicorp Chairman John Reed, according to the Citibank spokesman. The April issue of *Money Laundering Alert* reported that “senior international bankers, who asked not to be quoted, say it is ‘virtually impossible’ that the chairman of a bank, even one of Citibank’s size, not know about a new customer who met the Salinas pattern.” (Reed treated Ibero-America as a looting ground. In July 1990, he said that countries like “Bolivia and Peru will disappear” from the map.)

Citibank in Federal Reserve receivership

But there is more to Elliot’s story. During the period that she managed Raúl Salinas’s accounts, in 1989-93, moving reputedly stolen and/or drug money to Swiss, Cayman, and other accounts, Citibank was under the effective receivership of the Federal Reserve Board of Governors, headed by Alan Greenspan. The Fed approved every major financial move that Citibank made for a two-year period.

In late 1991, Citicorp/Citibank went under, although no one except *EIR* called it that at the time, for fear of blowing out the world financial system. As *EIR* reported, Citicorp was compelled to sign a “Memorandum of Understanding” with the Fed, which gave the Fed broad powers, and put Citicorp on a Federal Reserve life support system. The Fed flooded

Citibank with hundreds of examiners and personnel to supervise every loan and significant money transfer of roughly \$1 million or above, that Citibank made. It is virtually guaranteed that the Fed did see the paperwork trail of the Raúl Salinas money, under whatever name he was operating.

Further, some of the day-to-day responsibilities for administering Citibank were reportedly coordinated with the Federal Reserve Bank of New York. At this point, the vice chairman of the New York Fed was Maurice "Hank" Greenberg, of American International Group insurance company. Greenberg is reputedly one of the top leaders of Meyer Lansky's old organized crime syndicate, including money laundering.

Lyndon LaRouche has pointed out repeatedly that the New York commercial banks and the Federal Reserve System are utterly bankrupt. They also figure as central players in one of the biggest money-laundering, murder, and political intrigue scandals in the last decade of the 20th century.

What will be done?

But the question remains, will U.S. authorities seriously prosecute Citicorp and the Federal Reserve? *EIR* has not been able to learn yet what the charges are that the grand juries in Washington, D.C. and New York, which reportedly began gathering evidence in the case, including subpoenaing records from Citibank, are being asked to consider. Or, whether they will focus on only a few individuals, such as Amelia Grovas Elliot, or whether they will move right up the chain of command.

The U.S. money-laundering law that could be applied, has "extraterritorial" reach if the transactions are by a U.S. citizen, or, if by a non-U.S. citizen, they occurred in part in the United States. The known facts of the Salinas-Citibank-Fed caper fit that standard (Title 18, USC Sec. 1956 [f]).

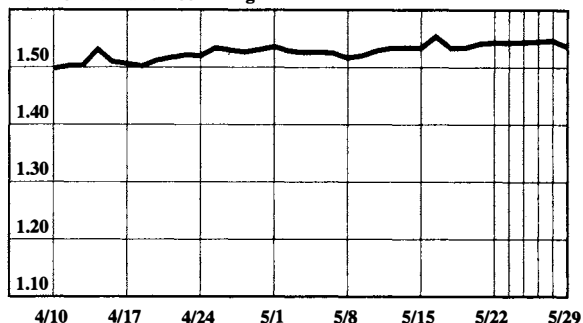
The Citibank-Fed-Salinas case shows how easily money-laundering can occur, and laws be circumvented. As a result of the Bank Secrecy Act of 1986, the U.S. government requires that all U.S. banks file cash transaction reports (CTRs) on all cash deposits \$10,000 or larger, and on all suspicious activities, whether the money is deposited in cash or other form. But simply by qualifying to be a preferred client of Citibank's Private Bank, with a net worth of \$5 million or more, a bank customer can escape such scrutiny if his banker applies for an exemption because the customer in question is so "valued."

Citibank has operated in Mexico for most of this century, and it helped draft the secret banking accords in Chapter XIII of the North American Free Trade Agreement which further deregulated the Mexican banking system, intensifying its destruction. In coordination with the International Monetary Fund, Citibank applies conditionalities policies which are looting the Mexican economy. A serious investigation and/or criminal case on the Salinas matter might unravel this larger relationship.

Currency Rates

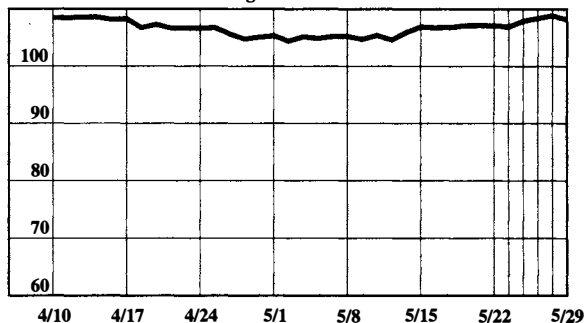
The dollar in deutschemarks

New York late afternoon fixing



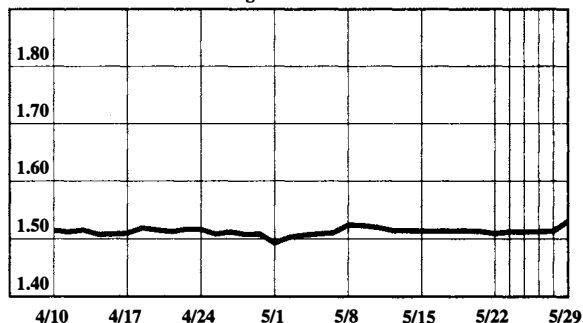
The dollar in yen

New York late afternoon fixing



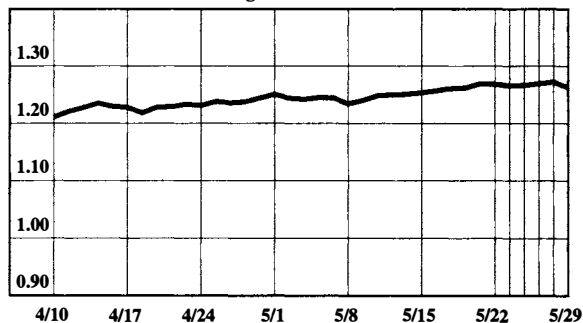
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



'Free trade' ideology continues to dog Clinton's Asia policy

by William Jones

There was general satisfaction among the largely Asian audience, when President Bill Clinton said that he would extend Most Favored Nation trade status to China unconditionally, in a speech to the Pacific Basin Economic Council on May 20. The President used the occasion of the annual conference of PBEC, an association of senior business leaders from throughout the Pacific Basin region, to announce his decision, although the White House had for weeks let it be known that there would be no hesitation on extending MFN—in spite of the various “disputes” that U.S. trade negotiators were claiming with China.

“America has vital strategic and economic interests that affect the lives of each and every American citizen,” the President told PBEC. “Disengagement from Asia, a region where we have fought three wars in this century, is simply not an option.” In a warning to some Republican leaders, trying to force a tougher line against China, the President said, “Revoking MFN and, in effect, severing our economic ties to China, would drive us back into a period of mutual isolation and recrimination that would harm America’s interests, not advance them.” “Rather than bringing stability to the region,” he continued, “it would increase instability, as the leaders of Hongkong, Taiwan, and all of the nations of the region have stated repeatedly.”

Kantor: no legacy of Ron Brown

The general satisfaction was dampened, however, when, later in the day, Mickey Kantor, the new secretary of commerce, addressed the conference. Kantor was appointed to the Commerce Department post by the President shortly after the April 3 death in a plane crash of Commerce Secretary Ron Brown. Brown had been a prime mover in the Clinton foreign policy arena, backing up the diplomatic initiatives of the President in the various crisis spots of the world—Northern Ireland, Bosnia, and the Middle East—with sorely needed economic development projects. Faced with the cutbacks by the Republican-controlled Congress to anything characterized as “government-directed,” Brown used his connections to the business community to establish “private-public partnerships” to provide the investment required. Working to facilitate foreign investment in the devastated Bosnian republic,

Brown was killed with a planeload of corporate executives on their way to a meeting in Dubrovnik, Croatia.

Kantor, who represents the politically weighty Hollywood “mafia” in the Democratic Party’s California machine, had been appointed U.S. Trade Representative at the beginning of the Clinton Presidency. From this post, Kantor has been able to wield the cudgel of trade sanctions in order to dismantle the protective restrictions that have enabled the Asian economies to develop and grow. It is by no means a coincidence that the issue which triggered the imposition of sanctions against China had to do with “intellectual property” rights—more specifically, the alleged Chinese “pirating” of films on video and CD-rom. Hollywood was not going to allow anybody but themselves to make a buck on the basis of their “creativity.” On that issue, Kantor could effectively combine his role of Asia-basher with that of “step-’n’-fetch-it” for the Hollywood movie moguls. More than anyone else, Kantor was aware that bashing China on video and CD-rom production would “play well” in Hollywood in this critical election year.

The saving grace of the administration’s somewhat erratic economic policy was that they had a pro-development commerce secretary to counter the lunacy of the “trade hawks” in the office of the U.S. Trade Representative (USTR). President Clinton’s nomination of Kantor to replace Brown has changed that situation radically, although Kantor has toned down his rhetoric somewhat, in deference to his fallen colleague.

Speaking at the PBEC conference, Kantor reiterated the President’s message to the delegates. “Asia is where America’s future is and will be well into the next century,” Kantor assured his audience. He then quickly went into his customary “take-no-prisoners” mode. Promising to work with Asian Pacific nations, Kantor stressed that he wanted “to continue to tear down barriers to trade.” “In order to maintain our credibility at home,” Kantor continued, the U.S. needs to open markets overseas and be tough on those who do not respond. In a flagrant distortion of the role the deceased Brown played in U.S. economic policy, Kantor said of the former commerce secretary: “We stood shoulder to shoulder, opening markets. I can only hope to carry on his legacy.” Whatever Mickey Kantor may be “carrying on,” it’s not the legacy of Ron Brown.

Barshefsky 'alarms' Asian delegates

Unfortunately, the removal of Kantor from his trade post has not improved the situation in the office of the U.S. Trade Representative. His successor there, a hard-nosed New York lawyer, Charlene Barshefsky, has been the real point man on the sanctions decision. "China must open its markets," she warned. "The first step is to ensure compliance with commitments already made," Barshefsky told her listeners, somewhat taken aback by her sharp tone. "China has fallen short," she said.

Fielding questions, Barshefsky was immediately confronted by Wang Jinzhen, director of PBEC-China, who listed the steps that the Chinese government had taken to combat software piracy. "If there is evidence shown of violations," Wang said, "I'm sure the Chinese government will investigate and close it down." Wang warned that the imposition of trade sanctions against China would be a "lose-lose" situation for the United States.

Barshefsky fired back: "With respect to the translation from words to deeds, China has fallen through the cracks. It is vital that China take the necessary action with respect to factories, with respect to border enforcement, with respect to severe crackdown, particularly in Guangdong Province, in order for it to satisfactorily implement the intellectual property rights agreement." "We are not looking here for talk, we are looking for action," Barshefsky growled.

Wang was not the only Asian delegate who reacted sharply to Barshefsky's arrogant comments. When she had finished her response to Wang, R.V. Navaratnam, the executive chairman of the Asian Strategy and Leadership Institute in Malaysia, intervened. "What you have said has alarmed me and many people here," Navaratnam said. "You speak of reciprocity, but there can only be reciprocity between equal partners. China has a very low standard of living. How can you talk of mutual benefit when you're dealing with a mighty nation versus a weak nation? The U.S. should not begrudge the Third World from going up. Don't stifle them."

Similar remarks had been made earlier in the day by Malaysian Prime Minister Mahathir Bin Mohammad, speaking on the issue of "Asian values." "If it is preposterous and mad for Asian leaders to threaten sanctions when Europeans fail to measure up to their standards and norms," Mahathir said, "could it not be a little preposterous for Europeans to threaten sanctions when decent Asian societies prefer their own standards and norms, and not Europe's?"

To complicate matters further, the United States is facing a campaign in Asia by the newly consolidated Anglo-French "Entente Cordiale" between British Prime Minister John Major and French President Jacques Chirac, to paint the United States as the "devil on the wall" for the Asia nations, in contrast to the more "conciliatory" Anglo-French combination. Even the British-educated Mahathir seemed to fall for some of the British claptrap, characterizing his "Asian values" as "Victorian values." "Even America's close cousin, the Brit-

ish, find some American values a little off-putting," Mahathir said.

If the Clinton administration continues to allow free trade hawks like Barshefsky and Kantor to determine policy in the Asia-Pacific region, the British scandalmongers are going to have a heyday beating the drums against "Yankee imperialism."

Bingaman: a dissenting voice

Fortunately, there are other voices close to the administration to be heard in the trade debate.

Speaking at the PBEC conference on May 21, Sen. Jeff Bingaman (D-N.M.), one of the architects of the Bingaman-Daschle proposal that calls for a return to some semblance of "industrial policy" in the United States, struck a much different note. Warning that there is too much fascination with what he called "neoclassical economic theory," referring to the Adam Smith free trade bias infecting much of U.S. economic policy, Bingaman urged his listeners to examine the real causes of the tremendous growth of the Asian economies since the end of World War II, rather than relying on some irrelevant economic theory.

"The theory of neoclassical economics that we have developed in the West does not satisfactorily explain the growth that is being experienced in Asia," Bingaman said, "because much of that growth is tied to protection of markets, government-led economic development, export-led growth, which were not supposed to lead to that kind of economic prosperity, according to neoclassical economics."

"In contrast to the great difficulties that I think are being experienced in the Soviet Union today, in their efforts to pursue free market-oriented development," Bingaman said, "developing countries in Asia have been drawn to Japan's model of development of capitalism. And it has served them extremely well."

Bingaman and other proponents of so-called "industrial policy" have started to come out of the trenches, as they begin to realize that the "victory" of the Conservative Revolution in 1994 was largely the fault of the Democrats' failure to put forward any programmatic alternative. As Sen. Edward Kennedy (D-Mass.) said in a speech in February 1995, the country doesn't need "two Republican parties." In fact, Lyndon LaRouche has emphasized, the Democratic National Committee threw the 1994 Congressional election to Newt Gingrich and company.

The "industrial policy" faction has also been emboldened by the broad public exposure of millions of voters to the LaRouche development policies, in four nationwide broadcasts over the last few months, as a part of the LaRouche Presidential campaign, in which LaRouche has lambasted the "free trade" lunacy. As free trade policies lead the country and the world into increasing chaos, an alternative policy is waiting in the wings. Let's hope that President Clinton calls it on stage before it's too late.

Debt bubble heading for second blowout

by Dennis Small

What would you think of a banking system where 48.5% of all debt owed to the banks is officially non-performing, i.e., in which nearly *half* of all debt is completely worthless? Would you put your life's savings there?

Well, that's the case in Mexico, which the International Monetary Fund and the world financial community absurdly continue to praise for its supposed "recovery" after the December 1994 explosion of its debt bubble. The "solutions" desperately strung together by the IMF crew in early 1995, are now proving worse than the disease—and the Mexican debt bubbles, both the domestic one and the foreign one, are about to blow again.

On the foreign front, Mexico paid off its huge Tesobono obligations in 1995, by running up its official foreign debt by about \$25 billion, to \$159 billion at the close of 1995. A chunk of that new debt, borrowed largely from the U.S. government, is now coming due, and the Mexican Finance Ministry has determined that they will solve the problem this time . . . by borrowing again! Thus, they fabricated something called "Global Bonds," which they tried to market in early May. According to the official explanation, the operation involved replacing so-called Brady Bonds (with which \$30 billion in Mexican foreign debt was restructured in 1989-90 with U.S. Treasury bill backing, and which come due in the year 2019), with new bonds bearing a 30-year maturity, due in 2026—which have no collateral at all.

The *Wall Street Journal* described the deal as follows: "Investors," such as hedge funds, already take Brady Bonds of various countries, "strip" them of their collateral, "so they can make a pure bet on a country's fortunes, be it Mexico, Brazil or Argentina." So why not just cook up a Global Bond to do the same?

But "investors" only bought about 45% of the \$2.5 billion offered—the rest had to be picked up by the issuing agencies, or were forced down the throats of pliant Mexican banks—because the new bonds offered a dollar-denominated interest rate of "only" 12.4%, compared to U.S. Treasury bond rates of 7%. Were the Mexican government to try to raise the full amount of cash it needs in 1996 through such bonds, experts estimate that it would have to offer interest rates of 20%.

Already, foreign debt service payments will absorb about 4.5% of Mexico's GNP in 1996. If rates soar to 20%, the bite

taken out of GNP will also soar. But this foreign debt bubble is the *lesser* of Mexico's financial problems. The domestic debt is the real time bomb.

As noted above, the entire Mexican banking system is holding levels of non-performing debt of about 48.5%, which by all rights means that the whole banking system should be written off as insolvent, or put through emergency bankruptcy reorganization. But the Mexican government, on IMF instructions, has instead chosen to pump huge amounts of taxpayer money into salvaging those banks. Since the December 1994 crisis, the government has handed over an estimated \$14 billion to the banks to bail them out. And then, on April 30, the government announced yet another program to restructure domestic mortgage, industrial, and agricultural debt, which will cost another \$3 billion or so. That means that the government of Mexico has now spent over \$17 billion on the hopelessly bankrupt banks, which amounts to about 12.5% of the GNP.

Mexico driven to outright starvation

So, between the foreign and the domestic debt, over 17% of GNP is being sucked away to feed the cancerous speculation. That is 17% which is being squeezed out of living standards, investment in plant and equipment, food production, and other vital necessities of the physical economy. As we have repeatedly reported, Mexico is being driven from hunger over the edge to outright starvation.

That doesn't bother the British banking crowd, in the least. Their latest proposal, as per the London *Economist* of May 18, is to build a new bubble out of the old bad debt. They call for setting up a secondary market in non-performing mortgage and other debt, making it attractive by pushing through legislation "to speed the process of foreclosing on properties," and then selling this garbage to newly privatized Mexican pension funds. In other words, they intend to use the much-touted privatization of pension funds, à la the Chile model, to simply steal those assets from workers, and use them to prop up yet another round of speculative paper.

Mexico's three largest political parties (the PRI, the PAN, and the PRD) have each issued proposals to deal with the domestic problem, and the growing social ferment which it has awakened. Each is worse than the other, and all are premised on two central ideas: keep the banking system afloat by throwing more good money after bad; and backstop the entire speculative bubble with national assets, including the prized state oil company, Pemex. Although groupings and factions in each of the parties have expressed opposition to such a sellout, none have provided a systematic alternative to the looming catastrophe. That task has fallen to the Ibero-American Solidarity Movement (MSIA), which in mid-May issued a policy statement which we excerpt below. It argues that the only viable approach is the total bankruptcy reorganization of the Mexican, and world, financial systems, the which is now widely known throughout Mexico as the "LaRouche plan."

Treason to Mexico and the debtors

The following are excerpts from a manifesto issued jointly, on May 20, by the Ibero-American Solidarity Movement, the Permanent Forum of Rural Producers, the National Federation of Micro and Small Industries, the Association of Mexican Micro-Businessmen, the Catholic Union for the Dignity of Mexico, and the Guanajuato-based "El Barzón" Federation of Agricultural and Industrial Producers-Debtors.

The proposals on defaulted debts made by the National Action Party (PAN), the Revolutionary Democratic Party (PRD)-El Barzón, and the Revolutionary Institutional Party (PRI) are treasonous to Mexico and the debtors. In this case, as in the Nuremberg trials at which the Nazis were judged, the criteria to be applied is, "they knew, or should have known," that their decisions were genocidal.

These proposals maintain the tyranny of usury which caused the current economic debacle, and they avoid reality: The current banking system is unsalvageable; it is bankrupt. Overdue debts already represent 48% of the total debt portfolio—and no partial solution, such as trust funds, partial write-offs for the debtors, or injections of capital by the government, can save it. This is the reason that . . . all previous [debt] restructurings failed.

The reason for this, is that our banking system is appended to the rotten international financial and monetary system, which is disintegrating as a consequence of the decoupling of the cancerous speculative bubble of the debt . . . from the physical economy . . . which is contracting, exponentially. . . .

Whether they know it or not, the three parties are playing into the British Empire's plan to destroy Mexico. On the one hand, they propose to dismantle our national wealth: Pemex and other strategic state companies. On the other hand, they promote the balkanization of Mexico, covering for the separatist activities of the narco-terrorist EZLN in the southeast, to facilitate the takeover of our oil by the Anglo-American multinationals.

It is not accidental that both the PAN and the PRD-Barzón support "Marcos's" and the EZLN's aberrant demands for "indigenous autonomy," and defend the narco-terrorist Javier Elorriaga. They are ready to legislate an amnesty for narco-terrorists, but they refuse to grant an amnesty to debtors.

The PAN's populist verbiage that the state companies "awaiting privatization" should back [proposed] "FAD bonds" to "pay off the private domestic debt," because "they

are the property of the nation," as the PAN's proposed bill states, seeks to transform the debtors into accomplices of the current government's policy of handing over the country's wealth. . . .

The three parties propose that the debt arrearages be securitized, which is nothing other than to bring the internal private debt into the worldwide casino of betting and drug-money laundering which the international financial and monetary system has become. . . .

The proposals of the PAN and the PRD-Barzón laid out a red carpet . . . for the government's proposal to securitize mortgages. This is how the PAN/PRD-Barzón duo always acts. . . . [PRD-Barzón head] Juan José Quirinos says the PAN's proposal for the defaulted debt "is the most viable." Moreover, the PRD-Barzón proposal, that "FDR bonds should be backed by the collateral offered by the debtors themselves," means that they are going to take from the debtors everything which they have left, down to the last pound of flesh!

Moratorium on the foreign debt, now!

As established in the Bill to Reactivate the National Economy, proposed by the "National 'Yes, There Is Life After the Death of the IMF' Forum," the only real means of preventing the country's disintegration, is through a bankruptcy reorganization of the national economy, creating a new financial and monetary system based on the protectionist system of national economy and national banking. This would allow us to end any relationship with the policies and conditionalities of the International Monetary Fund (IMF) and related agencies.

The bill . . . proposes to nationalize the Bank of Mexico, placing it under the control of the Executive branch in collaboration with the Congress; declare a moratorium on foreign debt and certain parts of the internal debt; separate the legitimate from the illegitimate portion of debt arrearages . . . ; and issue new, long-term, low-interest credit for industrial and agricultural infrastructure. Nothing for speculation!

The bill instructs and authorizes President Ernesto Zedillo to meet with President William Clinton, to convene a new International Monetary Conference . . . in which [the moribund IMF system] can be declared formally dead, and a new one, which prohibits usury, founded.

This is now an international cry. Regions of the planet which have been economically destroyed by neo-liberalism, such as Russia and Ukraine, which are still nuclear powers, will effectively ally themselves with this proposal. Within the United States, a political earthquake is taking place. Lyndon H. LaRouche, the main Presidential candidate opposed to the free market, is systematically receiving between 7 and 10% of the vote in the Democratic Party primaries. This is due to the debates taking place within both the Democratic and Republican parties in opposition to the International Monetary Fund's Nazi policies. . . .

PAN's Rosas urges debt moratorium for Mexico

by Hugo López Ochoa and
Alberto Vizcarra

In a May 1 speech given in Hermosillo, Sonora before leaders and activists of the National Action Party (PAN), Sonora gubernatorial pre-candidate Adalberto Rosas López urged an immediate declaration of “moratorium on the foreign debt, and on certain categories of internal debt” in Mexico. He emphasized that “we must have the courage and moral conviction of statesmen, to recognize that the evil of usury has put the entire national credit structure into bankruptcy.”

Rosas insisted that the priority of all government policies should be “to rescue the productive plant” of the nation, which necessitates that “said moratorium be kept in force until conditions of just payments, that will not endanger national development, can be defined.” Rosas’s speech, published in full by the daily *El Imparcial* of Sonora, and the subject of detailed commentary by *Excelsior* economic columnist José Neme Salum, fell like a bombshell.

In fact, Rosas’s statement shook not only the highest levels of the PAN national leadership, but the entire political party structure in Mexico, in particular, the ruling Revolutionary Institutional Party (PRI), at a moment when all the parties are internally split over economic policy. Some factions are proposing to intensify the neo-liberal, i.e., free trade, economic model that led Mexico to disaster under the Presidency of Carlos Salinas de Gortari (1988-94); others are proposing to abandon it, but, like Hamlet, without risking a step into the “unknown.” Rosas, however, was explicit on the path to be taken: “Enough half-heartedness! We must say what we think of the foreign debt. . . . The people are demanding that our party take a stand. . . . We must build a new nation, an economy custom-made for Mexicans. It will have to be protectionist. . . . We cannot open up our borders so that they can rip us up and make us slaves to the greed of the big speculators.”

Rosas is more than a regional PAN leader. In 1994, he sought his party’s nomination for President of Mexico. He is recognized for his opposition to neo-liberal economic policies and to the North American Free Trade Agreement. And, as a coordinator of the Permanent Forum of Rural Producers, of which he is a founding member, Rosas has endorsed the Bill to Reactivate the National Economy, ap-

proved by the second national forum “Yes, There Is Life After the Death of the IMF,” held in Mexico City in August 1995. His May 1 proposals are derived from that legislative proposal.

Signed by several Mexican producer and debtor organizations, and by the Ibero-American Solidarity Movement, the bill has been presented to the Permanent Commission of the Mexican Congress, and before various commissions, both of the Senate and of the Chamber of Deputies, concerned with the problem of the financial system’s ballooning non-performing debt. None of the congressional blocs of the PAN, PRI, PRD, or PT have thus far dared to endorse the bill.

In his May 1 speech, Rosas proudly stated that he forms “part of a minority of citizens who, in the midst of the Salinas euphoria, had the vision and the civic courage to warn that the economic policies derived from the neo-liberal model would lead us to national disaster. . . . On Aug. 19, 1993, accompanied by a group of producers at a private meeting held in Guaymas port . . . we made [President Carlos] Salinas see” that his economic model “promoted speculation through high interest rates.” This dynamic, Rosas warned Salinas, “would lead us to the bankruptcy of the national credit system.” And yet, said Rosas, Salinas “ignored our forecast, and today we occupy a prominent place in the dustbin of history.”

No to the privatization of Pemex

Just a few weeks ago, the national leadership of the three principal Mexican political parties presented their proposals for resolving the pressing problem of the non-performing debt of producers, homeowners, businessmen, and debtors in general. They limited themselves to proposing forgiveness of some of the onerous interest accrued, and “securitization” of the overdue debts—that is, packaging them for sale on the derivatives market! The PAN congressional bloc, in particular, proposed legislation that would back the securitization of non-performing debt with the income from “pending privatization” of state companies, such as petrochemicals, railroads, ports, and airports.

Rosas, who in his May 1 speech had condemned such partial “solutions” to the problem of non-performing debt, addressed the issue directly in a recent document entitled “Who Is Attacking Me, and Why?” Rosas wrote: “Recent proposals based on partial forgiveness and securitization of the debt, such as handing over assets like oil to pay the debt, will fail; we will be left with the debt, but without our assets, which must serve for national development. . . . We must eliminate the original evil, the structural evil, which is the practice of usury that has destroyed our productive plant.”

Thus, Rosas directly opposes the policies not only of the congressional bloc of his own party, but of the current PAN governor of Guanajuato, the free-trader Vicente Fox, whom the liberal Anglo-American press and its Mexican

counterparts have been presenting as “presidential.” There is already every expectation that the party which has ruled Mexico since 1927, the PRI, will lose power in Mexico’s turn-of-the-millennium Presidential elections—or even before that, given how severely discredited it is for having servilely submitted to the neo-liberal mafia which has ravaged the country since 1982.

Fox proposes the same program of “domestic savings,” that is, stealing the last ounce of flesh to pay the foreign debt, that current President Ernesto Zedillo is adhering to, but he assures the Wall Street and London financial oligarchy that he can do it “better.” In a statement given out to the New York press, Fox, who once said that Carlos Salinas stole his neo-liberal economic program from the PAN, came out in favor of privatizing the state oil company Pemex.

The scandal he triggered, both nationwide and even inside his own party, was such that he was forced to “clarify” his statements, which only sank him further. While it is true that everything contained within the subsoil belongs to the nation, Fox said, the exploitation of those resources “is a concession by the nation” to Pemex. “I think that there could be circumstances under which privatization [of the concession], not the natural resources, would be favorable.”

In other words, while the oil is underground, it belongs to the nation, but its exploitation and refinement should be privatized!

This is not just Fox. Other prominent PANistas have unmasked themselves as well, like former Presidential candidate Diego Fernández de Ceballos, who craftily stated that “if privatization means ending the government’s factious manipulation of oil for the benefit of a few, we cannot be against privatization.”

Efraín González Morfín, another former Presidential candidate, said, “Fox’s proposal to privatize Pemex, is positive.”

Juan Manuel Gómez Morín, son of PAN founder Manuel Gómez Morín, said that the fact that Pemex should be used “for the benefit of the country . . . doesn’t mean that the state has to manage it.”

Salinismo is still alive

Rosas dedicated a part of his May 1 speech to this whole group: “During the years of Salinas euphoria, there were those who insisted that Salinas’s liberal program was the programmatic platform of our party, and that Salinas was implementing the PAN program; I always maintained that this was false. . . . There is an absolute incompatibility between the philosophy that inspires neo-liberalism and the principles of our party, which draw their inspiration from the common good. This incompatibility stems from the idea that the common good follows a Christian vision of the existence of man, and that therefore economics cannot be separate from morality, since its objective is the happiness and the ennoblement of man as the living image of God.”

On the other hand, neo-liberalism, says Rosas, “asserts that economics has no moral purpose, because man’s existence is based on the search for pleasure and the flight from pain. Thus, it argues that the market or the forces of the marketplace are the motor of the economy, and thus man is reduced to the condition of a beast.” To mix the principles of the common good with those of neo-liberalism, Rosas concludes, “is like trying to mix oil with water.” He adds, “this model requires evil individuals for its implementation, and the Salinistas met this requirement. Therefore, it is a fraud and perverse to want to continue defending economic liberalism while separating it from the corruption of the Salinases.”

Fox, who has told various debtor and producer organizations that “I do not agree with a foreign debt moratorium, because that would discourage foreign investment,” is a former employee of Coca Cola, with strong ties to the “Atlanta mafia” of Jimmy Carter, and to the “Texas mafia” of Fidel Castro’s friend George Bush. Both of them, Bush and Castro, are protectors of Carlos Salinas. This also explains Fox’s friendship with various prominent members of the São Paulo Forum, such as Porfirio Muñoz Ledo, president of the PRD; one-worldist agent Manuel Camacho Solís; and the godfather of them all, former Mexican President Luis Echeverría Álvarez—all members of the San Angel Group.

A friend to Castro

Rosas’s explosive intervention triggered an immediate response. On May 17, *El Independiente* published a document prepared, according to the newspaper, by the national executive committee of the PAN, which smears the Rosas campaign as “premature,” “destabilizing,” and with “suspicious” financing. The document proposes to “immediately halt” the Rosas campaign because it is too “risky” for “our 1997 global project.” The document curiously argues that the principal “risk” would be in confronting the current PRI governor of Sonora, Manlio Fabio Beltrones, who has made “economic and social strides.”

Beltrones is the political creature of Fernando Gutiérrez Barrios, former Secretary of Government and intimate friend of Fidel Castro. Rosas has directly identified Beltrones as the author of the cited document, “for the clear purpose of splitting our party in the state, and entangling my campaign in an artificial factional brawl inside our political organization.” Regarding Beltrones’s supposed economic successes, Rosas stated that “Sonora, like the country as a whole, is experiencing an economic and financial crisis” without precedent. “With this policy, and with the shameless apologies that his advisers are making for Carlos Salinas de Gortari, Manlio Fabio Beltrones Rivera has placed himself within the bloc of Salinista governors who seek to perpetuate the liberal economic model. . . . They have decided to politically eliminate any proposal for government that is opposed to neo-liberalism, and that is why they are attacking me.”

Wall Street nervous as Argentine model falters

by Cynthia Rush and Gerardo Terán Canal

After Mexico's much touted free-market model collapsed in the wake of the December 1994 peso devaluation, Wall Street and London bankers turned their eyes to Argentina's convertibility plan for a model that might hold up better than had Mexico's. Convertibility, which pegs the peso to the dollar in a one-to-one parity, supposedly weathered the 1995 "tequila effect" triggered by the Mexican meltdown because it was not so dependent on foreign capital, despite the fact that \$8 billion fled the country in the course of last year. International bankers heaped praise on Finance Minister Domingo Cavallo for his "leadership," in imposing even harsher austerity in the midst of recession and high unemployment.

Now, predictably, the model is in trouble, precisely because it is based on the same insane free-market policies which brought down Mexico. In early May, the country was scandalized when a Channel 13 reporter filmed slumdwellers in the city of Rosario, once hailed as the "Chicago" of Ibero-America, killing, skinning, and eating cats. Impoverished heads-of-household told reporters, that in the country renowned for its excellent beef and wealth of natural resources, they were forced to eat cat, turtle, and snake meat, because they have no income with which to purchase food.

The unemployment rate in Rosario, in some places, is as high as 27%, compared to the official national rate of 16%. In 1995 alone, 9,000 people lost their jobs, and close to 1,000 companies and businesses filed for bankruptcy. In some slums, infant mortality approaches African levels of 39 deaths per 1,000 births. It is estimated that 10% of the population of 1 million, live in poverty.

This is not exactly the image of its success story that London and Wall Street want splashed all over the international media. Two weeks after the cats scandal broke, International Monetary Fund (IMF) Managing Director Michel Camdessus flew into the country to take stock of the situation, and demanded that there be no deviation from the draconian austerity and "second reform of the state" which President Carlos Menem had just announced. In a May 28 press conference, he condescendingly counseled Argentines to abandon their skepticism about the model's ability to industrialize the nation; he also announced that the IMF is willing to lend Argentina as much money as it needs.

The ship is sinking

How to keep the model afloat? Finance Minister Cavallo has been borrowing money hand over fist to make up for the fact that economic activity is not generating the revenues necessary either to pay off foreign debt or keep the fiscal deficit within the range demanded by the IMF. According to last January's agreement with the Fund, the government must increase annual tax revenues 23% compared to 1995—a monthly revenue of \$4 billion. By June 30, the fiscal deficit isn't supposed to be larger than \$265 million. But by the end of April, due to tax revenue shortfalls, the deficit had already reached \$1.6 billion, and, according to respected economist Daniel Muchnik, by year's end it could reach \$3.8 billion, or more. Even pro-IMF economist Carlos Calvo argues that Cavallo has no option but to renegotiate the terms of the IMF agreement, to allow for a larger deficit.

Menem and Cavallo may seek a waiver from the IMF, but they are also digging in to squeeze more from an increasingly impoverished population. In the year October 1994 to October 1995, poverty in Greater Buenos Aires, the country's most populous region, increased by 24%. In metropolitan Buenos Aires, with a population of about 10 million people, 2 million live in poverty.

While Camdessus was in Buenos Aires, Menem signed Decree No. 555, establishing a "good conduct tax card," which citizens will have to carry around with them. The card, which will indicate whether people are up-to-date on their tax payments, will have to be presented when applying for a variety of services (such as phone, water, gas, or electricity hookups), applying for a credit card or insurance policy, or when purchasing an airline ticket for travel abroad. Anyone who hasn't paid his taxes, isn't eligible for these services.

Also during Camdessus's visit, Menem made a point of informing the leaders of Argentina's Armed Forces, that the military institution won't be exempt from the harsh budget cuts envisioned in the "second reform of the state." The military is specifically singled out in this reform, supposedly because it hasn't suffered the same cuts as other state sectors.

This is a lie. As a result of the British-inspired policy of demilitarizing Ibero-America, Argentina's Armed Forces are barely functional. What Menem and Cavallo are proposing to do will leave the country defenseless. Since 1989, the Army budget has dropped from \$449 million to \$106 million. During the same period, the Navy budget dropped from \$270 million to \$70 million; since 1985, the Air Force budget has dropped from \$220 million to \$90 million. Navy Chief of Staff Adm. Enrique Molina Pico announced May 23 that for the first time in a decade, the Navy would not participate in the annual *Unitas* maneuvers with the U.S. Navy, because it has no funds. With further budget cuts, Admiral Molina said, "we'll have to shut down everything . . . send [sailors] home to eat." Even trying to function with the current budget, an Army source said, "is like having the Army in intensive care, and about to be disconnected from the respirator."

Dereg brought down ValuJet Flight 592

by Richard Freeman

Recovery on May 26 of the cockpit voice recorder of ValuJet Flight 592, which crashed into the Florida Everglades on May 11, may prove useful in identifying the immediate mechanical cause of this flight's failure, which killed all 110 passengers and crew on board. Already it is suspected that some oxygen-producing canisters, stored on the plane in violation of safety standards, either ignited or intensified an on-board fire. But the real cause of the failure is the 1978 British-sponsored policy blunder that deregulated America's airlines.

ValuJet was founded in 1993. Its largest stockholder, the investment firm of Richard Gilder, is a darling of the Conservative Revolution crowd. Following the pattern that has prevailed since airline deregulation went into effect in 1978, under the Trilateral Commission's Jimmy Carter, ValuJet slashed costs by cutting many essential payments.

ValuJet purchased a fleet of used and aged DC-9 planes at \$2-5 million per plane, a fraction of what investment in a new plane would be. ValuJet's fleet of 51 aircraft has an average age of 26.4 years, more than double the fleet age of America's three largest airlines, American, Delta, and United. However, under deregulation, the average age of the entire U.S. airline fleet has risen dramatically, from 9 years in 1979, to 14 years in 1995, reflecting a sharp reduction in capital investment.

There is a question whether ValuJet's 27-year-old plane No. 904VJ should have been allowed to fly at all. In the past two years alone, the plane had 10 incidents in which it had to abort flights, return to base, or carry out emergency landings, because of on-board failures. Among the incidents:

- On Jan. 19, 1996, the plane returned to Atlanta, Georgia due to a lack of air conditioning and cabin pressure.
- On Christmas Day 1995, the plane returned to Dulles Airport in Washington when it would not pressurize. It landed 3,000 pounds overweight, and with a damaged door.
- In October 1995, the plane returned to Philadelphia, Pennsylvania when a warning light indicated the rear door might be ajar.
- In April 1995, it made an emergency landing in Memphis, Tennessee. After encountering turbulence on a flight from Atlanta to Dallas, Texas, the plane began to descend mysteriously, causing oxygen masks to deploy.

- In January 1995, the plane returned to Dulles Airport for repairs to a hydraulic pump.
- In the same month, it returned to Atlanta because of overheating of a speed drive, a unit that provides constant electrical output. The unit was replaced.
- In May 1994, the plane returned to Atlanta after an engine lost 10 quarts of oil because of a loose oil cap.

A dubious airline

Aside from the plane itself, the company, because of its cost-cutting, has a dreadful record.

The overall average accident rate of the major airlines is 0.3 per 100,000 departures. ValuJet's rate is 4.23, a staggering 14 times higher than average. Yet ValuJet typifies the destruction of the U.S. airline grid in the post-1978 deregulation environment.

• ValuJet does not have its own staff of mechanics to maintain its aircraft. Instead, it hires STS Services of Nashville, Tennessee, a temporary agency, to make repairs and maintain its planes. Many of these temps are mechanics who were fired by other airlines during "downsizing," and must hire themselves out as consultants, at lower pay and health benefits. STS Services is not a work environment conducive to the level of maintenance and care needed for aircraft. This is a far cry from what used to be expended on aircraft before deregulation.

• ValuJet pays its pilots between \$25,000 and \$40,000 per year, much less than the industry standard, and the pilots must pay for their own training program. As a result, only the most inexperienced—or the oldest pilots—take the job.

Effect of deregulation

The principal problem is the policy of deregulation. Offering it to the gullible as a panacea, British free marketeers pushed the 1978 deregulation of airlines as part of a package that also included the deregulation of trucking (1980), railroads (1980), and banking—just as Margaret Thatcher was doing to Britain itself.

Under the influence of people such as Frank Lorenzo, airlines were bought and sold like toys, with rounds of higher and higher leveraged buyout (LBO) debt heaped onto the airlines' backs. Asset-stripping immediately followed. The sole objective became, not service, but implementing downsizing and anti-labor policies, while transferring funds to pay interest-debt service on LBO debt, and holding up the value of inflated stock.

This environment led to ValuJet's creation. Richard Gilder's Wall Street investment firm, Gilder, Gagnon, Howe and Co., is ValuJet's largest stockholder, owning 8.2 million, or 15%, of its shares. Gilder is a financial angel of Speaker of the House Newt Gingrich—since 1987, pouring \$320,000 in contributions into Gingrich's political front group GOPAC, which wants to turn the American economy over to the asset-strippers.

U.S. wheat crop threatened

Man-made disasters are breaking the links in the world food chain, and starvation looms.

June is the month for the harvesting the bulk of winter wheat (planted in the fall) in the U.S. grain belt, which makes up over 75% of total annual U.S. wheat production. This year's crop is a disaster; it's so bad that even the major media are covering the "story," and you may see film footage of dusty fields of dried-up wheat stalks.

The U.S. High Plains wheat belt, from Texas up through Oklahoma and western Kansas, has been scorched by the same drought hitting Mexico, now in its third year.

This year's U.S. wheat harvest, relative to the average annual harvest in recent years, will be a record low. With world grain supplies also low, any U.S. crop problems are an automatic, world-wide catastrophe.

But the impact of bad weather is not to blame for the impact this bad crop will have on the U.S. farm sector, or on the food chain. The extent of damage is man-made, and the wheat crop disaster, and other crisis situations in the U.S. farm sector, just point up the need for policy changes. What is required are emergency economic measures.

First, look at the U.S. agriculture base overall, then the wheat states crisis.

As of mid-May, it is estimated that one out of every three of the 3,089 counties in the United States is now under some degree of "disaster" designation, for flood, wind, fire, drought, hurricane, or other natural disaster. For example, in mid-May, relief aid was announced by U.S. Agriculture Secretary Dan Glickman, for 31

storm-damaged states. This will include some funding to

- eight eastern states for blizzards;
- five northwestern states for heavy rains damage;
- seven southern states for hurricanes;
- three Plains states (Texas, Oklahoma, and Kansas) for fire and wind damage from drought;
- eight Mississippi-Missouri River Basins states, such as Iowa and Missouri, for watershed repairs.

And other federal agencies have lists of county crisis projects. You hear the question, is this all because of "Mother Nature," or the "End of the World"? Only to a mind conditioned by overexposure to theme parks. In the real world, the problem is the cumulative effect of the last 25 years of lack of infrastructure building and repair.

Take the High Plains states. The water improvement projects have been blocked that would provide water for irrigation, and in general, for replenishing the Ogallala Aquifer (which lies beneath much of this region), and enhancing the environment.

In the 1950s, California hydrologists worked on a continental-scale project, the North American Water and Power Alliance (Nawapa). It was large, not technically complicated, and called for diverting water from far northwestern North America, southward, to provide water for the High Plains and arid Southwest. By diverting only 15% of the current water flowing into the Arctic from the Mackenzie system, southward, the U.S. national available daily water "budget"

would go up by about 25%.

The Nawapa project was debated in the 1960s in Congress, and approved by many western interests; then stalled in the 1970s, and cancelled in the 1980s. In 1979, the Federal Reserve Bank of Kansas held a symposium on Western Water Resources, specifically denouncing Nawapa or any other such water supply projects. Completion of the waterworks in the upper Missouri-Mississippi Basins was also blocked. This is the backdrop to understand today's disasters.

On May 22, Texas Agricultural Commissioner Rick Perry declared that the current drought "has the economic potential to be the worst natural disaster in the 20th century in Texas." Because there is no infrastructure to supply relief water, Perry could only say that relief may not come until it rains, maybe not until 1998 or 1999.

The Texas Panhandle region is at 12% of normal rainfall for year to date; most of central and south Texas is at 30%. The effects are cumulative, and drought conditions are in their second or third year. Texas agriculture's drought losses are now placed at \$6.5 billion by the state's Agricultural Extension Service.

Oklahoma officials foresee potential ruin to 10% of all their family farmers, that is, 7,000 out of 70,000 farmers. Mexico has seen the loss of over 30% of its beef herds.

Texas Agricultural Commissioner Perry worried that farm operating costs, interest rates, and farm debt levels are much higher than during the 1930s Dust Bowl. "That's the scary part to me," Perry told the press.

Before the current drought, the Texas farm population dropped by 28.5% between 1980 and 1990. Water use for irrigation in Texas, dropped by 30% from 1974 to 1991, as water supplies were diverted to non-farm use.

Maglev project is gaining speed

Parliamentary approval of the Berlin-Hamburg maglev rail line opens the door to a new era in transportation.

On May 9, the national parliament passed two planning and "financial coverage" laws that complete the special legislation package which is required for the construction of the world's first fully operational maglev rail line.

The 285-kilometer track for the Transrapid train, which will run at 10-minute intervals between Germany's two biggest cities, Hamburg and Berlin, needs investments of close to DM 6 billion (\$3.75 billion) from the state, and another DM 3 billion from private investors who are organized in the Magnetic Levitation Train Planning Group, which is carrying out the engineering and construction.

The project will allow trains to travel at speeds of up to 450-500 kilometers per hour, will cut travel time to less than 60 minutes, and be completed by the summer of 2005.

In parliament, the project was supported by the governing three-party coalition of Christian Democrats, Christian Social Union, and Free Democrats. The Social Democrats, along with the Greens and Democratic Socialists (post-communists), voted against it. The SPD did so on fiscal grounds, which are, however, only a pretext for fundamental opposition to modern technologies. The SPD rejects the maglev train, along with nuclear technology and aerospace projects, especially manned space travel. SPD parliamentary spokeswoman for budgetary policy Ingrid Matthaeus-Maier argued in an interview with the daily *Berliner Zeitung* on May 20, that if "giant projects funded by loans," such as the Berlin-Hamburg maglev, were cancelled, it would be much eas-

ier to balance the federal budget. Were the Transrapid project dropped, the government would not have to axe the social welfare budgets, she said.

This twisted argument concocts an artificial conflict between high-tech investments and social welfare, which in reality does not exist. The SPD documents once again, that it is the "other variant" of the Conservative Revolution ideology infecting the government, making the maglev project all the more important for Germany, because it may help to reverse the general trend.

The maglev has been embattled for over 26 years, ever since the first Transrapid test bed was constructed in 1969. Maglev options were discarded in the 1970s by the SPD-led governments, on grounds that "other things" were allegedly more important than "giant" investments in technology projects of the future.

Maglev options were then almost eliminated by the West German CDU-led conservative governments during the 1980s, which decided in favor of the conventional technology of high-speed trains. In 1991, the Intercity Express (ICE) train was launched. It was the complement to the French TGV, which was launched in 1981.

Only in the wake of the collapse of the East bloc in 1989, was a new chance for the Transrapid created, because the entire railway grid of the East German state, and its links into eastern Europe, had to be rebuilt from scratch. The "primitive accumulation" policy of the socialist regimes from the early 1970s on, had run down the public infrastructure totally.

With reunification in October

1990, maglev options reentered the discussion, and the most spectacular proposal discussed inside the political establishment then was one which was presented in December 1990, by Josef Duchac, the governor of the eastern state of Thuringia. He called for a 640-km maglev line from Berlin to Frankfurt/Main, passing through Leipzig and Erfurt. The proposal for a project that would have cost DM 12-15 billion was inopportune, in the government's view, because in late 1990 and early 1991, Chancellor Helmut Kohl was desperately collecting the German share of DM 18 billion for George Bush's Gulf war. The Duchac proposal was flatly rejected, as were other proposals; for example, one for a line between Bonn-Cologne and Berlin, which was made in mid-1991 by Kohl's labor minister, Norbert Blum.

Only in 1994, did the Transrapid reenter the stage, this time with the Hamburg-Berlin project, which was okayed by the government's parliamentary majority in the summer of 1995. But the government did not give up its main loyalty to fiscal austerity, so, the idea of a "mixed, state-private venture," which would reduce the burden on the federal budget, was born. This idea required a change in the law, because under existing law, all projects of public infrastructure maintenance and development fell under the jurisdiction of the state.

The special "maglev law" that had to be pushed through the legislative bodies, took another year, before its last component was finally passed on May 9.

The door is now open for progress on the maglev. A promising sign was a speech in Chile on May 2 when, in an unprecedented move for a senior German diplomat, Foreign Minister Klaus Kinkel endorsed a "Transrapid train—for example, from Santiago to Val Paraiso."

'Adjustment' plan cripples Venezuela

The International Monetary Fund prescriptions are delivering the nation to speculator George Soros.

Barely a month after the International Monetary Fund (IMF) and Venezuela's international creditors succeeded in imposing their austerity "adjustment" plan on the Venezuelan government, speculative "flight capital" has seized the reins of monetary and financial policy in this country. "Flight capital" is the name given to the vast speculative financial flows which make up the international derivatives bubble, the same which collapsed the Mexican economy in December 1994. In Venezuela, the practically nonexistent financial system is being rapidly transformed into a subsidiary bubble, while the physical economy and family incomes plummet.

President Rafael Caldera has repeatedly and explicitly rejected the "Mexican model," for precisely this vulnerability, among other reasons. That is why, when he announced drastic economic measures as part of his "Venezuela Agenda" on March 12, he emphasized that he sought "economic development with social justice . . . to harmonize the demands of globalism." But, as is now evident, "the demands of globalism" cannot be harmonized either with economic development or with social justice, because they are mutually irreconcilable concepts.

Before the formal agreement with the IMF was signed, the "investment" in Venezuela of narco-funds belonging to speculator and British agent George Soros served as more of an approval of Venezuela's submission than the announcement of the pending agreement with the IMF. The speculative capital of Soros and his ilk, attracted by the high yields offered by Venezuela's Central Bank (BCV), has

introduced a steady supply of dollars into the free exchange market which began to operate in Venezuela on April 22. The dollars are bought by Venezuelans who want to take their money out of Venezuela, and they return to the same "global" funds from which they came. The BCV keeps this whole mechanism greased with extremely high interest rates, which have paralyzed agriculture, the fishing industry, domestic trade, and middle-sized industry.

One day after exchange controls were lifted and interest rates freed, the BCV opened its "exchange house" to the commercial banks, offering 80% interest rates. For several days, the banks transferred their deposits to the BCV, including the funds of various "VIP" clients that the banks kept in their own "exchange houses." By the middle of the week, the BCV lowered the rates of its "exchange house," and simultaneously issued the extraordinary quantity of 100 billion bolivars, in the form of Monetary Stabilization Bonds (TEMs), raising the interest rates offered on this latest TEM issue from 43% to 80%. TEMs are BCV bearer bonds, at fixed rates for terms of one, three, and six months. Although the TEMs are supposedly intended to regulate excess money supply, in reality, they are but one more bond that any "investor" may purchase.

That same week, Soros ordered several Caracas brokerages to acquire \$60 million worth of TEMs. According to *El Universal* columnist Manuel López Calo, "Soros's entrance was the prelude for advantageous conditions for flight capital, under the present circumstances of high yields for large in-

vestments." Soros had made headlines two months earlier, when his Quantum Partners Fund won a bid to "re-privatize" 9.36% of the stock of the Banco Provincial (Venezuela's largest bank), which had been in the hands of the Deposit Guarantee and Bank Protection Fund (Fogade), Venezuela's equivalent of the U.S.'s Federal Deposit Insurance Corp. At the time, Soros paid \$32 million.

It is estimated that during the first three weeks of the new exchange regimen, approximately \$340 million poured into the country, primarily to buy up TEMs. These TEMs then entered the free exchange market, such that the BCV hasn't yet "intervened" in the market, except to pay the onerous interest rates promised. The result is that the exchange rate has remained at 455 to 475 bolivars to the dollar. The \$340 million have returned to their funds of origin abroad, courtesy of Venezuelans who bought them on the free market.

According to the financial consulting firm Softline Consultores, the Venezuelan banking system lost 31.506 billion bolivars in current account deposits, and another 29.213 billion in time deposits, in the last week of April alone. Banking sources say they were converted into some \$132 million, and left the country.

According to economist Hector Valecillos, this mechanism threatens a repeat of the so-called "Tinoco effect," a reference to the period of Carlos Andrés Pérez's Presidency, during which the financial system under central banker Pedro Tinoco was turned into one vast narco-laundry, leading to its ultimate bankruptcy. The "Tinoco effect," according to Valecillos, involved BCV subsidies to speculators (in this case, to Soros and company) at the expense of real production, precisely what is now happening all over again.

Business Briefs

Agriculture

Set-aside programs are killing people, says IVA

Set-aside programs and cost cutting are killing people, the Agrarian Industry Association (IVA), an association of the biggest German agro-chemical industries, said at a press conference in Frankfurt, the German daily *Frankfurter Allgemeine Zeitung* reported on May 10.

Growing scarcity on the world food markets can only be solved by increasing the input of chemicals and genetic engineering. A growing world population can only be nourished if agriculture is using the most modern techniques. "If you know this fact, you just cannot believe, that the European Union is still upholding the set-aside program and debating measures that will reduce current yields," the IVA representative said. Similarly, cost-reduction measures would not solve current problems, but would just postpone the financial difficulties farmers are facing for maybe two years. The only way out of the world food and agricultural crisis would be to intensify production.

The IVA published reports at the beginning of 1995 showing that world agriculture could easily feed up to 50 billion people, if current knowledge of agriculture technologies were applied.

Gold

At least 99 mines will close by 2000

As world gold production begins to decline after 1997, at least 99 gold mines will close by the year 2000, according to the London-based *Mining Journal*, which tracks more than 2,100 metal mines and the companies worldwide which own them, the May 15 London *Financial Times* reported. The news comes as British monarchy-led financial interests have been shifting funds into hard commodity investments for almost a year.

All the mines identified as running out of profitable reserves in the next few years are outside the Republic of South Africa, with the largest number, 37, located in Australia.

The 99 mines currently produce an annual 197 tons, or 6.33 million troy ounces of gold, about 8% of total world production in 1994—more than is mined in Canada, Russia, or China, the fourth-, fifth-, and sixth-largest producers.

Statistics for South African gold production are hard to come by, and the Anglo-American corporate empire of the Oppenheims and Rothschilds has had the government declare the figures to be state secrets. However, it is widely believed that South African mines are nearly at the end of their profitable reserves. "Some pessimistic analysts suggest that South African production will fall from 523 tons in 1995 to 505 tons this year and to 500 tons in ten years," the paper said.

Mining Journal identified another 17 mines outside South Africa, which currently produce 27 tons (868,000 troy ounces), which can be expected to shut down if their owners do not discover more reserves.

Finance

Covert crises a threat to emerging markets

The "weak flank of emerging markets" are the many "small and big, admitted or still covert crises in the financial sectors of the developing world," stated Klaus Engelen, senior editor of the German economic daily *Handelsblatt*, in an article on May 21.

The governments of many countries in Ibero-America, Asia, and eastern Europe already contribute large parts of their state budget to the bailout of their banking system, he said. For example, according to estimates by Standard and Poor's, about 12% of the Mexican GDP was used up in 1995 by the banking sector rescue program of the Mexican government. In Venezuela, 15% of GDP was used in 1995 to keep the banks alive. In Brazil, Engelen said, the publicly admitted bailout expenditures by the state amount to 5%, while the true figure is probably much bigger. Similarly in Argentina.

Now we see severe banking crises shaping up in eastern Europe. The banking sector bailout in Bulgaria will eat up 12-15% of GDP, says Engelen, which is 30% of the state budget. In Russia, about 300 of 2,600 banks

collapsed during 1995. And in Asia, experts at a May seminar of the Asian Development Bank in Manila raised the alarm bells over upcoming banking crises, and not just in Japan.

Medicine

Cancer consortium formed in Middle East

A Middle East cancer consortium for joint research on cancer control was signed in Geneva on May 20, by the ministers of health of Cyprus, Egypt, Israel, Jordan, and the Palestinian Authority. A news release by the U.S. National Cancer Institute stated that the agreement to fight the "common enemy" of cancer, "builds on the significant political breakthrough in the Middle East peace process." U.S. Health and Human Services Secretary Donna Shalala and Richard Klausner, director of the National Cancer Institute, were both present at the signing.

The consortium will link cancer research and treatment facilities, make available summaries of the latest research, maintain cancer registries in all the countries, and conduct training, basic research, and public health education. Initial financial support will come from the U.S. National Institutes of Health, as well as from member countries.

High Technology

Let's meet global goals, says Japanese expert

"We should put our energy into meeting global goals rather than squabbling," Sozaburo Okamoto, a former vice minister in Japan's Ministry of International Trade and Industry (MITI), told U.S. officials on May 9 at a forum in Washington sponsored by the Brookings Institution and the Nomura Research Institute of Japan. The forum was on the "rules of the game" in high technology, and focused on international trade in semiconductors.

Okamoto said that while "the impression is created that friction was the most im-

portant part" of the U.S.-Japan relationship, economically we have actually been "entering a new era of cooperation."

Okamatsu, in arguing against the extension of the 10-year bilateral agreement expiring this summer, which increased the purchase by the Japanese of U.S. semiconductors, said that over this past decade, numerous joint U.S.-Japan semiconductor companies have been formed, and are manufacturing semiconductors in both countries. The agreement, however, uses threats of punishment, rather than promoting cooperation. Whatever threat the United States felt from the advanced R&D being done in Japan 10 years ago, he said, is now felt by Japan from "the other Asian countries that are now important players" in this industry, such as Korea, Taiwan, Thailand, Singapore, and Malaysia.

There are "problems that we need to address through cooperation in semiconductors," he said. "Let's stop wasting so much time and energy" on trade issues, which would be "better spent developing new avenues of cooperation."

Infrastructure

Three Gorges Dam will raise living standards

China's Three Gorges Dam will raise people's standard of living, Qin Zhongyi, the vice president of the Yangtze Three Gorges Project Development Corp., said on May 21 at the Pacific Basin Economic Council meeting in Washington. Zhongyi spoke on the panel titled "The Insatiable Need for Energy in the Pacific Region," and explained the importance of the project for China. Hundreds of thousands of lives could have been saved from the periodic severe flooding of the Yangtze River if the water control systems in the south had been already built, he said. There are 15 million people in the area now threatened with floods.

Zhongyi said that throughout all of China's political regimes over the past 70 years, while there have been many political differences, there has been "no disagreement on the Three Gorges project." Since this has always been seen as a major, necessary improvement, he said, "all governments put

flood control of the Yangtze as a priority on their agendas, from Chairman Mao to Li Peng."

He said that about 1 million people will have to be moved, but the goal of the resettlement is to "improve the standard of living of those being resettled." He said that people now living outside the area being resettled want to move into the resettlement area, to take advantage of the better conditions there.

Zhongyi stated that China has two major environmental problems: drought in the north, and floods in the south. Because of limited financial resources, they are focusing first on flood control in the south.

On May 24, a U.S. State Department spokesman said that the U.S. will "not offer commercial assistance" to the project, but it will "not prohibit private-sector involvement by American companies."

Nutrition

'Healthy eating' guides are starving children

A new study by pediatric scientists in Great Britain reports that a growing number of children are suffering from health problems because of their parents' determination to give them so-called healthy diets that lack vital nutrients. The May 12 London *Sunday Telegraph* headlined its coverage of the report, "Muesli Mothers Deliver a Nursery 'Starvation Diet.'"

About 80% of mothers surveyed feed their children poor diets, the scientists found, one that has low fat, little sugar, and little red meat. "Instead of giving them the energy-dense food they need, they feed them the low-fat versions, and the children don't grow very well. If parents start excluding particular food groups and put children on low-fat, high-fiber diets, they also don't get enough important micro-nutrients such as zinc and iron," that are found in red meat, the scientists said.

Most endangered are children of health-conscious parents, who apply the healthy-eating guidelines for adults to their children. These youngsters often develop what the scientists call a "condition known as muesli-belt malnutrition."

Briefly

PAKISTAN'S Prime Minister Benazir Bhutto inaugurated an \$86 million Kara Koram highway expansion project in northeast Pakistan on May 18, Reuters reported. The highway runs into the Kara Koram mountains to China and Central Asia. "Pakistan has become the gate of Central Asia, and the . . . highway will be the best way to the region," she said.

NELSON MANDELA, the President of South Africa, attended the conference launching a "Southern Africa Initiative for German Industry," a project backed by German firms and industry groups aimed at boosting trade with southern Africa, in Berlin on May 23.

THE FRENCH government signed the outline for the "TGV east" project in May, which will establish a high-speed rail line from Paris to Strasbourg. The plan will reduce average travel time from four hours to 2.5 hours, after the line is completed by the year 2002. Construction is to begin in 1998.

PAUL VOLCKER, the former chairman of the Federal Reserve Board whose "controlled disintegration" policies destroyed the U.S. banking system, will join the board of Bankers Trust, which announced on May 22 that it is buying Wolfensohn & Co., which Volcker chairs. The move is believed aimed at helping the government-controlled bank bring its derivatives operations under control.

DEREGULATION has increased the potential for financial market destabilization, Singapore Finance Minister Richard Hu told the 31st Southeast Asian Conference of Central Bank Governors, in Singapore, the German daily *Handelsblatt* reported May 10.

JEFFREY VINIK, manager of the Magellan Fund, the world largest mutual fund, belonging to Fidelity Investment, resigned May 23. Sources told *EIR* that Magellan has suffered huge losses in the bond market in the last weeks.

How 'consensual pragmatism' ruined U.S. policymaking

by Lyndon H. LaRouche, Jr.

The following speech is a report on Mr. LaRouche's late-April visit to Moscow (for coverage of the events in Moscow themselves, see EIR, May 31). The address was delivered on May 16, in Washington, D.C. A videotape of the event was excerpted for Mr. LaRouche's June 2 nationally televised half-hour campaign broadcast.

In the latter part of April, I was in Moscow for about a week. And, there were two public events there, one of an official nature, the other a university evening address and questions which went on some time. We have some video material from there, one which is being processed so people can see it, of a lengthy discussion we had with scientists and others at the Methodological University on April 26.

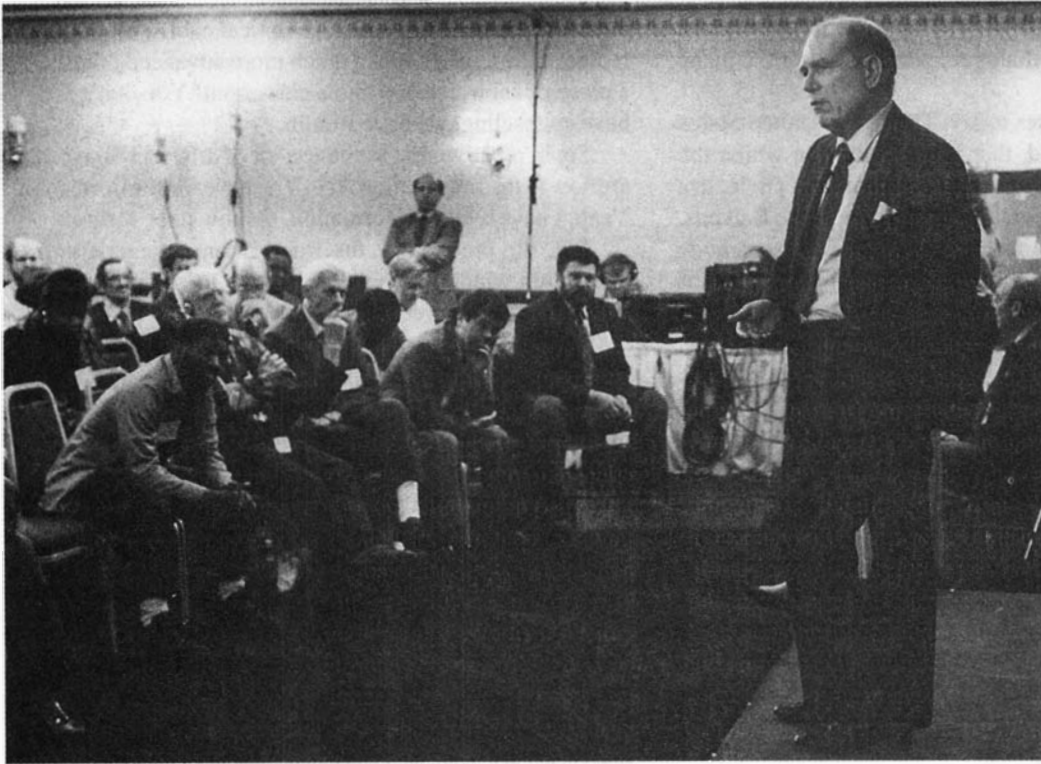
But, the prime event was an official event, which was co-sponsored by the Schiller Institute and a couple of institutions of the Russian Academy of Sciences circle, which spent all day at that, on April 24. Now, that is the subject of reference on which I want to report to you tonight.

For some time, the past two and a half, three years, into late 1993, I've been directly involved with a number of influential circles in Russia, on the question of: Where is the Russian economy going to go, or where *should* it go, and, how does this bear upon the fact that the U.S. economy, and the world economy, is now collapsing? It's not a question of whether it might collapse, or prophesying that some bright day lightning will strike. *It is striking now.* It's just like your head's been cut off, but you haven't wiggled it much lately, so you don't know that that's happened. The danger is, if you wiggle your head, the head will drop off, or something. Timothy Leary's head will drop off, or something.

The problem of the 'Baby Boomer' generation

So, the question now is: What are we going to do about this crisis?

You have two problems. On the one hand, you have an international crisis, which we in the United States face, as well as all other nations; and, you have



Lyndon LaRouche reports back on his April visit to Moscow, in Washington, D.C. on May 16.

within that, a very specific and very dangerous crisis in Russia. They can no longer continue the way they're going. And, I think they will not continue the way they're going, which means they're going to have to break out of what is called the International Monetary Fund conditionalities.

Now, you've got a problem for the President. The President is of a different generation than I am. You may have noticed that. I'm World War II generation, and we're much more fortunate than those who came after us. Because we who lived through the 1920s, the 1930s, the 1940s, had an experience which those who came after us didn't have. And therefore, we went through the experience of the giddy '20s, the terrible '30s, and the recovery of the U.S. economy and society under wartime conditions, between 1939 and 1943, followed by the death of Roosevelt, which led to a return to a disaster under Truman. It wasn't really Truman's fault, he didn't own himself. He was owned by Averell Harriman, who guided him around like a little dog they take out to pee every evening. Something of that sort. So, he didn't really make up his own mind; the guy who was controlling his leash made up his mind.

But, that was a disaster. And, those of you who did not live through that period, as we did, as adults, *do not understand what happened to us*. Unless we who are older, tell you about it. But, what happened to those who are in the generation in their forties, or early fifties now, don't have that experience.

Now, what's happened is, if you recall, there was a fellow called Kennedy, who was President for a while, until some-

body shot him. Or three people shot him, on orders from British intelligence—and that's a fact.

He belonged to my generation. My generation was running the country in the 1960s and early 1970s. In the 1980s, and in the 1990s, the Baby Boomer generation is running the country at the top, in general. That's the President's generation.

Now, if you know anything about Baby Boomers, if you happen to be either of my generation, and have observed this particular kind of jungle fauna called the Baby Boomer, as I have for a number of years; or, if you're a member of that particular sub-species, then you know that the sub-species has a peculiar kind of behavior, which we in my generation would not consider entirely sane.

And, that is, in my generation, as in running a war, you had people who took charge and who were in command. And, they had the responsibility. And their job was *to make things work*.

Now, the Baby Boomer doesn't try to make things work. He tries to make everybody satisfied, whether it works or not. And the way this is done, is they have a meeting. It's like a sensitivity group, a T-group, or a seance. Whatever happens, happens, so to speak. Someone says something, and somebody has a sad expression on their face, suddenly: "Uh-oh. Got a sensitivity problem here. We must start to dialogue. We must conduct a dialogue." And, when everybody's happy, or when the degree of unhappiness is minimized, coming out of this process, that becomes policy.

Does that correspond to reality? That's not the point! Does it maintain the process of dialogue, whether or not the plane crashes or the ship sinks?

That is the United States today. That is the United States of the counterculture. And, that is the culture in which the President of the United States and his immediate circle, *are trapped*. That's why the operations in Bosnia, in the Balkans, of the United States, are a farce. *You don't want somebody from the Baby Boomer generation running a war*. Instead of having a military planning session, they'll have a sensitivity meeting, and start to dialogue. And then you lose the war. Because the idea of *personal responsibility* for getting the result—

I'll give you an example. We can calculate, and I've shown, and I've written about this repeatedly, at length, that if you do the calculations *properly*, you can show that per capita of labor force, the actual income of the Americans today, is *half* that of what it was in the second half of the 1960s. When you struggle to approximate the standard of living of a 40-year-old steelworker in the second half of the 1960s raising a family, you will find you have to have two and a half jobs instead of one, and you still don't make it. So therefore, you have to produce *twice as much* today, per capita, as you did then.

That's why medical costs today, cost approximately *twice as much* as a percentile of your income, family income, as they did 25 years ago. Medical costs have not increased, except for the malpractice insurance and the other load-ons that have been stuck on that. And real estate costs; things like that.

Rather, the *income* of people who use medical services, has *decreased* in absolute terms. Because medical costs are largely a professional service, a high-cost professional service. And therefore, if you want to buy some of that service, and you are greatly underpaid, you're going to find that the deflation or devaluation of your wage content, of your income, is going to cause the medical services to cost approximately twice as much as they did then.

But, in the Baby Boomer generation, this isn't accepted, unless people work for a living. But, people who *don't* work for a living, don't accept this. I mean *work*, you know, real productive work. I don't mean this services kind of stuff that people do, which is not work. It's something else.

Therefore, they will say, "No! The economy is growing. Despite the inequity in wage income, despite the disparity between people in the top brackets and people in the lower brackets." Somehow, mysteriously, even though the average person is much worse off, they have the perception the economy is growing. Because there are more jobs: Each person has two and a half jobs, instead of one. That sort of thing.

The jobs are mostly worthless. People are poorer. The standard of living is poorer. But, they have the perception: No, the economy is growing. Well, what's better? "Well, you've got environment now. We didn't have that before." Glad to hear that. You have all these changes, these intangi-

bles. You have cable, you have optical cable. We have now replaced the teacher with a much more advanced thing called a piece of cable coming into a classroom! You don't need to have counseling, we have Ritalin.

So, in other words, we have a lot of different things. "We are now in the Information Age. You have more information." Yeah, I have a lot of information, on how poor we are!

But, the problem is, the Baby Boomer generation, is a generation which was conditioned *not* to accept reality, but rather, to accept agreement. Sensitivity.

For example, in Britain, they just changed God's sex. The British church, the official church, the one the Queen of England runs: They just changed God's sex to female. They just declared, they have some scientist over there that discovered Jesus is supposed to be a lady.

But, this kind of thing goes on. Before, in my generation, we would have considered this nuts—or worse. But now, it's generally accepted.

So therefore, here you have a whole generation of Americans which the President and his circle reflect, the sensitivity Americans, the Baby Boomer generation; the New Age utopia. And therefore, the achievement of certain utopian values, is considered "progress," as opposed to scientific and technological progress. So therefore, we want to share useless things with poorer people and make them feel better, without actually eliminating the poverty.

Now, look at Russia. What will the Americans say? What was the typical U.S. policy? "The IMF is good for you." "Castor oil is good for you! Take it!" Mussolini said to the Italian labor movement. "That's good for you. We support the IMF. But, we also support Russia."

Well, how do you support Russia? Here you've got—this guy's raping a woman. And, you support the guy doing the raping, but you also sympathize with the woman. Now, how do you do that? We tell the rapist to take it easy.

A collision course with Russia

This is our problem. This is not Clinton's problem; this is the problem of the majority of an entire generation, called the Baby Boomer generation—except people who work in factories, if they can find one to work in, and things like that. And, that's our problem. We have come to the point—

You have terrible conditions in Russia. Now, these conditions were *intentional*. There were no "mistakes" made in Russia by Thatcher, Mitterrand, and Bush. They were determined to destroy Russia and its people, with a kind of worse-than-Morgenthau Plan, so that part of the world that had formerly been eastern Europe or the Soviet Union, *would never come back again*. It would be depopulated.

The Russians would not be allowed to have advanced industries; they would export natural gas and petroleum, and strategic minerals, at low prices, to the London market. They would not be allowed to have industry. Their scientific establishment would be taken down and destroyed. The birth rate

would be dropped. The population would be more than halved. The conditions of life would be made worse. Disease would become rampant. Life expectancy would be shortened.

For example, there are a million fewer Russians every year—under the policy of Bush, Thatcher, Mitterrand, Chirac, and the present administration here. Their policy. They support the IMF. Russian life expectancy of adults has dropped *more than 10 years* under the reform. There are many more abortions in Moscow than there are births of live children. The conditions of life are unspeakable.

The country is on the verge of an explosion. They have only one option, and that is to get rid of the IMF. The United States says, “No. We are *not* going to get rid of the IMF. We’re not ready for that. We are going to support the IMF conditionalities. But, we’re going to tell the IMF to take it easy on the Russians, and give them a few loans.” This is a collision course.

Now, Russia, despite its broken condition, is still a world power, as China’s a world power. As the British Empire, which is called euphemistically the “Commonwealth,” is also a world power, and the United States is a world power. And, as I’ve said before, there are no other world powers.

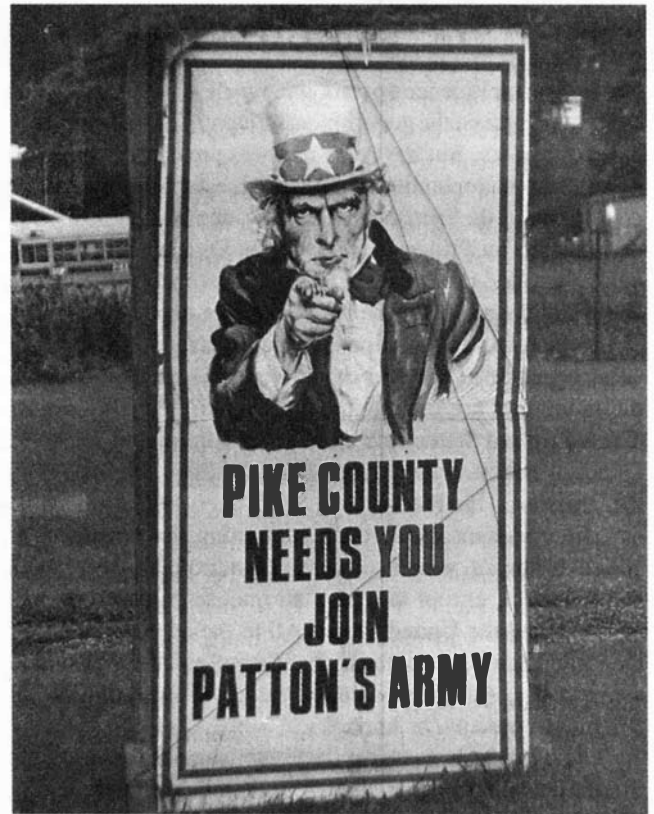
Now, this world power in Russia has nuclear weapons. But, the likelihood is not nuclear war. Because in the philosophy of the past 40-odd years, nuclear weapons are a deterrent. What does that mean?

That means you have weapons which have immense destructive capability. And, we agreed, under the influence of Bertrand Russell and Kissinger and so forth, not to develop anti-ballistic-missile systems. *We agreed to maintain vulnerability to nuclear attack on us.* This was done by all powers. And, this was called “deterrence.” But, we still had warfare and conflict. Then it was called “special warfare,” back in the 1950s. It was called “special operations,” more recently. The more generic name is “warfare below the threshold of nuclear conflict.” This takes the form of strikes, sabotage, terrorism, all kinds of things of that sort, in a world which is ready to explode.

So, the nature of conflict on this planet has been, increasingly, over the course of the 1970s and ’80s, has been irregular warfare, or special warfare, including things like international terrorism, which has now come here.

There is no such thing as international terrorism as an organization. International terrorism belongs to no one. It’s like war. All kinds of people make war. There is no such thing as “a danger from war.” War comes from *people making war.* Powers make war. One form of warfare, is called *surrogate warfare.* Two countries want to fight each other, but they don’t want to get caught doing it. They both know they’re doing it. But what they do is, they have a third party, whom they egg on to do the dirty work, like a terrorist.

For example, the British didn’t like Chirac, for a while. President Chirac of France was getting *too close* to President Clinton. So, they fixed it. The British, who control the largest



The experience of the World War II generation is a vital resource for saving the nation today. “We have to set up a new monetary system,” says LaRouche. “You can’t do it on the basis of sensitivity groups. You have to say, as in war, ‘Here is the battle we must fight.’”

single component of international terrorism, which is called the mujahideen, based in Pakistan, who are controlled from London; they deployed these terrorists, *under Algerian flag*, into Paris, and began threatening the President of France and all kinds of people around there.

So, the President of France got down on his hands and knees, and slithered across the English Channel to Britain, where he kissed the soil and begged. And, he reestablished, under his administration, what was called the Entente Cordiale. This was the arrangement that started World War I, and other good things like that. So, at this point, Chirac has gone over to being an agent of the British monarchy, *against the United States.*

How was this done? It was war against the United States. Who did it? The British. How’d they do this? They brought Chirac to his knees, whom they knew would be a coward, by threatening him with assassination by their Pakistan-based, mujahideen terrorists, deployed in France under Algerian cover.

Now, all over the world, you have highly unstable situations and unstable countries. If someone who represents a great power, reaches out to their assets and contacts in various

parts of the world, they can make a mess of the world, through terrorism and things like that. Just like the Aum sect, which is a British intelligence operation in Japan, which ran terrorist operations against the government of Japan, for British intelligence purposes. But the Aum sect was created by the Dalai Lama, who is a member of the British establishment, under the control of the British royal family, actually controlled in my lifetime by Prince Philip's uncle, Dickie Mountbatten, who controlled the Dalai Lama since the time I was in India and Burma. And, that's the way things are done.

So, you have a situation in which Russia is increasingly being egged on by the French and British at the highest level, into a conflict posture against the United States, by saying that the United States, and the Clinton administration, is the author of policies which *I know personally* to originate with the British and the French.

The President is foolishly supporting the extension of NATO eastward, which is a useless but foolish move, which has no effect, except to create an intense conflict between Moscow and the United States. All to the advantage, not of the United States; but of the United States' enemies in London and in Paris. And, that's one of the situations I ran into in Russia, in Moscow, in April.

The problem is, we have the Establishment of the United States, the ruling Establishment, manipulating and playing upon the susceptibilities of those in power, the Baby Boomers. Playing up their susceptibilities, manipulating them into a kind of this consensual pragmatism which is practiced by the Baby Boomers. You may know something about this. You may know a Baby Boomer or two, who does this sort of thing. You're saying, "Have consensual sex?" "No, consensual pragmatism." "That's worse! Go back to consensual sex."

And, by this method, we are being manipulated to our doom.

Bankruptcy is for banks

Now, in the meantime, we are already in the process of the collapse of the international monetary and financial system. *Nothing can save this system.* The *Titanic* has got a big rip in the hull, *and it's going down.* But the consensual pragmatists say, "We like the staterooms, we don't like the lifeboats. We're going to stay here." We can save the people. We can save the nation. We can't save the IMF-dominated system, it can not be done.

Now, what do we have to do? What we have to do, very simply, as the United States, is, we have to put the IMF system, including our own Federal Reserve System, into bankruptcy, into receivership.

A very simple thing to do. You've got a bankrupt bank. What do you do? You put it into receivership. That's what you do with banks. That's why they call them banks. That's where the word "bankruptcy" comes from, it comes from bank. Any time a bank sneezes, you put it into bankruptcy. And, that's the way you prevent chaos: You take over the

bank, you sort things out, you protect the depositors and do all these kinds of things to prevent social chaos. Then you take action to get banking going back into that community, in order to get credit in circulation, and keep the community going. That's what you do bankruptcy for, not to be mean. Actually, it's a very nice thing to do to the Federal Reserve System: "Come on, Federal Reserve System, just be calm. We're going to take care of you, we're going to put you through bankruptcy. Don't worry. You're being taken care of, we'll get Dr. Kevorkian here as soon as we can." But, you do that to save the system.

How a recovery can be organized

Now, we can save the system. It's very simple. And, again, my generation—some of you are from my generation, you may remember this. We took a bankrupt United States in the 1930s; and, when Roosevelt had the chance to do it, when the war in Europe was obvious and people would put up with this—we were pretty isolationist in the early '30s, but, he knew we were going to war in '36. I knew it, too, in 1936: We were going to war.

He used the cover of war, to organize an economic recovery. So, while 17 million of us were in uniform, many overseas, with the women and the older folks working in the factories at home, sometimes two, three shifts, we took a bankrupt economy with people who were gray-faced, who had lost skills, who had been out of their skill for a long time, and, within four years, we exceeded every plan and expectation in reestablishing the United States as the greatest industrial power the world had ever seen, under wartime conditions. *We did that.*

That's how things are done! You don't say, "Oh, no, we couldn't do that. Oh, that'd be terrible." No, we do that. That's what *our* generation has to give to Clinton's generation: an understanding that *these things have been done, they can be done, and they must be done.*

So, in that context, I went back again, in April, to Russia. We met with a very high-level group at this seminar, which, as I say, was all-day long, sponsored by a section of the Russian Academy of Sciences, the Free Economic Society, which is about 200 years old. It was established during the time of Catherine the Great in Russia. (Somehow, we're sort of involved in that.)

And, we had a number of people there, including the last prime minister of the former Soviet Union, Valentin Pavlov; one of the top officials of the former Soviet Union, Leonid Abalkin, who's a famous economist, who chaired the event. And other people from various other institutions.

This intersects the same group of people, friends of mine there, who organized this scientists' meeting calling for an avoidance of a clash between Zyuganov of the Communist Party and other forces, including Yeltsin, to prevent a shoot-out in Russia, in the context of the election. That is, to have a coalition for the kind of policy which *I was discussing with*



The Pot Parade in New York City, 1981. "The Baby Boomer doesn't try to make things work. He tries to make everybody satisfied, whether it works or not," warns LaRouche. What his generation has to give to Clinton's generation, is an understanding that certain things have been done, they can be done, and they must be done.

them, both in the open seminar, and in our private discussions, while I was there.

So, from the standpoint of feasibility, me being the intelligentsia here, they being the intelligentsia there, we had a meeting. They represent a lot more power in *their* country than I represent here, because that's the way Russia is organized. And, we *understand* one another.

What we have to do, in general, and that our nations and other nations have to get together on this, and agree it's going to happen, and, by combining forces, crush the opposition to doing what has to be done.

I have to save the United States, *we* have to save the United States, we have to save the world. They have to save Russia. We've got China, which is in this picture as a world power—and you'll hear more about that in the next couple of weeks. We have a lot of other nations around, which, by themselves, could not get out of this mess. But we, a few major powers, with other powers, can solve the problem.

We can immediately bankrupt the Federal Reserve System. We can issue immediately a new issue of currency to supplement that presently in circulation, U.S. Treasury currency notes. We can put several trillion dollars of that into the pipeline. We can start up national banking. We can do this with bills in one day, emergency legislation to a panicked Congress, to get, under Article I of the Constitution, a new currency bill. Under the same provision or precedent in Article I of the Constitution, we can establish national banking. One day, one piece of emergency legislation!

We can, with plans which already exist, organize a general economic recovery in the United States tomorrow morning, simply by putting things into motion that will hire people and put things back to work, and stimulate the other sections of the economy through public works in the public sector. We did it before, we can do it again.

A new global monetary system

But, we have to deal with the world context. Therefore, we have to set up a *new* monetary system for international trade. We have to reestablish the agreements we had, the Bretton Woods agreements on international currency and trade conditions that we had prior to 1968, minus the central banking provision, but on a national banking basis. We can do that, practically, in one day, too.

All we have to do, is get enough clout together in the world, in terms of agreement among a number of nation-states, that *that's* what we're going to do. And, if the United States requests it, and if the other countries agree, *it's going to happen*. And, that's what people in Russia, and, also, in other parts of the world, wish to hear.

Everything the next President of the United States can do—or perhaps the 1996 President has to do sometime this year—everything else he's going to do, is not important, compared with this. We face the worst crisis in the Twentieth Century, with a financial system and a banking system which internationally is breaking down, now. We have to fix that; because if we don't fix that, we're not going to fix any-

thing else.

So, you can not go by consensual pragmatism. You can't do it on the basis of sensitivity groups. You have to say, as in war, "*Here is the battle we must fight; and we must win that battle.* And, if we win that battle, then we will be in a position to take care of these other problems. But if we *don't* fight that battle, and *don't* win it, we will *never* fix these other problems."

And, that's where I come in, and people from my generation, like some of my interlocutors in Russia, who are of the same generation, *who went through the 1930s; who went through a terrible war of the 1940s; who went through the postwar period, and survived.* They, too, from our generation, know how you survive. And, those of you from *my* generation, have the responsibility of taking *this kind of leadership*, in order to assist those who are of our children's generation, who are now coming into power, to understand how things work, and to give up this consensual pragmatism, and get back to reality.

I would hate to fight a war under a bunch of consensual pragmatists. Nothing would work! You'd never know what would happen. It would fall apart. And, that's where my role in this election campaign becomes crucial.

Defining economic and social policy

Now, there are some other things involved here, which we have to take into account at the same time. We have to settle two things. We have to settle: What do we mean by economic policy? And, we have to settle what we mean by social policy.

We have, in this country today, and we have in the "global-oney" world economy, the same problem: the idea that productivity is the rate of profit obtained per employee, and that an acceptable way of increasing the rate of profit, is to cut the income of the employee. Cut his share of the total income. That's called "increasing productivity."

For example: How about eliminating nurses, and hiring nurses' aides, who get a two-week training? What does that do? It does two things: First of all, nurses have some protection, in terms of pension and other things, and health care. So, if you fire the nurses, or lay them off, and hire the part-time aides, who are not permanent employees, who *don't* get employee benefits (just their bare wage), who get two weeks in some tech school, to perform rather sensitive operations that only more skilled nurses would normally perform, that's "increasing productivity."

When the ValuJet airliner crashed in Florida, that's a way of "increasing productivity." Not the way it was intended; but, deregulation.

As I said, the case of McGinnis: Some of you remember, there was once a New Haven Railroad. It once existed. It was in trouble in the 1930s, and, during the war, because of war production, all the railroads generally made a good deal of money. There was a lot of freight to be carried, and a lot of

passengers, and things like that. So, the New Haven Railroad, under the control of a family from New England, became quite prosperous, and came out of World War II in fairly good shape.

Along came a shark by the name of McGinnis, a Wall Street shark. He was a raider; he took over the New Haven Railroad. Now, how did he increase the value of the stock? What he did was, he said, "No maintenance." If a locomotive got a squeak, you put it on the siding, and leave it alone. If the track breaks down, you just tell the trains to drive slow over that part of track. Don't fix it.

In Norwalk, there was a bridge, a railroad bridge, which was partly timber, and every time the rain came, and this bridge soaked up the moisture, they'd lift the bridge to let a boat through (they used to do that kind of thing, they used to have some activity of that type up there), and they'd try to put it down, it wouldn't go down, it would stick—because it was swollen, because of the moisture. And often, the New Haven trains going from Boston to New York, or New York to Boston, would get stuck at this bridge, *because they couldn't get the bridge down.* Again, a maintenance problem. Rolling stock, track, and so forth.

By this method, what McGinnis did, and his crowd, they increased the profitability of distributed earnings by the New Haven Railroad. That, by the multiplier factor on Wall Street, shot up the price of New Haven stock. McGinnis and his crowd sold the stock at the inflated prices, and the New Haven Railroad never recovered. It was just looted.

CSX, same thing. The old Chesapeake and Ohio, same thing. Train accidents. *Deaths. Deaths.* Caused by—what? Economic policy. Why? "Don't maintain it, don't fix it. We need to distribute the money. Shareholder values, you know. Shareholder democracy, shareholder rights. The raider comes first."

The idea of *performing a public good* as the basis for receiving the benefits of corporate limited liability and so forth, and corporate protection under law, is gone. No! Everything: shareholder values. The raiders get all. Even the courts are saturated with that kind of precedent, and believe in it.

So, you have a philosophy in which we used to think that if somebody was running a firm, the firm was supposed to produce a product. We thought the primary function of the firm was to produce a good product; and, if they made a profit at producing a good product at a fair price, more power to them. We didn't care. Because generally, the firms which had that attitude, when it came to the communities with which they did business, they would often chip in for this and that, and so forth, in the community, partly as public relations, but it was actually a public benefit. But, in general, the idea was that a corporation performed a public good; and sought to make a profit in performing and delivering a public good.

Now, the corporations aren't committed to producing a public good. Shareholder values; shareholders come first. Raiders come first. Michael Milken comes first, and

his backers.

This is true internationally. National economic security, jobs going out of the United States, to all parts of the world. Because “slave labor is cheaper, don’t you know. Isn’t that advantageous to us, to get cheaper things?” How do we get the cheaper things? “We buy them.” Well, where do we get the money to buy them now? “Well, work three jobs, on services.”

So, the idea that U.S. corporations should enjoy the protection of the U.S. government and U.S. law, on the basis of performing a public good for U.S. national economic security; the imperative of providing decent employment for Americans; the idea of having food produced in the United States adequate to meet the needs of our population, instead of stealing it from people overseas. These—we have the wrong values. These are the values of the Globaloney Society. And, the idea of global economy, is one referred to by the Baby Boomers today: “Well, global economy is here. You can’t stop it. You have to accept it!”

There’s no way you can save the nations and the economies of this planet, without reversing it. It’s the government, the national state, which makes economies work. Free market leads to flea market, as you may have seen. It’s when you have a regulated economy, where certain standards are maintained, where water is there, drinkable; where power is there; where public transportation is there; where sanitation is there; where opportunities for employment are provided, or stimulated, by government intervention, to make sure that things are stimulated, so you have employment in areas, was the way most of your problems were solved, in the old days.

Without government, this couldn’t have been done. Without the government *guaranteeing* that, through its intervention, we would ensure that by hook or by crook, we would have universal education, quality universal education, for everyone in the country. That by hook or by crook, we would train enough teachers, to provide qualified teachers for a classroom, on the basis of 15 to 17 students per classroom, which is what you require for competent education. If you’ve got more than 15-17 students in a classroom, you probably haven’t got competent education. Because the cognitive process requires intervention with the student by the teacher. If there are too many students in the classroom, the teacher can not intervene effectively, and get the interplay among the students which is necessary for a cognitive quality of education. Because the student isn’t participating enough in the process. Too many students in the classroom. If the teacher’s not qualified to teach that way, you’re not getting good education.

If you’ve got a television screen instead of a teacher in the school, with a facilitator, you’re not getting education, you’re getting fraud. So, that’s our problem.

Where does profit come from?

Now, there’s another conception behind this, which is peculiar, in part, to me, but not unique to me.

Where does profit come from? How is it that there *is* such a thing as profit? How is it generated?

Well, what is profit? Now, profit is (and this is the key to all of these problems of these countries, and the key to the world economy, and how we have to rebuild it), profit is the net growth in the national society. *The net growth.*

What does that mean? That means, first of all, greater life expectancy, improved health standards, greater productivity per capita, a greater potential for improving technologically. A higher standard of living. Not necessarily in money terms,

Those of you from my generation, have the responsibility of taking this kind of leadership, in order to assist those who are of our children’s generation, who are now coming into power, to understand how things work, and to give up this consensual pragmatism, and get back to reality.

but in terms of standard of living. You know, how many rooms have you got in your house? What’s the quality? If someone sneezes in one room, does everybody else have to wake up? Little touches like this, which have some significance to them. So, quality.

Man: the benefit of man, the improvement of the population, his life expectancy, his quality of life at every age, his productivity, his education. *These* are the measures of economic performance. And, if these things *grow*, and the population *grows*, and the standard of living *grows* in these terms, then you have an effective profit, that what it costs you to produce the population, is *less* than what the population produces. That’s profit.

Now, where does this come from? *No animal can do this.* No animal can increase his productivity. No animal can willfully increase the standard of living. If man were an ape, we would never have had more than 2-3 million people living on this planet. The fact that we have, now, over 5.2, 5.3 billion people—how’d that come about? Most of that happened in the past 500 years. How did it happen?

It happened through universal education, through the institution of the modern nation-state, through fostering scientific and technological progress, from Europe. And, this spread all over the planet, despite colonialism and all the problems. So today, up until 1966, the general standard of living throughout the planet, in 1966, *was vastly better* than it had ever been in any part of the planet prior to that time.



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.

Despite all the problems.

How was that possible? What is there about man that makes this possible? What is this thing we have to think about, if we want to have a profitable economy?

Man is capable of making discoveries of principle by which man can change man's behavior, to improve the conditions of life in such a way that people are more productive, the population density can increase with an improvement in the standard of living, life expectancy's increased, health conditions are increased. Infant mortality rates collapse. All these good things that have happened under the influence of modern society, in particular.

The right kind of education

Where does it come from? It comes from education. But what kind of education?

Through the history of man, the thing that distinguishes us from the apes, is discoveries of principle. Someone 2,600 years ago, approximately, or 2,500 years ago, discovered the curvature of the Earth, without seeing it. A man called Eratosthenes. Scientific discoveries, discoveries of principle, which, in a good educational system, every child in the school system *relives*.

You don't educate the child from a textbook. You take the child, and walk the child through, step by step, the great

discoveries by mankind. Explain what a language is, how that developed. How various kinds of discoveries were made. So that by the time the child has reached the completion of secondary school education, the child has now *relived*, in every field of science and art, many of the great discoveries which have been handed down to us, which represent the potential today. That child not only has *knowledge*, instead of learning, learning how to do things. You know, like the fellow who gets a recipe, and cooks something up, and they wonder what they're going to get at the end result? They're just "following the recipe." They've learned the recipe. They don't know what it produces, or why. And, that can lead to some very interesting results, sometimes devastating ones. It can spoil your dinner.

But, if you *know* the principles. You have a child that knows the principles, because the child has *relived the act of discovery*, not simply learned some story:

"So-and-so. Here's his picture. And, he discovered this."

"What's that?"

"Well, here's what this says that was. I memorized that."

That child doesn't *know* anything. That child has learned to recite something. They don't *know* anything. A child who has a wired classroom, with some idiot piping a message into the idiot box, and the child sits there, on Ritalin, "paying attention," naturally. Too stupid to do anything else. That child doesn't *know* anything. That child is of no use. That child is useful only for an ignorant slave, probably not qualified to be a shoeshine boy, with that kind of education, with the "wired society" education.

Whereas, the child who has *relived what went on in the mind of some of the greatest discoverers in all society before then*, this child not only *knows* what he's talking about, as opposed to being able to recite something to pass a grade. This child has learned *how to create, how to make valid discoveries*. How to go out and set up an experiment, say, "Well, how would we prove that? How would we know whether that's true or not?" You get the little child, with some other children, busily trying to construct something, to discover: Is this true or not? A child that can think, a child that can improvise. A child that can make discoveries, a child who knows; a child who knows what truth is.

See, for the Baby Boomer generation, or the consensual pragmatists, they don't know what the truth is. They know what they agreed to call the truth, which changes from week to week, as the meeting goes on.

But, the child who is properly educated *knows*. They don't guess, they *know*. Because they've lived the act of discovery. And they have *character*, because they can say, "I know what the truth is." He says, "I know the truth!" That is *character*, to be committed to knowing the truth, or, as Plato says, in the *Republic* and later writings, when he uses the Greek, the form of the Greek *agapē*, which is derived from a Greek verb, which is what you find in Paul, in Corinthians. The idea of love, which is called *charity* in the King James version. Or in

the Gospel of John: love, *agapē*, a word which first appears in that form, in Plato's writings. *The love of justice; the love of truth; the love of mankind*. The love of a sense of one's mission in life, of one's vocation. Not tangible, sensual things. But tasks, missions.

And, when a child has access to know what the word "truth" means, what "justice" means, what "mankind" means, that child has *personal character*. Whereas the child who has a TV set in the classroom instead of a teacher, doesn't know what truth is, doesn't know what justice is, doesn't know what mankind is. And can't produce. The source of growth is that.

The development of the citizen

How it started: It started in France. Now, in the Fifteenth Century, France was still the most important country in Europe, which it continued to be until after Napoleon got through with it, and the British.

The total population of Europe at that time was about 80 million people, of which 30 million were French. All the other countries of Europe were very thinly populated, by comparison. France had the highest level of culture of any part of Europe. It was also being decimated by various forces which realized its potential, and wanted to destroy it, to prevent it from doing what it could do.

And, some people came along, in various phases, including, earlier, Dante Alighieri and others, and developed a process of what became universal education, and began to take, from among the boys of the poor, the orphans, and others, and began to educate them along the basis of knowing truth, of discovering great discoveries, reliving the act of discovery from earlier thousands of years, from Greek civilization on.

And these boys, many of them from very poor families, or who had been picked up as orphans by various teaching institutions, formed in the urban centers of France, as in other parts of Europe, an intelligentsia which came from the people. Which is not the nobility, not the financial nobility, nor the gentry, nor the landed aristocracy. These were the people.

And so, under the influence of the same people who organized the Council of Florence in 1439-41; the same group organized a young prince in France, through the same channel that the famous Maid of Orleans was developed. And, they educated and trained this prince, who became Louis XI, to become a great king, someone who's referred to as "the great king," in the writings of Machiavelli.

Using the institutions of universal education, the first steps toward universal education in the society, France became the first nation-state. That is, it was not a state like the older ones, which were owned by an emperor, or owned by a king, or owned by a feudal oligarchy; or, like Venice, owned by a bunch of financial parasites. This was a nation *which belonged to its people*, where the people were no longer cattle, even though there were serfs still in France. But in principle, the kingdom recognized *the whole people as being the nation*. The nation was the *property* of its people, as represented by

its intelligentsia in the cities, which had come from, among other things, boys who had been orphans, or boys from poor families.

And suddenly, with this emphasis on universal education—one of the first things that Louis XI did, was to set up universal education, the beginnings of it, on the model of the Brotherhood of the Common Life, in France. Under the patronage of the monarchy directly, that is, the national federal government, so to speak, this began a process, the Renaissance process, in which education of this humanist type, that is, education to relive the great discoveries of ideas in art and science of all time, to begin to create a larger percentage of the population who had come from the poor, largely, and to educate them as the *citizens* of a nation-state, a sovereign nation-state. And, at the same time, Louis, and those who followed in his footsteps, fostered economic and technological progress, to provide the opportunity for the expression of this intellectual power in the citizenry.

Now, we find, we recognize in the history of the United States, the same principle. What is the greatness in the United States?

First of all, the people who founded the United States, came to understand that England, Holland, and so forth, were hopeless cases. So, they decided to leave Europe to come to North America, in particular, to set up a nation based on the principle of the nation-state, in the same sense as Louis XI undertook to turn France into a nation-state, under his monarchy.

So, they set forth, in this country, institutions which *were opposed to British institutions, opposed to Hobbes, opposed to Locke, opposed to all that is evil*, to try to set up institutions which were based on universal education, universality of opportunity, such that in the latter part of the Eighteenth Century, in these United States, the people of the United States *had an over-95% literacy rate*, whereas in Britain, less than 45%. And it was very poor literacy at that. The average American produced twice as much, and had twice the standard of living of the average Brit; was more productive, was more sane.

To create in this country a nation based on the education of the *citizen, to be a citizen*. Not to be trained to do a job, but to be a citizen. Not to be sent to trade school. But to get a Classical education. You know, the typical farmer in that period read Latin. The American farmer was called the Latin farmer.

But, to become a *citizen*, a proud citizen of a nation. To be educated. Universal education. To be given opportunities to invent, to use technologies. To foster the development of canals and roads, and, later, railroads and other things, to make possible the integration of the rural and urban areas in a cooperative way, to build up an economy.

And, despite the wars launched largely by Britain, and, to some degree, by the Hapsburgs, to try to prevent this from working, in a sense, it worked. We had bad times. Jefferson

was not so good after his wife died. He degenerated rapidly, after the death of his wife, began sleeping with his slaves, whom he didn't consider quite human, as he said, but thought they were good for entertainment. Believed they should be "treated kindly," like this guy Davidson from Alabama, talking about how much the slave-owners loved their slaves, how slavery was a good institution.

Then you had Madison, who used to be a patriot. Then he had this—Aaron Burr got him a new wife, called Dolly Madison, and that was the end of him.

But, we had some good Presidents. We had Monroe. He was a hero. When Dolly got scared and took her husband out of town, Monroe stayed, and defended Washington, and later became President. He wasn't such a bad President. Some good things happened under him. John Quincy Adams was good.

Jackson was a traitor. Don't kid yourself about that, he was a traitor. His boss, van Buren, was a real scalawag, and he was a traitor, too. A real New York banker type. And, Polk was no good. Pierce was a traitor and a scoundrel, and probably a lunatic. He is reputed to be the ancestor of Barbara Bush, which I find increasingly plausible. And then, of course, Buchanan was a traitor, an out-and-out traitor.

Lincoln was probably the greatest President we ever had, despite the attempts to debunk him.

So, we had good. We were still a good nation till the end of the century; then we got Teddy Roosevelt. He was no good. Then we got Wilson. Wilson, who reorganized—he was really pro-slavery. He admired the Ku Klux Klan, from the White House. President Woodrow Wilson organized the re-birth of the Klan in the United States, around a propaganda film produced by Goldwyn and Mayer of Hollywood, originally called "The Klansman," and renamed "The Birth of a Nation." Three million people in the northern states of the United States were recruited into the Klan: Minnesota, Wisconsin, Indiana, Illinois, Ohio, Michigan. Three million! By Woodrow Wilson, that "great Democrat."

The Democratic Party was a piece of filth, till Franklin Roosevelt made it a real party in the tradition of Lincoln and Washington, and so forth, again.

'The American patriotic hypothesis'

But the point is, this country has within it what might be called "the American patriotic hypothesis": that we find embedded within us, with pride, those qualities which made this a great nation, at least at times, and a great nation in potential always.

We are *now* in a position where we're the greatest power on this planet, though a piece of junk otherwise. We are again called, in the worst crisis of this century, probably the worst crisis in several centuries, as a great power, to lead this world out of a mess. And, to clean up our own corruption, in the process of doing so. Sometimes, the best way to clean your own act up, is to take a good mission, and save somebody else. Sometimes, the Good Samaritan is saving himself more

than he's saving the guy he's helping out. Because he's picked a mission which brings forth from within him, his best qualities.

We have this mission. And, we have this broken-down nation, which used to be this communist power, what's left of it, Russia, which has a great economic potential. We have a nation of 1.2, approximately, billion people called China, which is rumbling with development in certain parts now. You'll hear more about that in the coming weeks.

We have the enemy of humanity, the Devil Incarnate, called the British Empire, otherwise known as the British Commonwealth, which is heavily represented here by "Sir This" and "Sir That." Sir Henry Kissinger, Sir George Bush, Sir Colin Powell, Sir Brent Scowcroft—or Scumcroft, or whatever you want to call him.

We have all these problems. But, we also have a heritage, frayed and tattered and poorly maintained as it is, which has come forth from within us as a nation, at various times in the past. Not perfectly, but it's come forward. We can all recognize it, and take pride in it when we think about it.

We can take pride in universal education; we can take pride in periods of scientific and technological progress; we can take pride in fighting against slavery, in fighting against the British Empire. We can take pride in the fact that throughout this planet in former times, up to Truman's time, when things began to turn bad, that people all over the world, in the poor countries of South America and Africa and Asia, looked to the United States with hope, admired us, and hoped that we would be their friends in assisting them in finding and realizing freedom at last, from the British, French, and Dutch empires.

We can take pride in that. We can be sad about the fact that we betrayed that confidence which was given to us by these people. We find ourselves again called to that kind of thing, that kind of task. And, we do it, not because we "owe it" to somebody. We may owe it to God, and that's probably enough.

But we owe it to humanity, to take the tattered remains of this civilization, try to put some of the pieces together, and, in the process, make the world more secure, try to advance the cause of humanity toward the idea of universal education, toward the development of the mind of every child, toward the creation of the opportunities for expression of creative potential by every child as they grow up. By creating the kind of society in which people can die with a smile on their face, where they've had the opportunity to live in such a way, that when they've completed the run of life, they can say, "My life was necessary. I took the talent that was given to me. I did something with it, I improved it, and I helped mankind. Now I know that I had a mission in life, and I've done a mission in life. And, I can be content that I've lived. I have nothing to be ashamed of before my children, my grandchildren, and my friends. I have lived a good life. I have done my duty."

Everyone on this planet has that right. And, we have to deal with that problem, we have to advance that now, as we've been called on before. We have to call from within ourselves, our best tradition, recognizing the obligations that our civilization in the United States had to sources in Europe and elsewhere. And, we have to take Russia, we have to take China, we have to take other nations of this planet which are suffering. We have to be, because of the power given to us, we have to be the leader, the initiator of a great movement to put this planet back in some kind of order.

And, that's what I was hoping to do in Russia, to keep the channel open on that kind of discussion. I find there's much reception for that, and for what I'm doing, among many people there, some of whom I've known for an extended period of time, when they were on the other side of the fence, back in the early 1980s and so forth. And, I know the same thing is true, in a sense, in China.

The same thing is possible in India. There are countries in Africa, such as Nigeria, Sudan, which are yearning for our cooperation. We should provide it. There are countries in South and Central America which have no hope until we come to our senses, and do something about the condition we've allowed to be imposed upon them.

So, my job, in that trip to Russia, and in the work I do now, is to recognize that those of my generation who have

had a certain experience, who have a certain knowledge, who have a certain wisdom which is lacking in those generally who have come to power now: We have to provide a helping hand to the generation of Baby Boomers which has inherited the power of government, the power of institutions in our own country.

We have to impart to them an understanding of what *can* be done in crisis, aided by our own experience in dealing with the crisis of the 1930s and 1940s. And, we have to work it out, clear the way, clear the pathway. Pave the road a bit, and try to get them moving down that road, just like I have to do what I can, with Russia and other countries, to try to bring the Presidency of the United States, and the leaders of the Congress, and as many of the American people and their institutions as possible, to an understanding of the great and terrible challenge before us right now, the challenge that we must meet, not in some distant future time, but this year and next year, in Russia and elsewhere.

And, I would hope that when you read or study the films, the written materials, which are coming out of my trip to Russia, that you will read those things, see those things, with this in view, and try to understand *what I'm doing*, and how I understand what I'm doing, and what I have to do to get people like the President and others to share this understanding, and to come to a higher level than consensual pragmatism.

Coming soon in EIR

Helga Zepp LaRouche, the president of the Schiller Institute in Germany and the wife of U.S. Presidential contender Lyndon LaRouche, led a delegation to Beijing, China May 7-9, to the International Symposium on Economic Development of the Regions Along the New Eurasian Continental Bridge.

A full report on the international symposium will be the feature story in next week's *EIR*.

Zepp LaRouche spoke on the theme, "Building the Silk Road Land-Bridge: The Basis for the Mutual Security Interests of Asia and Europe." There is no real "clash of civilizations," she stressed. "There is no contradiction among world cultures, that cannot be overcome."

Accompanying her were Dr. Jonathan Tennenbaum and Mary Burdman, also of the Schiller Institute in Germany. Tennenbaum was an official speaker at a conference workshop on "Infrastructure Facilities Toward the Eurasian Continent."

The clash between the looting policies of the British Empire—with its emanations such as the United Nations and World Bank—and the commitment of nations to se-



Helga Zepp LaRouche (second from left) visits a farming village in Hebei Province.

cure their own sovereign economic development, came sharply to the fore at the conference. From Britain, Sir Leon Brittan delivered an arrogant diatribe, demanding that China toe the British line on free trade. Officials from China and Iran, on the other hand, emphasized their economic achievements and commitment to further development.

London is the winner in Israeli elections

by Dean Andromidas

Although, as of this writing, the Israeli May 29 election results have not been made official, the defeat of Israeli Prime Minister Shimon Peres is seen as a foregone conclusion. Benjamin Netanyahu, leader of the Likud party and committed to destroying the peace process, appears to have edged out Peres in Israel's first direct election for the post of prime minister, by a razor-thin margin of less than 1%. According to Israeli TV, with 98% of the ballots counted, Netanyahu received 50.1% of the vote, to Peres's 49.8%. This is a margin of about 10,000 votes. Another 120,000 absentee ballots, mostly from soldiers, are expected to further tip the election in Netanyahu's favor. The absentee vote count was to be finished by June 2, at which point the election results would be made official.

Seen as a disaster by pro-peace forces in the region, the result is clearly a dangerous setback for the foreign policy of the United States administration of President William Clinton.

A Netanyahu-led government brings to the center of power such dangerous British assets as Gen. Ariel Sharon. Sharon is known as the "butcher of Lebanon," because of his role as architect of the 1982 Israeli invasion of Lebanon, and is a controller of the extremist settlers movement. Sharon's return to center-stage will shift the balance of power in favor of those international forces committed not only to destroying the Middle East peace process, but the foreign policy of the Clinton administration.

The Likud victory is the culmination of a three-year campaign by British-allied forces to destroy the peace process begun by Israeli Prime Minister Yitzhak Rabin, then-Israeli Foreign Minister Peres, and Palestine Liberation Organization Chairman Yasser Arafat, and backed by the Clinton administration. The process has been based not only on a "land-for-peace" compromise, but on a peace settlement premised

on political justice and the development of economic infrastructure for a new Middle East.

American Presidential pre-candidate Lyndon H. LaRouche, while proclaiming his utmost support for this initiative, warned that it would drown in a sea of blood, if it were economically undermined. No sooner was the Oslo agreement signed between Rabin and Arafat in 1993, than Britain unleashed its sabotage operations, utilizing, on the one hand, assets within the region centered around the Sharon apparatus in Israel, and the drug-terror apparatus based out of Syria and Lebanon under the protection of Syria's President Hafez al-Assad, and, on the other, their U.S. and international assets centered around the Anti-Defamation League of B'nai B'rith (ADL). ADL moneybags dominated both the Netanyahu and Peres campaigns, giving the ADL mafia the ability to tilt the election in Netanyahu's favor. A decisive role in undermining the whole process, can be laid at the doorstep of the World Bank and International Monetary Fund, which ensured that none of the economic accords of the initiative would be realized.

The sea of blood

The assassination on Nov. 4, 1995 of Prime Minister Yitzhak Rabin demonstrated that Britain and its allies were committed to a policy that would bury the peace process along with one of its major architects. That assassination, ordered from London, was carried out by a right-wing extremist linked to the networks associated with Sharon, now expected to be the most powerful man in a Netanyahu government. While this assassination almost destroyed the Likud, as soon as Peres called for new elections, the British struck swiftly, with three major bus bombings carried out at their behest, which left scores of Israelis dead. Those bombings were carried out by Islamic Jihad, an offshoot of the Palestinian Hamas move-

ment, but the orders came directly from its London-based operatives who enjoy the protection of the British Foreign Office.

Most observers in Israel agree that those terror bombings were the only reason for the Likud victory, since they threw the Israeli population into a state of terror. This led to the election campaign being shaped around the question of personal security, and not a debate on Israeli national interests and a vision for the future.

The internal terror campaign was augmented through activating Syrian President Assad, while convincing Peres and U.S. Secretary of State Warren Christopher that Assad was an "honest" partner and could be convinced to join the peace process. One of the contributing factors to holding elections one year early, was to strengthen Peres's mandate to negotiate with Syria. With the backing of London, France, and the George Bush faction in the United States, Syria initiated the recent south Lebanon crisis, through activating its Hezbollah assets last April. The American- and French-brokered agreement with Syria which ended the fighting, was soon violated, and only served to discredit Peres further in the eyes of an already-traumatized Israeli electorate.

The entire destabilization process was pushed forward through the World Bank's denial of funds to begin the economic development projects which could bring two former enemies into a productive and peaceful intercourse.

Sharon's bloody hand

While some observers are entertaining "a wait and see" attitude, the reality is that the most powerful man in the Netanyahu government will be Ariel Sharon. Sharon is more than just an enemy of peace with the Arabs. He is a witting tool of the British. He has promised, at best, "no war and no peace," and is committed to stopping, if not reversing, the Palestinian advances in the Oslo Accords. He is the architect of the so-called "canton" system for a Palestinian agreement, which would confine the Palestinians to bantustan-like enclaves around major Palestinian population centers. He is the leading proponent of the "Jordan is Palestine" policy, which states that under no circumstance will an independent Palestinian state be allowed in the Occupied Territories. According to this doctrine, if the Palestinians want a state, they can go to Jordan, where 50% of the population are Palestinians. These are mostly Palestinian refugees and their descendants from three Middle East wars.

It should be remembered that it was Sharon, who, as defense minister, engineered the bloody 1982 invasion of Lebanon and the infamous massacre of Palestinians at the Sabra and Chatilla refugee camps in Lebanon. The end result of that invasion was to eliminate United States influence in Lebanon and turn that country into a satrapy of Syrian President Assad. As housing minister under the previous Likud government, Sharon oversaw the rapid construction of settlements throughout the Occupied Territories, an operation given massive support by financial circles directly associated with

Henry Kissinger and the Anti-Defamation League. During the period of the Labor Party government, Sharon functioned as the chief supporter of the extremist settlers movement. He spent most of his time in the United States, France, and Great Britain, where he raised millions of dollars for the settlers movement, the Likud, and other right-wing forces.

The Islamic Jihad terror bombings did most to revive his political fortunes in Israel and brought him directly into the center of Israeli politics. Backed by outside financial resources needed to fund the election campaign, he brokered the right-wing bloc that included the Likud, the right-wing Tsomet party of Gen. Rafael Eitan, and the Likud dissident faction led by Daniel Levy. It is significant that one of Sharon's top financial backers is Ronald Lauder of the Estée Lauder cosmetic company. Under the Reagan-Bush administration, Lauder had been ambassador to Austria, where he in effect ran the ADL operation falsely charging that then-Austrian President Kurt Waldheim was a Nazi war criminal.

Sharon ran as number-two on the Likud electoral list, and has made public his desire for the defense, foreign affairs, or finance portfolio. Not known for his honesty and integrity, statements by Netanyahu that Sharon will be sidelined to an unimportant portfolio in his new government, are not taken seriously.

An unstable coalition

Although all the results are not yet in, both Labor and Likud suffered significant losses in the number of seats they held in the 120-seat Israeli Knesset (parliament). Labor, which held 44 seats in the parliament, declined to 34; the Likud, which held 40, has declined to 31.

Significant advances were made among the smaller right-wing religious parties, and two new parties won seats for the first time: The new Russian immigrant-based Israeli Immigrants party (Yisrael Ba-Aliya) won 7 seats; the Third Way won 4. The National Religious Party and Shas both increased their seats from 6 to 10. The National Religious Party and Shas both favor expansion of the settlements and no relinquishing of the territories; Natan Sharansky's Yisrael Ba-Aliya is the party of the new Russian population in Israel (and the Russian mafia). It, too, tends to have a hard line against peace with the Arabs.

Under the new system, in which the prime minister is directly elected, Netanyahu is the only one who can lead the government. Unlike the old system, in which a vote of no confidence could bring in a new prime minister and new party, under the current system a successful vote of no confidence would mandate new elections. This is considered a powerful incentive not to force a vote of no confidence unless one is prepared for new elections.

Although there is speculation of a possible national coalition between Labor and Likud, Netanyahu would define the terms. Such a move would be seen simply as an attempt to reassure Washington and the Arabs, and has not been mandated by the election result.

Clinton in new peace drive in Korea

by Kathy Wolfe

Three Clinton administration spokesmen acted on May 28 to announce a new U.S. policy of positive economic aid for North Korea, and to combat the British policy of bashing North Korea as a surrogate for China. The statements, by Rep. Bill Richardson (D-N.M.), U.S. Ambassador to South Korea James Laney, and a Pentagon official, are in the context of President William Clinton's strategy for the improvement of U.S. relations with China, and to stop British plans to break up China. The new White House policy follows close on the heels of the trip by the wife of Presidential candidate Lyndon H. LaRouche, Helga Zepp LaRouche, to Beijing.

Representative Richardson, who traveled to North Korea on May 26-28 for the President, told a press conference in Seoul on May 29 that there should be rapid food aid to alleviate the North Korean famine, without which peace talk is an empty gesture. Richardson said that he had gone to Pyongyang to "stress the importance of the four-party talks" among the United States, China, and the two Koreas, as proposed by President Clinton in April. Pyongyang was "non-committal," he said, "but I am hopeful this might lead to acceptance in the future."

The North, he said, for its part, "stressed the importance of food aid. That was their top priority. . . . This food problem now is of such overwhelming importance to North Korean officials that I was left with the impression they would find it difficult, if not impossible, to focus on other issues until they have found a way to deal with this crisis. Frankly, I was struck by the evidence of the seriousness of their situation and their sincere desire for help in dealing with it."

Richardson noted that the International Federation of the Red Cross and Red Crescent Societies also appealed in Beijing on May 29 for \$5.25 million in aid for North Korea to avert famine and assist 130,000 victims of flooding.

The Laney initiative

Ambassador Laney, a personal friend of President Clinton who is not from the State Department rats' nest, flew to Washington to tell the National Press Club on May 28, that the United States and South Korea need a complete shift in policy toward North Korea.

Laney announced that it is hostile posturing from certain quarters in Washington and Seoul which is driving Pyong-

yang into a corner, and that this must now stop. "If the [peace] process is to succeed," Laney said, "we in the R.O.K. [South Korea] and the U.S., will need to rethink the approach that we have historically taken to the D.P.R.K. [North Korea]. This includes toning down our rhetoric and lurid language we use to characterize the North." North Korea, he said, is "driven by insecurity. . . . For our part, we don't need to act strong, because we are strong." Policy options, he said, should be judged "not on the basis of whether they're tough or soft, the conventional cliches, but whether they're smart or dumb."

The United States, Laney said, should make clear that Washington recognizes North Korea's right to exist. "We should focus our efforts on helping North Korea to understand that there is a better alternative. We should foster its confidence that it can survive, compete, and possibly even prosper, if it picks up the [peace conference] offer now on the table. We should demonstrate that we have no desire to invade, or destroy, the D.P.R.K."

Laney called for a new policy of "positive inducements," such as food aid for Pyongyang. Asked about the famine in North Korea, Laney replied, "The humanitarian situation that you spoke of so eloquently, exists. The food problem and the deprivation of the people is aggravating the problem. . . . In a couple of days, there will be a report from the World Food Program, a rather conclusive report, which will bring us up to date. And therefore, the United States has now under review, what our response should be, in terms of humanitarian aid."

In response to charges by Thatcher-Bush Republicans, such as Bob Dole and Gerald Ford, that Clinton is "coddling" North Korea, Ambassador Laney said: "It's so easy and, politically, in the short term, even popular to beat up on North Korea. They're probably the best punching bag around. But that's a very dangerous game. . . . Korea is too important" to be used as a political football.

Pentagon dismisses war threat

Meanwhile, on May 28, Pentagon spokesman Kenneth Bacon dismissed press reports, based on the defection on May 23 of a North Korean pilot, that North Korea is about to invade the South. "It looks to us as though the North Korean army is probably less well prepared for a major military action now than it has been in recent years," he said.

North Korean Air Force pilot Li Chol-su flew his aging Soviet MiG-19 and defected to Seoul May 23. He told a May 28 press conference that Pyongyang has massed 500 warplanes on the border, and is about to invade South Korea.

"Pilot Li's information differs from what we have picked up and the South Koreans have picked up from our observation over the last year," Bacon said. "We have not seen signs of active military training in the last 6 to 12 months. In fact, quite the opposite—military training has been considerably less than normal," due to lack of supplies.

Shadow of people's discontent lengthens over Bhutto government

by Ramtanu Maitra and Susan Maitra

Pakistan's Prime Minister Benazir Bhutto is facing growing discontent among almost all sectors of the country's population. Though arguably less traumatic than her first attempt to govern (1989-91), Bhutto's second term has been characterized by its ineffectiveness. What must worry her more, is that the very elite that preferred her government because of her close proximity to Washington, is now stridently criticizing her kowtowing to the economic policies laid down from Washington through the International Monetary Fund (IMF) and World Bank.

The failure of the Bhutto government also centers around its patent inability to control the drug- and gun-rich afghans who rule the roost in the North West Frontier Province, Baluchistan, and Punjab; its inability to bring to book the killer orthodox Sunni organization of Anjuman Sipah-e-Sahaba, whose sole reason for existence is to gun down the Shias; and its inability to resolve the dispute with the Mohajirs of Sindh, which has virtually shut down the city of Karachi, Pakistan's largest commercial center and port. Further, the Bhutto government has been unable to develop a genuine dialogue with India to bring peace in Kashmir, or to convince Washington that Islamabad is neither a promoter of terrorism in the region nor a possessor of nuclear weapons to be used for mass destruction. This string of failures has been the subject of mainstream media commentary in Pakistan for more than a year.

Less well understood, however, is the fact that Prime Minister Bhutto, a genuine defender of democracy and a committed opponent of fundamentalist militancy, was never much in control of the developments stated above. Despite pressure exerted by Washington and others, Islamabad is hardly equipped to deal with the law-and-order problems which have external links and a long history. This fact came into the open in a recent interview in which Egyptian President Hosni Mubarak explained how shocked he was in 1993, when then-Pakistan Prime Minister Mian Nawaz Sharif told him in no uncertain terms that Islamabad had no control over the Afghan mujahideen roaming around in the plains of the North West Frontier Province. The Egyptian President was concerned about the terrorist activities of the afghans against his government in Cairo.

Fresh challenge from the afghans

As if her existing problems were not enough, Bhutto in recent months has been challenged further by a fellow Pakistani who also went to Oxford. The challenger is a Pathan, Imran Khan, whose exploits as a cricketer in the cricket-crazy Pakistan are legendary. Imran Khan has left his familiar cricket grounds and entered the political arena through an intriguing route. A vain playboy, whose comings and goings in British society were lapped up by the tabloids in the 1980s, Imran Khan is now a self-proclaimed "devout Muslim." He has married a Jewess, Jemima Goldsmith, daughter of Sir James Goldsmith, the Anglo-French multimillionaire. "Jeemee," as he is often referred to in France, Goldsmith is well connected. Married into the Rothschild family, Sir James recently floated the Referendum Party challenging the Tory government of Prime Minister John Major. Sir James has pledged to spend at least \$20 million to bring down the Tories. He is involved in an effort to resuscitate the Entente Cordiale between Britain and France and to revive the old imperial policies.

Meanwhile, in Pakistan, son-in-law Imran Khan is in the process of launching a movement to oust Benazir Bhutto, and all other "infidels," from Islamabad. Imran Khan was brought to the political scene, as a contestant to Bhutto, by former Pakistani Inter-Services Intelligence (ISI) chief Lt. Gen. Hamid Gul, the man who formulated Pakistan's Afghanistan policies in the post-Zia ul-Haq days since 1989. Gul is also a close associate of former Pakistan President Ghulam Ishaq Khan, the mastermind behind Pakistan's not-so-covert nuclear weapons development. Besides General Gul, a man committed to violence and assassinations, and the on-the-ground controller of the afghans, Imran Khan is backed by the "Pasban," a breakaway faction of the orthodox Sunni political grouping Jamaat-e-Islami, known for its religious orthodoxy.

Challenges from the judiciary

The Bhutto government is also facing a challenge thrown up by the judiciary. Through a ruling issued last March, a panel of four Supreme Court judges diluted the power of the nation's President to appoint judges for each of Pakistan's

four provincial high courts and the Supreme Court. The ruling said that the appointments must be based on judicial recommendations from the provincial and high courts. The court also ordered the government to end the practice of appointing acting, or ad hoc, judges.

Bhutto has expressed her unhappiness with the judgment. She has met President Farooq Leghari a number of times to discuss the ruling, and it is believed that her government is marshalling forces to prevent the court from enforcing the ruling, on the grounds that it amounts to an "amendment of the Constitution." It is widely expected that President Leghari, a senior member of the ruling party and a handpicked candidate of Bhutto, will use his Presidential power to protect the regime in time of any constitutional crisis.

Economic failures

The law-and-order problem in Karachi and elsewhere, the emergence of Imran Khan, and the "unacceptable" ruling issued by the panel of judges would perhaps not add up to a threat to Bhutto, if her government had done enough to improve the economic lot of the vast majority of poor people, generally acknowledged as the Bhutto family constituency.

But Bhutto's abject failure, and even unwillingness, to make concerted efforts to push the economic issues for the sake of the people of Pakistan, has perhaps weakened her government the most.

In March last year, when Bhutto was seeking an agreement for the second year lending of a \$1.37 billion three-year program with the IMF, she told the Reuters news agency that her government was committed to the IMF's economic reform program. Pakistan had secured the loan, approved by the IMF for three years, in early 1994. The loan consists of \$842 million from the enhanced structural adjustment facility (ESAF) and the remaining \$526 million to be financed out of the IMF's extended fund facility (EFF).

In order to meet the stated "commitment," Bhutto has slashed her budget deficit from 8% to 5.5% over the last two years, and she is now planning to bring the deficit down further to 4.6% by the end of the 1995-96 (July-June) fiscal year. Although Pakistan may achieve this target under her leadership, the country has already been punished by the IMF, which called for a stop to the payment of the third tranche of the lending program, because the budget deficit was not brought down to the IMF-prescribed 4%.

The IMF reform program that Bhutto is so assiduously implementing, has in fact worsened Pakistan's industrial production and created larger trade deficits. According to Commerce Minister Ahmed Mukhtar, the government's attempts to reinvigorate industry and allow some concessions to make it competitive with other countries, have been greatly hampered by the IMF conditions. "We are trying to find out ways and means to make our industry more competitive, but are working on a very tight rope, because of the IMF and the World Bank conditions," he told a newsmen recently.

Growing foreign and domestic debt

Meanwhile, the trade gap is growing rapidly, posing a serious challenge to Pakistan's foreign exchange reserves, which have come down to about \$1.0 billion, or about four and half weeks of the country's import requirements. Preliminary estimates indicate that the 1995-96 trade gap may be as high as \$3.0 billion. Observers attribute the increasing trade gap to the Bhutto government's IMF-demanded imposition of lower import tariffs. The increased trade deficit has become a matter of serious concern, because it threatens to push up external debt further. Pakistan already has a large foreign debt and the debt-servicing cost is expected to exceed \$2 billion. In addition to the lower tariff rates, which have increased imports significantly above the budget target, the poor performance of the textile sector—the backbone of Pakistan's exports—has put pressure on earnings. The pressure on the country's currency due to poor economic performance has also caused a drop in home remittances by expatriate Pakistanis.

As a natural fallout of the IMF reform program, Pakistan is experiencing higher inflation and unemployment. The impoverishment caused by these two factors is hurting and alienating the supporters of Bhutto's ruling party.

The reduced revenues, because of industrial stagnation, higher unemployment, and lower import tariffs, have also pushed domestic deficits upward. It is reported that Pakistan's current defense spending, internal debt servicing, and general expenditures associated with maintaining the governmental infrastructure, are consuming the vast bulk of revenues. As a result, developmental spending has been pared down substantially, and is met through borrowing and assistance of foreign donors. Under such circumstances, it is evident that Pakistan's ability to borrow and spend on developmental activities has become dependent on the assessment of the country's economy by the IMF. Meanwhile, the country is slipping toward becoming a net debtor nation.

As a result, Bhutto's government is under pressure as it is preparing next year's budget. The government has to comply with terms laid down by the International Monetary Fund in the standby agreement last December, which imposes strict adherence to a pared-down defense budget.

Although the IMF has not demanded a reduction in defense budget in black and white, Western donors, influenced by the IMF's assessment of what is wrong with Pakistan's economy, are quietly exerting pressure on Islamabad to reduce its defense expenditure.

In April, an article appeared in the Urdu daily *Jang*, which said that the military high command is likely to do its duty when the country looks like it's getting into a chaotic state. The article caused an uproar in Pakistan, since the columnist is known to be close to certain powerful circles, and the motive behind the veiled threat issued to the Bhutto government was the economic chaos caused by the IMF-designed reform program.

U.S. Senate hearings fail to force stronger 'Nigeria-bashing' actions

by Lydia Cherry

The purpose of the May 15 U.S. Senate hearings on Nigeria had been widely articulated by self-proclaimed human rights groups, as well as staffers of Nancy Kassebaum (R-Kans.), who chairs the African Affairs Subcommittee. The plan was to put the Clinton administration "on the spot" to take strong action against Nigeria; the plan failed. Testifying before the subcommittee, Undersecretary of State Peter Tarnoff had absolutely no new initiatives to offer, a fact that was not surprising, since the Clinton administration had reportedly told Senator Kassebaum that the hearing was premature.

The hearings, according to Tim Trinkle from Kassebaum's office, had been partially to determine if the legislation that had been introduced last November, calling for additional sanctions against Nigeria, should move ahead. Kassebaum's Nigeria Democracy Act, among other measures, calls for freezing the assets of Nigerian leaders, and would prohibit new American investment in Nigeria. To no big surprise, the *New York Times*, in an editorial one week prior to the hearings, strongly supported the Nigeria Democracy Act, and particularly the what the *Times* declared the "most potent" aspect of it—prohibiting new American investment in Nigeria.

Although the usual spokesmen from U.S. and British think-tanks and human rights groups also testified—spewing out the anti-Nigerian line of their common funders—there were also thoughtful presentations made by organizations and individuals *that have actual constituencies*, excerpted below. Of these statements, those of Sen. Carol Moseley-Braun (D-Ill.) and Rep. William J. Jefferson (D-La.)—both senior members of the Black Caucus—were particularly interesting, in light of the fact that Black Caucus chairman Donald Payne (D-N.J.) strongly supports the Kassebaum hard-line legislation against Nigeria.

Clearly, the subject of Nigeria, and some of the economic policy ramifications that are very much a part of the Nigeria story, are succeeding in shaking the human rights dogmas that have been bought "hook, line, and sinker" by much of the U.S. Congress.

The written testimony of Lawrence Freeman from the Schiller Institute, which traced how the operation against Ni-

geria, point-by-point, was coordinated out of London, was distributed to all attendees.

Undersecretary of State for Political Affairs Peter Tarnoff

I welcome the opportunity to appear before the committee to discuss our policy objectives towards Nigeria. We cannot ignore Nigeria's size, population and influence in Africa. Its capacity to influence the West Africa region is significant. Our principal interest remains to have a stable, democratic Nigeria with which the U.S. can pursue productive cooperative relations. We do not wish to see Nigeria become a pariah state. . . .

An international consensus is developing, however, that the situation within Nigeria, especially regarding the transition to civilian government and respect for human rights, is serious and continues to deteriorate. . . .

Meanwhile, a humanitarian tragedy of great proportion has been unleashed in Liberia. Nigeria has been an important player in past attempts to bring peace to Liberia, and we have every reason to believe that it will continue to play a significant role in resolving the present crisis in Liberia. Nigeria contributes approximately 80% of the troops to the largely self-supporting West African peacekeeping force, ECOMOG. In addition, Nigeria was instrumental in brokering the Abuja Peace Accord in August 1995. Although the Abuja peace process has been sorely tested by over a month of death and destruction perpetrated by factional fighters, we maintain that the Abuja framework represents Liberia's best hope for a lasting peace. We will continue to work in partnership with Liberia's neighboring countries—including Nigeria—and others in the international community to restore peace in Liberia. . . .

In closing, let me say that we will continue to stress the overriding importance of respect for human rights in our bilateral relations with Nigeria. We will continue to press for a credible transition process built on the active and inclusive participation of the Nigerian people. We will press for a genuine dialogue with the government of Nigeria.

We will continue to consult with the international comm-

munity on new collective measures. . . . However, any new action will be much more meaningful once a consensus is developed. All options, including those contained in pending legislative proposals in your bill and in Congressman Payne's bill, remain on the table. . . .

**Ambassador David C. Miller,
president, Corporate Council on Africa**

It is a great pleasure to be invited to appear before you as a representative of the Corporate Council on Africa. As you may know, the Corporate Council on Africa is a private, non-profit organization, composed of approximately 90 American corporations and individuals who came together in 1993 to promote the growth of the private sector in Africa. . . .

The late secretary of commerce, Ron Brown, well understood that a growing economy was the cornerstone of both political stability and democratic progress. In his many visits to African countries, as well as to his fateful mission to Bosnia, Secretary Brown underscored the necessity of a growing economy to the building of what he called a functioning civil society. Secretary Brown understood, for Bosnia as well as for Africa, that making a transition to democracy is much more likely to succeed when it is founded on an economy which provides the citizenry with basic human needs, jobs, and some hope for a better future. . . .

U.S. business has little expertise in the details of democratic transitions or constitutional structures, but we believe that U.S. companies can make a positive contribution by strengthening the Nigerian economy, the base upon which a "functioning civil society" and any new democratic government must inevitably rise. . . .

Nigeria's oil production of approximately 2 million barrels per day earns the government approximately \$17 million, or about 80% of budgetary revenues. This is a substantial sum, but when spread over a population of over 100 million it equates to less than 17¢ per day for every Nigerian. No country can be expected to meet the health, educational, and infrastructural needs of its citizens on 17¢ per day. Clearly, Nigeria must make quick progress toward diversifying and expanding its economy. . . .

Madam Chairman, as much as we wish Nigeria's history might have taken a more peaceful and democratic course, we are even more concerned over Nigeria's future. With due respect to some of my colleagues, we believe the problem is substantially more profound than the duration of a transition plan or even the prospects of individual politicians. The core challenge facing Nigeria is the creation of a civil society capable of effectively governing the country and an economic infrastructure capable of providing the means for Nigerians to avoid a fate as a "failed state" and to achieve their potential as a leader of Africa. . . .

Many of our members, with extensive experience in Nigeria and elsewhere, seriously question whether sanctions

would actually have the effect its advocates intend. . . . In South Africa, international economic pressure—coupled with a strong internal opposition movement—clearly did compel the enfranchised whites to institute the necessary political changes. However, most of these elements are clearly missing from the Nigerian equation. . . .

America has a massive stake in Nigeria's ultimate success. Politically and economically, Nigeria is the linchpin of West Africa. . . . The members of the Corporate Council on Africa strongly believe that the policies we pursue toward Nigeria should be carefully crafted to move us toward the goals we seek, not propel us toward the fate we are trying to avoid. Simply put, it is hard to imagine how measures such as economic sanctions, which further stifle economic growth and drive one of the world's 20 poorest countries deeper into poverty and hopelessness can be a stimulus for a successful political transition to democracy and prosperity. . . .

Rep. William J. Jefferson (D-La.)

There is agreement that the Nov. 10, 1995 hanging of Ken Saro-Wiwa and eight others was deplorable. There is also widespread agreement that Nigeria continues a history of engaging in egregious human rights violation that merit our disdain and diplomatic pressure for change. But the question before us is larger than these issues, and it must be dealt with in spite of them. The question before us as American lawmakers is what role can we assist America helping the Nigerian people to achieve a stable democracy. . . .

It is a question made more complex in the creation of the nations of Africa, and particularly Nigeria. The 1884-85 Conference of Berlin, where Europeans carved up the continent lumping diverse ethnic and tribal groups together, has resulted in what some observers have called a frailty in African nations to adapt to western-style, winner-take-all democracies. The fear of ethnic domination in Nigeria, and largest and most diverse of all the nations in Africa, is real and deep rooted.

Thus, if we are to be of help to the Nigerian people in achieving democracy, it must be through America's support of a form of democracy of the Nigerian people's choosing and that takes into account their peculiar ethnic and cultural complexities and that affords a sufficient timetable to work through them.

Madam Chairwoman, I do not arrive at the question that I have posited here except after long experience with Nigeria. In the last 18 years, I have visited Nigeria more than 15 times. . . . I have met with General Abacha at least three times; and with other government leaders; with Mr. Abiola in detention; with Mrs. Abiola and labor and opposition leaders while in Nigeria; and I have been able, on several occasions, to confer extensively with conferees to Nigeria's most recent constitutional conference.

Additionally, I have worked closely with Members of

Congress and of the administration on Nigeria. Finally, when Mr. Abiola apparently won the election for President of Nigeria in 1993, no one worked harder in the Congress, than did I, to have our government recognize and support his election.

Thus, I come to this hearing today, with as much direct experience with Nigeria over a larger period as any Member of Congress. And, I come with the firm conclusion, that a policy of U.S. ostracism and sanctions toward Nigeria will not work to bring a stable democracy to Nigeria; and that a politically and economically disrupted Nigeria could further destabilize the already fragile West African region. . . .

The March 16 election—albeit imperfect—was an important symbolic step. From all accounts, including accounts from our own Embassy—the overwhelming majority of Nigerians came out to vote, despite calls for a boycott. . . . This is a signal we dare not miss. Can the U.S. really afford to introduce measures that will destabilize Nigeria in the middle of its elections?

Mr. Justice Oliver Wendell Holmes once remarked, in speaking of the obviousness of unfairness, “even a dog knows the difference between being stumbled over and being kicked.” With its history of unfair treatment, certainly black Africa knows the difference when it is kicked, and certainly Nigeria does. Thus self-righteous demonizing of Nigerian leaders . . . destroys any credibility the U.S. may have to serve as an effective advocate for democracy with the Nigerian government.

I recommend: 1) That the U.S. remove its objection to the three-year timetable of the Nigerians for transition to democracy. . . . 2) That the U.S. invest human and capital resources, directly and indirectly, to help make the transition successful. . . . 3) That we refrain from the imposition of or even talk of further sanctions against Nigeria. 4) That we engage the Nigerian leadership in a dialogue, not a match of threats, to negotiate the release of political opposition leaders. . . . 5) That we sponsor a summit in Washington, D.C. between Nigerian leaders and Nigerians at all levels to pursue plans for democratization. 6) That we promptly resolve the Nigerian airport issues so that flights from the U.S. to Lagos may be restored; 7) That we agree to remove visa restrictions on Nigeria’s government leaders, to permit them to travel to the U.S. and travel as necessary in the U.S. to further the goal of democracy. 8) That we accelerate review of drug-trafficking certification issues; giving Nigeria assistance and guidance in adopting and enforcing a drug abatement program that can lead to Nigeria’s de-listing by the U.S. as one of the nations failing to cooperate toward stemming drug importation into the U.S. . . .

Sen. Carol Moseley-Braun (D-III.)

I am testifying in behalf of democracy in Nigeria. I am testifying in behalf of consistency and fairness in U.S. foreign

policy. I am testifying against this legislation, and against second-class world citizenship for Nigeria. . . .

As the only American of African descent to serve in the Senate, I have a personal as well as a philosophical and policy interest in policy towards Africa. . . . I would argue strenuously that our foreign policy should reflect our values, and that the promotion of democracy and advocacy for human rights are, or should be, essential elements of our policy.

I fear, however, that this legislation does neither, and instead of serving to advance those goals, will only serve to retard them, and to further isolate and even destabilize Nigeria specifically and Western Africa generally. Most importantly, this bill serves to detract from our ability to advance those objectives, worldwide, by pointing out inconsistency and indeed hypocrisy in regards to matters about which we must be consistent, and clear and cogent. . . .

Our devotion to democracy must be a goal, although as a political objective, democracy is more dependent on the history and culture and political environment. Democracy in Africa is barely 40 years old; in this country, it is over 200 years old, even so, women achieved the vote here 75 years ago, and African Americans just in our lifetime. . . .

Sanctions, and particularly the unilateral sanctions proposed in this bill, serve not to engage, but to isolate, not to initiate or continue constructive dialogue, but to stop it. It is for that reason that I urge this committee to consider carefully the implications of the approach suggested here. Additional sanctions are unlikely to result in the removal of the current regime in favor of another. And even if that did happen what has been achieved? Such crass political muscle should not be dignified by reference to promotion of human rights. . . .

Our relations in Africa are changing, in no small part due to the collapse of communism. But as we begin to define the determinants of those relations, I hope that our commitment to fairness and engagement and dialogue are not made victims of our desire to make examples out of nations just because we have no other contradictory interests, or just because we can. . . .

Lawrence Freeman, Schiller Institute

If the stated concern of this committee is “to encourage a peaceful transition to a democratic, stable, and prosperous” Nigeria, then its first action should be to call for an immediate halt to Britain’s constant efforts to destabilize the Nigerian nation, and to reject all legislation advocating sanctions against Nigeria.

From the moment that General Abacha became head of state on Nov. 17, 1993, at the request of leaders from every political group in the country, Nigeria has been the target of deployments emanating from London, aimed at causing the struggling nation to disintegrate into ethnic warfare. It has been the impulse of General Abacha to maintain the integrity of Nigeria as a nation-state, above competing “ethnic inter-

ests,” to use Nigeria’s natural resources for economic development; and to resist IMF [International Monetary Fund] programs aimed at crippling Nigeria’s economy.

The British Commonwealth, which still acts to enforce the colonial policies of the British Empire, intends to prevent any sub-Saharan African nation from becoming truly independent and economically sovereign. Thus, Baroness Caroline Cox, member of the House of Lords; and Baroness Lynda Chalker, of the Office of Overseas Development (previously the Colonial Office) have been deployed against Sudan and Nigeria, respectively.

Nigeria and Sudan together with South Africa are the nations of sub-Saharan Africa, that are key to all of Africa. If these three countries were to be destroyed, Africa would be under the direct control of the British oligarchy through its various tentacles like ITT, Royal Dutch Shell, De Beers, Imperial Chemical Industries, Unilever-United Africa Co., and Barclays Bank. These raw material-trading cartels would turn Africa into a gigantic slave-labor looting plantation, capable of sustaining life for only a few tens of millions of Africans. The rest of the population would simply “disappear” as the result of famine, disease, increased rates of infant mortality, lack of health care, and tribal-ethnic warfare.

All the deployed destabilizations against Nigeria since General Abacha assumed leadership have come from the same place: London.

- **Moshood Abiola** made his fortune through the good graces of ITT, and bought the presidential candidacy of the Social Democratic Party only several weeks before the election. After General Babangida (not General Abacha) cancelled the June 12, 1993 elections [they were stopped while in progress—ed.], Abiola made several trips to London. In 1994, he decided that he wanted to become President, and was eventually arrested for treason after declaring himself the head of the country. . . . Interestingly, Abiola personally had asked General Abacha to assume leadership of Nigeria and only turned against Nigeria and General Abacha when General Abacha refused to turn the government over to him. The June-July 1994 strikes and labor disruptions, that were funded in part by Abiola, in an attempt to force the collapse of the government, included among their “labor” demands that the Nigerian government pay almost \$1 billion to the Shell Oil Company.

- **Bolaji Akinyemi** heads the National Democratic Coalition (Nadeco), which has supported Abiola’s attacks on General Abacha, and is the most public arm of the British-controlled opposition groups. Akinyemi is married to a British national, lives in London, and was the foreign minister from 1986-90 during the pro-IMF regime of Babangida. Akinyemi, like his friend Abiola, personally requested that General Abacha assume the position of head of state in 1993, and did so publicly in a paid newspaper advertisement. When General Abacha failed to reward him with a minister’s post, he joined the opposition. Akinyemi and Nadeco have been

guided and supported by Lynda Chalker and according to Nigerian sources, after Abiola funds ran out, have been financed by Chalker’s friends in the City of London.

- **Olusegun Obasanjo**, a former Nigerian head of state, was arrested on charges of plotting a coup against Abacha in March 1995. He has been a board member of the multibillion-dollar Ford Foundation, and is connected to London’s Royal Institute of International Affairs (Chatham House). Obasanjo, before he was arrested, was to be a featured speaker at a Chatham House conference in London on March 29, on “Britain in the World,” alongside Lynda Chalker. The coup plot, hatched in London, was to have Obasanjo fly from this Chatham House conference, whose speakers included Henry Kissinger and the Prince of Wales, to Nigeria to assume control of the government following the planned assassination of General Abacha.

- **Randall Robinson**, executive director of TransAfrica has led the effort in Congress for sanctions against Nigeria. TransAfrica is a creation of the Ford Foundation and Council on Foreign Relations, two of the most prestigious and powerful U.S. based Anglo-American foundations.

- **Baroness Lynda Chalker** of Wallasey, Minister of Overseas Development—formerly known as the British Empire’s Colonial Office before Prime Minister’s Macmillan’s “Winds of Change”—is the individual assigned responsibility by the British Commonwealth to bring down General Abacha and dismember the nation of Nigeria. Every Nigerian opposition movement is controlled by Chalker, in one way or another.

- **Ken Saro-Wiwa**, before his death, led a London-funded and -orchestrated movement to precipitate the breakup of Nigeria into various competing “micro-ethnic groups.” The idea for a separate “Ogoniland” was an artificial creation of Amnesty International, Greenpeace, and the Unrepresented Nations and People Organizations (UNPO), with the support of Prince Philip’s World Wide Fund for Nature (WWF) and Royal Dutch Shell. Heavy financial support also came from the Body Shop International, whose chairman, Gordon Rodwick, has been Prince Charles’s polo partner since their school days. . . .

Primarily, through the IMF structural adjustment programs during the Babangida regime, the Nigerian economy was destroyed. Today Nigeria needs help to economically support its population. It is in the vital self-interest of the U.S. to design and support policies that will help the growth of Nigeria’s agricultural and industrial sectors. When the British formally pulled out of Nigeria, one thing that they did not leave behind was infrastructure. Nigeria is in great need of massive construction of railroads, inland waterway transportation, irrigation, and electrical power stations. The rate of increase in per capita and per hectare production in agriculture and industry depends on the level of advanced infrastructure in these and related areas. This cannot be done unless Nigeria’s enormous debt burden is alleviated.

A chapter of history that Germany's 'post-communists' want people to forget

by Angelika Beyreuther-Raimondi

The Social Democratic Party of Germany (SPD) has devoted a great deal of attention this spring to the 50th anniversary of its forced merger, in the Soviet Occupation Zone, with the Communist Party of Germany (KPD), on April 20-21, 1946. This resulted in the formation of the Socialist Unity Party (SED), which became the ruling party of communist East Germany (the so-called German Democratic Republic). The forced unification of the two parties resulted in the imprisonment and/or death of tens of thousands of Social Democrats in communist concentration camps.

For 50 years, this has been a historical legacy that many Social Democrats in the western part of Germany have preferred to ignore.

The issue is particularly vital today, because of the growing political influence in reunified Germany of the Party of Democratic Socialism (PDS), the new name assumed by the SED after the 1989 reunification of Germany. In the October 1994 federal elections, the PDS won 30 seats in the Bundestag (parliament), out of a total of 600. They have a base of 20% or more in state legislatures in all of the eastern states, and their support is growing, as a result of the disastrous free-trade economic policies of the Bonn government. In 1994, the PDS won 19.9% in legislative elections in the state of Sachsen-Anhalt. In October 1995, they won 30% in Berlin. There are discussions ongoing in many German states about electoral alliances and other forms of collaboration between the SPD and PDS.

Given the sordid history of the forced unification in 1946 and its aftermath, such collaboration, with a party that has in no way repudiated its past, is immoral and dangerous. On the other hand, the discussion of historical truth about these matters is helpful, if sanity is to prevail in the SPD in Germany today.

Politicians and historians from all political parties are participating in discussions on this theme. At the City Hall of the "Reds" in former communist east Berlin, the Historical Commission of the SPD held a meeting on March 14-15; the SPD party directorate held an April 20 event to commemorate the victims of the union of the two parties, at the same Berlin Metropol Theater where the forced merger originally occurred; on April 22, the SPD-affiliated Friedrich Ebert Foundation's Historical Dialogue Circle held an event in Bonn, inviting eyewitnesses and historians of the merger to participate.

Such discussions were not always sanctioned by the SPD in recent decades. When the SPD launched its *Ost politik* at the end of the 1960s—the policy of détente toward the communist East—the party ignored or attempted to downplay this brutal history. In a 1987 joint SPD-SED paper, "The Conflict of Ideologies and Mutual Security," mention of the forced merger was omitted altogether. Only since 1989 has the issue been raised at all within the SPD. In his keynote speech at the March 14-15 Berlin event, the chairman of the SPD Historical Commission, Prof. Dr. Faulenbach, admonished the audience that "the victims of this dictatorship cannot ever be forgotten; insofar as this is a question of being conscious of our history and historical culture."

The 'birth-defect' of the PDS

The SPD vice-chairman, Wolfgang Thierse, appealed to the forum in Berlin: "The congenital defect of the PDS lies in the fact that the undemocratic actions by which the SED was founded, and therefore its birth-defect, is carried over, since it didn't cause the SED to make a clean break and a new start. A party which never met democratic criteria should have been terminated by being *disbanded*. Each former member could then have freely decided whether or not to be free of party affiliation, or to become a Social Democrat, a Communist, a Left-Socialist, or, as far as I am concerned, a Free Democrat; or, even to seek to found a new party. With an eye to membership numbers, the apparatus, membership dues, wealth, real estate, and publishing organs, [Hans] Modrow [the last East German prime minister, now an honorary chairman of the PDS] and [Gregor] Gysi [the first chairman of the PDS, now a Member of Parliament and honorary chairman of the party] have not taken this step. For this reason, the PDS has *never* to this day been a normal party. Whoever reads the explanations, page-by-page, of the PDS historians, really has to get the impression that what they are dancing on eggs about, while equivocating between the desire for renewal and for gratification, arises out of a persisting nostalgia for the SED."

Thierse quoted the explanation of the PDS Historical Commission, which avoided using the term "forced union," but admitted that "without any doubt, force was used," opponents of the merger had been placed "under coercion," and dismissed the matter by saying that "the most severe means of repression" were rooted in the Cold War. The PDS paper



The unification of the Social Democratic Party and the Communist Party in Germany is symbolized by two converging columns of marchers in 1946. Communist leader Walter Ulbricht's motto was that the forced merger "must appear to be democratic; however, we have to have everything in our hands."

carried the simple headline "On the 50th Anniversary of the KPD and SPD Merger." The principal author of this PDS explanation, Prof. Günter Benser, wrote in April 1976 (while he was an SED man): "The opponents of the SED have never gotten tired of falsifying and distorting the creation of a united Marxist worker's party, because the victory of the unity movement was a defeat for them, which they have not gotten over, even up to this day. The shallowness of the slanders that claim that violence and repression had been the midwives of the SED's birth, may find the most powerful documentary proof in contemporary pictures and documents."

Consolidation of the communist regime

On April 30, 1945, there landed in the vicinity of Frankfurt-on-Oder, a military outfit that came from Moscow. Ten German Communists, known as the "Ulbricht Group," returned to Germany, the first of three Soviet-emigré KPD cadre groups. A few days later, additional "KPD initiative groups" landed in Saxony and Mecklenburg. All three spearhead groups were under the command of the Soviet Military Administration in Germany (SMAD). Their assigned objectives: establishing of a German administrative apparatus in the Soviet Occupied Zone (SOZ), and practical means of influencing the course of events in Germany in accordance with Stalin's commands.

Comrade Walter Ulbricht enunciated the motto clearly:

"It must appear to be democratic; however, we have to have everything in our hands."

On June 10, 1945 the head of the Soviet Occupation Army Group, Marshal Georgi Zhukov, issued Order No. 2, which would permit the founding, or perhaps re-founding, of political parties in the SOZ. One day later, on June 11, 1945, the Central Committee of the KPD officially took up its work in the SOZ and disseminated the "It must appear to be democratic; however . . ." founding call, within which a "parliamentary-democratic republic with all democratic rights and freedoms for the people" was promised. The Communists recognized "that the path of forcing the Soviet system upon Germany would be wrong, since this path does not correspond to the *present* conditions of development in Germany" (emphasis added).

A great number of SPD functionaries had illusions about the intentions of the Communists. Among these were the leader of the Social Democracy in the SOZ, Otto Grotewohl, plus the majority of the members in the Central Committee of the SPD in Berlin. In opposition to Kurt Schumacher, the SPD's first chairman in the western occupation zone and a tough anti-communist, they championed an eastward orientation for Germany, with the argument that, "We can get help from the Soviet Union, never from England and America." A memorandum worked out under the controlling influence of the national-bolshevist Ernst Niekisch attacked "two imperi-

alisms”: a classical-Western imperialism which would suppress the German economy for reasons of competition, versus a Soviet imperialism which would offer a more sympathetic understanding to the reconstruction of the German economy, due to its own country having been laid waste.

The road to the SPD-KPD merger

Perhaps the decisive reason that the unification of workers' parties was accelerated in every way by the KPD and the SMAD, from the fall of 1945 on, was the increasing strength of the SPD, and its concomitant developing self-confidence. The leadership of the Soviet military administration had become convinced that because of the growing strength of the Social Democracy, the KPD would lose the municipal and state-legislative elections planned for 1946. The electoral defeats of the Communists in Austria and Hungary and the very strong electoral showings in those places for the Social Democracy, confirmed those fears. At the end of November 1945, eighty-five representatives of the Austrian People's Party, 76 Socialists, and just 4 Communists entered Austria's national assembly in Vienna!

As the numbers stood in the SOZ in spring 1946, there were about 700,000 SPD members, compared to a KPD membership of around 600,000. Following consultation of the military council of the SMAD, directly with Stalin, the SMAD took the fallback strategy to achieve the union of the workers' parties inside their zone of occupation, no later than May 1946.

Despite the “democratic” tones in the founding charter of the KPD, as far as Ulbricht and Pieck, the leaders of the KPD, were concerned, neither was the party's bolshevistic conception to be questioned, nor were the Social Democrats considered to be real partners. As the concept was conveyed by one of the Moscow cadre in 1944: “We must ourselves have a hand in the creation of such a Social Democracy, if it is to collaborate with us.”

The methods were multi-layered: force, intimidation, and repression of Social Democrats not willing to submit to unity, but also all kinds of favoritism and inducements for those who would go along with it. As a means of pressure which was utilized against many SPD functionaries, their sons continued to be interned in prisoner-of-war camps in the Soviet Union. In Thüringia, the SMAD forced Hermann Brill, the chairman of the state SPD association and a unification opponent, to resign from his office, replacing him with unification-advocate Heinrich Hoffmann. To quote Brill: “Already, on the second day after liberation [from the Buchenwald concentration camp] I was forced to recognize that the KPD hadn't changed at all.”

On March 31, 1946, a referendum took place among Social Democrats in the western sector of Berlin. An overwhelming majority of 82% of the SPD members voted *against* the union. In Berlin's eastern sector and in the SOZ, the Soviet garrison force permitted no elections.

Before his flight to the West later that same day, Hans Hermsdorf, the Social Democratic mayor of Chemnitz, wrote a farewell letter to his regional chairman. Hermsdorf stood in opposition to the Social Democratic functionaries in his party's state executive board and within its Central Committee in Berlin, who had sold out to taking the path of subjugation: “In no part of the entire Soviet Zone can one speak any longer about any free expression of our colleagues' wills. Unity shall be made uniform, and woe to those who permit themselves to have any other opinion. He is a traitor, a saboteur, and look at all the lovely words we've adopted here from the Nazis over the last few weeks. I stress yet again: Out of disdain for even the most elementary fundamental principles, unity will be decreed and carried out, without affording the membership the right to freely decide, since the vote by acclamation is, after all, theater, like what was carried out previously in the Sports Palace [under Hitler]. In the last few weeks, I have fought through an arduous inner struggle within myself, but under this assumption: that a deserting of democracy means I am forced to accept all of the consequences upon myself and to relinquish my offices. . . . Every forced union always contains within itself the germ of its own eventual dissolution, and therefore I know, that if our courageous colleagues, who at this moment are being forcibly driven into unity, at some future day should again have the right to freely decide democratically, they would immediately revolt against the KPD's terror, and once more unfurl the banner of the Social Democracy.”

Kurt Schumacher, the SPD chairman in the western zones, refused to take the course that Otto Grotewohl took in the East. Said Schumacher, in his closing remarks at the SPD party congress in Hanover in May 1946: “The party congress of the Social Democratic Party condemns the surrender carried out by the Berlin SPD Central Committee of the Social Democratic Party in the eastern zone to the Communist Party. . . . The party congress deplores to the utmost the conduct of leading Social Democrats in the eastern zone, who by their opportunism gave assistance to the Communists' efforts to achieve the leveling of opposition into political conformity, and who have brought about a severe moral conflict of conscience within the Social Democratic membership.”

With the constituting of the Socialist Unity Party on April 21-22, 1946, the SPD ceased to exist in the eastern zone; it had previously constituted the party with the largest membership in Germany. Of the approximately 1.2 million members of the SED, about 53% came out of the SPD. The “Banner of the Social Democracy” would not again be unfurled in East Germany until 43 years later.

‘The Communists are our enemies!’

In 1946, with reference to Shumacher's fierce and repeated attacks against the Communists and against the policy of the Soviet occupation forces, an American general said in a speech: “Do not forget that the Soviets are our allies!”

Schumacher answered abruptly and boldly: "Do not forget, General, that the Communists are our enemies!"

For Kurt Schumacher, the Communists were "red-lacquered Nazis." Long before, in his 1932 *Lübeck Message to the People*, he came to the conclusion that "National Socialism and communism have, after all, exchanged so many bacilli; they have mutually infected each other; the oscillation back and forth of certain strata between both parties is a fact." Already, only a few weeks after the war's end, Schumacher had made himself unmistakably clear: "As a political idea in theory and praxis, the Communist Party is just as utterly discredited as Nazism and militarism. From the standpoint of German politics, there exists no compelling reason for its continued existence. The Social Democracy has as little reason to donate blood to transfuse to the KP's enfeebled body, as it does for entering into any kind of demonstration of friendship to it." To the question, weren't Social Democrats and Communists actually brothers? Schumacher's terse retort: "Cain and Abel were brothers, too."

Schumacher supported the resistance of 100,000 Social Democrats in the Soviet-occupied part of Germany against the forced union of the SPD and KPD. "We fundamentally do not see the KP as a German class-party, but rather a party of a foreign state," was Schumacher's formulation, in a resolution passed by the SPD branch in the British occupation

zone on Jan. 4, 1946 at Hanover. It went further: "Within the Social Democratic membership, there lives the irrepressible recognition that the KP is superfluous, that, with the Nazi dictatorship, the idea and praxis of every dictatorship has been totally discredited, and that the Communist Party no longer has a sociological or political place within the German party system. It is solely a conspicuous agency of a foreign power and has no sense of expressing the will of any segment of the German people."

The resistance

After the unifying of the parties into the SED was accomplished, the struggle became even more bitter. According to estimates of the SPD's former East Bureau (which would signal its resolve to shift to a new conciliatory policy toward the East in 1971), during the December 1945 to April 1946 interval, when preparations for the founding the SED were under way, 20,000 Social Democrats resisting the forced unification, had disciplinary action taken against them. With the transformation of the SED into a "party of a new type" in 1948, and its subsequent bolshevization, "Social Democracy" would then not only be denounced as politically and morally reprehensible, but it would even be criminally prosecuted. The basic principles of the SED's personnel policy were laid down in July 1948: that there can be no place in the government for "Schumacher agents, spies, and saboteurs." These "elements" were to be "unmasked" and dismissed—or worse.

Hermann Kreutzer and the Kurt Schumacher Club in Berlin give the following figures: In addition to the 20,000 Social Democrats who lost their positions and jobs, there were around 100,000 who fled to the West. Five thousand Social Democrats were handed over "to be dealt with administratively by the NKVD"—i.e., the SED delivered up 5,000 Social Democrats to the Soviet secret police and military tribunals for judgment to be passed upon them. Four hundred perished in the concentration camps and penitentiaries in the Soviet Zone and in Soviet gulags. Immediately following their release from prison, 1,000 died as a result of prison treatment.

It was even worse. At an SPD congress in April 1961 of former political prisoners under the SED-ruled state, it was made public that from 1945 until the start of 1961, over 70,000 Germans perished in internment camps and prisons. At the same congress, then-Mayor of West Berlin Willy Brandt said: "Our countrymen in the Zone have carried out—by their valor, their perseverance, by all the indications that they have given that they did not bow down, and did not support this regime—a duty which lay in the interest of our whole people. By the measure of our history, this is an achievement, for which we in the Federal Republic can only be grateful."

That achievement, and that sacrifice, should be burned into the hearts and minds of those who are now making back-room political deals with the PDS.

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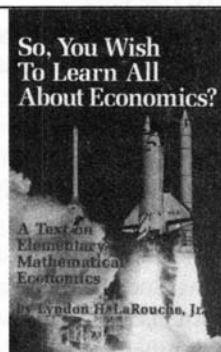
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Landless Movement scores a victory

Waving the "bloody shirt" from recent clashes with police, the MST is drawing support from the international NGOs.

The violence at Brazil's El Dorado de Carajas on April 17, in which the pro-terrorist Landless Movement (MST) provoked a confrontation with police that led to the death of 19 peasants, delivered a strategic victory to the MST, an organization that is active in the orbit of the Castro-spawned São Paulo Forum. The MST-provoked massacre represented a crucial advance in the organization's "Long March," launched in January of this year under the inspiration of Mao Zedong's military policies, which has already prompted at least nine more land invasions under MST direction.

The strengthened MST has succeeded in imposing a number of its demands on the Fernando Henrique Cardoso government, including placing its sympathizers in key government posts and winning government-decreed expropriations of some occupied lands. And, through the efforts of dozens of UN-linked non-governmental organizations (NGOs), the MST has managed to portray itself abroad as legitimate fighters for justice in Brazil, just as the Zapatista terrorists in Mexico have done.

In fact, the pro-MST lobby has grown so powerful that, according to Brazilian press reports of a meeting between Pope John Paul II and several Brazilian cabinet ministers, His Holiness asked: "How are things in Brazil? Every bishop who comes to Rome always talks to me about the landless."

In response to MST demands, the Cardoso government has taken steps to accelerate its so-called agrarian reform, including the creation of a Special Minister of Agrarian Reform, which was given to neo-Communist

Raul Jungman. In an earlier crisis created by the PST, Cardoso handed the leadership of the National Institute of Settlements and Agrarian Reform over to Francisco Graziano, an MST founder.

Jungman inaugurated his post by announcing that he would meet the MST's demand to negotiate a deal, whereby the Banco do Brasil would foreclose on land held by debtors unable to keep up payments on their debts. Jungman also announced the expropriation of lands belonging to the Army, representing some 6.2 million hectares in the Amazon, and of other large landholdings which have been invaded by MST hordes in the states of Minas Gerais and Para.

An alarm over the potential for widespread violence in the countryside was sounded by Antonio de Salvo, president of the National Agricultural Federation. "Logically, violence is going to grow. If we are stripped of our right to turn to the courts, all that will be left for us is the right to use force," he stated, in reference to the latest expropriation decrees.

During a recent trip to the state of Rio Grande do Sul, this correspondent had the opportunity to visit the town of Cruz Alta, where the MST was born nearly 20 years ago. It became evident that the objectives of the MST's political leadership have nothing to do with the economic justice they supposedly seek for the Brazilian peasantry. Rather, the MST is an instrument of destruction aimed at the sovereign nation-state.

Cruz Alta is a political powder keg. While rich in food production,

with highly productive land and an average property size that does not exceed 150 hectares, it has been ravaged by the free market economic policies of Cardoso's so-called Real Plan, in particular the sky-high interest rates. According to growers in the area, the next harvest will be very low and lead to corn shortages for at least two months. An image has become popular in the region to describe the period from 1994, the beginning of the Real Plan, when the financial burden on producers began to intensify, to the present time, in which production of basic grains and parity prices are collapsing: It is called "the open mouth of the crocodile."

Last August, farmers from the area organized a "march of the tractors" to the capital city of Brasilia, to protest against the government's usurious policies. The MST, however, has also tried to feed on this discontent, by organizing people for land seizures and adopting overtly terrorist tactics. We also received well-documented reports that the MST is being advised and trained by the Peruvian narco-terrorist group Shining Path, especially with regard to the security systems the MST puts in place in occupied territory.

The MST has received strong support from the international NGOs, which see in its actions over both ecological issues and peasant struggles, the opportunity to boost their campaign in favor of limited sovereignty and one-worldism. Military sources report that the MST's true objective is to create "islands of self-government" within Brazilian territory, on the model of the "liberated zones" sought by Colombia's narco-guerrilla army.

Encouraging this scenario is Danielle Mitterrand, widow of the late French President François Mitterrand, who recently visited Brazil after having met in Mexico with the leadership of the Zapatistas.

International Intelligence

Charges dropped against Groenewald in S. Africa

South African Judge Jan Hugo on May 22 dismissed charges for "lack of evidence," against three former top defense force officials charged with the murder of 13 people in Natal in 1987. The three are Col. Gerrit Griesel, Lt. Col. Jacobus Victor, and Gen. Tienie Groenewald. General Groenewald, a former head of military intelligence, was a crucial figure in African National Congress-Afrikaner negotiations ongoing since the ANC came to power. He has been interviewed in *EIR* several times, and has strongly expressed his belief that the "economic vision of Lyndon LaRouche" is the only hope for South Africa, and for Africa as a whole, to overcome British colonialism.

Contacted by *EIR* in Pretoria on May 23, General Groenewald charged that the whole investigation and trial was a set-up from beginning to end, that the actual murderers, one of whom was a specialist in "pseudo-ops" (countergang warfare), are now protected state witnesses, and will be settled in comfortable residences abroad after the trial. "It's an absolutely sickening political maneuver," Groenewald charged.

Sudan expels afghansi funder Usama Bin Laden

Sudan Foreign Minister Ali Osman Taha stated on May 26 that "Sudan rejects terrorism in all its forms," and that Sudan has asked any Arabs in Sudan suspected of terrorist involvement to leave the country. Up to recently, Sudan has had an open-door policy toward all Arabs.

In addition, Sudan expelled Usama Bin Laden, billionaire figure in the Saudi opposition, it was reported May 24. Usama Bin Laden is a principal funder of global afghansi networks. He has been directly linked through his London offices, to the Algerian Armed Islamic Group (GIA), and to the bombing of the American-run National Guard training center in Riyadh,

Saudi Arabia.

Bin Laden's wealth derives, in part, from his father's multibillion-dollar construction business in Saudi Arabia. Up until his ouster from Sudan, he ran numerous businesses and farms. In 1979, upon graduation, Bin Laden joined the ranks of afghansi guerrillas, taking several of his father's bulldozers with him to Afghanistan. Bin Laden became an outspoken critic of the Saudi monarchy's acquiescence to the Bush-Thatcher Gulf war, and moved to Sudan in 1991, employing many of his afghansi comrades in his numerous commercial businesses.

In the last two years, Bin Laden's relative, Mohammad Jamal Khalifah, has been linked to the networks of alleged World Trade Center bomber Ramzi Ahmad Yousef, and has been identified by Filipino authorities as a key funder, through philanthropic and religious cutouts, of the secessionist Abu Sayyaf and Moro Islamic Liberation Front in the southern Philippines.

Habitat II: another attack on nationhood

Whatever the subject, the issue is always the same: the destruction of sovereign nation-states. Starting June 3, delegations from 187 countries will be converging on Istanbul, Turkey, for "the city summit." Privatization, decentralization of national government powers, and the creation of virtual "city-states" connected to the world government apparatus, is the goal of this last conference of the series that started with Maurice Strong's Eco-92 Summit in Brazil.

On May 22, the State Department's Melinda Kimble, Deputy Assistant Secretary for International Organization Affairs, said at the Foreign Press Center, talking about Habitat II, "in the next decade, humankind will cross a major watershed because for the first time, sometime in the next decade, more than half of the people of the world will live in cities . . . the places that we can do the least damage in terms of human habitation for the natural environment." In other words: Pack everybody into ghettos,

under non-governmental organization supervision, and let wild animals like Prince Philip roam around as they please.

Then on May 23, the Inter-American Development Bank issued a joint report with the U.N Commission on Human Settlements on Latin America to be presented at the Habitat II conference. It plainly says that "the major investment efforts necessary to resolve urban problems are beyond the scope of individual governments and civil society, and therefore international cooperation must play a central role and assume its rightful responsibility."

Questions surround GIA murder of seven monks

On May 24, the Armed Islamic Group (GIA) of Algeria announced via Moroccan radio Medi-1 that they had cut the throats of the seven French Trappist monks whom they had kidnapped last March because the French government, the former colonial power, had refused to enter into a "dialogue" with them for a prisoner exchange.

The spiritual leaders of GIA are in London: They are Abuqatada and Abu Musab and they publish *Al Ansar*, the GIA regular bulletin.

On May 29, the French paper *Le Monde*, citing Algerian opposition sources in Europe, commented on contacts that reportedly took place between French intelligence and the GIA terrorists. The French counter that the fact that a GIA emissary delivered a videocassette to the French embassy in Algiers, showing the seven monks alive, does not mean that "negotiations" were taking place.

Meanwhile, the representative of the Islamic Salvation Front (FIS) in Washington, D.C., Anwar Haddam, has called in a letter to Pope John Paul II for his support in establishing an independent commission to probe the tragedy. "We see in this horrible crime fingerprints, we know very well, belong to the special forces of the military regime and the small groups it controls."

The pontiff, speaking at Pentecost celebrations in St. Peter's on May 25, said that

Briefly

the monks' dedication was an honor to the Roman Catholic Church "and will surely sow the seeds of reconciliation and peace among the Algerian people to whom they [the monks] had become loyal."

New Ukrainian premier won't buck the IMF

On May 27, Ukrainian President Leonid Kuchma appointed Pavlo Lazarenko, his confidant, as the new prime minister, replacing Evhen Marchuk, who had failed to implement the "reforms" demanded by the International Monetary Fund (IMF).

The new prime minister is a stooge for Kuchma. Lazarenko is called an "agricultural specialist." In reality, he started adult life as a collective farm tractor driver in the Dnepropetrovsk region, the home area of Kuchma, and then embarked on a typical Communist Party career, rising to the post of deputy prime minister last year under Kuchma's tutelage.

Ukrainian media report that Kuchma is preparing his next power play against his opposition in the parliament.

Suit against Venevisión will be heard in Caracas

On May 25, a judge in Venezuela ruled that the court will hear a criminal lawsuit filed by Alejandro Peña of the Venezuelan Labor Party against Venevisión executive Carlos Bardasano. The suit charges that the Venevisión executive had deliberately brought false accusations against Peña in 1994, in a fraudulent effort to get him imprisoned, or killed.

The judge must next decide whether to subpoena Bardasano for questioning, or order him placed in preventive detention while the case is considered.

The case stems from the 1994 attempt by the dirty Cisneros banking and business interests to silence Lyndon LaRouche's co-thinkers in Venezuela. In March 1994, following the bankruptcy of one of their associated banks, Banco Latino, the Diego Cis-

neros Organization filed suit against Peña, seeking his imprisonment on allegations that Peña had engaged in "inciting criminal activity . . . [and] destruction and looting," against Cisneros interests in Venezuela. A principal plaintiff and witness in the case was Carlos Bardasano, executive director of the Cisneros-owned television network, Venevisión. The wildly fraudulent case against Peña was thrown out of court in May 1994.

Venevisión was permitted to buy the major U.S. Spanish-language network Univision, despite formal protests filed with the Federal Communications Commission by EIR News Service, Inc., among others.

Tory party probed for links to Belgrade

The British Conservative party's financial links to the Serbian regime in Belgrade have been the target of investigations, which the London daily the *Independent* reported on its front page on May 25.

The revelations, timed with Prime Minister John Major's trip, May 24, to Bosnia to visit the "democratic" Serbs in Banja Luka and British IFOR troops in Sipovo, refer to secret deals made in December 1994, between then-party chairman Hanley, Serbian businessman Zoran Tancic, and John Kennedy, a Yugoslav-born Conservative Party politician.

The Serbs paid "less than £50,000" into the Tory party coffers, and two Serbian trading firms, Metta Trading and Metalchem International, received clearance from the British Department of Trade and Industry.

Both firms and the people that chaired them, were on the U.S. Treasury Department blacklist, for trading with Serbia despite U.N. sanctions. A former member of the Metta board of directors was Jovan Zebic, a former vice-governor of the Belgrade Central Bank who is one of the key players behind the Serbian use of the currency printing-machines in 1990, to finance the war against the other republics of former Yugoslavia.

INDIGENISM kills: 8,000 of the total 9,200 members of the Yanomami Indians, whose "rights" to preserve their primitive Amazon culture are championed by Prince Philip's wildlife crowd, run the risk of going blind because they have been infected with onchocerciasis, which is transmitted by flies, a recent article in *O Globo* in Rio de Janeiro reported.

THE RUSSIAN elections are not rigged at all, according to a political joke making the rounds in Moscow recently and picked up in European papers. "Have you heard the latest election results?" the joke runs, "Zyuganov got 55% of the vote, but Yeltsin got even more!"

THE TURKISH Army began training nearly 200 Bosnian soldiers on May 20 under a U.S.-led project, news wires reported. "We are pleased to help you with training for your struggle in the future," Turkish Gen. Dogu Aktulga told Bosnian tank officers and their crews at a ceremony in a military base in Ankara. Other NATO member-states have refused to participate in the program.

AFTER VENEZUELA'S Supreme Electoral Council arbitrarily canceled the registration of the Venezuelan Labor Party, the daily *Ultimas Noticias* reported on May 25 about numerous protests at home and from abroad. Venezuelan intellectual Juan Liscano reminded the council that Article 27 of the law permits legally registered parties to not participate in elections during a constitutional period, without losing their registration.

THE FRENCH government stripped all security protection from former Lebanese Prime Minister Michel Aoun, who resides near Paris, on May 22. The pretext for this action is that Aoun is suing the government for having kept him from testifying at the European Parliament in Strasbourg. Two weeks earlier, a close relative of another political exile, former Iranian President Abolhassan Banisadr, was gunned down in Paris.

The leadership that landed men on the Moon

by Marsha Freeman

Powering Apollo: James E. Webb of NASA

by W. Henry Lambright

Johns Hopkins University Press, Baltimore, 1995
271 pages, hardbound, \$35.95

Thirty-five years ago on May 25, President John F. Kennedy, speaking before a joint session of Congress, committed the United States to “land a man on the Moon, and return him safely to the Earth.” Telling the story years later, some of the specialists who worked on the Apollo program would joke that they thought, in 1961, that they knew how to get a man to the Moon, but that the second half of the mandate posed the real challenge: returning him safely to the Earth.

The challenge of Apollo would require the mobilization of the nation’s scientific and engineering capabilities, its fledgling aerospace industry, colleges and universities, and, most importantly, its political will. In order to accomplish the President’s goal—even after he was no longer there, and although there were setbacks and a fatal fire—leadership was required that was firmly rooted in a tireless commitment to see this country accomplish great tasks. Without James Webb at the helm of NASA, few would argue that the goals of Apollo would have been reached.

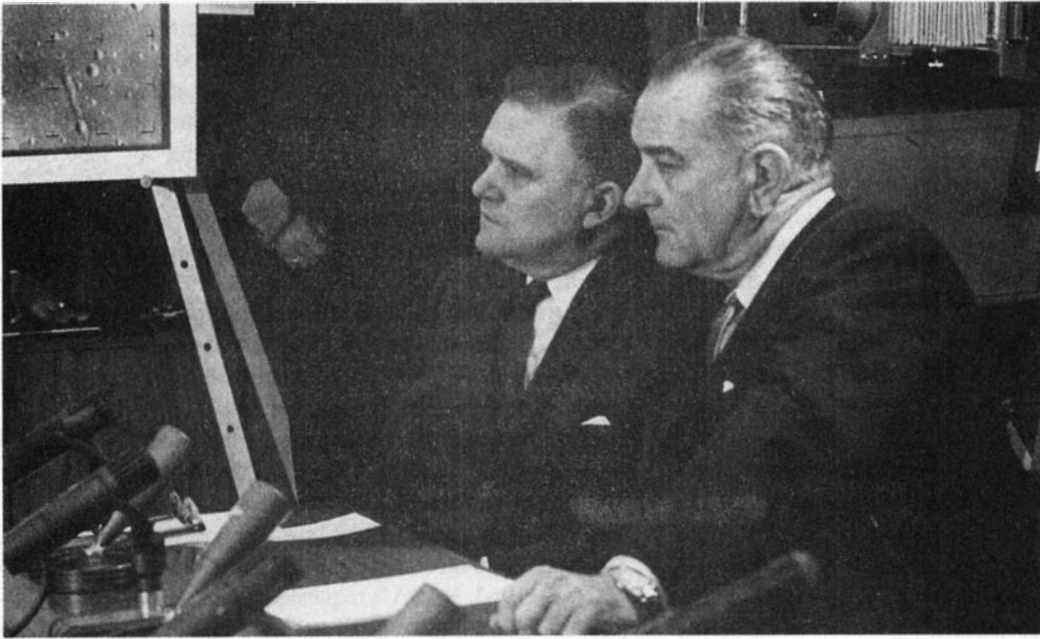
James Webb was not a scientist, engineer, college professor, elected politician, or industry mogul. He was a manager and civil servant. Even though he was appointed to be NASA administrator by President Kennedy, and, therefore, served at the pleasure of the President, he did not hesitate to argue with his President over the policy direction, and future, of the space

program. He understood, as politicians rarely do, that man’s exploration of space was not just a “program,” or a line-item in the budget, and fought with the elected officials in the Congress on that issue. As biographer Henry Lambright aptly states, “While Apollo had its critics then and now, it stands as a symbol of what the United States can do when it decides on a course and puts the necessary resources behind it.” It was James Webb who made sure that the United States stayed the course.

Today there is a fight being waged within the Democratic Party, led by congressional leaders, and informed by the dirigist economic proposals of Lyndon LaRouche, to return to the policies that created the industrial mobilization to win World War II and, later, to achieve the goals of the Apollo program. These center upon the understanding that it is the responsibility of the federal government, through its control and direction of credit, monetary, and investment policies, to create the prerequisites for economic growth.

Whatever areas of economic growth the United States has sustained over the past 30 years has been largely a result of the brief but dramatic investments made during the few years of President Kennedy’s Apollo program, in education, basic infrastructure, and the new technologies required to take man into space.

While increasing wages, improving health care, rebuilding infrastructure, and “corporate responsibility” are necessary to halt the draconian cuts in standards of living that have taken place since the end of Apollo, such catch-up cannot provide any long-term stimulus to the economy. As Webb saw it, the space program was the perfect vehicle, the “science driver,” through which the nation could be brought into an era of economic prosperity. This is even more true today.



NASA Administrator James Webb attends a briefing with President Lyndon Johnson on NASA's Deep Space missions, Feb. 26, 1965. Webb's vision for a continuing mission orientation after Apollo fell to pressure on the budget, including from the war in Vietnam.

From Tally Ho to Washington

James Webb was born on Oct. 7, 1906 in Tally Ho, North Carolina. In 1932, after two years in training as a Marine Corps aviator, Webb joined the staff of North Carolina Rep. Edward W. Pou in Washington. Through his work in the Washington of FDR, Webb became a "Roosevelt Democrat," according to Lambricht, or "one who saw the federal government as having responsibility to lead and change the nation." Two years later, he entered George Washington Law School.

At the age of 30, Webb left Washington to become personnel director and assistant to the president at Sperry Gyroscope Company in New York, whose president, Tom Morgan, also hailed from rural North Carolina. This position allowed Webb to hone his exceptional interpersonal skills, in which "he saw leading as persuading," in a company that was developing a new technical capability for an industry involved with an interest of his—flying. Lambricht reports that Webb recalled in interviews that from the time he joined Sperry to the beginning of World War II, the company grew from 800 employees, to 36,000. Webb saw his job as "putting things together and getting a team that could play the ball game."

On the weekends, Webb worked to enlarge the National Aeronautical Association, an organization of amateur fliers and aviation enthusiasts. He believed that the government should do more to promote aviation, so periodically Webb "went to Washington to lobby for changes in procurement policy and incentives to industry to invest in research and development" to improve aviation technology. He became the treasurer of the aviation exhibit at the 1939 New York World's Fair.

After the war, Webb was asked to become the director of the Bureau of the Budget. At a commencement address at

Harvard in 1947, Secretary of State George C. Marshall called for a large-scale program of economic assistance to Europe, and as budget director, Webb was responsible for the studies that would contribute to the plan's implementation. Lambricht reports, "He commissioned studies of wartime agencies and how they operated to achieve huge, urgent tasks, of institutional models that might serve to help organize the Marshall Plan." Webb's Depression/FDR-era belief that dirigist government policies are needed to solve economic problems was given its first real challenge; it was good training for Apollo.

In President Truman's second term, Webb was asked to be undersecretary of state under Dean Acheson, with whom he did not agree (Acheson was "the very model of the Eastern Establishmentarian"). Acheson believed other agencies should be "crowded out" of foreign policy deliberations. Webb also disagreed with George Kennan's policy of "containment" of the Soviet Union, and had to battle with Paul Nitze ("a New England Brahmin" who had come to Washington "from a successful career on Wall Street"), deputy director of the Policy Planning Staff, who opposed Webb's idea of bringing other agencies into having a closer foreign policy interest.

Due to internal resistance, there was little Webb could accomplish at the State Department in terms of the reorganization he thought was necessary, but he made one important and lasting contribution to its functioning, on the advice of his friend, scientist Lloyd Berkner. Webb created a science office under him at State, and established the system of science attachés at U.S. embassies abroad.

On Jan. 19, 1952, after a confrontation with Nitze, Webb wrote the President a letter of resignation. Webb returned

to industry, sitting on the board of directors of McDonnell Aircraft, and then spent eight years in Oklahoma with Republic Supply and Kerr-McGee Oil Industries. He used this opportunity to become involved in the upgrading of science education in Oklahoma, setting up the Frontiers of Science Foundation. He also accepted appointments to national advisory committees, including director of the Oak Ridge Institute for Nuclear Studies, and maintained contact with Berkner, head of the National Academy of Sciences Space Science Board, and others in the scientific community. Then, the October 1957 launch of the Soviet Sputnik satellite put space exploration at the center of U.S. science policy.

‘Great issues of policy involved’

When James Webb returned to Washington to be interviewed for the job of administrator for the National Aeronautics and Space Administration (NASA), in January 1961, he found that “perhaps 19 different people had been considered and rejected or had turned the offer down,” Lambright reports. The primary reason was the disagreement, within President Kennedy’s cabinet, over the mission of the infant space program. Science adviser James Wiesner complained that NASA was putting too much emphasis on the manned space program, and not enough on “science.” Some in the military thought that it should be the lead agency on the new frontier.

President Kennedy told the new NASA administrator that he did not want a “technical man” for the job. “There are great issues of national and international policy involved in this space program,” he said. “I want you because you have been involved in policy at the White House level, the State Department level,” the President said, according to Lambright. Webb had his work cut out for him. In the face of opposing “counsel” from the President’s science adviser, the Air Force, and others, Webb maintained a belief that “NASA had to take technical and political risks to get the U.S. space program moving forward,” writes Lambright. He supported the technical NASA leadership in accelerating the timetable for manned missions to the Moon. And it was his job to help convince the President.

President Kennedy’s decision, announced on May 25, 1961, to land a man on the Moon before the end of the 1960s, rested on the assurance by the NASA administrator that the space agency could do it. Webb’s condition, as he explained to Vice President Lyndon Johnson, was that “there’s got to be political support over a long period of time, like ten years, and you and the President have to recognize that we can’t do this kind of thing without that continuing support.”

When President Kennedy announced the Apollo initiative, there were elements included to make sure that the space program would not end with the Moon landing. The acceleration of the development of the Rover nuclear rocket for possible future manned missions to Mars was part of the “Apollo” announcement, which reflected Webb’s personal agenda, as well as that of the President.

As Lambright describes it, “the mission” that Webb brought to NASA was “to use science and technology, and now Apollo, to strengthen the United States educationally and economically.” Space writer Walter McDougall described Webb’s concept as a program for a “Space Age America.” That concept would today be disparaged as part of a national “industrial policy.”

Webb did not have any illusions that political support for Apollo would last out the decade needed to accomplish it. He felt, he recalled to Lambright, that President Kennedy had not made a “commitment,” but “had given us the authority to start. It was up to [us] to go as far and as fast as we could, and bid for his support by doing a good job.”

Few in Congress could grasp the idea that NASA could be used as a vehicle to “move the whole nation to a ‘new frontier’ of enhanced technology-based education and economic development,” as Lambright describes Webb’s vision. The congressional consensus behind Apollo lasted barely two years. By 1963, NASA’s requested budget was debated heatedly, and while NASA received more money than in 1962, it obtained far less than Webb had sought.

The fight to reach Apollo’s goal

NASA was reorganized under Webb’s leadership, primarily to “pull power upward from the centers to headquarters.” Like the various branches of the Armed Forces, the individual NASA centers had become well known for inter-service warfare, and for Apollo to succeed, strong centralized leadership was necessary, in order to fight the upcoming technical and political battles. To do this, Webb had to rein in not only the NASA centers, but the industrial contractors, and even the astronauts; neutralize the opposition in the President’s cabinet; and, at times, disagree with the President himself.

Near the end of 1962, President Kennedy called a meeting at the White House to resolve a dispute between Webb and Office of Manned Space Flight Director D. Brainerd Holmes, on the priorities for the space agency. Webb’s view was that Apollo was only a part of the space program. Lambright states that Webb wanted a space program that was balanced. When he was finished, Kennedy expressed concern that “he and his NASA administrator might not be in accord on Apollo’s priority. He said that the manned lunar landing was the most important U.S. objective. Webb said, no, the objective was to be ‘preeminent in space.’ ”

In the end, Kennedy wisely placed his trust in the judgment of the NASA administrator, who also had to do battle with Defense Secretary Robert McNamara, in order to hold on to the civilian space program.

‘Spectacular vision of the national interest’

Shortly after Kennedy’s murder, congressional cuts in the NASA budget in 1963 had nearly put the Apollo goal at risk, but Webb could count on backing from President Lyndon

Johnson. In return, Webb, a southerner like Johnson, was able to help organize southern support for the President's civil rights legislation. Webb went so far as to threaten that NASA would move the Marshall Space Flight Center—Wernher von Braun and all—out of Alabama, if there were not a change in the “hate federal government doctrine” espoused by Gov. George Wallace.

By 1965, however, Webb could no longer count on the President's support for his long-term vision for NASA. Johnson, while committed to finishing the Apollo program that his slain predecessor had begun, was too consumed with his new Great Society initiative, the escalation of the war in Vietnam, and the budget deficit, to be interested in the space program after Apollo. And this was a fight that Webb could not win.

In a May 1966 interview with the *New York Times*, Webb “risked his relation with the President” by stating publicly that the nation faced a “crisis in space planning.” He explained that the decision on post-Apollo programs had to be made within a year, “long before the actual Moon landing attempt,” in order to maintain momentum in space exploration. By that time, there were already manpower cutbacks beginning at the Marshall Space Flight Center, as the development work on the Saturn V rocket to take men to the Moon was nearing completion.

Webb knew that no U.S. space program could be undertaken unilaterally by NASA, but had to have the support of the President. Webb argued with Johnson, and tried to make clear that achieving the stated goal of Apollo, without plans for the future, would lead to a dead end. Johnson was not entirely convinced. In fact, 1965 was the peak funding year for NASA, in real dollars.

Webb was able to secure \$45.7 million for the follow-on Apollo Applications Program in the FY 1968 budget, to keep the manned space program in business after the lunar landings. The plans included two-week stays for astronauts on the Moon, and an orbiting laboratory.

Then, on Jan. 27, 1967, hopes of reaching President Kennedy's goal for Apollo itself nearly came to an end. A fire in the capsule on the launch pad at Cape Canaveral, killed three astronauts, giving front-page column inches to every critic the space agency and the space program ever had. The *New York Times* virtually called for Webb's resignation. And in Congress, as Lambright states: “Northern liberals looking for money for social programs were joining fiscal conservatives anxious to reduce expenditures in an alliance aimed at NASA.”

Although even former supporters, such as the editor of *Aviation Week and Space Technology* magazine now questioned the speed of the effort and proposed that the goal of reaching the Moon “within this decade” be scrapped, Webb was able to only convince President Johnson to fund the Apollo program. In 1967, needing the votes from fiscal conservatives for a tax increase to finance the Vietnam War buildup, Johnson went along with a half-billion-dollar cut in

the NASA budget. Because both Johnson and Webb considered Kennedy's Apollo deadline non-negotiable, what suffered was the post-Apollo program. Webb's “balanced” program was no longer a possibility.

In 1968, after Johnson had announced that he would not seek reelection, Webb became concerned about the potentially disruptive effect of the Presidential transition on the space agency. A new President could choose a new NASA administrator, and could decide to interfere in a program then on a break-neck schedule, Webb feared. Rather than wait until after the election, Webb chose to try to depoliticize the change in the top management at NASA, and announced that he would retire from government service on Oct. 7, when he turned 62. His able deputy, Dr. Tom Paine, took the helm.

Two months after Webb's resignation, the organization he formed and nurtured sent three astronauts out of the Earth's orbit, for the first time in history, and around the Moon. Nixon kept Paine on as NASA administrator, after being counseled to keep him if he wanted to meet the Apollo deadline. On July 16, 1969, three Apollo 11 astronauts headed out for the first manned landing on the Moon. The Kennedy mandate had been met.

In the “conservative” Nixon era, government itself was depicted as part of the problem. As Lambright describes it: “Big technology, which Webb embraced, was also suspect in the wake of Vietnam, a counterculture movement, and the rise of environmentalism. The long-standing partnership between federal officials and scientific and technical experts, forged in World War II, was shattered.” Although there were six successful lunar landings, after the first, the Apollo program was essentially over. This was not because there were no plans to build an Earth-orbiting space station, reusable transportation system, and then send men to Mars, but because there were economic and budget-balancing policies that precluded such plans from being carried out. The far-sighted Tom Paine, realizing that the Nixon administration would not promote a visionary space program, resigned as NASA head in September 1970.

At the time of the lunar landing, names such as Neil Armstrong and Wernher von Braun were household words. But as Lambright remarks, “Despite his leadership of one of the most extraordinary technological achievements in history, Webb is not well known. . . . Webb was more interested in NASA's aggrandizement than his own.”

Although Webb suffered with Parkinson's disease, which was diagnosed in 1975, he continued to “keep alive the message of Apollo,” until his death on March 27, 1992. Lambright explains that Webb considered his legacy, not the accomplishment of the spectacular lunar landing, but NASA as a management model that showed that “if a nation could put a man on the Moon, it could manage its other large public problems.” Webb had, as Lambright puts it, “a spectacular vision of the national interest,” which has been lacking since, and which is needed today.

Enrico Cuccia: Italy's most powerful banker

by Leonardo Servadio

Il padrone dei padroni

by Giancarlo Galli

Gazanti Publishing House, Milan, Italy, 1995

269 pages, 27,000 liras

Toward the end of the 1970s, Italy was torn by terrorism which claimed hundreds of victims among politicians, trade unionists, security officers, journalists, etc., and anyone with any public status was surrounded by bodyguards. Yet, every morning, a well-dressed elderly gentleman made his way, alone and unescorted, from Milan's St. Babila Church where he attended mass, to his office at Mediobanca, the country's only merchant bank. That man was Enrico Cuccia, the most powerful banker in Italy. The title of his biography, by *Avvenire* economics and financial journalist Giancarlo Galli, *Il padrone dei padroni*, can be translated as "The Lord of the Lords," or "The Bosses' Boss."

Cuccia is an extremely secretive man, very little is known about him; and, for that reason, Galli's research is of extreme value. For tens of years, only one picture existed of Cuccia, and, although he always stuck to a very precise financial policy, his name and actions have rarely been debated publicly.

Still today, when, at nearly 90 years old (he was born in 1907), Enrico Cuccia (now "honorary president" but in reality the mastermind of Mediobanca), still walks alone every morning through the streets of Milan, he passes more or less unnoticed.

Through Galli's account, the reader discovers how dramatically important the role of this one man has been for the history of Italy, a man who managed to become the champion of the free market, the actual leader of the private interests of a small group of families in Italy. A man who was always extremely powerful, but who was made over-powerful, thanks to the ongoing wave of privatizations of what was the biggest state-owned industrial sector of the western world.

Looking at the history of the group of financiers out of which Cuccia emerged, the apparent conflict between the

"public" and "private" sector, takes on a different aspect. Cuccia's career was sponsored from the beginning by Guido Jung, an entrepreneur who was able to monopolize the world market in almonds, and who, in 1932, became finance minister in Mussolini's Fascist government. Jung was a close friend and collaborator of Giuseppe Toeplitz, the director of Banca Commerciale, one of the state-owned banks. It was Jung who was to deal with big finance capital on behalf of Mussolini. It was Jung who introduced Cuccia into the Bank of Italy, where he started his training as a banker.

Closely connected to Jung was Alberto Beneduce. Beneduce was the director of IRI (Istituto per la Ricostruzione Industriale), the holding company through which the Italian state, by means of nationalizations, helped many private industries out of the Great Depression which had exploded in 1929. Through the common friendship with Jung, Cuccia was to become a close acquaintance of leading masonic figure Beneduce, and later married one of his daughters, whose given name, significantly, was Idea Socialista (Socialist Idea).

So Cuccia, who was to become the champion of "private capital," as opposed to "public capital," started his career with those people who led the "nationalizations" whence originated the overgrown state sector in Italy. There is no contradiction in this, because, as it should become clear, for the big financial interests, what is more important than the proprietary status of the enterprises, is that they be managed in the interest of the major capitalist families; this is the philosophy which inspires Cuccia's activity. Just as Cuccia today is leading the privatizations, in accordance with the interests of Italy's leading capitalist families, during the 1930s, his master, Beneduce, was running the big state take-overs in order to have the Italian state pay for the crisis into which the entire industrial and financial sector had plunged as a result of the 1929 collapse.

Thus, it is not central whether an industry is private or public, but rather what industrial policy an enterprise, or a state, decides to follow.

Mattei's policy versus Cuccia's

The only true counterpole to Cuccia was Enrico Mattei, the founder of the National Oil Co. (ENI), who—from the end of World War II until his death in 1962, when his plane crashed near Milan as it was about to land (very likely as a result of an explosion triggered by descent of the plane's landing gear)—pursued a policy of technological growth and energy independence for Italy.

Mattei's policy was to promote industrial development both in Italy and in those countries from which ENI was exporting oil: which is why he entered into a strong corporate and principled competition with the Anglo-American oil companies, to the point that he sought some Soviet support for his actions in the Third World; for this reason, the lie

was widely spread that Mattei was a communist.

Mattei headed a state-owned corporation which led the industrial development of Italy: Nothing could be further from Cuccia's mentality. Cuccia cares only about finance, and not in the least about the tangible economic results of his financial policy. As Galli pinpoints, Cuccia's continuous financial operations, which are planned and implemented with military precision (Cuccia is a disciple of military strategist Clausewitz), have the sole objective of increasing the network of financial interests in the orbit of his Mediobanca. Cuccia tends to suppress the investments in research and development in firms which come under his financial influence, since he believes that patents can be bought anyway, and that therefore, profits shall be used only for financial speculation or to favor mergers and acquisitions. This logic has caused the Italian industrial sector to fall significantly behind the levels of the industrial production of its foreign competition—or has prevented Italian industry from reaching the levels of the foreign competition—to the point that the only way of making Italian industry competitive with the Germans or the French, has been to continuously devalue the lira: a process which continued throughout the '70s, and, with a slight interruption in the '80s (when the public debt shot up to the point of bankruptcy), into the '90s—thus favoring foreign and national speculation against the lira.

Cuccia, the Action Party, and André Meyer

In 1938, Cuccia was hired by Banca Commerciale, and put in charge of the "foreign sector." At that time, the bank was led by Raffaele Mattioli and, when it was clear that the Fascist government was about to collapse, it became the organizing center of the "white collar" anti-Fascist resistance movement. Such an organizing center took the name "Partito d'Azione" (Action Party), which included, besides Cuccia, Ugo La Malfa, Giovanni Malagodi, and several intellectuals and politicians who were to constitute the "secular intellectuals," as counterposed to the "two churches": the Catholic Church and the Communist Party. From this moment on, the most significant element for the case of Cuccia is the personal friendship he developed with André Meyer.

In the spring of 1942, Cuccia was tapped to make contact with the Anglo-American governments on behalf of the Action Party: In his capacity as foreign officer of the Banca Commerciale (Comit), he was sent to Lisbon, under the cover of transferring shares of the Latin American Comit (owned by Banca Commerciale and Paribas) to the Banco Espirito Santo e Comercial of Lisbon. In Lisbon, he had extensive contact both with the U.S. ambassador, George Kennan, and with Lazard's André Meyer.

Meyer, who rose to the top of Lazard after starting out as an errand boy, had fled Paris in 1940, and settled in New York. According to Galli, it is during his stay in Lisbon that Cuccia established with Meyer a sort of "action pact" aimed

at defending finance capital from the threats of communism and Stalinism. Another important contact of the Action Party, through Adolfo Tino, was then Office of Strategic Services official (later the first CIA director) Allen Dulles, in Bern, Switzerland.

In 1943, Cuccia became co-director of the Banca Commerciale. Even if Cuccia never operated openly as a politician, his rank in the Action Party was "very high," according to Cesare Merzagora, himself a leader of the Action Party who would later be the most prominent person in the Liberal Party of Italy.

In 1944, when Mattioli was sent by Premier Ivanoe Bonomi of the interim government, to the United States, Cuccia went as Mattioli's aide, since he was the only one who knew Kennan. The mission was to discuss the issue of war reparations and credits for the reconstruction of postwar Italy. Cuccia was, since the very beginning, immersed in the U.S. financing for Italy's postwar reconstruction. The difference between Cuccia and Mattioli, writes Galli, based on interviews with their common friends, was that the latter was a traditional banker, who viewed money as an instrument to make investments in the real economy, whereas Cuccia always looked only at the abstract numbers: not as a banker, but as a pure financier.

The coup at the bank

Mediobanca was officially constituted in 1946: Cuccia was the director. Mattioli, who had planned the bank, came onto the board only several months after the constitution of the bank. The bank bylaws included the provision that Mediobanca could own and sell corporate shares—something no other Italian bank could do.

Ten years later, in 1956, Lehman Brothers and Lazard entered Mediobanca with a certain number of shares. Meyer joined the board. The bylaws of Mediobanca were changed to introduce a novelty: A "syndicate of control" was established (in fact constituted by Cuccia and Meyer and their allies), which de facto took away the control of the bank from its action holders: which were all state banks (Comit, Credito Italiano, and Banco di Roma). From that moment, Mediobanca, though officially still owned by the Italian state through the three state-owned banks, in reality was entirely independent and solely controlled by Cuccia and Meyer. In 1954, Cuccia had opened the first foreign operation of Mediobanca: in Monrovia, Liberia, an offshore market where the official currency is the U.S. dollar.

Though being a fully state-owned bank, from the very beginning Cuccia led Mediobanca, according to Galli, in permanent consultation with Meyer and excluding any political interference.

Slowly but steadily Cuccia worked through the years to build up around Mediobanca a network of financial participations which allowed him to control the largest part of the

big Italian corporations. As we already mentioned, his only real enemy was Mattei, the "Italian de Gaulle." After the death of Mattei, his successor in ENI was Eugenio Cefis, former Action Party member and close friend of Cuccia. Cefis was to "retire" several years later in Canada, fleeing from the Italian justice system after having accumulated, illegally, as Galli underlines, a personal capital of 100 billion liras. By comparison, Galli notes that ENI gave 54 million liras to Mattei's widow in grievance pay, when he died. This sheds light on the current propaganda which dominates the Italian political debate, according to which anything which is state-owned is corrupt, and anything which is private is neat and clean; reality is often quite the opposite. As testimony of an uninterrupted friendship, Cefis's son now sits on the board of Mediobanca.

Agnelli, Pirelli, Formenton, Pesenti, Gardini-Ferruzzi, De Benedetti, and, finally, also Berlusconi—all the leading capitalist families had to go through Mediobanca in order to settle their accounts, and Cuccia managed to keep them afloat, or to let sink those who did not want to accept his leadership.

The case of Michele Sindona

Galli establishes the point that in Italy there is no such thing as "Catholic finance" which, according to a widespread opinion, tried over the years to stand up to Cuccia. The best-known case of a financier who opposed Cuccia was that of Michele Sindona, who was personally entrusted by Pope Paul VI to handle some financial operations on behalf of the Vatican state:

Galli shows how Sindona, in fact, was nothing but a very capable financier, who set about getting into the milieu of Bishop Montini of Milan (later Pope Paul VI), through his personal activity and through family ties. Sindona operated by acquiring nearly bankrupt companies and, through financial operations and makeups, made them attractive enough to re-sell. He started his career in the 1940s as a speculator on the agricultural futures market, in Sicily, and continued in the '50s as a real estate speculator in Milan: He would buy farmland on which it was impossible to build, then arranged, through friends in the administration, for the property to be rezoned for building, thus driving up the land value. This is exactly the same kind of dynamic through which Silvio Berlusconi, thanks to his friendship with the Socialist administration controlled by Bettino Craxi, could build up his capital base between the end of the '60s and the beginning of the '70s. Sindona and Cuccia operated more or less in some sort of agreement for a while, during the '60s.

The conflict between Sindona and Cuccia emerged when Sindona wanted to buy, on behalf of the Swiss multinational Nestlé, the U.S. firm McNeill and Libby: Since the operation had to be done on the New York market, Cuccia advised him to go through Meyer. Yet Sindona wanted to operate

through Lehman Brothers. Meyer was offended, and in Paris, Lazard held a sort of trial against Sindona and determined that he should be ousted from the international financial community.

On the verge of bankruptcy, Sindona, according to Galli's account, threatened to kidnap Cuccia's daughter. Cuccia did not expose the threat to the magistracy, but rather met with Sindona, to come to an agreement. The end of Sindona is known: He went bankrupt and was finally poisoned while in prison in Italy. Similarly, Roberto Calvi, the president of Banco Ambrosiano and another enemy of Cuccia, found a strange death: hanged under Black Friars Bridge in London, after going bankrupt. Calvi, too, was meddling with Vatican finances. But there is no such thing as Catholic finance, warns Galli: There are only good or bad financiers, operating in a world where everybody is in continuous warfare against everyone else.

Galli's analysis indicates that Cuccia has always been more capable than his enemies in the financial world: He does not imply that Cuccia is necessarily more "clean," as it is shown, by his continued favor for fugitive Cefis. But Cuccia does not betray the friends who do not betray him, explains Galli.

Among the most widely known operations led by Cuccia are the participation of Qaddafi in FIAT, with a package varying around 15% of the shares of the Turin enterprise, a very big operation which helped keep FIAT afloat in the difficult years from 1975 on. In 1986, after the U.S. bombed Libya, Cuccia decided to distance himself from Qaddafi: he convinced Deutsche Bank to buy Qaddafi's shares; since then, Deutsche Bank has been operating in Italy.

Galli also points out that Cuccia is very agile at helping out Italian companies through foreign capital, and that he pays great attention to Lazard's interests in Italy. Yet, he does nothing to help Italian financial interests which try to operate abroad. The two examples which Galli points to are those of De Benedetti, who at the end of the '80s unsuccessfully tried to take over the Société Générale de Belgique, and Pirelli's unsuccessful takeover attempt of Continental in Germany.

The privatization wave

Mediobanca was privatized in 1989. The operation of privatization was led by Maccanico, the former secretary of Sandro Pertini, who was President of Italy in 1978-85. Maccanico, in his youth, had been an Action Party member, and President Pertini was said to be in the Giustizia e Libertà lodge, which may be the same masonic lodge in which, according to Galli's book, Cuccia is also a member.

The privatization of Mediobanca marked the beginning of the growing wave of privatizations which followed the fall of the Berlin Wall. This new wave allowed Cuccia to significantly increase his weight to the point of achieving total

hegemony in Italian finance. In and around his Mediobanca, rotate the biggest corporations in Italy, starting with FIAT and Montedison, Spergemina (the financial holding led by the Agnelli family), the groups Pesenti, Pirelli, Orlando, Olivetti, Ferruzzi, Ligresti. In banking and insurance, Cuccia's empire includes Assicurazioni Generali di Venezia (led by François Bernheim, Lazard partner and board member of Mediobanca), Alleanza, SAI, Toro, Banca Commerciale (recently privatized), Credito Italiano (remember, those banks used to be the owners of the state-controlled Mediobanca; now they are controlled by the private Mediobanca!), Credito Romagnolo, and, recently, the president of the Banca di Roma, Pellegrino Capaldo, was brought onto Mediobanca's board. Further, the German groups Commerzbank and Allianz have recently entered into partnerships with Mediobanca, while Deutsche Bank, through its participation in FIAT, has obvious connections to the Cuccia group. Galli foresees that soon Mediobanca might form a single group with Lazard through the mediation of Deutsche Bank. This operation would put Cuccia, according to Galli, at the same level as the most important international financiers.

The privatizations are Cuccia's triumph. The contrast has been between his method of privatizing by creating "syndicates of control," which holds the "control package" of the business, versus Prodi's policy to privatize through the "public company" system (wide, "popular" shareholders). Cuccia so far has won.

As Galli points out, Cuccia has always won. Recently Berlusconi, who remained somewhat outside the Mediobanca-led group, has become closer to Cuccia, since the Banca Commerciale has been overseeing Berlusconi's Fininvest shares allocations. And Lamberto Dini, the former director of the Bank of Italy who was always close to Andreotti (who, in turn, always opposed Cuccia), and who recently led the Italian government, according to Galli, "realized that, if he really wants to continue his political adventure" (Dini founded a new party which participates in the elections allied with the Progressive Democratic Party, PDS, formerly the Communist Party), he had better ally with Cuccia.

This is the conclusion of Galli's book: At the moment, there is no possible opposition to Cuccia. He represents Italian finance. Is this Cuccia's merit? asks Galli. There has been no one capable of resisting him or of operating better than he did, answers Galli, and at the political level, nobody ever tried to establish any policy that could actually challenge his.

That is, no one has challenged Cuccia's power since the courageous opposition by Enrico Mattei: The man who gave Italy nuclear energy; the man who made Italy energy-independent. Today, over 30 years after Mattei's death, the energy deficit is the major source of Italy's foreign deficit, with all its consequences for the national economy. *Il Padrone* Cuccia, whose interest never lay in the improvement of Italy's economy, now has a real empire.

'A permissible sort of extinction'

by Katharine Kanter

Histoire de l'Eugenisme en France (The History of Eugenics in France)

by Anne Carol

Seuil, Paris, 1995

396 pages, paperback, 190 FFr.

The author of this book holds a Ph.D. in history and teaches at the University of Aix en Provence; her study on eugenics in the French medical profession, though flabby in its conclusions, puts into the hands of the general reader original texts from the eighteenth century onwards, so unguarded in their contempt of man, that they are scarcely to be believed.

Busy as some people are these days bashing the Germans, they tend to put out of mind not only the existence of a powerful Fascist movement in England in the 1930s, led by cocktail party lion Oswald Mosley; they would prefer to overlook the fact, that Mosley's movement grew out of what has become, since the 1820s in both England and France, the predominating outlook among the upper classes: militantly anti-Christian, nihilist, and elitist, epitomized by Charles Darwin, his cousin Dr. Galton, and the Huxley family. Today, its chief political expression is monetarism, sometimes called "Thatcherism," which is none other but a rationalization for a religious belief in survival of the fittest. Central to its rites, is the rite of human sacrifice.

Origins of the eugenics movement

In pursuit, no doubt, of convergence with England on such matters theological and philosophical, French men of leisure and hobby philosophers plunged feet forwards into the spiritual desert left by the French Revolution. What took place, is precisely as John Stuart Mill prefigured it, in a letter dated 1841 to Auguste Comte: "Like you, I am quite of the opinion, that the combination of the French with the English spirit, is one of the most pressing needs of intellectual reorganization." Mill took over the Chair of Political Economy at Haileyburg College from Thomas Malthus and Adam Smith, while one of Comte's disciples, Clémence

Royer, was the translator of Charles Darwin's works into French.

As early as 1826, the latifundist Girou de Buzareingues had produced something entitled "On Generation," in which he purports to found the science of Anthropotechny, based on his studies of veterinary breeding practices. By 1841, one F. Devay, in "On the Perfections Which Might Be Brought to the Human Species," was proposing that one should study the practice of horse breeders, because "veterinary physiology can greatly elucidate the question which so concerns us"; his near homonym Debay, in "History of Metamorphoses in Man and the Monstrous," written in 1845, said: "Horse breeders know that two nags will never bring forth a fine steed; the same be rigorously true of man."

One author that Anne Carol does not mention, however, happens to be the very founder of the French Society of Anthropology, Paul Broca, who launched the Society, the first of its kind in the world, in 1858. He saw his task as "refuting the reign of mankind" over the earth. A fervid admirer of Aristotle, Broca developed a theory of racial inequalities based on craneo-morphology, etc., which purported to show that slavery could be "legitimate." The Society of Anthropology became the center, not only for anthropomorphological studies which, in many cases, antedate the work done in Germany on racial hygiene, but for an anti-Christian cult, "transformism," the term used for a somewhat more sophisticated form of materialism. Indeed, the hard core of the School of Anthropology had set up, in 1866, a "more intimate circle" called "The Materialist Group."

Following Carol's argument—and the sheer number of eugenicists of the most vicious sort she cites in her study, is staggering—such views were not, and are not confined to star-gazers, laboratory nerds, and assorted wizards. On the contrary, the Darwinian-Galtonian faction was, and is, on the inside track of the French medical profession. And they get Nobel prizes. Charles Richet, a ferocious racist, founder of the French Society of Eugenics (1912), was awarded the Nobel Prize in 1913, as was his co-thinker, Alexis Carrel, in 1912. In "Human Selection" (1912, published 1919), Richet wrote: "By proposing to wipe out abnormal beings, I will doubtless cross the blushing lilies of our age. People will call me a monster, simply because I prefer healthy children to the defective, and I see no social reason to preserve defectives."

In 1935, Carrel wrote a best-seller, *Man, That Unknown*, in which he baldly states that there "should be set up a euthanasic establishment, supplied with the appropriate gas" to do away with criminals and dangerous madmen. Mussolini, *dixit* Carrel, is a "genius, comparable to Pasteur or Einstein," and Germany—this is 1935—"swept up in the passion to create."

The University of Lyon had, until very recently, a medical faculty named in honor of Alexis Carrel, until a campaign

by the Schiller Institute encouraged some to become more discreet in their enthusiasms.

A soul mate of Carrel, Dr. Binet-Sanglé, wrote in *The Art of Dying* (1919): "The State, by allowing poor breeders to multiply, is responsible for the great many defectives around us. . . . The Institute for Euthanasia shall repair this damage. It should be part of the Public Health Service." There must be encouraged "the suicide of poor breeders, and to that end, created an Institute for Euthanasia, where those degenerates who are tired of life shall be put to death, with protoxyde of azote or laughing gas . . . and the same applies to bad subjects, who shall have slipped through the net of anti-birth prophylaxis, or abortion."

Binet-Sanglé informs us that he long pondered over the means to dispatch his fellows to the other world: Would it be a blow by club to the head? Electrocutation? Hemlock? Too long, too unsure, too painful—until he hit upon the solution of laughing gas.

Binet-Sanglé's name, in French, sounds very much like "cinglé," which means "loony." A rabid anti-clerical, all "mystics" he dismissed as neurotics. This led him to a highly original biography of the Savior, "The Life and Folly of Jesus," dubbed "Life of Jesus by a Madman" by uncharitable contemporaries.

As early as 1909, the *Chronique médicale*, the doctors' review, launched a readers' referendum on abortion. The question was, would the readership support modifying the prohibition in Article 317 of the Penal Code, for eugenic reasons? One of the most celebrated doctors of the day, M. Naquet, considered "abortion to be a duty when the unhealthy fruit of a tuberculoid, a syphilitic, an alcoholic or a madman, shall be extirpated" (*Chronique médicale*, 1909). He proposed the model which we find in China today: forced abortions.

According to Dr. Forssner, speaking to the Anti-Tuberculosis Union in 1924, two French doctors, Professor Bar and Dr. Sergent, had already practiced so-called eugenic abortions.

Modest proposals such as that of Binet-Sanglé were to be endorsed in 1935 by Alexis Carrel, and, only a few short years later, gratified by the most thorough trials *in vivo* any man of science might wish for, in the extermination camps—and in the psychiatric hospitals of France, where, during World War II, 40,000 patients are said to have been allowed to die of hunger.

Not a plot?

At this point, Carol flies to assure us that "this hecatomb was definitely not a plot, comparable to what was done in Germany between 1939-1940," and she periodically breaks in upon her own argument to reiterate: "French eugenics is *not a plot*. To claim that there was anything coherent about it, is an artificial, even fallacious, endeavor." And why should

there not be a plot?

The plot is the French upper class itself. What emerges is the picture of an elite that is gnostic to the core, a gnosticism so pervasive, that it seems perfectly normal to Carol that none of these madmen have ever been excommunicated, nor have any been struck from the medical profession. A remarkable example before our very eyes, is that of Prof. Léon Schwartzberg, who publicly indicts himself in print and on national television, and yet keeps on as the head of the Cancer Unit at the University Hospital of Villejuif.

If it be not a plot, it is all very like one. The Sept. 2, 1985 issue of the newspaper *Nouvelle Solidarité* contains a four-page pullout on “French Anthropology and Eugenism,” an exhaustive demonstration of the extent to which these madmen had collected themselves into highly organized and properly financed groups, well before the Rockefeller Foundation began to finance research on “eugenically useful populations” at the Kaiser Wilhelm Institute for Psychiatry at Munich in 1925, long before the 1932 Rockefeller-sponsored Eugenics Conference in New York, long before the sterilization laws of Virginia and South Carolina. *EIR* has dealt with this material in some depth, notably in the Oct. 7, 1994 issue (“British Psychiatry from Eugenics to Assassination”) and in a book-length study, *George Bush, The Unauthorized Biography*, by Webster Tarpley and Anton Chaitkin (Executive Intelligence Review: 1992).

How ever do they get away with it? Ask Aristotle, who writes: “There shall be a law that shall decide which of the newborn shall be exposed on the mountainside and which shall live; and let there not be allowed to live, a single one of those who are born hindered, that is, who may be born without some of their parts; and if the laws of a country do not allow that they shall be exposed, let there be determined at least, to avoid the weight of excessive numbers, up to what number of children there may be, and then, let those mothers be aborted, before their fruit shall have got life and feeling, for that is what distinguishes between a permissible sort of extinction, and that which is horrid.”

A “permissible sort of extinction,” the exact species of contortion which allows the Gallicans in the church today to find abortion icky, but euthanasia rather less so—at least, not icky enough to actually go out there and whip up the parishioners to fight it.

Now, what makes the lame, the halt, and the blind unfit to enjoy the light of this world? Whence the notion, that the nature of strength and beauty is *of the body*? This is a heresy, which you may call Gnosticism, or Catharism, or what you will; but it is a heresy, and a Christian is under a positive duty to fight it.

Whatever the current Gallican line on abortion, the truly “horrid” fact remains that Aristotle is the single greatest intellectual influence on the French Church—Christ included, and I do not refer to the Sorbonne seven centuries ago, but most

especially, to what has followed upon the Council of Trent. What is peculiar to French Aristotelianism is how precisely it has caught Aristotle’s mental tone of voice, that screechy, theocratic self-righteousness: The State is, if not God, at least on God’s right hand. And God is a very silly thing, if He cannot fit into the schemes which the State has devised for Him.

It is noteworthy that many of these doctors worked in charitable hospices, and that their Modest Proposals generally conclude with an appeal to that Thing worshipped by the French elite as being entirely consubstantial with its interests, namely, to the State, in order that it take the place of God, and snuff out the “unchosen.”

How does Carol then turn round and say, that the only practical consequence of the French eugenics school has been the pre-nuptial examination required by the State? We are in it! The eugenicists are in power! And they do not care how many of the Unfit die. How else did we come to 5 or 6 million unemployed, to 70,000 sleeping on the streets of Paris, to 2 or 3 million living off half the minimum wage? How else did we come to the idea of bailing out the banks by closing hospitals and schools?

And, there is no one, absolutely no one in the French medical profession today, who would write, or even think, what G. Szwarc wrote in 1934: “Duty is not the same thing as Profit, and Dignity is not the same thing as Utility. Our elementary duty as doctors, which is the very core of our medical practice and dignity, is that we shall unceasingly bring pressure upon the legislative and executive branches of power, that there shall be increased the number of asylums, of hospitals, and of schools for handicapped children and adults, and in general, that the budget for health shall be increased” (“Sexual Sterilization and Eugenics,” in the magazine *L’Hygiène Mentale*).

And as M. Gill wrote, also in 1934: “Within a few short years, if this all continues—and it will continue—we shall have to bury that notion so dear to us: the individual value of each man as an individual” (“Sterilization of the Abnormal,” in *Revue Pratique de biologie appliquée à la clinique*).

Carol’s bone-grindingly thorough work leaves no bone unturned, 400 pages of quotations, most as wretched as those I have given here. But, the whole is not without some delightfully funny moments. For example, one Louis Joseph Marie Robert, author of “Essay on Megalanthropogenesis” (1803); he was yet another of those who thought to revive the Spartan system of breeding-stables for the better sort of human being, the whole under the unbending gaze of the State. This prompted a student wag named Fruchier to a vaudeville play, “The Megalanthropist,” which contains the doggerel:

“To thee, author of this system
How annoying it must be
That thy papa had not found it
On that night that he made thee!”

LaRouche calls for resignation of DNC Chairman Fowler

by Debra Hanania Freeman

On May 12, in an action that many loyal Democrats felt was long overdue, Lyndon LaRouche, the only nationally significant candidate for the Democratic Presidential nomination besides President Clinton, issued a personal statement, calling for the immediate resignation of Don Fowler as National Chairman of the Democratic Party.

Since at least January 1996, Fowler has engaged in a personal vendetta against LaRouche, which began with a series of lying attacks against the candidate and his supporters, and escalated to probable violations of law by Fowler, as he sought to unilaterally declare LaRouche a "non-candidate," whose "votes should be disregarded."

On Jan. 6, as Democrats seeking to go to the Democratic National Convention as delegates pledged to LaRouche gathered in Ohio, state Democratic Party officials received a letter, apparently issued by National Chairman Fowler just one day earlier. The letter, sent to state party leaders across the nation, stated that Fowler, acting unilaterally, under the authority granted to him as National Chairman, was declaring that LaRouche was not "a bona fide Democrat," and was, therefore, not to be considered "a qualified Presidential candidate."

Fowler had obviously been advised that there was no legal basis for denying LaRouche ballot status, and was forced to admit to a Delaware reporter, that LaRouche had, in fact, fulfilled all the legal requirements to run for the Democratic Presidential nomination in primaries across the nation. But, in his letter to party leaders, Fowler directed that "state parties should *disregard* any votes that might be cast for Mr. LaRouche, should not allocate delegate positions to Mr. LaRouche, and should not recognize the selection of delegates pledged to him at any stage of the Delegate Selection Process" (emphasis added).

Fowler, obviously functioning under the bizarre assumption that the authority of party law not only supersedes the spirit and letter of the U.S. Constitution, but also the truth, stated in his letter, that "this determination is based on Mr. LaRouche's expressed political beliefs, including beliefs which are explicitly racist and anti-Semitic."

LaRouche, who has been an active Democratic Party campaigner during more than 15 years, and who is credited with having cost the Republican Party approximately \$23 million by destroying Ollie North's 1994 bid for the U.S. Senate, responded to the scurrilous attack less than 48 hours later, denouncing the allegations as "flagrant and disgusting lies." LaRouche proposed, in a letter on Jan. 8, that Fowler's letter be tabled by all party officials, "until such time as Mr. Fowler may have rebuked whomever might have misused his name, or, in the alternative, may have made suitable apology for the utterance. . . ."

Prominent Democrats rebuke Fowler

Democratic leaders were horrified. Fowler's letter was absurd! Not only did LaRouche enjoy the enthusiastic support of much of what remained of the movement associated with the late Rev. Dr. Martin Luther King, Jr., but it was LaRouche who had taken the point in defeating the effort led by Speaker of the House Newt Gingrich (R-Ga.) to destroy the U.S. Constitution.

On Jan. 20, a group of prominent Democratic Party leaders and elected officials from Massachusetts to Mississippi, wrote to Fowler, urging him to correct what could be a costly mistake for the party. They pointed out that "LaRouche has been a vocal defender of the Clinton Administration and has actively opposed Newt Gingrich's policies." They pointed

out that LaRouche had repeatedly and publicly stated that he fully intended to be actively supporting President Clinton's reelection following the National Convention. They appealed to Fowler, "To attempt to deny LaRouche access to the Convention is not only contrary to the fundamental spirit of the Democratic Party, it also threatens to cause an unnecessary rift in the party, with probable legal challenges, during a critical election period, when we ought to be principally concerned with defeating the Gingrich crowd. For many of us, it brings back bad memories of our Party's unfortunate attempt to lock out representatives of the Mississippi Freedom Democrats! Moreover, we believe that debate on the views that LaRouche has raised is a useful and necessary addition to our internal discussion." Finally, they told Fowler, "Above all else, the allegations on which the attempt to exclude LaRouche are premised, are totally inaccurate and untrue."

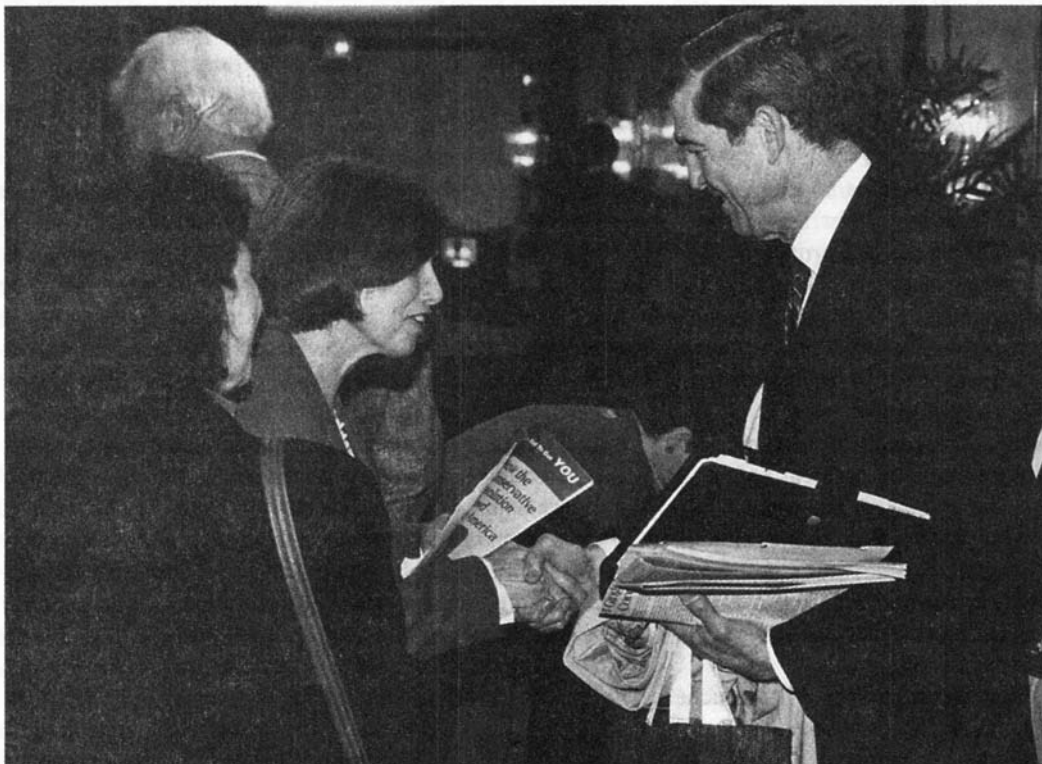
But, Fowler, increasingly under the influence of certain wealthy, right-wing circles inside the party, wasn't listening. He continued to ignore appeals from Democratic officials, who had constituted the traditional base of the party's support, and from state chairmen, angered that they were being asked to disenfranchise local Democrats who might vote for LaRouche, at the same time that they had to find ways to mobilize those voters to come out in November, if Democratic candidates were to win. Instead, Fowler concentrated on raising record sums of money for the party's coffers. Somehow, he managed to convince longtime Republican moneybags, including ADM's Dwayne Andreas and Seagrams' Edgar

Bronfman, to contribute unprecedented amounts of cash to the Democratic National Committee (DNC), far exceeding their past, extremely generous handouts to the GOP.

Had LaRouche failed to garner any votes, Fowler might have gotten away with it. But, on Feb. 24, in what was only the nation's second primary of the season, in Delaware, LaRouche's vote was a just a fraction under 10%. A week later, in Colorado, Democratic leaders called LaRouche's 11% in that state's primary "jolting," noting that in the southwestern portion of the state, his vote went as high as 30.8%. Finally, on March 12, less than a month into the official start of the primary season, and despite a virtual press and media blackout of his candidacy, LaRouche crossed the 15% threshold necessary to win a convention delegate in Louisiana's Sixth Congressional District.

Acting under direct orders from Fowler, Louisiana Democratic Party officials refused to administer the post-primary caucus, mandated by the National Delegate Selection rules, so that a LaRouche delegate and alternate could be selected. In complying with Fowler's demand, LaRouche was deprived of the delegate and alternate he was legally entitled to, but, more significantly, 3,995 Democratic voters in Louisiana's Sixth Congressional District stand completely disenfranchised, as their votes were disregarded.

Although previous court decisions have upheld the right of a political party to make its own rules, legal experts agree that the Louisiana action, in throwing out legally cast votes, would almost certainly stand as a gross violation of the Con-



LaRouche Democrat Nancy Spannaus, a candidate for the Virginia Democratic Party's Senatorial nomination, confronts Democratic National Committee Chairman Donald Fowler in Richmond, Virginia, December 1995. Fowler's smile is only for the cameras.

stitution. The issue becomes even more complicated when viewed in light of the U.S. Voting Rights Act. Although only 14% of the population of the Congressional District in question are African American, it is estimated that at least 30-35% of the district's Democratic voters, the only voters eligible to vote for LaRouche, are African American. And, it is widely accepted that LaRouche's support is probably strongest among African American voters.

Disenfranchisement of D.C. voters

The same question presented itself in a far more egregious way a few weeks later in Washington, D.C., where the issue of voter disenfranchisement is a volatile one. Although the nation's capital has a population of over 570,000, with 67% of them African American, it was not until the civil rights revolution of the 1960s that Washingtonians gained the right to vote in Presidential elections. In 1964, Washingtonians began to cast three electoral votes for President. In 1971, they got to elect a non-voting delegate to the U.S. Congress. Finally, in 1974, they were granted home rule, and could, for the first time, elect a mayor and a city council. But, under Gingrich's Conservative Revolution, more than 20 years after Congress finally relinquished the control of the District that it had exercised over most of its history, explicitly out of distrust of the city's large black population, Gingrich's Republican majority turned control of the capital city's finances over to a federally appointed financial control board, seriously curtailing the already limited home rule.

The Democratic National Committee, on the other hand, accords the District all the rights and privileges of a state. The central committee is referred to as the District of Columbia State Democratic Committee, the Democratic mayor is accorded the full status of a governor, and the District delegation of 38 delegates and 4 delegates to the National Convention is larger than that of many states.

Nevertheless, when the time came for candidates for National Convention delegate to file their petitions, Fowler intervened. He ordered D.C. State Democratic Chairman William H. Simons to prevent any delegate candidate pledged to Lyndon LaRouche from obtaining the petitions necessary to qualify. Some of the candidates, who had successfully filed before Fowler intervened, received letters, notifying them that their candidacies had been "voided."

On May 1, the candidates seeking delegate spots pledged to LaRouche, this time accompanied by political and legal observers, press, and a video camera, again attempted to file their petitions, signed by over 4,000 District of Columbia voters, with the District of Columbia Democratic Committee. The party official handling the petitions refused to accept any of the petitions, offering the excuse that she was "only a functionary acting on orders from Don Fowler."

Since the majority of those seeking to file as LaRouche delegates were prominent, longtime African American Democratic activists, Fowler could hardly expect local party offi-

cial to defend their actions to repeat his lying allegations of LaRouche's racism. On April 1, Fowler issued a new directive in a letter addressed to William Simons, chairman of the District of Columbia Democratic Party. Fowler again declared that Lyndon LaRouche "is not a bona fide Democrat." But this time, he stated that, "This position is based on the fact that Mr. LaRouche does not possess a 'record of public service, accomplishment, public writings and/or public statements affirmatively demonstrating that he is faithful . . . and will participate in the Convention in good faith.' " Fowler was treating Simons like a fool. LaRouche is easily the most prolific political writer of the century, and literally hundreds of thousands of his works have been distributed in the District in the last year alone! Fowler attempted to reassure Simons by promising that "should it become necessary, the DNC will provide you with full legal support with regard to your implementation of the Party's position."

Without consulting other members of the State Democratic Committee, Simons decided to comply with Fowler's demand, causing an open and heated controversy. Clearly, what was at issue, were not LaRouche's rights; he had already been certified as a Democratic candidate in the District. What was at issue, however, were the hard-won rights of a majority African American population, still protected under the Voting Rights Act, to participate in the election, and support the candidates of their own choosing, especially at a time when home rule itself is under massive attack. The night before the May 7 primary was to occur, nine out of ten Washingtonians believed that the primary itself had been cancelled, a belief fostered by press reports that since President Clinton had "no opposition," the Financial Control Board was refusing to release the funds to administer the elections!

Fowler's racism

Observers were shocked that Fowler could be so insensitive to questions of racial injustice, especially since voter turnout in the African American community could very well be the difference between victory and defeat for Democratic candidates in November. But, Fowler's alienation from the black community has been evident for years. In his own state of South Carolina, where Fowler served as state party chairman before he came to Washington, it is widely believed that he personally intervened to deny party funds and support to State Sen. Theo Walker Mitchell, a nationally respected African American leader, who was the Democratic gubernatorial nominee against Carroll Campbell in 1990. Fowler repeated a formula that first appeared in articles he authored decades earlier, while on the faculty at the University of South Carolina, that if the Democratic Party in the South didn't change, it would be relegated to a party of blacks! Although Fowler did nothing to publicly oppose Mitchell's candidacy, he also did nothing to help.

During the campaign, as the Bush Justice Department's federal sting of the legislature's Black Caucus racked up in-

dictments, Campbell asked for a “mandate to govern.” Mitchell, badly strapped for funds, and denied the assistance of Fowler’s Democratic Party, despite the fact that he was their nominee, had difficulty mobilizing the turnout of black voters he would have needed to win what was nationally considered a “winnable” election. Instead, the late Republican National Committee chairman and 1988 Bush campaign manager, Lee Atwater, himself a South Carolina native son, shaped a strategy of seeking black votes for the well-financed Campbell candidacy. A campaign was orchestrated, through the press and media, painting Mitchell, who had always been elected to his seat in the State Senate with broad, multi-racial support, as a “black extremist.” Campbell got the near-unanimous support of whites, and almost 25% of the black vote. Local observers gave Fowler almost as much credit as they gave Atwater, for Mitchell’s defeat.

During this election year, the DNC, under Fowler’s leadership, with the largest campaign fund in Democratic Party history, has so far done very little to finance a much-needed voter registration drive among African Americans, and doesn’t seem to be doing much to help members of the Congressional Black Caucus, whose seats are threatened by court-mandated redistricting. And, members of the Democratic Congressional Caucus whose seats are considered “safe,” are worried about the apparent lack of funds being dispensed to mobilize the Democratic base statewide.

Debate in Virginia

LaRouche, despite an accumulation of such events, had refrained from publicly attacking Fowler. He had clearly hoped that the question of Fowler’s outrageous actions could be settled quietly, within the party. But, on May 11, when the Virginia Democratic Party held caucuses to elect delegates, the LaRouche delegates in the Second Congressional District, an area that encompasses a section of the city of Norfolk and all of Virginia Beach, comprised over 24% of the delegates present, more than enough to establish their “viability” under party rules, Fowler intervened again.

This time, when local party officials, acting on orders from the DNC, attempted to disband the duly elected “LaRouche Caucus,” the process broke down, and erupted into utter chaos. When Fowler’s Jan. 5 letter was read, howls of indignation built to a deafening roar. Several Clinton delegates walked out in disgust. The 44 delegates and 7 alternates, who had been elected as pledged to LaRouche, refused to sit quietly and allow their caucus to be disbanded; they booed and catcalled until it was impossible for the process to continue. When local party officials, clearly upset at the fracturing of the party, offered what they considered a compromise, telling the LaRouche delegates that they would be permitted to vote, if they agreed to disband and join the Clinton caucus, the protests only grew louder. Despite the outcry, however, the LaRouche caucus was indeed declared disbanded, and the Clinton caucus voted by acclamation to send their full slate

to the National Convention. When the proceedings were over, many of the delegates remained in their seats, stunned and unable to believe what they had just witnessed.

It was the Virginia debacle that forced LaRouche’s hand. The next day, he called for Fowler’s resignation. “The issue goes beyond the outrageously immoral, repeated, lying attacks which Mr. Fowler has made upon both me and those voters who have supported my candidacy,” LaRouche stated. “Fowler’s conduct as National Chairman in these matters underlines the fact that he has made himself a public fool, and a serious public embarrassment to the Democratic Party, and a liability to all Democratic Party candidacies. His continuation as National Chairman, at this time, could bring about the otherwise unlikely defeat of the party, at the polls, in the November general election.”

Documentation

The following are the full texts of the letters and statements by Lyndon LaRouche and Donald Fowler referred to in the article above.

Fowler letter to state chairmen, Jan. 5

Letter from Donald Fowler to Democratic state party chairmen concerning Lyndon LaRouche’s Presidential candidacy. As the reader will note, Fowler insists on misspelling LaRouche’s name every time—an insult we have preserved in our reproduction.

To Democratic State Party Chairs:

Rule 11(K) of the Delegate Selection Rules for the 1996 Democratic National Convention adopted by the Democratic National Committee on March 12, 1994, provides that, for purposes of those Rules, a qualified candidate for the nomination of the Democratic Party for President—

“must be registered to vote, must be a declared Democrat, and must, as determined by the Chairman of the Democratic National Committee, have established a bona fide record of public service, accomplishment, public writings and/or public statements affirmatively demonstrating that he or she has the interests, welfare and success of the Democratic Party of the United States at heart and will participate in the Convention in good faith.”

Under Article VI of the Call to the Democratic National Convention, adopted by the Democratic National Committee on January 22, 1995, the terms “presidential candidate” means:

“... any person who, as determined by the National Chairperson of the Democratic National Committee, has accrued delegates in the nominating process and plans to seek the nomination, has established substantial support for his or

her nomination as the Democratic candidate for the office of the President of the United States, is a bona fide Democrat whose record of public service, accomplishment, public writings and/or public statements, affirmatively demonstrates that he or she is faithful to the interests, welfare and success of the Democratic Party of the United States, and will participate in the Convention in good faith.”

This is to notify you that, under the authority granted to me by the Delegate Selection Rules and the Call, I have determined that Lyndon Larouche [sic] is not a bona fide Democrat and does not possess a record affirmatively demonstrating that he is faithful to, or has at heart, the interests, welfare and success of the Democratic Party of the United States. This determination is based on Mr. Larouche’s expressed political beliefs, including beliefs which are explicitly racist and anti-Semitic, and otherwise utterly contrary to the fundamental beliefs, values and tenets of the Democratic Party and is also based on his past activities including exploitation of and defrauding contributors and voters.

Accordingly, Mr. Larouche is not to be considered a qualified candidate for nomination of the Democratic Party for President under the Delegate Selection Rules and is not to be considered a “presidential candidate” within the meaning of Article VI of the Call. Therefore, state parties, in the implementation of their delegate selection plans, should disregard any votes that might be cast for Mr. Larouche, should not allocate delegate positions to Mr. Larouche and should not recognize the selection of delegates pledged to him at any stage of the Delegate Selection Process.

Further, Mr. Larouche will not be entitled to have his name placed in nomination for the office of President at the 1996 Democratic National Convention. No certification of a delegate pledged to Mr. Larouche will be accepted by the Secretary of the DNC and no such delegate shall be placed on the Temporary Roll of the Convention. The National Chair will, if necessary, and upon the proper filing of a challenge, recommend to the Credentials Committee of the 1996 Democratic National Convention that the Committee resolve that any such delegate not be seated at the Convention.

If you have any questions about the implementation of this notice, please do not hesitate to contact me or to contact the DNC’s Rules and Bylaws Committee at (202) 863-7191.

[Signed]

Donald L. Fowler
National Chair

LaRouche letter to fellow Democrats, Jan. 8

Dear Fellow Democrat:

This is to confirm and qualify the January 5th reply which I have issued, in response to a letter issued to Democratic Party State Chairs, a letter issued ostensibly over the signature of Democratic National Committee Chair Donald L. Fowler.

This statement I have distributed, by Internet, is the following.

“I am in a receipt of a two-page, scurrilous letter, which presents itself as a policy statement, from Democratic National Committee Chairperson Donald L. Fowler, to each and all Democratic State Party Chairs.

“The purpose of the letter is stated within the third of the letter’s five paragraphs. The signator, ostensibly Fowler, states that ‘Lyndon Larouche is not a bona fide Democrat . . . This determination is based on Mr. Larouche’s expressed political beliefs, including beliefs which are explicitly racist and anti-Semitic. . . .’ (sic).

“On this account, either Mr. Fowler, or whoever issued this letter in his name, is purely and simply a liar.

“I am not obliged to speculate on the motives of whoever caused that letter to be put into circulation. However, since I have been an active Democratic Party campaigner during more than fifteen years, and have campaigned for the party’s nomination five times, such an obviously hysterical document now, suggests that someone is terribly afraid of the extent of estimated potential support for my candidacy at this time. Since Mr. Clinton’s reelection is virtually inevitable, and since I am committed to support his reelection after the August convention, one may ask: whether the authorship of the scurrilous letter either wrote in a deranged state of mind, or is operating under the influence of some secret agenda?”

Ironically, given its reliance upon that flagrant lie, the text of the letter as a whole is fairly described as recalling the totalitarian style of “political correctness” (*Gleichschaltung*) practised by Nazi Propaganda Minister Josef Goebbels, a quality which one might have thought were “utterly contrary to the fundamental beliefs, values and tenets of the Democratic Party.”

Since that letter’s reported determination by the Chair is explicitly premised upon no evidence other than a flagrant lie, I propose that the letter be tabled by all National and State party officials, until such time as Mr. Fowler may have rebuked whomever might have misused his name, or, in the alternative, may have made suitable apology for the utterance of so flagrantly false and disgusting a lie. In the interim, letter’s text should be recognized for what it is: a dirty political trick by some faction with access to the official stationery of the National Committee’s Chair.

Sincerely Yours,

[Signed]

Lyndon H. LaRouche, Jr.

cc: The Honorable Donald L. Fowler
The Honorable Christopher J. Dodd

Fowler letter to William Simons, April 1

Letter from Donald Fowler to William Simons, chairman of the District of Columbia Democratic Party:

Dear Bill:

Thank you for your letter of March 25, 1996 regarding

individuals wishing to run as delegate candidates pledged to Lyndon LaRouche.

On January 5, 1996, pursuant to the authority granted to me as Chairman of the Democratic National Committee by the 1996 Delegate Selection Rules and the Call to the Convention, I declared that, for the purpose of the Democratic Party's presidential nominating process, Mr. LaRouche is not a bona fide Democrat. This position is based on the fact that Mr. LaRouche does not possess a record of service, accomplishment, public writings and/or public statements affirmatively [demonstrating that he] is faithful to the interest, welfare and success of the Democratic Party of the United States, and will participate in the Convention in good faith. Accordingly, Mr. LaRouche is not to be considered a qualified candidate for the nomination of the Democratic Party for President under the Delegate Selection Rules and is subsequently ineligible to receive delegates to the 1996 Democratic National Convention.

Since Mr. LaRouche is ineligible to be awarded positions, a State Party should not permit persons pledged to Mr. LaRouche to participate in post-primary caucuses. Therefore, the Democratic National Committee will support the DC Democratic Party's decision to deny petitions to individuals wishing to file as LaRouche delegate candidates. Should it become necessary, the DNC will provide full legal support to the DC Democratic Party in its implementation of the Party's position with regard to Mr. LaRouche's ineligibility to receive delegates to the Democratic National Convention.

If you have any questions, please do not hesitate to contact the DNC's Office of Party Affairs.

Sincerely,

[Signed]

Donald L. Fowler

Statement by LaRouche, May 12

Since January 1996, National Chairman Don Fowler has been engaged in a personal vendetta against me, during which he has repeatedly violated every relevant moral precept and statute of the Democratic Party. Chairman Fowler has purported to justify these outrageous actions by a series of aggregately multifarious false statements, including outright lies, arguing that his personal lies acquire the authority of party law by virtue of his Napoleonic occupation of the post of National Chairman.

In the hope that Mr. Fowler would come to quietly desist from continuing these practices, either voluntarily or at the direction of saner heads in the Party, I have treated Mr. Fowler's behavior with exemplary forbearance, during the entire period, over the months and weeks from the issuance of his outrageous first public attack, to the present date. I had hoped that saner heads would act soon enough that my hand would not be forced on this issue.

An accumulation of events, beginning with the time of my gaining a delegate in the Louisiana primary, Fowler's

implicit violation of the Voting Rights Act in the Washington, D.C. primary, and the past weekend's developments in the Commonwealth of Virginia, has brought my forbearance to an end.

The issue goes beyond the outrageously immoral, repeated, lying attacks which Mr. Fowler has made upon both me and those voters who have supported my candidacy. Fowler's conduct as National Chairman in these matters underlines the fact that he has made himself a public fool, and a serious public embarrassment to the Democratic Party, and a liability to all Democratic Party candidacies. His continuation as National Chairman, at this time, could bring about the otherwise unlikely defeat of the party, at the polls, in the November general election.

It is relevant to this matter, that Mr. Fowler's immoral and otherwise outrageous misconduct in office has been prompted chiefly by the pressure on him and the National Committee, from a certain wealthy, right-wing circle whose economic and social policies would be more suited to the associates of House Speaker Newt Gingrich than the party of Franklin Roosevelt, John Kennedy, and Bill Clinton. This is the same factional influence within the Democratic National Committee which threw the 1994 Congressional elections to Mr. Gingrich's fellow-travellers, and which is acting, again today, to bring about a similar result.

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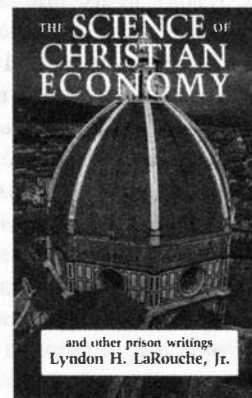
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LaRouche: Impeach Pennsylvania's Gov. Ridge for 'Nazi-like' policies

by Mel Klenetsky

Democratic Presidential candidate Lyndon H. LaRouche has set his political sights on Gov. Tom Ridge of Pennsylvania, calling for his impeachment. A draft resolution to impeach Ridge was released on May 21 by LaRouche's state campaign staff, five days after Ridge signed into law S.B. 1441, a "so-called" welfare reform bill which eliminates medical assistance for 220,000 poor, disabled, and needy Pennsylvanians. LaRouche condemned the Nazi-like qualities of Ridge's bill.

In March, Ridge had attempted to push through a similar welfare reform bill that would have eliminated a quarter-million people from medical assistance. At the time, LaRouche and his supporters, campaigning for the April 23 Presidential primary, quickly and successfully took up the cause of defeating it. LaRouche has calculated that thousands of lives would be lost in the first six months after S.B. 1441 became law. LaRouche explained in a radio interview with "EIR Talks" on May 29: "This bill, as calculated, fairly would result in the early deaths of about 3,000 or more persons. . . . Therefore, if Governor Ridge pushes this bill through . . . this marks him as a candidate for Nuremberg war criminal proceedings." Back in March, he said, "we showed him, and others, that this bill would place those who legislated such a policy in the position of those convicted as Nazi criminals, that is, for crimes against humanity."

He explained: "The standard of justice at the Nuremberg trials was, as given by Justice Robert Jackson of the United States, who represented us in those trials, was that the person either 'knew or should have known,' in the capacity of a public official or a member of certain professions, that what he was doing, in terms of enacting policy, not by his hand, but by enacting policy, would result, necessarily, in the death, increased death rates or other suffering, among targetted groups of people. By that standard, Ridge was a candidate to be considered as a Nazi-style criminal."

LaRouche, a leading anti-Conservative Revolution force in the Democratic Party, intends to make such Nazi-like behavior a major issue of his campaign between now and the August national party conventions. "Now, Ridge is a particularly egregious case." But, he continued, Massachusetts Gov. William Weld "is also equally guilty, in this matter. So is [Gov. Pete] Wilson of California, and a number of other cases. . . . We have people in Contract with America, of which Ridge

is typical, who are *all* guilty of the same thing. Now, this is going to have to be a hard election campaign. Going through the summer, into the fall, the general election, these guys, starting with Ridge . . . who are, by the Jackson standard of 'knew or should have known,' who push this kind of policy . . . have to be hit hard, and called what they are: Nazi-style Nuremberg criminals. And, they should be impeached, and repudiated, at every level. We can not allow Nazism in this form, or its echoes, in our state or federal governments."

Resolution prepared

The Draft Impeachment Resolution, prepared by LaRouche's Pennsylvania staff, is based on the Charter of the International Military Tribunal and Allied Control Council Law No. 10, under which Nazi officials were tried for crimes against humanity in Nuremberg after World War II, and which constitute international law binding upon Americans today. Ridge's violations are an impeachable "infamous crime" under Article VI, Section 7 of the Pennsylvania Constitution. S.B. 1441 tears up the program, which provides "safety net" coverage to needy people with no health insurance—such as part-time and minimum-wage workers, or unemployed people between jobs—who otherwise do not qualify for federal aid. Ridge's bill eliminates all coverage for so-called "able-bodied" adults between 21 and 59 years of age, with no dependent children, and who work less than 100 hours a month. Ridge's plan also excludes workers who earn over \$425 a month, and those who earn minimum wage.

Democratic State Rep. Harold James of Philadelphia, chairman of the Pennsylvania Legislative Black Caucus, has been one of the leading opponents to S.B. 1441. James has endorsed the Draft Resolution call to impeach Governor Ridge. In his May 15 speech before the Pennsylvania Legislature, James minced no words: "Mr. Speaker, when Pennsylvanians begin to die as a result of the governor signing this report, I foresee—upon proper complaint—the U.S. Attorney General's office considering an indictment against Mr. Ridge, possibly for homicide. Furthermore, those legislators in both chambers of the General Assembly who vote for this conference committee report for Senate Bill 1441 should be indicted for conspiracy."

James described how the bill constitutes a death sentence

for the uninsured, working poor. "Many Pennsylvanians are only one illness away from a serious health crisis. A recent survey shows: Pennsylvania has the highest death rate for female breast cancer. At 52.3%, Pennsylvania ranks first in the number of adult men with high blood pressure. (And I am one of them.) Pennsylvania has the second highest death rate for colon and rectum cancer, for cancer of the uterus, and it has the second highest rate of new cases in both categories. Pennsylvania has the third highest death rate for diseases of the heart. Pennsylvania has the fifth highest death rate for diabetes. (And I am one of them.) Mr. Speaker, Senate Bill 1441 is part of the disease. It represents a bacteria growing under some conservative politicians who repeatedly demonstrate that they are mean-spirited toward the working populace; heartless toward the poor; indifferent to the elderly; and neglectful toward children."

Condemnations have also come from Philadelphia Mayor Ed Rendell, who called the bill "ridiculous, cruel, inhumane"; Cardinal Anthony Bevilacqua of Philadelphia, called the cuts "unconscionable," and attacked Ridge and the legislators for "balanc[ing] the state budget by abandoning the poor."

Jobs lost, hospitals closed

Newspapers have provided graphic instances of the deadly consequences of Ridge's plan. The *Pittsburgh Post-Gazette*, March 18, 1996, in "Imperiling of Benefits Puts Scare into Couple," quoted a 56-year-old housewife saying that the cuts are "'a form of euthanasia. . . . If we lose that benefit, and my husband's cancer of the larynx recurs in the next two years, we won't be able to afford to pay the medical bills. No one will take him as a patient then. He could die. . . .'" The mother of 10 "described the downward economic spiral she and her husband have been in since the steel mills near their Vanport home closed in 1982."

The *McKeesport Daily News* of March 24, 1996, reported: "Local hospitals are faced with some harrowing economic difficulties in light of Gov. Tom Ridge's welfare cut proposal—so much so that Braddock Medical Center is threatening to shut down after 90 years of operation and lay off its 700 workers." State Sen. Albert Belan told the daily: "The closing of Braddock Hospital would be devastating, socially and economically. . . . It would cut the lifeline of individuals in certain income categories between Pittsburgh and McKeesport."

Rep. Harold James testified that a report by the Delaware Valley Hospital Council indicated that hospitals could lose \$50 million in the first year of the governor's cuts in medical assistance. These cuts would amount to \$514 million in the suburban Philadelphia counties of Bucks, Chester, Delaware, and Montgomery, and \$1 billion for Philadelphia by the year 2000.

James noted that the cuts translate into a \$116.3 million loss in revenue that would threaten the jobs of many of the

more than 45,000 health care professionals working in hospitals throughout Philadelphia. "Health care," James said, "is one of the largest employers in Philadelphia, providing more than 14% of the jobs in the region. In fact, one in every seven Pennsylvanians is employed in health care—an industry that generates \$15 billion a year."

Further, he said, according to the Urban Coalition of Pennsylvania, in Philadelphia alone, hospitals provide more than \$166 million in uncompensated health care. This figure grew to \$470 million, for the state, in free care, to uninsured patients last year. Should Ridge's cuts go through, James noted, the additional loss of revenue to hospitals could be the final straw that would force many hospitals to shut their doors permanently.

What the death toll would be

The *New England Journal of Medicine*, Vol. 311, No. 7 (Aug. 16, 1984), pp. 480-484, reported the results of a study of 186 medically indigent adults, who were among 270,000 persons disqualified from state medical assistance in California in 1982. A comparison group of 109 patients, whose benefits were not discontinued, was also enrolled in the study. Both groups were evaluated just before benefits were terminated for the first group, and again six months later. Five people from the group that was disqualified died, with no other explanation for their deaths than being removed from assistance. LaRouche used this figure, of 5 out of 186, or 1.61%, to determine that of the 220,000 people cut from medical assistance by Ridge's proposals, 1.61%, or 3,542 people would die in the first six months of the legislation going into effect.

The relevant findings and conclusions from the *New England Journal of Medicine* study found that there were no significant differences in sex, ethnic group, income, access to care, or satisfaction with care between the two groups, on initial evaluation. Furthermore, five patients in the medically indigent group died during the study period, while there were no deaths in the comparison group. Investigations into the circumstances of five deaths revealed that in every case, the individuals died for lack of assistance. One medically indigent patient, who died from a presumed myocardial infarction, had collapsed at home after having prolonged chest pain: He had run out of his heart medications, digoxin and nitroglycerin, and had been unable to afford more.

In 1992, Democrat Harris Wofford, in a come-from-behind Senate campaign, defeated the heavily favored Republican Richard Thornburgh, with health care as one of the leading issues of the Wofford campaign. As the full implications of Ridge's bill touch more and more of the population, the governor may find himself in political difficulty. On May 23, Bill Anderson, a popular radio talk show host, endorsed the draft resolution to impeach Ridge and opened the air waves for discussion. The population's anger at Ridge's bill was evident in the response.

Little Rock trial verdict must send a wake-up call on Whitewater

by Edward Spannaus

The May 28 guilty verdicts against Jim and Susan McDougal and Gov. Jim Guy Tucker, in the Little Rock, Arkansas trial run by Whitewater special prosecutor Kenneth Starr, should be taken as “a wake-up call” for people around the Clinton administration, *EIR*'s founding editor Lyndon H. LaRouche declared the following day. “I think that some people didn't take this Whitewater defense issue as seriously as they should,” LaRouche noted, pointing to the role of British intelligence and the friends of George Bush and his allies in destabilizing the United States Presidency.

LaRouche described the Whitewater attack on the Presidency as “a national security matter” that should not have been allowed to go on. “*You can not allow the institutions of the United States to come under discredit for false reasons,*” LaRouche stressed, “particularly when one political faction, that is, the friends of Bush and his allies, are running a dirty operation, trying to destabilize the United States, not because of the personality of the President, or not because President Clinton has done anything. But, because *they don't like his policy*, especially his foreign policy. They don't like his Ireland policy, they don't like his support for the Peres peace effort in Israel, they don't like his China policy, they don't like his Russia policy, they don't like his Germany policy, and so forth and so on.”

LaRouche also singled out the role of the U.S. Justice Department and Attorney General Janet Reno, saying that he finds Reno's conduct “unbelievable” in this and other matters. LaRouche traced this corruption within the Department of Justice back to the Anti-Defamation League (ADL)-linked Office of Special Investigations (OSI) in the Justice Department and its withholding of evidence which would have exonerated Cleveland autoworker John Demjanjuk of the charge of being Treblinka's “Ivan the Terrible,” and Reno's reversal to overturn this fraud on the courts. On case after case, LaRouche said, Reno has capitulated to the grouping in the Justice Department tied to the ADL and to the “neo-conservative” grouping around Bush.

As we have previously shown (see *EIR*, May 3), the Attorney General has the power to remove a special prosecutor; and, indeed, she is the only official who has such power. In the case of Starr, with his multiple conflicts of interest, and his record of prosecutorial abuses, there are urgent and compelling grounds for his immediate dismissal.

Starr's strategy

The response of the White House and various Democratic Party spokesmen to the guilty verdicts returned in Little Rock, has been to stress that Bill Clinton himself was not implicated in the transactions on which the Little Rock trial centered. While technically correct, such emphasis is rather misplaced, because Whitewater special prosecutor Starr is pursuing a different strategy, using the Tucker-McDougal trial, as well as the scheduled June trial of two small-town Arkansas bankers, as stepping stones toward the President himself. Starr's strategy all along has been to squeeze lower-level people in Arkansas, to induce them to provide spurious evidence which could be used to build toward an indictment of the President. Following the Little Rock convictions, the news media are filled with leaks from Starr's office, and speculation that Starr will use the threat of long prison sentences to get one or more of the Little Rock defendants to trump up evidence against the President.

Much of this campaign by the news media is undoubtedly occasioned by the fact that, prior to the May 28 guilty verdicts, Starr had obtained nine guilty pleas from various defendants in his Whitewater investigation, but only one, David Hale, has provided evidence against President Clinton, and he has been completely discredited. Even the jurors who convicted Governor Tucker and the McDougals said that they did not believe Hale's allegations against Clinton, and that they had based their verdict on documentary evidence, not Hale's testimony.

Much of the speculation has focused on Susan McDougal. But her lawyer scoffed at this, saying: “There will be no swapping of testimony for leniency. She will not fabricate evidence to try to extricate herself.” Jim McDougal has likewise denied that he would make any deal with Starr. “I have no interest in any deal that would involve my making false statements about the President, which is what they would want me to do before they'd make a deal,” McDougal said.

Governor Tucker has always been outspoken against any cooperation with Starr, and in fact he was indicted last summer, shortly after he and his wife had refused to give testimony before Starr's grand jury. At the time, he accused Starr of improperly pressuring his wife and others for information, and said, “Many of these people have had their wives threatened and their futures threatened. If I don't resist this kind of

stuff, who will?"

On June 17, the next trial on Starr's docket will commence, involving two Arkansas bankers, Herby Branscum, Jr. and Robert M. Hill, who are accused of having fraudulently obtained \$12,000 in bank funds, which were then funneled into Bill Clinton's 1990 re-election campaign for governor. Starr's key witness against Branscum and Hill will be the former president of the Perry County Bank, Neil Ainley. Ainley was previously indicted on five felony counts, and then cut a deal with Starr under which he was let off with two years' probation and a mere \$1,000 fine, in return for his testimony against the others. Unnamed sources told the *Washington Times* in February that these indictments were a "major step" in Starr's efforts to target Clinton campaign officials, and from there, to attempt to nail Clinton himself.

Branscum's attorney charged at the time that Starr had exceeded his authority in bringing the indictments, and said that Starr was interested in Branscum and Hill only because of their ties to Clinton. The attorney said that Branscum is "a pawn in a high-stakes chess game, the result of which may very likely determine the next President of the United States."

But Starr, in defending his jurisdiction, disclosed that he had obtained a broader grant of jurisdiction last summer from Attorney General Reno and the U.S. Appeals Court panel which appointed him. The expanded grant of jurisdiction permits Starr to look at Clinton's 1990 gubernatorial campaign and his 1992 Presidential campaign. It also allows Starr to look for various offenses, such as obstruction of justice and conspiracy, which permit him to go beyond the normal statute of limitations.

Meanwhile, right after the Little Rock verdicts, a beaming Starr proclaimed that the "Washington phase" of his investigation is "very active." This is known to involve a special federal grand jury examining various ongoing investigations of alleged obstruction of justice around the White House Travel Office, and the delayed discovery of Rose Law Firm billing records in the White House last year.

Another special prosecutor, Donald Smaltz, has brought his first indictments in a separate probe which centers around former Agriculture Secretary Mike Espy, but which is reported to ultimately focus on Clinton's relationship to chicken magnate Don Tyson in Arkansas. Lurid allegations involving money-laundering by Tyson's operation in Arkansas on Clinton's behalf, were first published in the London *Sunday Telegraph*.

Who's backing up Starr?

A principal weakness in the defense case in the Tucker McDougal trial was that the defendants were overconfident, and their defense strategy did not reflect an awareness of the array of national and international forces they were up against. The defense put on only two witnesses, President Clinton testifying via videotape, and then defendant James McDou-

gal. The judge in the case also handicapped the defense, by barring them from referring to the political motivation of the prosecution, further forcing defense attorneys to carry out a narrow strategy.

In a television interview on May 30, James McDougal admitted that the limited defense strategy had been a mistake. "I think that probably I was done in by the fact that we were perhaps overconfident," McDougal said. "We felt that the prosecution simply had no case. Therefore, we really didn't put on a defense. . . . The prosecution had been up for two months, presented thousands of documents. We should have done the same thing. We should have taken two months to refute every document, piece by piece, to refute each of their 38 witnesses."

In an earlier interview, McDougal told CNN's Larry King that he was disappointed that the Democratic Party had not come to his defense. "I have had no help whatsoever from any leader in the Democratic Party at either the state or the national level, while the Republicans have been relentless in their attack," said McDougal. "I had one lawyer; they had dozens and dozens, 57 FBI agents." (The 57 FBI-agent figure is probably an understatement; some reports have indicated that Starr has fielded as many as 100 FBI agents in Arkansas, which are also augmented by agents and investigators in the Smaltz-Espy case.)

Another aspect of the weaknesses in the defense case, highlighted by LaRouche in his May 29 interview with "EIR Talks," was their apparent failure to take into account that there has been a "national brainwashing campaign" run through the news media, talks shows, etc., to make sure that no fair trial could take place in Little Rock.

As *EIR* has repeatedly documented, this campaign of vilification of President and Mrs. Clinton has in large part originated in the British press, particularly in the Hollinger Corporation's *Sunday Telegraph*, and in Rupert Murdoch's London *Times*. Since late 1993, the *Telegraph*'s Ambrose Evans-Pritchard has played a crucial, instigating role in the Whitewater media frenzy, by publishing the most lurid and fictitious allegations against the Clintons, which are then recycled into the U.S. news media.

For all of the U.S. news media's role in taking what was, at most, a minuscule aspect of the savings and loan debacles of the 1980s, and turning it into an attack on the institution of the Presidency, this has not been enough for Lord William Rees-Mogg, who wrote a vituperative attack on President Clinton published in the May 30 London *Times*.

Mogg wrote: "The Clinton character issue is complex and hard to follow, but America's establishment press has done a rotten job of covering it." Despite all the "evidence" against Clinton, Mogg complains: "Respectable journalists, of liberal views, living comfortably in New York, still do not want to tell the American public what the allegations are, or what the evidence is. So it is still entirely possible that Clinton will be re-elected in November."

Gas tax repeal protects oil company profits

On May 21, the House voted 301-108 to temporarily repeal the 4.3¢ a gallon gasoline tax that was passed as part of the Omnibus Budget Reconciliation Act of 1993. Democrats opposed to the measure attacked the political nature of the bill and the windfall that oil companies will reap during the repeal, which ends on Dec. 31, 1996.

Steny Hoyer (D-Md.) told Republicans, "Not one of you can show in any way that this tax had anything to do with raising the gasoline prices." John Lewis (D-Ga.) called it an "election year gimmick," and said that not a single one of his constituents who contacted him on the issue supported the repeal.

Rosa DeLauro (D-Conn.) said that because Republicans "stood firm in their support of big oil," they missed "golden opportunities" to ensure that repeal of the tax would actually benefit American consumers. "First," she said, "the leadership refused a Democratic amendment to guarantee that consumers and not oil companies would benefit from the repeal. Second, the tax should have been paid for by reforming corporate welfare and eliminating programs like the alcohol fuel credit and the percentage of depletion for oil producers. Finally, the Republican leadership should have promised the American people that they would hold hearings that the oil companies may have engaged in price gouging. Without these assurances, the end result is unclear."

Democrats, led by Charles Rangel (N.Y.), moved to recommit the bill to the Ways and Means Committee with instructions to report it back with text that would require oil companies to pass on the tax reduction by lowering pump prices accordingly.

In response, Ways and Means Committee Chairman Bill Archer (R-

Tex.) implicitly defended the market manipulations that caused the price rise in the first place. He claimed that the Rangel motion "attempts to regulate the market price of motor fuels with the threat of monetary penalties for failure to pass on the motor fuels tax reduction to customers." He said that "if proponents [of the Rangel motion] really mean what they say, then what is before us is yet another attempt to control the profit margins of every individual who buys and sells gasoline."

Republicans demand Iraqi oil revenues

On May 23, the Senate passed, by a vote of 53-47, a sense of the Congress resolution introduced by Trent Lott (R-Miss.) and Bob Smith (R-N.H.), demanding that the President seek to force Iraq to reimburse the United States for the costs associated with operations Southern Watch and Provide Comfort. The resolution, in the form of an amendment to the concurrent budget resolution, suggests that the President should renegotiate U.N. Resolution 986, in order to allow the United States to garnish the revenues of any Iraqi oil imports, and, failing that, calls on the President to reject any U.N. agreement to implement Resolution 986. It also calls on the President to ensure that "revenues reimbursed to the United States . . . be used to reduce the federal budget deficit."

Lott said, "If we are going to allow Iraq to sell oil to pay for humanitarian costs, the United States should recover the moneys our taxpayers are spending for the ultimate in humanitarian assistance: military protection!" Lott accused the Clinton administration of dropping the ball in 1995 when Resolution 986 was negotiated, for not re-

quiring at the time a provision for the reimbursement of "the American taxpayer."

Democrats objected that the resolution asks the President to do what he doesn't have the authority to do, and that preventing humanitarian relief for the Iraqi population would generate a backlash against U.S. interests. Claiborne Pell (R.I.), the ranking Democrat on the Foreign Relations Committee, said, "If we cavalierly suspend efforts to provide humanitarian assistance, the Iraqi people will only draw the conclusion that the United States is against them and wants to punish them for the sins of Saddam. I can think of no more effective way to bolster Saddam's standing in the eyes of the Iraqi people than to follow the course of action recommended in this amendment."

Harkin defends hold on Greenspan renomination

Sen. Tom Harkin (D-Iowa) outlined why he is holding up confirmation of the renomination of Alan Greenspan to chairman of the Federal Reserve Board, in order to force a debate, in a letter to the editor of the May 20 *Washington Post*. The letter was in response to the *Post's* editorial opposition to a debate.

In contrast to other nominations for less important positions by the Senate, for example, Surgeon General, this one has "not undergone the scrutiny it deserves," Harkin wrote. "Greenspan has stated that he believes that we would be better off with a gold standard. And, recently released Federal Reserve transcripts reveal that he completely missed the start of the 1990 recession. These facts alone are worthy of a thorough examination on the Senate floor."

Harkin said that the decisions of Greenspan have cost American families, in lost incomes and lost opportunities, and have stifled economic growth and reduced the incomes of average Americans. "Interest rates have been kept artificially high and middle-class families and businesses have been forced to pay the price."

Minimum wage increase passed in the House

On May 23, the House, by a vote of 266-162, passed an increase in the Federal minimum wage to \$5.15 per hour by July 1, 1997. The vote came on an amendment to a bill on employee use of employer-owned vehicles. In the process, the amendment survived attempts by the Republican leadership to, first, prevent it from coming to the floor at all, and then, to effectively kill it by attempting to exempt small businesses from paying the minimum wage.

As soon as the amendment was introduced by Frank Riggs (R-Calif.), it was subjected to a point of order by Rob Portman (R-Ohio), on the basis that increasing the minimum wage would be an "unfunded mandate," and in violation of the unfunded mandates legislation passed as part of the Contract with America last year. Minority Whip David Bonior (D-Mich.) accused the GOP leadership of hiding behind procedural maneuvers to avoid a floor debate on the minimum wage.

William Clay (D-Mo.) argued that "the failure to ensure a living wage is ultimately far more expensive to local governments, state governments, private businesses, and society as a whole than a modest increase in the minimum wage."

Seventy-six Republicans joined with Democrats to allow the vote to

occur, and 71 of those voted for the increase.

Once the amendment was passed, the Republican leadership tried to sabotage it with an amendment, sponsored by Economic and Educational Opportunities Committee Chairman Bill Goodling (R-Penn.), to exempt small businesses from paying the minimum wage. Goodling's reasoning was based on the assumption that low-wage jobs are the kind that "small businesses must create if . . . we are going to have a growing economy."

However, Clay reported that "67% of all retail firms and an astounding 78% of all service firms are exempted by this amendment." Goodling's amendment was defeated by a vote of 196-229. The final vote on the bill to which the minimum wage increase was attached, was 281-144.

Sen. Edward Kennedy (D-Mass.) said that the vote would give the increase momentum in the Senate, where it has been blocked from a vote. "We'll see expanded Republican support on this side, too. We look forward to the battle," he said.

FAA hearing hits budget cuts, but avoids dereg

On May 14, the Senate Commerce, Science and Transportation Committee oversight hearing on the Federal Aviation Administration was dominated by the crash of ValuJet Airlines Flight 592 into the Florida Everglades just three days before. The budget cuts that hamper the FAA were attacked, but the broader issue of deregulation, which has led to the near disintegration of the industry, was ignored.

Ernest Hollings (D-S.C.) attacked the budget politics that have dominated Congress and the Executive branch. He said that the authorization

for the FAA in 1996 was over \$10 billion, but the level of appropriation was only \$8.15 billion. "When you come up \$2 billion shy of what you asked for, that's a heck of a cut," he said. "We need a strong FAA . . . and we don't need political cuts and fever that goes around this town when nobody wants to pay the bill and therefore they want to cut everything." He added, "We've been in a shabby game up here . . . and people are getting killed."

The impact of the expiration of the airline ticket excise tax on the airport and airways trust fund, and FAA capabilities and aircraft safety issues were aired, but deregulation was ignored. FAA Administrator David Hinson said, "The cost of a ticket that an airline charges is irrelevant to the FAA. How an airline positions itself economically is their business."

Retirement security bill offered by Democrats

On May 23, Senate Democrats, led by Minority Leader Tom Daschle (S.D.), introduced a series of bills intended to improve retirement security for U.S. workers. Daschle said that the bills would "ease the fears of working Americans by making it easier for businesses to offer pension plans, and easier for workers who do not have access to employer-sponsored pension plans to set up their own tax-free pension plans."

Provisions of the legislation include pension plan portability, requirements that pension funds be invested in a timely manner, and increased civil and criminal penalties for pension fund raiding. "People who work hard all their lives," Daschle said, "deserve to be able to retire with dignity. We intend to insure that they can, and we intend to do so, this year."

National News

Privatization vultures circle welfare 'reform'

Like most states, Maryland is being inundated with offers from private companies to take over every aspect of its welfare "reform" policy, moving in like vultures over a fresh kill. America Works Inc. will find jobs for the former welfare recipients—for a fee. Lockheed Martin Corp. will track down "deadbeat dads"—for a fee. Electronic Data Systems Corp. or Maximus Inc. (which has already ripped off Mississippi for millions of dollars), will manage the public assistance caseload, screen applicants, and mail checks—for a fee. That fee, in the case of one New York-based agency, is \$5,000 for each job placement which lasts at least six months.

According to the May 28 *Washington Post*, a recent survey by the American Public Welfare Association indicates that more than 30 states have hired, or plan to hire, contractors to deliver services to current and former welfare recipients, as they enter the "job market."

The National Governors Association is promoting privatization of all sorts in its current newsletter, under the heading "States Look to Privatization to Deliver Services, Lower Costs." The newsletter reports that states are currently looking at privatizing prison construction and operation, university hospitals, health and social services, information technology, veterans' nursing homes, and child support enforcement, as well as maintenance, janitorial, data processing, and printing services.

N.Y. Times horrified by LaRouche role in Russia

Alarm over the influence of Lyndon LaRouche, concerning a possible shift in Russian policy on the International Monetary Fund, rang out in a *New York Times Magazine* feature May 26 on Russian Presidential candidate Gennadi Zyuganov. In an article titled "Red Scare; The Hacks Are Back," *Times* Moscow Bureau co-chief

Alessandra Stanley complained that Zyuganov, head of the Communist Party of the Russian Federation, "rails against the International Monetary Fund, and the stringent conditions on its loans to Russia, as an intolerable affront to Russian sovereignty.

"His grounding in Western economic theory is hazy," intoned the *Times*. "In his address to the Central Committee, Zyuganov lashed out at the IMF and cited the American political extremist Lyndon H. LaRouche Jr. ('the well-known U.S. economist and entrepreneur') as an authoritative source."

EIR previously reported on Zyuganov's attention to LaRouche's writings, in its Jan. 26, 1996 issue. At a December 1995 seminar, transcribed in that issue of *EIR*, Russian journalist Konstantin Chermnykh remarked that the "current communists do not find everything they need in classical Marxism. The charter of the Communist Party contains quite a number of points, borrowed directly from the Rio de Janeiro proclamations of the United Nations. Nevertheless, when Gennadi Zyuganov, in his speech at the second party congress, came to criticize the IMF, he invoked the name of Lyndon LaRouche, because evidently he could not find ammunition from either Marx, from the Rio meeting, or from any religious groups with which he might have been in contact."

Chermnykh continued, "Why have [some] communists, instead of going off to read Marx, and anti-communists, instead of going off to read Friedrich von Hayek, come [to this seminar] together to study LaRouche? This must mean something!"

Enviro-quacks see 'doom' in flight technologies

The space program and the use of supersonic aircraft will lead to global doomsday, according to several dozen papers presented during the semi-annual meeting of the American Geophysical Union in Baltimore May 22. The same gaggle of quacks who promoted the hoax that chlorofluorocarbons (CFCs) are depleting the ozone layer, is now claiming that lowly 737s, Super Sonic Transports (SSTs), Titan rockets, and the Space Shuttle, will all deplete the ozone

layer, increase ozone "pollution" in the troposphere, and cause global warming.

The kaleidoscope of doomsday scenarios is spinning back to the original ozone-depletion theory, peddled by James MacDonald in 1971, that the Boeing SST's release of water vapor would deplete the ozone layer, and increase skin cancer rates. MacDonald's ravings at a Congressional hearing became the final straw, in killing off the crucial SST program. (MacDonald had previously told Congress, that a massive blackout in New York City, had been caused by UFOs hooking up to the power lines to recharge their batteries.)

At the Baltimore conference, top ozone-hoaxster Richard Stolarski chaired two entire sessions promoting this latest fraud, with a total of 23 papers presented. Claims that the sky is falling included: that sulfur dioxide and trioxide as well as soot particles released from SSTs, will interact with chlorine to cause ozone depletion; that the contrails of SSTs cause global warming; and that alumina from space-shuttle boosters and Titan rockets will damage the ozone layer. Interestingly, with this attempt to revive the original hoax, the ozone quacks have become suddenly silent, about their fraudulent claims in supporting the disastrous ban imposed on CFCs—the vital compound for refrigeration systems.

Democrats must retake Congress, Sweeney says

Restoring a Democratic majority in Congress is an essential precondition of defending labor's interest in the United States, AFL-CIO President John Sweeney told the German daily *Süddeutsche Zeitung* in an interview on May 28.

Sweeney denounced U.S. corporations which "manipulate the asset value at the expense of their own employees." He gave the example of AT&T, a company which raised its asset value by announcing the layoff of 40,000 employees. Immediately after the firing of several thousand employees, it was revealed that AT&T chairman Robert Allen had a salary of \$16 million, placing him among the ten highest paid corporate execu-

tives. Following widespread criticism, AT&T responded by announcing that fewer layoffs than originally planned would occur—which sent the asset value down.

The same method has been used at Boeing, Sweeney charged, attacking the “growing gulf between rich and poor in the United States,” which requires an “increased role by American labor unions, to reduce the crude social imbalances in our country.” A recruitment drive that plans to add 1 million new members to the U.S. labor unions, has been launched, and the recent House vote for an increase of the minimum wage is a relative success, too.

As far as the November elections are concerned, the AFL-CIO thinks that President Clinton’s re-election is as important as “the restoring of Democratic majorities in the Senate and House,” Sweeney said.

Legislatures restrict HMO health care cutbacks

State legislatures are being “deluged” with complaints from patients, doctors, nurses, and other health professionals, about the cost-cutting practices of insurance companies and HMOs, according to the May 19 *New York Times*. “We believe the whole concept of managed care is spurious. It is predicated on financial incentives to restrict care and access to care,” said Dr. Carl Weber, a surgeon in White Plains, New York, who is leading a group of doctors pressing the state legislature to take action.

Over the past 18 months, 34 states have outlawed various practices typical of HMOs; and over 400 bills have been introduced so far this year, according to the National Conference of State Legislatures. Fourteen states have made it illegal for insurers and HMOs to refuse to pay for emergency-room visits. Twelve states have passed legislation compelling HMOs to pay, when a patient goes directly to a specialist without first obtaining approval from their “gatekeeper” primary physician. Six states have made it illegal for HMOs to impose “gag rules”—preventing physicians from informing their patients about alternative treatments which might cost more than the HMO is willing to pay.

Eighteen states have banned “drive-through maternity care,” in which HMOs force doctors and hospitals to send mothers and newborn infants home less than 48 hours after delivery, by refusing to pay for any further services. A number of states are also considering the banning of “capitation,” in which an HMO pays a doctor a flat fee for each patient per annum, with no further reimbursement for special or extended medical care. Doctors have complained that capitation creates a strong financial incentive to deny patients care they need.

Medical journal study promotes euthanasia

The most widely read medical journal in the world, the *New England Journal of Medicine*, has once again lent its support to establishing all forms of Nazi euthanasia as a basic medical option in the United States. In a survey published in the latest issue, the *Journal* claims that nearly 20% of critical care nurses admit to “hastening the deaths” of terminally ill patients, without the knowledge of doctors, families, or the patients themselves.

The study, entitled “The Role of Critical Care Nurses in Euthanasia and Assisted Suicide,” was conducted by David Asch, a physician and “ethicist” at the University of Pennsylvania School of Medicine. Of 852 practicing critical care nurses, responding anonymously to the survey, 19% allegedly reported that they had given a patient lethal doses of medication, or had merely pretended to provide life-sustaining treatment ordered by a doctor, “with the intent of causing or hastening that patient’s death.” Most of the nurses said they had done so *only* three times or less; but 5% reported they had killed *at least* 20 patients.

Whether cloaked as “euthanasia” or “assisted suicide,” acts intended to result in a patient’s death are acts of murder, plain and simple. This “study” is part of expanding effort to justify such Nazi practices, under the pretense of encouraging broader debate about “compassionate choices,” and redrawing what Asch calls “the moral divide.”

BRITISH Foreign Secretary Malcolm Rifkind is the latest of the Queen’s servants to blather about the supposed U.S.-British special relationship, now described as the “unique” relationship. “Our unique security ties show this identity of interest,” Rifkind told Washington’s National Press Club May 28. “The classic example is the sharing of nuclear technology and intelligence.”

THE JUSTICE Department is investigating allegations of stock and mail fraud by Lloyd’s of London’s underwriting syndicates, against some 2,700 American “Names,” the *Wall Street Journal* reported May 22. The U.S. Attorney’s office for the Southern District of New York has enlisted the U.S. Postal Inspection Service in the probe, which reportedly began in late winter.

THE ENVIRONMENTAL Protection Agency has imposed a \$1.1 million fine on a scrap metal company, for failing to remove CFCs from four junked refrigerators. After repeated raids, the intrepid environmental enforcers came up with the four loaded fridges at the Camden Iron & Metal and SPC Corp., a large scrap metal salvage and recycling company in the Philadelphia area.

THE JONES ACT, requiring that maritime trade between U.S. ports be carried under U.S. flag on ships built and manned by Americans, will be subjected to Congressional hearings June 12 for the first time in a decade. The act was passed early this century, in keeping with principles established by the first Congress, and is virtually the last protection remaining to the nation’s sinking maritime industry.

BANKRUPTCY filings in the U.S. soared 16.8%, to a record 980,126, during the 12 months ending March 31, and could top the million mark this year for the first time. The previous 12-month record was 977,478, in the year ended Sept. 30, 1992. By comparison, there were 331,098 bankruptcies in 1980; 412,431 in 1985; and 782,960 in 1990.

Editorial

A free press, the foundation of republican government

All of us are familiar with the use of the press as a political weapon to brainwash populations. After all, was that not the method of Hitler (Goebbels and the Big Lie)? And we all know about the monstrosities of the Soviet and Chinese communist systems in the past. How many Americans, however, are prepared to admit the shocking truth, that the Chinese and Russian press today are freer and more honest than their counterparts in the United States, not to speak about televised so-called news reports. Indeed, the malicious bias of television newscasters is probably the more deplorable, because television is licensed by the government, and therefore more directly accountable to citizens.

The crucial experiment which demonstrates the dishonesty of the U.S. press, is their systematic failure to give honest coverage to Lyndon LaRouche, despite the fact that he is a leading contender in the Democratic Presidential primary. One has only to compare the treatment of Republican candidates, who in many instances got far fewer votes than LaRouche, to the media's unwillingness to report on the consistent pattern of two-digit returns which LaRouche has chalked up in primaries throughout the United States.

Let's look at the record. In California, LaRouche out-pollled Lamar Alexander and Phil Gramm. In Illinois, he out-pollled Gramm. In Louisiana, he out-pollled Forbes and Alexander. In North Carolina, he out-pollled Buchanan. And the picture was similar in Maine, Maryland, Massachusetts, Ohio, Oklahoma, Texas, Vermont, and elsewhere.

Between Jan. 1 and the March 26 California primary, in which LaRouche garnered over 160,000 votes, there were 573 stories on the primaries aired on the three national television networks. In not one was the name "LaRouche" even mentioned. Fox network, CNN, and the wire services have done no better.

Thousands of articles have appeared in print without mention of LaRouche, a candidate who has received over half a million votes in these elections. And to make the politically motivated blackout more blatant, these same media routinely peddle the Big Lie that President

Clinton is "running unopposed."

A study by the Center for Media and Public Affairs reports that in the January to March period, ABC provided six hours and 18 minutes, and NBC five hours, to covering various of the candidates other than LaRouche. For example, Pat Buchanan got 36 minutes of prime time news coverage, Steve Forbes and Lamar Alexander each got 18 free minutes, and similarly with the rest. This was worth millions of dollars of exposure to the candidates. Moreover, it established in the minds of the typical viewer that *these* were the only serious contenders against front-runners Clinton and Dole.

In contrast, honest reporting on the activities of LaRouche and his associates, as well as the publication of articles by him and his associates, appear with some regularity in the Ibero-American press, in Chinese papers, in media in Russia and elsewhere in the former Soviet bloc, in Bosnia, in Croatia, in the nations of Africa and Asia, in Arabic-language journals, in India, and so forth.

The point is not LaRouche's popularity abroad, but the implications of this deliberate suppression of an important current of ideas in the United States. While the Federal Election Commission and the Federal Communications Commission have the responsibility to guarantee the fairness of an election campaign, they allow the media to use their news departments as instruments to decide who may and who may not be considered as legitimate candidates. It goes without saying that this is a complete denial of the fairness doctrine.

The argument used to justify this, is that newspapers and television networks are commercial ventures, and must satisfy advertisers first, and viewers only secondarily. This is the grossest kind of corruption, and totally violates the possibility for ballot democracy. Furthermore, the so-called American press, is in fact controlled by British interests. Reuters is just one, obvious case.

We cannot allow the corrupt news media to run rampant. A free press is the basis for the existence of a viable republic, and as such must be defended.

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