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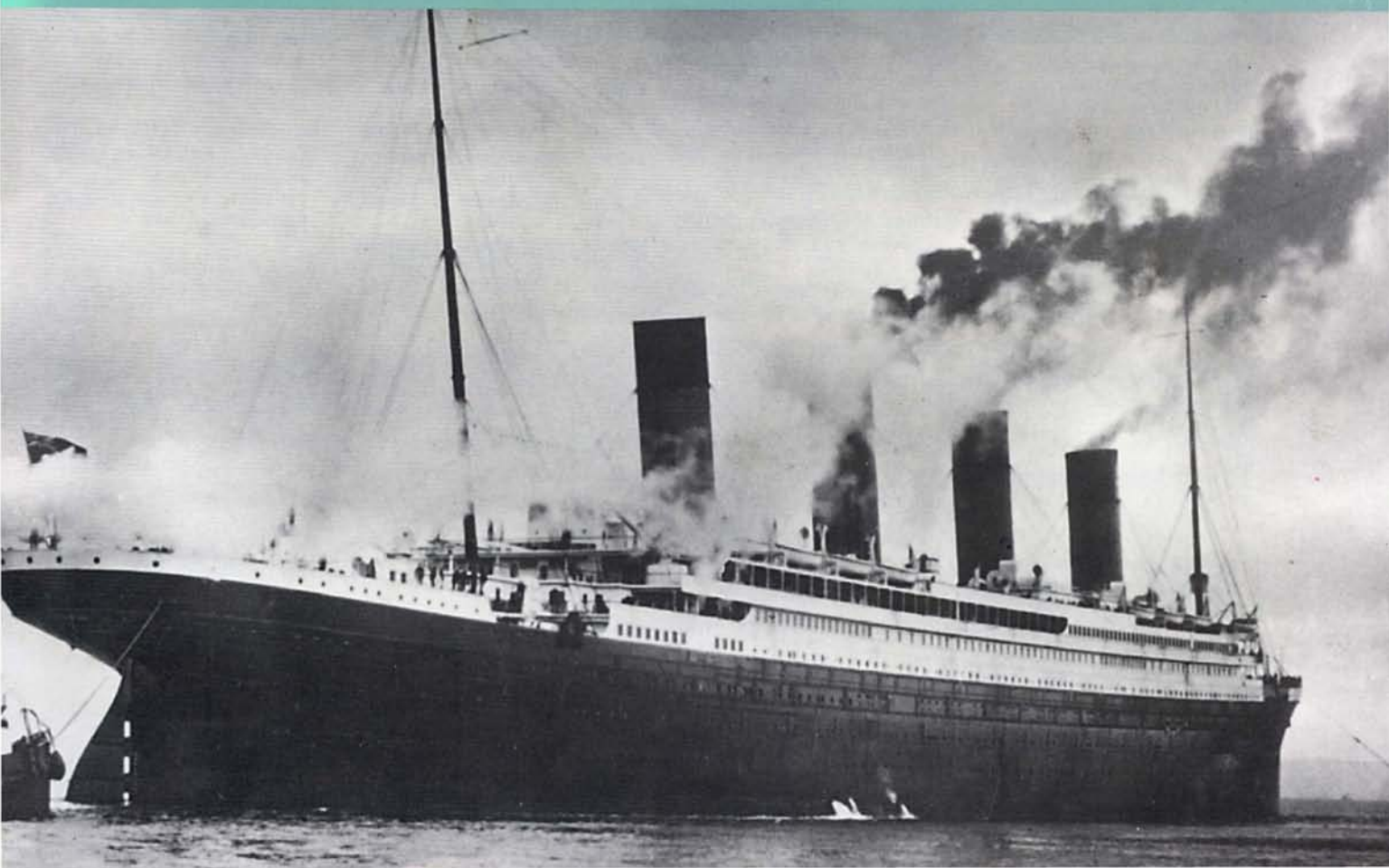
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From the Associate Editor

If there is any good to come out of the horrible terrorist incidents of the last month, it may be that Americans will be shocked enough to re-examine their axiomatic beliefs about who runs terrorism. Lyndon LaRouche, in a paper issued on July 31, "International Terrorism Targets President Clinton's U.S.A." (see p. 42), challenges investigators not to focus on "tracking down the delivery-boys," but instead to understand the global strategic battlefield, in which the forces of the British oligarchy are arrayed against the nation-state, and principally against the United States. "Your willingness, as a citizen," he writes, "to support the U.S. government in putting London in number one position on the list of suspect forces behind terrorist operations against U.S. interest, will be the test of your willingness to win the war against terrorism. If you are not willing to go that far, you have no right to complain if the war is lost."

In this week's issue, we feature several exposés that bear on the question of British strategic manipulations. John Hoefle's dossier on Lloyd's of London is a thoroughly documented account of one of the biggest swindles of the 20th century: a case study of how the British financial oligarchy "rules the waves." Tens of thousands of American "Names" are going to want to read this report.

In *National*, William Jones analyzes the International Republican Institute, which corrupt "asteroids" of George Bush's political network are using to subvert U.S. policy toward Russia. This is the first salvo in an international campaign to shut down the IRI.

Finally, let me draw your attention to the outrageous denial of the *habeas corpus* petition of political prisoner Michael Billington, in federal court in Richmond, Virginia. This court action, plus the flagrantly illegal banning of LaRouche's contracted television broadcasts in Pennsylvania (p. 61), underlines the importance of the campaign to exonerate LaRouche and associates, who were convicted in McCarthyite political trials, in which the government knew that they were completely innocent of the charges against them. At last count, 721 state legislators have signed the call to President Clinton to "take any and all measures necessary to ensure the full and immediate exoneration of Lyndon LaRouche."

Susan Welsh

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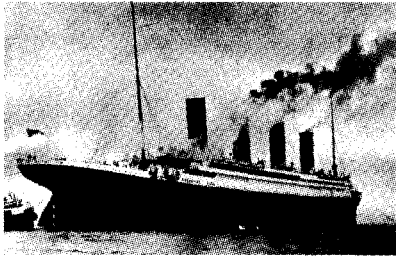
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Feature



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John Hoefle and *EIR*'s intelligence staff lift the veil from Lloyd's carefully crafted facade, exposing a ruthless, dog-eat-dog world of greed, corruption, and arrogance, and a 30-year conspiracy to bilk tens of thousands of investors, while throwing the holders of billions of dollars of insurance policies to the wolves. Lloyd's is an instrument of the British Empire, and of the international financial oligarchy known as the Club of the Isles.

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Argentina's Cavallo dumped: Will his economics be next?

by Cynthia Rush

When Argentine President Carlos Menem unceremoniously dumped his finance minister, Domingo Cavallo, on July 26, it sent shock waves through Wall Street and the City of London, where Cavallo is cherished as the chief architect and defender of the country's "convertibility plan," implemented in April 1991. A version of the British colonial policy of a currency board, which pegs the dollar to the peso in a one-to-one parity, the convertibility plan has been hailed internationally as the mechanism which not only saved Argentina from hyperinflation and restored its economic stability, but offers a successful alternative model to the Mexican "economic miracle," which collapsed in the wake of the late-1994 peso devaluation.

What foreign bankers most love about convertibility, is not the one-to-one dollar-peso relationship per se, but the fact that *by law*, it prohibits sovereign national control over currency and credit issuance. Currency can only be issued if it is backed up 100% by dollar reserves, thus effectively making Argentina's financial system a branch of the U.S. Federal Reserve. The model isn't as "pure" as that described by Mont Pelerin Society member Steve Hanke in his 1994 book, *Currency Boards for Developing Countries*, in that it doesn't have a board of foreign directors designated by the International Monetary Fund, nor does it abolish the central bank's role as lender of last resort. But it came close enough. As the *Washington Post* wistfully pointed out on July 27, Cavallo's management of Argentina's economy since 1991, made him "a kind of *parallel President*, and conferred on him power and prestige."

As the international financial and banking system disintegrates, Wall Street and London need "knuckle-draggers" like Cavallo who will act brutally to "tighten the screws," as International Monetary Fund (IMF) Managing Director Michel Camdessus called for during a seminar prior to the recent

Group of Seven meeting in Lyons, France. That is why, over the past year, when Cavallo's tenure in office more than once appeared precarious, due to clashes with the President or other cabinet members, leading personalities of the international banking community flocked to his defense, arguing that Argentina's economic stability, and "investor confidence" would vanish overnight, were the minister to leave office.

Former U.S. Federal Reserve Chairman Paul Volcker, the IMF's Camdessus, World Bank President James Wolfensohn, former Bush administration officials David Mulford and Nicholas Brady, and, more recently, speculator and drug legalization advocate George Soros (now one of Argentina's most powerful landowners) are among Cavallo's strongest defenders.

But this time around, international support didn't save Cavallo, known for his temper tantrums and loud mouth. Two days after he and Menem held a shouting match in the presence of other cabinet members, Menem asked Cavallo to resign. Immediately he named central bank president Roque Fernández, a University of Chicago graduate, as the new finance minister.

The 'model' is leaking

If the convertibility model were as successful as international bankers claim, why did Domingo Cavallo have to go? The truth is that his plan is unsustainable, and the financial oligarchy knows it. In the few weeks prior to Cavallo's ouster, Menem was rattled by serious political problems. In early July, Justice Minister Rodolfo Barra resigned, followed shortly afterwards by Defense Minister Oscar Camilión, who tendered his resignation over a scandal involving the secret sales of weapons to Ecuador last year. The loss particularly of Camilión and Cavallo, both top agents of globalism and

demilitarization, combined with an anti-IMF rebellion spanning the political and economic spectrum, was a serious blow to “the Argentine model.”

For five years, Cavallo oversaw a ruthless gouging of living standards, destruction of industrial capacity, and looting of physical and human resources, which earned him Wall Street’s adulation, but the hatred of the Argentine people. Unemployment now stands at over 17%, with only 46% of the country’s employees receiving a stable wage. In 1995, Gross Domestic Product fell by 3%, and industrial production by 5%. In 1995, some 25,000 businesses closed their doors. African-style infant mortality rates can be found in some of the poorer provinces, in a country which once enjoyed a high standard of living, an excellent public health system, and abundance of cheap beef and grains for a nutritious diet.

Not only did this savage looting not produce the tax revenues the IMF demanded to cover Argentina’s budget deficit, but the international bankers had to pour money into the country to maintain the illusion of stability. In the first five months of 1996 alone, Cavallo had already borrowed abroad \$6.2 billion of the \$6.6 billion which the government had intended to borrow *for all of 1996*. By June of this year, Argentina was out of compliance with the IMF, with a whopping \$2.5 billion deficit, and some economists were predicting an annual deficit as high as \$4 or \$5 billion.

Nazi-style economics

Increasingly, the image of Argentina’s economic “miracle” has been one associated with the inhuman treatment of its people, especially the poor, the young, and the elderly. In May, international headlines blared out the shocking story of slum dwellers in the once-industrialized port city of Rosario, who were reduced to eating cat and turtle meat. Looting of supermarkets by former members of the middle class, or hungry pensioners, has occurred at several locations around the country. Catholic clergy are attacking peso convertibility as “savage capitalism,” and in a special *Te Deum* mass on Argentina’s independence day, July 9, the auxiliary bishop of Buenos Aires, Msgr. Hector Aguer, warned that globalism and usury would lead to the disintegration of the nation-state (see *Documentation*).

On July 12, when Cavallo announced that even deeper austerity measures would be applied in order to satisfy the IMF’s budget-balancing guidelines, it was the last straw for many Argentines. The IMF is coming in August, Cavallo shrieked, “and we need an urgent solution” to cover the deficit.

The “urgent solution” he devised to save between \$800 million and \$1 billion, was to eliminate subsidies to families, and abolish tax-free food vouchers that are part of the country’s wages system. Cavallo decreed that families earning over \$1,000 a month would lose all benefits, a measure affecting 1.1 million workers. Another 850,000 workers who earn in the \$500 to \$1,000 range, will lose between 17% to 100% of

their current benefits. Labor Minister Armando Caro Figueroa stated that workers who earn only \$300 a month—far below the cost of the minimum monthly market basket—will have their benefits restricted to 20% of their wage, or a measly \$60!

Elimination of the tax-free food voucher program, known by the English term “luncheon tickets,” will hit another 1.2 million people who currently receive 10-20%—or more—of their salaries in vouchers, and depend on them to pay for their weekly marketing. Despite Cavallo’s enlistment of former U.S. Federal Reserve Board Chairman Paul Volcker to rally business support for the measures, most business leaders know that this policy will blow out the already virtually non-existent internal market.

The government’s decrees are no different than the Nazi-style cuts in medical assistance made by Republican Gov. Tom Ridge in the state of Pennsylvania, on whom the Presidential campaign of Lyndon LaRouche has cast an international spotlight: *They will kill people*. Especially vulnerable are Argentina’s 4 million retirees, whose access to medicine and medical insurance, and to an array of special services and emergency assistance, will be restricted or eliminated by the new decrees.

On July 18, the archbishopric of Santa Fé, under the leadership of Archbishop Edgar Gabriel Storni, issued a sharply worded press release, charging that the decrees dictated by Cavallo are “anti-life,” and represent a decision to “sacrifice the family entity to balance the books, as per the demands of international banks.”

The Peronist-run General Confederation of Labor (CGT) has called a general strike for Aug. 8, and its secretary-general, Gerardo Martínez, warned that the federation will challenge the decrees in court. Seven governors announced that they will not implement the new cuts in their provinces. Ten opposition congressmen have drafted a bill which would annul the decrees implementing the cuts.

Fingers in the dike

Over the weekend of July 27-28, the same international figures who backed Cavallo, rallied in support of the new finance minister, Roque Fernández, and the convertibility plan. Foreign Minister Guido Di Tella, a rabid Anglophile, traveled to London, New York, and Washington to “explain” the ministerial change to financial authorities, but especially to Henry Kissinger, with whom he met at a private dinner July 30. Although there was a brief run on the banks on July 26, by July 29, the Buenos Aires stock market had rallied by 3%, and the word went out that Argentina had successfully made the transition to the new minister without jeopardizing convertibility. Roque Fernández announced there would be no change in policy, and promised that he would concentrate on dealing with tax evasion, and privatizing those assets still belonging to the state sector, namely the nuclear industry and the giant bi-national Yacuyretá hydroelectric complex.

Despite the hype, Wall Street and London are nervous

about Argentina's near-term future, fearing that Roque Fernández doesn't have what it takes to outdo Cavallo. In a July 31 editorial which described Cavallo as "a god," the *Wall Street Journal* warned that Menem himself must insure vigorous application of austerity policies. The "need for bold reform is more critical than ever . . . anything more than standard austerity measures will require *political skills* that the mild-mannered Mr. Fernández does not have." For now, "the Southern Cone is calm," the *Journal* concluded. But Menem "must resist the ever-present temptation of anything-goes populism, and become a genuine, deep reformer."

Documentation

The following are excerpts from the July 29 homily delivered by Msgr. Hector Aguer, the auxiliary bishop of Buenos Aires, on the occasion of Argentina's independence day. President Carlos Menem was present at the Te Deum mass when it was delivered.

The [nation-state] implies the will to continue being a nation, overcoming the tendency to place personal interests above the common good, cultivating the open and generous ability to heal divisions, overcome resentments, and close the wounds of the past. Without that consciousness, and that will, the nation could end up in dissolution, breaking down into ideological tribes or economic groups which would eventually establish a precarious unity of convenience, based on pragmatic agreements, or the distribution of occasional booty.

A national community worthy of the name, cannot decline, such that it is reduced to being a mere conglomeration of material interests. . . . What good is it for the nation to boast of impressive economic statistics, if it loses its soul, if it alienates its very essence, and renounces those great and indispensable sovereign decisions?

The "temporal task" won't preserve liberty, strengthen independence, and allow us to grow as a nation, if we do not overcome the temptation of materialist efficiency which is frequently proposed as a model in today's world. Such tasks would be stripped of the sense of those transcendent values, which are expressed in respect for human dignity. . . .

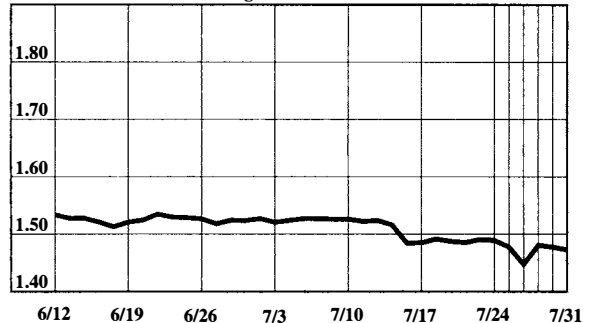
One loves the Fatherland, without patriotic posturing or narrowness of spirit, without xenophobic hostility, but also without forgetting the magnanimous and loyal honor, piety and service, which it is due. . . .

Only if we love our country in this sense, can we live in independence, and deal with the task of incorporating ourselves . . . into a world defined by globalized interchange and information, where there is no room for illusory autarchies, but in which the powerful continue to abuse the weak, and rather than the harmony which binds together identities and abundance, interdependence tends to be a disguised dependence, a new version of colonialism.

Currency Rates

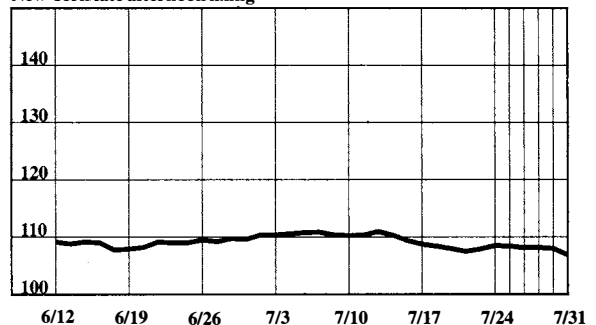
The dollar in deutschemarks

New York late afternoon fixing



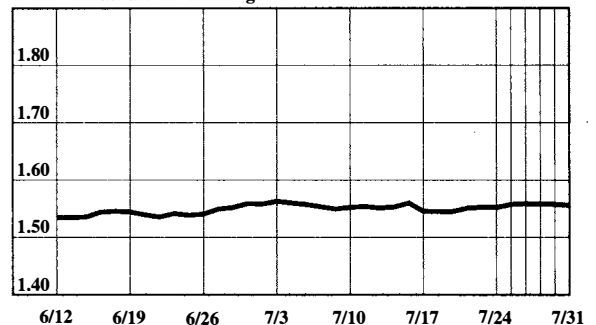
The dollar in yen

New York late afternoon fixing



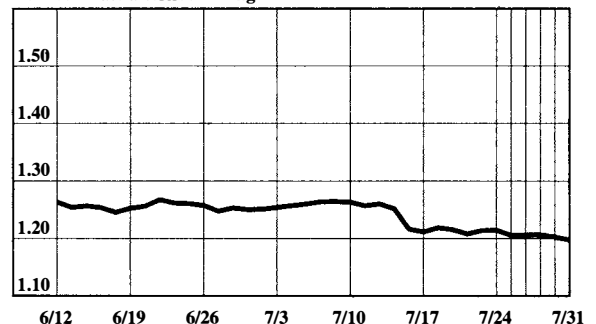
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Federal Reserve costs come under fire

by Anthony K. Wikrent

The U.S. Senate Banking Committee held hearings on July 26, to review a recent General Accounting Office report on the operations of the U.S. Federal Reserve System. Acting upon a request by Sens. Byron Dorgan (D-N.D.) and Harry Reid (D-Nev.), the GAO undertook the most comprehensive review ever of the Fed's operational management, and found that there is much room for improvement. The GAO also found that the Fed has amassed a \$3.7 billion "slush fund," which the GAO believes should be turned over to the U.S. Treasury. While the report and the hearing carefully avoided any examination of the constitutionality and efficacy of the Fed's control of monetary policy, Fed Chairman Alan Greenspan was clearly on the defensive.

The GAO report begins by discussing the "unique" structure of the Federal Reserve System, which is comprised of the Board of Governors and 12 regional Federal Reserve banks. The governors and chairman are appointed by the President of the United States, and confirmed by the Senate, but the 12 regional banks are private corporations, the stock of which are wholly owned by the commercial banks in each region.

The GAO reported that it had "identified several inefficiencies in the Federal Reserve's policies and practices that have increased the cost of providing its current services, including its costs for travel, personnel benefits, building acquisition, and contracting and procurement. Many of these inefficiencies relate to the decentralized nature of the Federal Reserve, which allows each Reserve Bank to set many of its own policies, and to the absence of traditional cost-minimizing forces that are commonplace in entities that are either purely private or public sector in nature."

From 1988 to 1994, the Fed's average annual revenue was \$22 billion, about nine-tenths of which is the interest earned on the U.S. government securities the Fed holds, as backing for over \$380 billion in Federal Reserve notes, which in turn serve as our nation's paper currency. Fees that the Fed charges financial institutions for providing services, such as check clearing and electronic fund transfers, account for most of the Fed's other revenues.

The operating costs of the Fed totaled \$2 billion in 1994, an increase of 48% from 1988 to 1994. The GAO noted that this 48% cost increase, exceeded the 25% increase in general price inflation during the same period, and the 17% increase in the total discretionary spending by the federal government,

but was somewhat less than the 51% increase in federal non-defense discretionary spending.

About 70% of the Fed's operating costs were incurred in running and supervising the payment system (which handles over \$1.5 trillion a day in payments and transfers), and other financial services provided to banks and government agencies; about 20% is accounted for by regulatory activities, such as bank examinations; only about 10% is accounted for by activities related to the Fed's formulation and implementation of the nation's monetary policies.

Pay and benefits for the Fed's workforce of over 25,000 employees accounted for about 70% of the Fed's operating expenses. The GAO found that the Fed's benefits are "generous," when compared to other, comparable federal agencies, such as the Securities and Exchange Commission.

The \$20 billion or so in revenues that are left over, are returned to the U.S. Treasury each year. However, the GAO found that the Fed has retained a few hundred million dollars each year, in a special "surplus account." This surplus account grew 79% from 1988 to 1994, rising from \$2.1 billion to \$3.7 billion.

A secretive institution

Testifying before the committee, Senator Dorgan explained that he had requested the GAO study, because the Fed "has become an institution sitting there alone on a hill, a fence around it. You can't see much inside. The doors are locked when they make decisions. The minute someone begins talking about the Fed in any way other than glowing terms, you are immediately viewed as some sort of 'Fed-basher.'"

While noting that "it's not my intent that monetary policy should be conducted by the United States Congress," Senator Dorgan complained that "federal funds rates are now a full half percentage point . . . above where they ought to be by historical standards under the stewardship of this Federal Reserve Board, and there is no excuse for it. And we're not talking, however, about reducing them. We're hearing talk about increasing it. The prime rate ought to be 6% and the federal funds rate ought to be a full one-half of 1% below where it is now, given the rate of inflation."

In his testimony, Federal Reserve Board Chairman Greenspan stated that "we take exception to the broad implication of the GAO report that the Federal Reserve has not exercised appropriate budget constraint and that it has not adequately addressed the changing technological and financial environment in which it operates. In my opinion, however, the general tenor of the report does not reflect the high level of effectiveness with which the Federal Reserve has fulfilled its mission."

Sen. Paul Sarbanes (D-Md.) reacted to Greenspan's statement by noting, "I'm a little concerned by the defensive reaction to the GAO report. . . . I want to somehow break out of that mold."

Phil Gramm: not the only quackademic

by Lyndon H. LaRouche, Jr.

Veteran draft-avoider and quackademic Senator Phil Gramm, and House Speaker Newton Gingrich, are not the only consumer frauds rampant in university faculty lounges today. Although a small minority among today's professional economists is composed of both literate and insightful professionals, virtually everything taught as *principles of economics*, is an illiterate's hoax.

The legendary, pervasive incompetence of most leading and other campus economists, is emerging, once again, to be a timely topic of public opinion. The presently insurgent contempt for the official economists, should remind us of moods which erupted after August 15, 1971, when a global monetary collapse, which Paul Samuelson, like others, had said could never happen, triggered abandonment of the Bretton Woods gold-reserve agreements. Today, as the storms of an on-rushing international banking collapse darken the skies, we might expect, soon, that all we shall hear from under the crack in the door of the Economics Department, will be a mewling murmur: "No one here but us visiting ditch-diggers."

Those who recall the period of the 1971 monetary crisis, may also recall the face-to-face and literary debates which this writer conducted with some among the most famous U.S. economists, during the closing months of that year. Every trend which this writer then warned was likely to happen, unless policy-decisions of the 1966-1971 period were reversed, has become the ugly truth of today, inside the U.S.A., and world-wide. The mass-murderous policies of Phil Gramm, Newt Gingrich, and Pennsylvania Governor Tom Ridge, today, are the policies against which this writer, in 1971, forewarned the public, in prophetic detail, as the fascist trends implicit in 1966-1971 policies. What experience, since then, teaches, is, chiefly, that what most of today's high-ranking students of economic policy—at the *Wall Street Journal*, *Washington Post*, in the Republican Party, and Yuppiedom elsewhere—appear to have learned best from the experience of the past thirty years' economic decline of the U.S.A. and world economies, alike, is how to surpass their parents of the World War II veterans' generation, in transforming the disasters of the past into the catastrophes of the present.

Admittedly, there are important differences between the putative leading economists of 1971 and those of today.

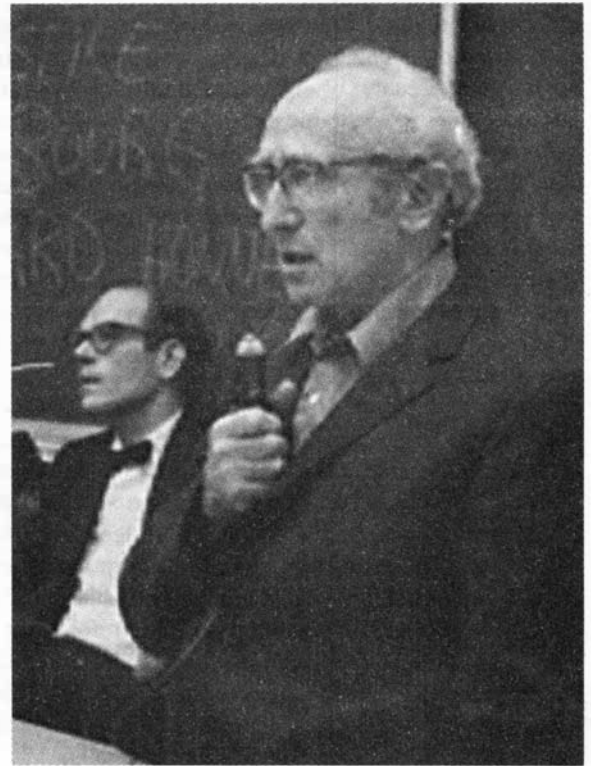
Like kitchen con-man Phil Gramm, or Newt Gingrich, most of today's populist economists tend to be low-budget imitations of such higher-priced models of Mont Pelerin clansmen as Friedrich von Hayek and Milton Friedman. Whereas the economists of the 1950s and 1960s blundered in their representation of the processes of production, Gramm and Gingrich typify those popular economists of today's mass media and foundation circuits, who have rejected any serious attempts to understand the productive process itself.

The notable point of difference is, that the thoughts of today's Yuppie economists, dwell, as byte-afflicted hesychasts, in the caves of "cyber-space." Ideologue Malthilde Ludendorff would have been greatly embarrassed to foresee, that the aging Yuppie of today, has rejected modern European civilization's traditional functional standards of physical performance, out of preference for the cultural determinists' coddling consolations of fantasy-life, those of the proverbial, twice-weekly, psychotherapy circle's Orwellian "group think." It is but a reflection of this point of difference, that, for today's Generation X'er, Hannah Arendt's beloved, the leading Nazi ideologue Martin Heidegger, and other German and French, existentialist co-thinkers of Hitler-prophet Friedrich Nietzsche, are the preferred symbols of most of today's university philosophy departments.

The crucial point to be made here, is that every scrap of innovation in generally accepted classroom teaching of economics, since about 1966, must be recognized for the certifiable lunacy it is. For example: Those twin pillars of psychotic cyber-space, "information theory" and "systems analysis," must be purged, outrightly, from the policy-shaping discussions. Attention must be focussed upon correcting the prevailing errors of an earlier generation, when professional economists were more or less sane, even when in grave, axiomatic error. We must address the hereditary impact upon today's economies, of those blunders which prevailed during an earlier generation's time, when economists still lived in the real world, where physical, rather than merely financial or monetary performance, per capita, per household, and per square kilometer, were the yardsticks to which professional standards for economic-policy discussion obliged us, ultimately, to return. In that former time, monetary and financial systems were judged by the physical-economic performance they were arguably proposed to have



Left: Sen. Phil Gramm. His mass-murderous policies are those which Lyndon LaRouche warned, in 1966-71, would emerge from the fascist trends implicit at that time. Right: The 1971 debate between Professor Abba Lerner (at microphone) and LaRouche (with bow-tie). Since that time, no U.S. academic economist has been willing to risk his skin in a public debate with LaRouche.



fostered: the exact reverse of the standard employed by today's hegemonic pack of professional lunatics.

Only when we have stated the problem in such, admittedly, rude and insensitive, terms of plain speech, do we escape the prison-yard of "politically correct" babbling, into the fresh, free air, where sane men and women enjoy healthy respect for the realities urgently to be addressed.

The Abba Lerner debate of 1971

For those who remember, and others, consider the circumstances and outcome of the writer's celebrated Autumn 1971 debate with Professor Abba Lerner, then considered the leading Keynesian economist of the United States. That turned out to be a bench-mark, a turning-point in the history of the U.S. economics profession. On that account, certain essential features of the debate are of signal importance, for understanding the leading economic policy-issues of the U.S. today.

Following the events of August 16-17, 1971, the author's associates deployed in numerous university campuses of the U.S.A., challenging the economics departments on three key points. First, that virtually all among them, had been proven incompetent by the August 16-17 events, on the principal point of their teaching to their students, up to that point in time. On this account, we described the relevant such professors of economics as "quackademics." Second, that their teaching would lead, in practice, into introducing forms of economic austerity, world-wide, against labor, and others, echoing the measures of fascistic economists such as Hjalmar Schacht, in

1920s and 1930s Germany. Third, we, as critics, were willing to meet any challenge from the accused economists, by offering the author of these two charges, the present writer, to debate publicly any champion the offended academic economists might select.

In short, the New York academic economists selected Professor Abba Lerner to be that champion. An audience of under 1,000, chiefly faculty representatives and students, attended. Throughout, this writer focussed upon the charge which he had made publicly against Lerner: that Lerner's economic theory had already impelled Lerner to propose, or to support otherwise, measures of austerity modelled upon the fascist measures imposed in 1930s Germany by Nazi Minister Hjalmar Schacht. In the end, Lerner conceded, in effect, by delivering what most in the audience heard as a shocking admission, Lerner's apology for the policies of Schacht: He stated, that had the German Social-Democracy supported Schacht, "Hitler would not have been necessary." The quotation is exact.

Afterward, Lerner's closest political associate, the noted John Dewey clansman and former Communist, Professor Sidney Hook, avowed: Yes, LaRouche had defeated Lerner in the debate, but LaRouche would pay a price for that success. On one point, Hook proved accurate: Since that time, no U.S. academic economist has been willing to risk his skin in a public debate with this writer.

Although, many among those relevant, professional economists of the post-August 1971 decades, would have rightly

insisted that they were not personally fascist ideologues, the characteristic tendency of their policy-shaping always moved them in the direction of either recommending the kinds of fascistic trends in economic policy against which this writer had warned in August 1971, or making excuses for those who did so. Just as this writer had first warned, in late August 1971, the consistent trend in U.S. academic and governmental economic policy-shaping, since then, has been toward the kind of fascist austerity presently typified by either Newt Gingrich's co-thinkers, or the utterly shameless neo-Nazism of the fuzzy-tongued former Colorado governor, Reform Party pre-candidate Dick Lamm.

Thus, were Hitler alive and running as candidate of the Nazi Party in Germany—or, in the United States, today, even among most liberal academics, it would be forbidden, on grounds of “political correctness,” to describe that candidate Hitler, or Pennsylvania Governor Tom Ridge, as promoting “Nazi-like” policies. Among radical conservatives, “neo” or other, in today's U.S.A., the charge of “Nazi-like,” or simply “fascist,” strikes too close to home for comfort. Not only arguable fascists, such as Newt Gingrich or Phil Gramm, have reason to be sensitive on this issue; most so-called “liberal” economists are carriers of the epidemic trends in thinking, not only in economics, but on social policy generally.

Go back to 1966-1971. *Why* did most liberal economists of that time, as Professor Abba Lerner typifies the case, take the first baby-steps, leading toward what should have been visible to them as today's GOPAC and kindred threats of full-blown American fascism? What was included, or perhaps missing, from their comprehension of economic processes, which has led into mass-murderous fascistic policies such as those of Gingrich's “Contract on Americans,” and of the man classed variously as “apparent,” or “aberrant” candidate for the Republican Party's Vice-Presidential nomination, the “Nuremberg criminal” Pennsylvania Governor Tom Ridge?

The present writer has identified this specific problem, repeatedly, within policy analyses published earlier in editions of *Executive Intelligence Review*, and other locations. We bring that issue into sharper focus upon the specific topic posed here.

Prince Philip says he is a ‘higher ape’

While his wife has been otherwise occupied, the co-founder of the World Wildlife Fund, Britain's Duke of Edinburgh, Prince Philip, has insisted, repeatedly, that he is neither a man, nor a horse, but a “higher ape.” As it was for Charles Darwin, since long before both the Duke and the U.S.A.'s “Unabomber,” that is the kernel of neo-Malthusian philosophy, to which today's World Wide Fund for Nature is devoted; it is the kernel of the issue of economics upon which our attention is focussed here.

The characteristic feature of all physical economy, from the most remote point of pre-history of mankind, to the present, is the increase of human potential relative population-

density, from the level of several millions living individuals, the maximum for any imaginable higher ape, such as Prince Philip, to several hundred millions, and then billions, as the consequence of a succession of changes in typically human behavior, as exemplified by scientific and technological progress in both the development of inhabited areas, and in the productive powers of labor. This measurement of productive powers of labor, is expressed in terms of physical contents of market-baskets of output, and of consumption, per capita, per household, and per square kilometer of relevant land-area.

Converted into the language of classroom thermodynamics, this increase in life-expectancy, standard of living, and potential density of population, depends upon an increase of the level of the potential productivity of the imputable labor-force of society, per capita. As Gottfried Leibniz specified, in founding the science of physical economy, in his 1671 *Society & Economy*, this level of productive potential in the member of the labor-force, depends upon a corresponding standard of material and cultural existence, among the family households which produce the members of the labor-force. This also requires appropriate levels of physical improvement of basic economic infrastructure of the society taken as a whole, and increased levels of expenditure, per capita, in capital facilities, and in materials invested in the individual work-place.

Continuing to examine the history of physical economy, from earliest known times, in these same terms of reference, we have the following notable results.

Identify the aggregation of those costs (and related investments) necessary to sustain a certain level of productive powers of labor for a society, as corresponding to “energy of the system.” Identify any margin of output in excess of those costs, as “free energy.” Thus, we are presented with the notion of some ratio of “free energy” to “energy of the system.” This ratio, as expressed in physical terms, not monetary or analogous terms, provides society a standard of measure of performance. This standard is composed of the relationship between two elements: 1) absolute “energy of the system” per capita of labor force, as measured in relative physical content of market-baskets of standard necessary consumption; 2) ratio of “free energy” to “energy of the system.”

The increase of the productive powers of labor, is expressed initially, in terms of increase of the required physical content of all market-baskets: production, infrastructure, and capital investment in production. These are measured three-foldly: per capita of labor-force, per household, and per relevant square kilometer. The associated, required condition, is that the ratio of “free energy” to “energy of the system” must not decline, despite the increase (in physical terms, and as measured in terms of the division of labor) of the capital-intensity of required “energy of the system” (per capita, per household, and per square kilometer).

That latter restriction (“constraint”) may be termed, conveniently, the characteristic required function of the economy considered as a whole, or, simply, *Characteristic Function*.

The commonplace, fallacious assumption, even prior to 1966-1971, was that economics must proceed from the “microcosm,” as of the individual farm, factory, or trading-house, to build up to the level of considering the society as a whole.¹ For those of such opinion, thus, productivity must be measured, first, at the point of production within the individual firm, and that in respect to ratios of prices of sales versus prices of necessary purchases. The question whether the gain of the individual enterprise came as a loss to the society as a whole, was not considered. This attempt to derive a general theory of political-economy from an assumed microcosmic “cell form,” was the usual situation, and is the essence of the fallacious approach taken by the followers of the British East India Company’s Haileybury School, such as Adam Smith, Jeremy Bentham, Thomas Malthus, David Ricardo, Karl Marx, et al. In more recent decades, it was argued that this was the “capitalist,” or “free society” approach, supposedly as distinct from the Soviet approach.

During the late 1940s through 1960s, there came an epidemic of lunacy in the military and security institutions of the U.S.A. The case of the FBI under the Hoover-Tolson dynasty is notorious. The military side of the problem is more interesting, and more directly relevant to the concerns we have expressed here. It began, as an invasion of silly varieties of so-called “social science,” invading the newly created U.S. Air Force, during the late 1940s: as through RAND and MIT channels, such as those associated with Margaret Mead and her sometime husband, Gregory Bateson of MK-Ultra notoriety. During the 1960s, this plague took over West Point Military Academy. This invasion by “mind snatchers,” included a strong emphasis upon the pseudo-scientific cults of “cybernetics” and “systems analysis.” It spread through leading universities, and prominent military suppliers and influential “think tanks”; it was purveyed widely through the forums of the American Management Association and kindred circuits, and through the “technical” textbooks of the notorious “how to deceive your neighbors into thinking you are a genius, all in less than one hour a day, all in your spare time” variety. The notorious cult text, *High Frontier*, is an example of this latter sort of charlatany.

This infusion of pseudo-science provided a medium for the spread of a hyperventilating mantra: “Free economy versus command economy.” That mantra has served as the predecessor of the fascist (anti-“big government”) communitarianism cult adopted by Speaker Newt Gingrich and his fellow-clansmen of “Contract on Americans” (those considered by Gingrich, Ridge, their supporters, et al. to be “useless eaters”).² The wild-eyed fanaticism associated with that mantra,

has contributed a significant part to the incompetence of taught (and practiced) economics today.

More significant than that mantra, has been the popularization of “material incentives,” a doctrine whose impact upon quality is typified by a visit to any gallery offering an exhibition of what passes for modern art among the wealthy, and would-be-wealthy decadent classes of today. The same sick minds have supplied us the related dogma of “psychological” (as distinct from “material”) incentives (e.g., a more resonant job-description, in lieu of a pay raise). In short, the influence of pathetic varieties of so-called “social science” upon economic policy-shaping, has been to impose a Hobbesian, morally degraded conception of “human nature,” upon the practice of the firm, and the society as a whole. “Lure people into being ‘more productive,’ through material and other psychological incentives.”

The crux of the matter is implicit in the assertion: “No amount of bananas or stroking, could induce baboons (or, perhaps, Prince Philip) to invent the wheel.”

The widespread, credulous toleration of the outrageously anti-scientific, axiomatic assumptions, underlying the work of such followers of Bertrand Russell as Norbert Wiener (“information theory”) and John von Neumann (“systems analysis”), exemplifies the nature of the incompetence pervading economics teaching even prior to the 1966-1971 interval, and even more so after that. Von Neumann’s assumption, as set forth publicly by him in 1938, was that all economies can be reduced, for purposes of analysis, to the terms of solutions for systems of simultaneous linear inequalities. Wiener’s fatal presumption, was that human intelligence could be reduced to an expression of Ludwig Boltzmann’s statistical thermodynamics of a linear kinematic model, the so-called “H-theorem.” The absurdity of Wiener’s assumption subsumes the identical quality of foolishness in von Neumann’s views of both economies and the human brain.

As we have summarized the fact, above, any successful economy must satisfy the requirement, that the productivity must be increased, through such means as emphasis upon investment in scientific and technological progress. However, although this requires an increase in the relative (physical) “energy of the system” of the economy, taken as a whole, per capita, per household, and per square kilometer, the ratio of “free energy” to “energy of the system” must not decline. That is, a true “not-entropic” process, whose very existence suffices to demonstrate that the universe, taken in its entirety, is, similarly, “not-entropic.”³ This fact has crucial economic

under Etzioni’s rubric of “fascism with a human face.” Obviously, the attack upon “big government” is part of the movement to replace national governments by UNO world government, and national economies by a single, “global economy” controlled by world government.

3. The fact, that mankind’s potential relative population-density has been increased through valid, axiomatic-revolutionary discoveries of natural principle, demonstrates, the universe is prone, by its implied principle of design, to submit to the properly developed human powers of cognitive discovery of

1. As by aggregating “Value Added” of the economy’s individual parts.

2. “Communitarianism,” as typified by former Columbia University denizen and Professor Amitai Etzioni, is an explicitly fascist movement derived from the Nazi Party circles’ traditions met in Schumacher’s *Small is Beautiful*. Etzioni’s “communitarianism” was initially presented, during the mid-1970s,

implications; it also has, as Bernhard Riemann showed implicitly, in his 1854 habilitation dissertation, the most profound implications for both mathematics and mathematical-physics in general.

Whence this “not-entropic” impulse, so indispensable to the continued existence of the human species? It is derived, ultimately, from valid, axiomatic-revolutionary qualities of discovery of principles of nature, in both science and Classical art-forms. These discoveries, by their nature, can not be communicated, in the form of what Wiener presumes to be “information”: by means of a mathematical or other language based upon levels of knowledge existing prior to that mental act of discovery. Such discoveries can be communicated, only by prompting a replication of the original discovery within the sovereign precincts of the individual mind of the student, et al. It is in this process of evoking reenactments of original discoveries of principle, that knowledge is imparted to the present generations from the past, and valid new discoveries of principle added to the stock of human knowledge.

As Riemann emphasizes,⁴ the incorporation of any valid new principle into mathematical physics, requires us to depart the domain of mathematical formalism for the realm of experimental physics, and, thereafter, to redesign mathematics to accommodate what the old mathematics could never develop, or represent. That quality of invention, is the only source of the “not-entropy” upon which all economy depends.

In mathematical terms, the pathway of economic meta-equilibrium demanded by the characteristic function of physical economy, is described by what is known as a “Riemann Surface Function,” a succession of physical geometries, ordered in terms of advances in Gaussian curvature, each employed to represent the characteristic of that stage of advancement of the economy.

Thus, for any competently designed economic policy, the following leading rules apply:

1. There must be a universal Classical form of education (e.g., the Humboldt model formerly used, for the more fortunate students, in Germany), for all young members of society. (Not merely trade-school, or other so-called “practical” education. No John Dewey, or “New Math” permitted. Lots and lots of “dead, white, European males,” and others, are required for all.)

principle. Hence, the characteristic feature of that process of higher hypothesis, which subsumes a series of successful discoveries of principle, is a reflection of the lawful design of the universe as a whole. Since, an efficient realization of the “not-entropic” series, in economic development, expresses the mathematical form of Riemann’s 1854 habilitation dissertation, and since this series is in correspondence with scientific progress, the ordering subsumed by mankind’s cognitive powers for successive, valid, axiomatic-revolutionary discoveries of principle, reflects the “not-entropic” ordering-principle characteristic of the universe to which man’s successful efforts at discovery are addressed. An elaboration of the principles involved will be found in the forthcoming publication of this writer’s “Leibniz From Riemann’s Standpoint,” *Fidelio*, Fall 1996.

4. e.g., 1854 habilitation dissertation.

2. The standard wage-income or substitute for all households of society, must conform to the cultural level of something better than the presently desired productive potential of the labor-force.

3. The improvements in infrastructure and work-place, per capita, per household, and per square kilometer, must conform to the Characteristic Function of physical economy.

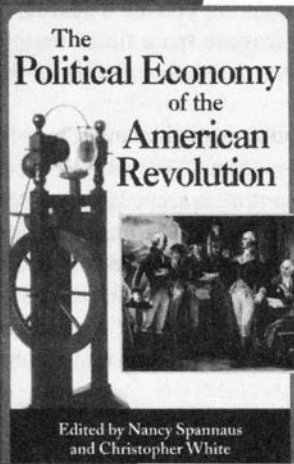
4. The rate of development of, and investment in scientific and technological progress, and in Classical cultural development, must be sufficient to satisfy, in effect, the Characteristic Function of physical economy.

The beginning of economic science is to be found in the appropriate Biblical location: *Genesis* 1:26-30. The scientific evidence is, that man and woman are made in the living image of the Creator, by virtue of that developable creative power of the human individual through which mankind’s power over the universe is increased without limit. A science of economy, is the branch of physical science which premises itself upon the increase of the physical power of survival of mankind, through reliance upon the development of those creative mental powers, for valid, axiomatic-revolutionary discovery of principle, which sets humanity absolutely apart from, and above, all other creatures.

That is the essence of the matter. That, therefore, is the point of reference from which to discover the cause for any economic affliction which mankind imposes upon itself.

DO YOU KNOW

- that the American Revolution was fought *against* British “free trade” economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?



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'Real Plan' monetary reform leaves Brazil in a two-year-long coma

by Lorenzo Carrasco

On the first of July, Brazil's monetary stabilization plan known as the "Real Plan" completed its first two years. It is undeniable that the plan, named for the country's currency, the *real*, has succeeded in lowering inflation. But the cost of this "success" could prove to be the explosive collapse of the national financial system as a whole, in much the same way that Mexico suffered a near "meltdown" in December 1994.

The international financial media, as well as Brazil's authorities, are hysterically trying to deny this reality. For example, the *Wall Street Journal* published an article on July 26 by economics professor Sebastian Edwards, with the suggestive title, "Why Brazil Is Not Mexico—Yet." Edwards insists that "Brazil's economic conditions today are far different from those Mexico faced in mid-1994. . . . The probability of a Mexican-style currency crisis in the short run is extremely low—almost zero." Edwards then goes on to demand that the government of Fernando Henrique Cardoso slash government spending and lay off workers, stop subsidizing exports, use proceeds from privatization only to pay off the foreign debt, and change labor legislation to eliminate worker benefits.

It is precisely such policies à la the International Monetary Fund, of course, that sent Mexico into bankruptcy in 1994, and are producing the same results in Brazil today. Indeed, the "conceptual" grounding of the Real Plan's creators—President Fernando Henrique Cardoso, Finance Minister Pedro Malan, and Central Bank director of foreign affairs Gustavo Franco—stems from the assumption of a "virtual economy" that can grow and develop, sustained by nothing but a flow of international capital. This assumption presupposes that the dismantling of the institutions of the nation-state is the best guarantee for foreign investment.

As we have indicated in previous articles, but which is worth repeating here, this plan of "virtual stability" is based on three pillars of disastrous consequence for the national economy. First, the deregulation of exchange rates and trade liberalization has caused a growing trade deficit, which is being met by international financial flows. Second, to keep the inflation rate of the basic market basket of consumer goods low, the government has fixed the prices for agricultural products below the basic production cost. This has provoked a sudden wave of agricultural bankruptcies and, consequently, a collapse of the industrial sectors involved in production of agricultural inputs.

As if this weren't enough, the government has also freed imports of artificially cheap agricultural products, which is functioning like "self-dumping" against national agricultural production, at a moment when the marketing of the largest grain crop in history, nearly 80 million tons, is just beginning. While it is true that this has kept inflation for the poorest classes low, for the rest of the population, who pay rent, send their children to school, and have to pay for their health plans, inflation has been greater than 100% during the two years of the Real Plan.

The third element of destruction was the hike in interest rates to 10-12% a month! This, of course, helped to keep foreign capital flowing in, while at the same time depressing consumption of domestically produced consumer goods, whose cost had abruptly risen just at the time that cheap imported goods were invading the country.

So far from the First World, so close to Mexico

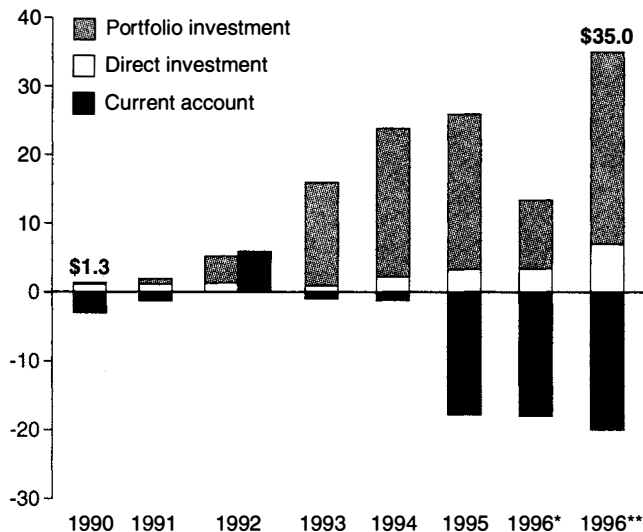
Instead of serving as a basis for abandonment of the "virtual economy" model premised on foreign capital flows, the Mexican bankruptcy of December 1994 led the newly inaugurated government of Brazilian President Cardoso to take some palliative secondary measures, while pursuing the same basic orientation in his economic policy. As we can see in **Figure 1**, the current account deficit for 1995 was \$18 billion, and everything indicates that this will persist or even rise in 1996, due to the impact of agricultural imports. As in the Mexican case (see **Figure 2**), this deficit is being covered by foreign capital flows, which appear in the upper portion of the graph. Incoming capital flows grew at a dizzying rate between 1990 and 1994. Even in 1995, when the Mexican crisis triggered a net flight of capital from the rest of Ibero-America, capital continues to come into Brazil, if at a reduced rate.

By 1996, the financial orgy took off once again. As one can see, through the month of May, more than \$14 billion entered Brazil—\$10 billion in speculative portfolios, and \$3.372 billion in "direct investments." This last figure doesn't really reflect productive activity either, since it includes the purchase of existing Brazilian companies by foreign groups, as well as foreign earnings from the privatization of public firms. For all of 1996, it is expected that this category of "direct investment" will reach \$7 billion, while portfolio investments could reach, if the present euphoria continues, as

FIGURE 1

Brazil: foreign investment vs. current account deficit

(billions \$)

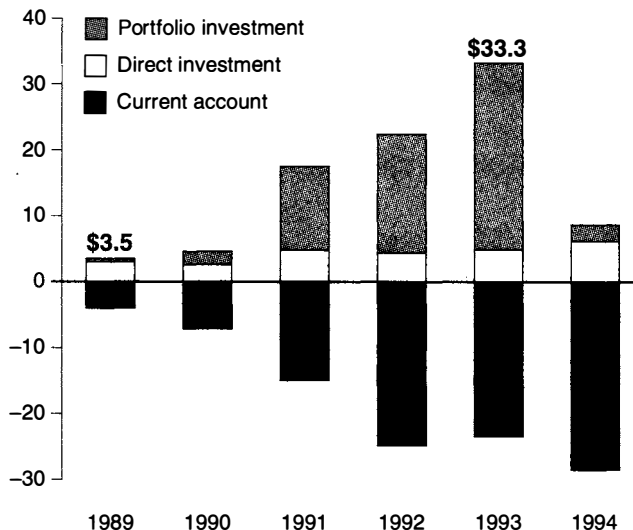


* through May 96.
 ** EIR projection.

FIGURE 2

Mexico: foreign investment vs. current account deficit

(billions \$)



Sources: Banco de México, World Bank, Inter-American Development Bank, Summa.

much as \$28 billion, for a total of \$35 billion, equivalent to Mexico's total earnings in 1993.

With these foreign investment flows, the Cardoso government has been able to accumulate, through June 1996, exchange reserves on the order of \$60 billion, which one would think would provide a sufficiently thick cushion to survive flight capital, such as that which Mexico suffered in 1994. One forgets that in February 1994, ten months before the crisis, Mexico had nearly \$30 billion in reserves, which, in proportion to its national economy, was greater than what Brazil holds today.

Domestic bubble swells

To overcome the so-called "Tequila effect," the Brazilian government has artificially contained the pressure from foreign accounts, transferring that pressure instead to the domestic economy: It has created a bubble of public internal debt that is now threatening to burst violently. As can be seen in **Figure 3**, the debt of government paper, adding together federal, state, and municipal debt accumulated over the past two years, grew nearly two and a half times, going from \$80.8 billion in June 1994, to \$195.5 billion in May 1996.

And this isn't even the total public debt! One must add to this figure bank and contractual debt, both of states and municipalities, as well as of public firms. For example, the total liquid internal debt of states and municipalities in May 1996 reached \$80 billion, while, according to Central Bank figures, the debt in government paper was "only" \$44.843 billion. That is, bond

holdings account for only half the total debt, in this category. At the same time, public companies have accumulated a liquid internal debt of \$34 billion. Thus, the total public debt actually reached \$230 billion by mid-1996.

This uncontrolled growth of internal finances has several causes. First, the increase in capital flows into the country, which are changed upon entering Brazil into local currency, which in turn is collected by the Central Bank through bond issues of the National Treasury and of the Central Bank itself. Second, the bankruptcy of the national banking system, as a function of the high levels of non-performing industrial, trade, and consumer debt, has forced the government to restructure its bank protection program PROER, to channel substantial assistance to the troubled private banking system. Through May 1996, this program had already disbursed \$12.1 billion.

Third, the agricultural crisis has hit the Bank of Brazil especially hard; its accumulated losses in the first half of 1996 were approximately \$6.4 billion, which are being covered by the National Treasury. That is, in the course of 1996 thus far, the government has had to disburse \$18.5 billion, to try to control the banking crisis. In vain, it would appear, as levels of non-performing debt have not ceased to grow.

Yet, the Brazilian banking sector is on the verge of a generalized crisis much larger than that which hit Mexico. This is the stated opinion, for example, of the U.S. rating agency Standard & Poors, which circulated a report in July acknowledging that the systemic risk of the Brazilian banking system is the worst in all of Ibero-America. In January 1994,

FIGURE 3

Brazil: public bonded debt

(billions \$)

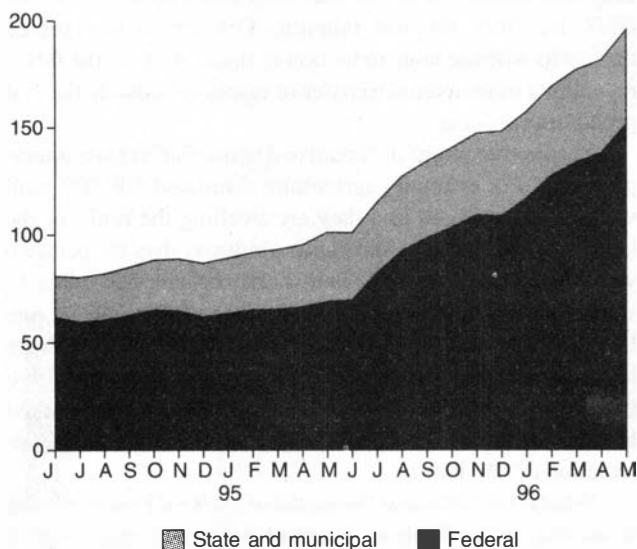
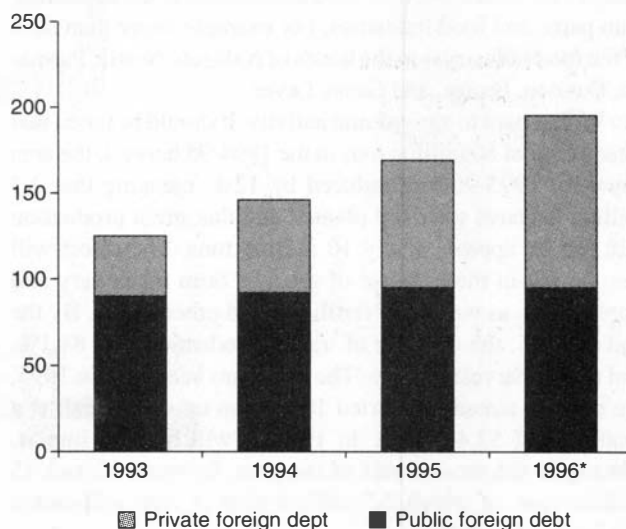


FIGURE 4

Brazil: official foreign debt

(billions \$)



* EIR projection.

the total non-performing debt (calculated after 180 days of non-payment) was equal to 4% of the banking system's total outstanding loans. In January 1995, that figure was 4.8%, and in January 1996, it had risen to 9%. As of last June, it had reached a level of 12%, three times greater than at the start of the Real Plan, and equivalent to \$20 billion of non-performing debt. The level of arrears—that is, after 90 days of non-payment—was calculated at nearly 25% of total outstanding loans, or nearly \$40 billion.

The high interest rates have also forced companies and private banks to raise their own foreign indebtedness, not just through cash loans, but primarily through placing of bonds which have forced the private portion of the foreign debt dramatically upward. As we can see in **Figure 4**, according to government data compiled and released by the U.N.'s Economic Commission on Latin America (ECLA), the official foreign debt grew from \$113.5 billion in 1988 (not shown here), to \$125 billion in 1993, and then to \$169 billion in 1995, of which \$74 billion corresponds to the private portion. At this rate, it is expected that by early 1997, the official foreign debt will pass \$200 billion. That is, it will have grown by nearly 60% in three years.

All of this, in turn, caused a 1995 fiscal debt equivalent to 5% of the GNP, or \$32.2 billion. For 1996, according to the World Bank's own estimates, it will be nearly impossible to reduce that deficit, despite the fact that domestic interest rates have begun to fall. One of the causes of the fiscal deficit is the crisis of the banking system, from which the state has historically collected 20-25% of total tax revenues. With the wave of bankruptcies, this has fallen to 7-10%.

Darwinist 'creative destruction'

One mustn't fall into the error of concluding that this economic devastation is unplanned. At least for Central Bank officer Gustavo Franco, one of the architects of the Real Plan, this process of economic demolition is not only necessary, but desirable. During a June 18 economic seminar in São Paulo, Franco declared that current economic policy, especially exchange policy, is inspired by the concept of "creative destruction" of Austrian economist Joseph Schumpeter, according to which one can build a modern and technologically advanced industrial sector upon the ashes of industrial destruction, brought about through fierce trade competition.

This creative destruction is evident especially in the levels of bankruptcy and industrial unemployment in the city of São Paulo, Brazil's industrial heartland. During the first year of the Real Plan, from July 1994 to June 1995, the total number of bankruptcies rose to 5,076. The next year, ending in June 1996, saw a tripling of that figure, to 15,000. The industrial sector most at risk for bankruptcy is the auto parts industry, which in the first year of the Real Plan went from a level of indebtedness of 85% of its total capital, to 324%, which means that for every *real* in assets, it owes 3.24 *reals*. It is followed by the toy industry, which went from 77% to 99%; food, from 61% to 65%; and telecommunications, which went from 32% to 62%. All of these figures come from the consulting firm Lopez Filhos Associates.

But the financial reality of other sectors is not very different. For example, textiles, shoe-making, wine-making, etc., are all being destroyed by a combination of cheap imports

and contraband. This is forcing all these sectors to sell off their companies to the multinationals, which, today, after two years of the Real Plan, now hold monopolies in the appliance, auto parts, and food industries. For example, more than 60% of the food industry is in the hands of Nabisco, Nestlé, Parmalat, Dannon, Bunge, and Gessy Lever.

With regard to agricultural activity, it should be noted that after a crop of 80 million tons in the 1994-95 harvest, the area sown for 1995-96 was reduced by 12%, meaning that 2.3 million hectares were not planted and that grain production will fall by approximately 10 million tons. The effect will also be felt in the collapse of sales of farm machinery and implements, as well as of fertilizers and other inputs. By the end of 1995, the collapse of tractor production was 84.1%, and that of harvesters 67%. The result has been that, in 1995, the country already imported 10 million tons of cereal, at a total cost of \$2.4 billion. In 1996, it will have to import, starting in the second half of the year, between 12 and 15 million tons, of which 2-3 million tons of corn will cost a minimum of \$4 billion.

This destructive effect can also be noted in the abrupt decline of agricultural land values. According to the Institute of Agricultural Economics, of the São Paulo Ministry of Agriculture, the price of land has fallen 30% in the state. This situation does not differ significantly from the rest of the country. The result is that the specific weight of industry and agri-

culture in the economy as a whole, is rapidly declining. In 1994, when the participation of these two sectors in the economy was already on the decline, they added up to 51% of the GNP. By 1995, this had fallen to 47%, and it is expected that 1996 will see their reduction to under 45% of the GNP, meaning a monumental transfer of resources outside the real productive process.

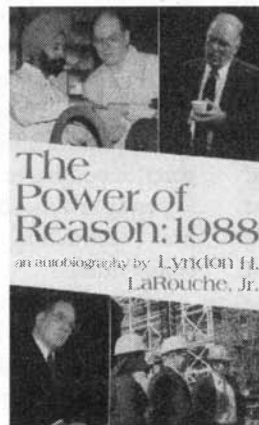
Yet another image of "creative destruction" is mass unemployment. For example, agriculture dismissed 500,000 rural workers in one year, and they are swelling the ranks of the homeless and landless. São Paulo's industry over the past two years lost nearly 350,000 industrial workers, according to statistics of the Federation of Industries of the State of São Paulo. In the area of civil construction, 180,000 jobs were lost, reaching an historic low for the sector as of January 1996 of 567,000 workers, as opposed to the 1,130,000 who worked for the industry in 1990, according to the Union of Civil Construction of São Paulo.

What is certain is that the model of the Real Plan is coming to an end, either from an eventual flight of foreign capital that will put an end to the speculative orgy, or because of an explosion of the Brazilian banking system itself, which would only be a reflection of the imminent explosion of the world financial crisis. And so, if it serves as any consolation, the creators of the Real Plan, will end up as victims of their own "creative destruction."

Books by Lyndon H. LaRouche, Jr.

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

—Former U.S. Attorney General
Ramsey Clark



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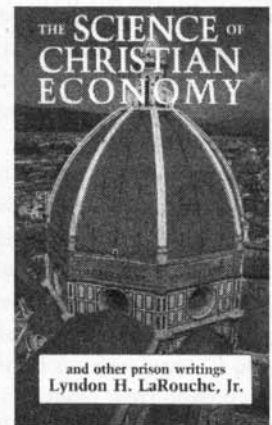
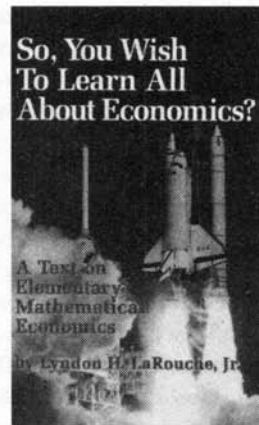
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A fight for jobs, against globalization

Resistance is growing against those who are driving down wages and gutting Germany's industrial base.

The usual tactic of the budget-cutters in the government of Germany, namely to exploit the period of late July and early August, when a good part of the population is on vacation, to prepare new assaults on the social welfare and labor budgets in the autumn, has worked many times in past years. This time, however, the situation is different, and it is not guaranteed that the government will be able to pass its austerity budget for FY 1997, which will be debated in the parliament from mid-September on.

This time around, the labor movement feels humiliated by the government's arrogance and refusal to negotiate, which was demonstrated in April when Chancellor Helmut Kohl wouldn't discuss anything but a list of budget cuts already agreed on with the International Monetary Fund, and otherwise insisted that the policy of "outsourcing"—subcontracting to take advantage of cheaper labor—was "unavoidable." Kohl's policy provoked labor to walk out of a roundtable on national economic policy.

The DGB, the national federation of labor, called upon its members to join protests and strikes, and on June 15, rallied more than 300,000 for a national day of protest in Bonn—one of the biggest public protests in post-war German history. The DGB has announced a new round of protests in the bigger cities, to begin in early September.

The government's plan to go for a German variant of "Thatcherism" and union-bashing has not only angered labor, but has also created

strong opposition inside the chancellor's own political ranks, as many of members of his Christian Democratic Union (CDU) are affiliated with the Catholic Social Ethics (CDA) movement, which controls almost one-third of the CDU caucus in the parliament. The chancellor and his top budget-cutter, Finance Minister Theo Waigel, are finding it difficult to maintain the parliamentary discipline of the CDA, and its loyalty to the government.

The tone of CDA warnings to the budget-cutters and outsourcers has become more aggressive. Commemorative events for Hans Katzer, a former CDU labor minister and co-founder of the CDA, who died in July, turned into platforms for attacks on the outsourcers.

At memorial for Katzer in Cologne on July 29, Minister of Labor Norbert Blüm said that Katzer's legacy was to defend the special "German model of the social market economy" against the type of "unbridled capitalism" that the neo-liberals and globalizers are forcing upon the economy.

"Those ideas that won the victory over socialism, must not be sacrificed to the big new global competition for efficiency," Blüm said, adding that "laissez-faire capitalism is not the answer to the challenge of socialism." Blüm also referenced the encyclicals of Pope John Paul II on labor and social affairs, as a focus for the CDA view that "man is more important than things."

And the Catholic bishop of Essen, Hubert Luthe, said in his eulogy for Katzer that the market is "acceptable

only in the form of the social market economy, which includes the principle of justice."

Meanwhile, in Bavaria, the Catholic state governor, Edmund Stoiber, decreed in July that, for public sector projects, he would no longer sign contracts with construction firms that pursued a policy of outsourcing and undermining the minimum wage. This move provoked the neo-liberals of all camps to attack Stoiber for "state socialism"; the Free Democrats, Chancellor Kohl's minor coalition partner, also engaged in these attacks. Even so, the housing minister of Kohl's cabinet, Klaus Töpfer informed the press, only a few days after Stoiber's announcement, that he is considering a similar decree concerning federal public-sector projects, as well.

And, in a session of CDU members of parliament in mid-July, Friedhelm Ost, chairman of the parliamentary commission on economic affairs, and formerly Kohl's government spokesman, warned the globalizers among industry managers against "a policy of Manchester Capitalism that discards social responsibility." Ost denounced managers who no longer respect the German tradition of training industrial apprentices, as "traitors against the interests of the nation."

This gives a foretaste of the kind of political debates that Germany will have in the autumn. Particularly the Ost statements, coming from a formerly devout free-marketeer, signal that a growing current among the Christian Democrats is about to break with the ideology of British neo-liberalism, and is going to call for protection of German jobs. For example, the chairman of the Saarland state section of the CDU, Peter Müller, called in mid-July for emergency legislation that would force outsourcing and job-killing firms to pay penalty taxes to the state.

Business Briefs

Trade

Malaysia hits WTO for attack on sovereignty

Malaysia's Trade and Industry Minister Rafidah Aziz attacked the World Trade Organization's "challenge to sovereignty," at a conference on the WTO sponsored by Malaysia's Institute of Strategic and International Studies, described as the "first meeting on the WTO organized by the South," the July 10 *Asia Times* reported. She said that "like-minded countries plan to band together to present a common front at the WTO ministers' meeting" in Singapore in December.

The proposed Multilateral Investment Amendment, obliging WTO member countries to allow foreign companies to hold 100% equity in all activities except security, would "encroach upon countries' sovereignty and would deem discriminatory, national policies that favored domestic enterprises. These moves are of grave concern to developing countries," the minister said. "We shall stand united. These are highly contentious issues and they constitute the single greatest challenge to the sovereignty and economic prosperity of the developing countries in the future." She also warned that environmental issues, which have "seeped into" the agenda, are meant to limit developing sector nations' capacities to develop their resources.

Health

Venezuela health care collapses under IMF

The public health system in the oil-rich nation of Venezuela is collapsing, the July 23 *Washington Times* reported. Venezuela's hospitals, once the pride of the continent, are now death traps because of the austerity conditions that prevail in the country, based on the dictat of the International Monetary Fund.

The national budget for 198 federally run hospitals and 27,000 beds has been \$1.2 billion since 1994, while prices during that

same period have tripled. A doctor who in 1981 received a salary of \$1,200 a month straight out of medical school, is today earning \$100 a month as a specialist.

Those individuals who can afford it, go to private clinics, while the desperate go to the few remaining public hospitals which have not yet closed their doors. But unless they bring their own medicine, food, sheets, rubber gloves, and bandages, they will not be checked in. Many emergency cases are dying on hospital doorsteps because there is neither the equipment nor medicine to treat them adequately.

The *Washington Times* blames the crisis on "union featherbedding, political patronage, and corruption."

Middle East

Palestinian conference takes on the IMF

West Bank Palestinians convened a conference at the University of Bir Zeit on the West Bank on June 9-12, as part of an effort to form a new movement to counter the World Bank and the International Monetary Fund's (IMF) policies in Middle East, and to expose their destructive policies in the Third World.

Rouiya Ochra (the *Alternative Opinion*), a Palestinian publication edited by Dr. Adel Samareh, helped organize the conference. In an article entitled "Anti-World Bank Alternative Activity in Bir Zeit University: The World Bank Pushes Its Fangs Deep in Our Peoples' Flesh," Dr. Samareh reported that the Students Progressive Labor Committees had invited Mahir Dusuqi and himself to speak. Dr. Samareh said, "It is never possible to talk neutrally about the World Bank and the IMF. The twin institutions are the embodiment of a programmatic activity to make poverty and economic dependency in the Third World a perpetual state in the name of 'development.'"

Dr. Samareh reviewed the establishment and purpose of the IMF and World Bank, describing them as "an international dictatorship whose programs have given catastrophic results in each and every country they entered." He described the horrible situ-

ation in Mexico and Ibero-America as being a direct result of the IMF and World Bank conditionalities. He added that "Ghana, the country which the IMF and World Bank consider as a success story, ended up in destroying the education system and [experienced] a critical deterioration in the number of students. . . . The health and living conditions were much better prior to the 'reforms.'" He correctly described the IMF and the World Bank as "debt collecting police," and detailed how the conditionalities they impose on the debtor nations bind them eternally in a debt trap. He called on the students to spread the resistance movement against the IMF and World Bank throughout the nations of the Middle East.

Science Policy

Chinese leader appeals for foreign cooperation

Chinese Prime Minister Li Peng explained "why China needs science . . . and partners," to an audience of scientists from the Asia-Pacific region on April 23, *Science* magazine reported in its July 5 editorial. "We have many problems," he said. But, he added that he believes that science and technology can help his government provide food, adequate living conditions, education, and employment for a growing population.

Li Peng admitted that the pledge to require a nine-year compulsory education, made prior to 1985, remains unfulfilled. China can only put 85% of its students through that program by 2000. To tackle the problem in the poverty-stricken western region, he suggested the increased use of "science, technology, and education, as well as government subsidies."

"The biggest problem in China, however, is agriculture," he said. To solve that, China needs both practical techniques and advanced technology. "For instance," he said, "the use of hybrid rice can increase yields by another 20% [after the recent 15% increase]; and with biological engineering, we have bred a new variety of cotton that is genetically resistant to boll weevils, which have plagued our cotton production in re-

cent years.”

To modernize Chinese industry, which has high energy consumption, low efficiency, high materials consumption, and low product quality, China also needs science and technology, Li said. However, because his government can only appropriate a limited amount of money for basic research in science, China needs wider international cooperation to help expand its capabilities.

It will take tens of years of arduous effort to solve problems in China's development, Li said. “We can't do it alone and would like to establish better cooperation with science and technology circles in the Asia Pacific region and elsewhere in the world.”

South Africa

Economic policy under increasing labor attack

“Something has gone terribly wrong in South Africa, if a document such as that detailing the government's macro-economic framework could be put on the table,” Council of South African Trade Unions (Cosatu) General Secretary Sam Shilowa said, at a July 20 seminar celebrating the South African Communist Party's (SACP) 75th anniversary. He said that the framework authored by Finance Minister Trevor Manuel would never have emerged from the African National Congress before the 1994 elections. The strategy is “unworkable” and “unwinnable,” he said.

This “neo-liberal” plan, presided over by the first ANC finance minister, poses serious difficulties not only for the working class, but for the country as a whole, he said. The commitment to loosening exchange controls is also problematic, and the document rejects a monetary expansionist policy and conflicts with the principles of this reconstruction and development program; thus, no wonder it is dead, he said. He slammed the government for proposing to vest everything in creating an investor-friendly climate, without any guarantee whatsoever that investors would come. “It's the equivalent,” he said, “of saying there are certain sufferings we've got to

accept on earth, because we are hoping we are going to have a better life after death.”

There is a many-pronged operation to use the economic policy debate to break up the governing alliance—and, eventually, to break up the country, known to be Britain's goal. The July 24 London *Financial Times* editorially made clear that London is thrilled that “the uneasy alliance between South Africa's ANC and the trade union movement appears to be crumbling.”

Economic Policy

France is ‘burying Colbert,’ says Journal

The refusal of the government of President Jacques Chirac and Prime Minister Alain Juppé to provide new state funding for the Thomson aerospace-defense company “reflects French efforts to end a costly industrial policy,” and means “the end of an era for France,” opines the lead article in the July 23 *Wall Street Journal-Europe*. It was entitled “Burying Colbert.”

“France can no longer afford to use state-owned firms to pursue a centuries-old dream of international industrial glory.” “Globalization” means that France must “swallow its Gallic pride,” the paper said. A “senior banker” is quoted: “The state fed firms, the way a farmer tends his herds. . . . But now, the state no longer has the means.”

Charles de Gaulle wanted to make “national industrial independence a strategic issue” for France. Going further back in time, “state support for national industry is deeply rooted” in the country. This is linked to the tradition of “great projects,” such as the “vast network of nuclear plants” and the “TGV fast train.” The view was that “big public procurement projects are designed, in part, to boost national industry.” This is “a tradition that dates back to Jean-Baptiste Colbert.” Recently, French technology firms have promoted a “high-tech Colbertism.”

But, the paper gloats, that is all over: Budget cutting means a “moratorium on nuclear power plants,” dropping plans for the TGV from Paris to Strasbourg, and cuts in the defense budget.

RUSSIAN Foreign Minister Yevgeny Primakov on July 24 said that Russia wants to be part of the construction of Euro-Asian railroad lines, together with Asian countries. He spoke during the ASEAN Regional Forum in Jakarta, Indonesia, AFP reported.

AN EGYPT-ISRAEL oil consortium will build a \$1.2 billion oil refinery in Alexandria, Egypt, wire services reported July 21. Italy's Technipetrol, France's Technip, and the U.S. firms Conoco, Bechtel, Louisiana Carbon, and UOP will help in construction. The gasoline will go one-third each to Israel and Egypt, and one-third to Turkey, Greece, Cyprus, Italy, and Palestine.

THE JAPANESE government on July 26 established the Housing Loan Administration Corp., which will inherit most of the bad loans of the failed *jusen* mortgage firms at the center of Japan's \$1 trillion bad-loan banking crisis, wire services reported July 26.

CHINA is planning construction of maglev rail lines, *Wen Wei Po*, a Chinese-language daily in Hongkong, reported July 23. The State Science Commission has set up a group for maglev research, which is considering two possible routes: Shanghai-Hangzhou, and Beijing and its suburbs.

THE RUSSIAN Duma (parliament) voted down legislation that would have meant that Russia would “forgo a multitude of taxes,” as the July 25 *New York Times* put it, revenue which Russia hopes would help bail it out of its financial crisis.

NIGERIA spent \$800 million in 1995 and \$451 million up to June 1996 to import oil, yet the National Petroleum Corp. needed \$240 million to put four refineries to work, Sam Aluko, chairman of the National Economic Intelligence Committee, a watchdog in the Presidency, said July 22. (See *EIR*, Aug. 12, 1994, for an interview with Aluko.)

The British Empire's Lloyd's of London conspiracy

by John Hoefle

Lloyd's of London is widely known around the world for its willingness to insure almost anything, including the legs and other body parts of Hollywood movie stars and celebrities. Lloyd's prides itself on being willing to accept any risk—for the right price, of course—and on always paying its claims. In its public statements, Lloyd's waxes eloquently over the sanctity of its relationship with its policyholders, and its commitment to honesty in the marketplace.

Appearances are often deceiving.

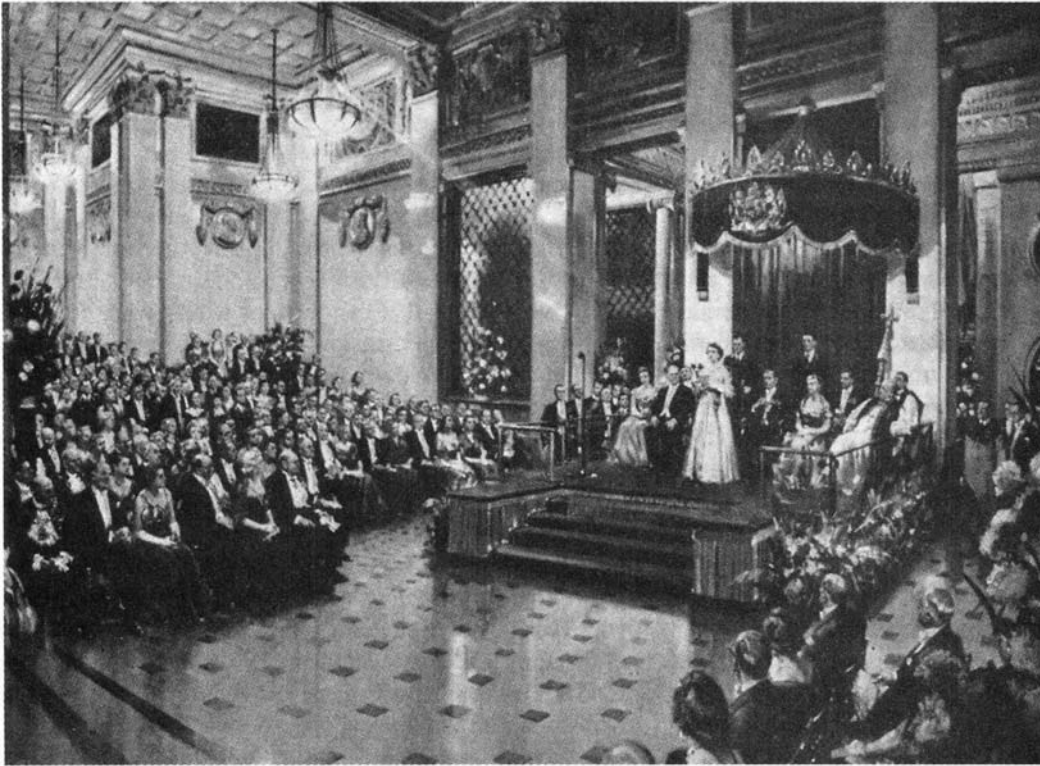
In this report we will lift the veil of Lloyd's carefully crafted facade, exposing a ruthless, dog-eat-dog world of greed, corruption, and arrogance, and a 30-year conspiracy to bilk tens of thousands of investors out of their life savings, while throwing the holders of billions of dollars of Lloyd's-backed insurance policies to the wolves.

To prove Lloyd's are crooks, all you have to do is quote them, which we shall do extensively, beginning with the infamous quote of Ralph Hiscox, who said of the Names (the Lloyd's term for investors), "If God had not meant for them to be sheared, he would not have made them sheep." Such an attitude is business as usual at Lloyd's, of which Hiscox would rise to be deputy chairman.

We must stress at the outset, that this is not simply a story about Lloyd's of London. The Lloyd's case cannot be properly understood by viewing Lloyd's as an independent entity: Lloyd's is an instrument of the British Empire, and of the international financial oligarchy known as the Club of the Isles. It is these oligarchs who control Lloyd's and direct its activities; the employees at Lloyd's merely carry out the directives from their oligarchic controllers.

Turning back the clock

The crisis for Lloyd's began in the wake of the assassination of John F. Kennedy, who was killed by the Anglo-American oligarchy for reasserting U.S. national sovereignty and committing the United States to economic growth through



Queen Elizabeth and Prince Philip visit the Underwriting Room at Lloyd's of London, Nov. 6, 1952. Painting by Terence Cuneo. Lloyd's is not an independent entity, but an instrument of the British Empire.

the space program; moves which threatened to break the political straitjacket the British Empire and its Anglophile allies in the United States had constructed after the death of Franklin D. Roosevelt.

Determined to reverse this technological breakout, the British Empire began organizing an anti-science counterculture, under the cover of an ecology movement supposedly designed to protect Mother Earth from the ravages of man, kicked off by the 1970 Earth Day extravaganza.

Among the tactics used was the creation of a series of environmental terror campaigns, targeting one substance after another, to convince Americans and citizens of other nations that scientific progress was dangerous, and should be abandoned.

One of the first such campaigns was against asbestos, which had been widely considered a wonder mineral due to its heat-resistant qualities. Asbestos, when inhaled in large quantities, is quite dangerous, and many workers, especially those who worked in asbestos plants and shipyards during World War II, would suffer severe respiratory problems; many would die.

The British cynically seized on this danger to organize an asbestos scare, to convince people that any exposure to asbestos was deadly, and to terrorize people into demanding that all traces of asbestos be removed from society, even though the scientific evidence showed that such actions were not only unnecessary, but counterproductive.

Knowing that Lloyd's had directly, or indirectly, through

reinsurance, provided insurance protection to asbestos manufacturers who were sure to be devastated by this campaign, the lords of the British Empire set out to lure in members of what they considered to be the "lower classes"—Americans, Canadians, middle-class Brits, and others—upon whom they would dump these self-inflicted losses. This they proceeded to do, through a series of scams which continues to this very day.

The deliberate takedown of civilization which the British were orchestrating, would also hit Lloyd's by increasing the costs of natural disasters, such as hurricanes, fires, floods, earthquakes, windstorms, and snowstorms, all exacerbated by the lack of infrastructure development, the cancellation of flood control projects and the proliferation of shoddy construction practices, and by the dramatic increase in financial speculation triggered by the decline of productive economic activity.

To protect themselves against the consequences of their deliberate actions, the British Empire, through the person of Lord Cromer, launched what American Names Association executive director Jeffrey C. Peterson has termed "the largest fraud in world history." Some day, when the truth comes out, Peterson said, "college textbooks may refer to 'Lloyd's schemes' instead of 'Ponzi schemes.'" Names were lured by the tens of thousands, into insurance syndicates in which Lloyd's placed billions of dollars of current and future asbestos, pollution, and health hazard losses; many of these new Names would lose their businesses, their life savings, their homes, and even their lives as a result of Lloyd's preda-

tory practices.

Many of the aggrieved American Names turned to the U.S. legal system for relief, to little avail. The Securities and Exchange Commission, under enormous pressure from the Anglo-American financial oligarchy, turned a blind eye to Lloyd's scheme. Suits were filed against Lloyd's in several federal courts, but all were thrown out, on the basis that the defrauded Names had agreed as part of their contract with Lloyd's, that any disputes be heard in English courts under English law—where, it should be noted, Lloyd's and its officers had obtained virtual immunity from suit by act of Parliament. The fact that the contracts themselves were the product of fraud, was not considered relevant by the cowardly courts.

The Names next sought help from the state securities regulators, many of whom were appalled by Lloyd's tactics. Twelve states filed actions against Lloyd's and/or its agents, charging them with securities fraud, including Missouri, where Secretary of State Rebecca Cook stated, "It is now time to bring Lloyd's activities to an abrupt halt before further losses are incurred and more Missourians are caught in this web of deceit." The North American Securities Administrators Association (NASAA), an association of state regulators, formed a task force headed by Colorado Securities Commissioner Philip Feigin to seek a resolution of the problem.

The securities administrators, for their efforts, were hit with a vicious counterattack by British-connected elements of the insurance industry. When the California Corporation Commission sought a lien on Lloyd's American Trust Fund, California Insurance Commissioner Chuck Quackenbush (closely allied with Lloyd's main U.S. law firm) went to court to stop the lien, claiming that such a move would "render insolvent numerous insurance companies."

NASAA and the Utah Securities Division commissioned a study of Lloyd's, which debunked Lloyd's claims that the insurance world would not survive were Lloyd's forced to operate within the law, and showed that U.S. insurance companies, also hit with huge asbestos and pollution claims, were able to pay those claims without resorting to raping and pillaging.

In May of this year, the SEC, perhaps reflecting the open political warfare between the Clinton administration and the British Empire, finally spoke, stating that the "in England under English law" clauses in the Names' contracts were null and void, as they violated the explicit provisions of U.S. securities law. That didn't stop one federal judge, who threw out a case in Texas, from stating that "25 years of silence from the SEC is not just glacial government, it is consent."

The major weakness of the Names, was their failure to comprehend the nature of their fight, that victory would be won or lost in the political arena, not in the courts. What they were up against was the might of the British Empire, the most powerful political force on the planet. It was the British Empire, not the clerks at Lloyd's, who cheated the Names;

the failure to understand who the enemy was and react accordingly, crippled their defense.

That point was made vividly by what happened to Feigin and his NASAA task force when they went to London in June to negotiate with Lloyd's. In the words of one American Name, "Feigin went in like a tiger and came out like a pussycat." The task force, unaware of the true nature of the battle, walked right into a British psychological trap; terrified by Lloyd's assertions that their actions would bring down the global insurance industry and therefore the global financial system, the task force capitulated, sold out the American Names, and cut a deal with Lloyd's. The legal battle is not over, but the failure of the American Names to take the fight to a higher level is a serious and perhaps fatal handicap.

Ironically, the NASAA task force had a powerful weapon, were it to have had the sense to wield it. The British Empire has a beautifully vulnerable flank, due to the in-progress collapse of the British-dominated cancerous global financial system. The only force on Earth with the power to break the back of this oligarchical system, is the U.S. government. Had the NASAA task force the courage and wisdom to withstand the British assault, and insist upon justice for American citizens, it could have won a major victory for the United States, and for the world. Instead, to paraphrase the great poet and fighter Friedrich Schiller, a great moment was missed by little people.

We present with this report, not just a story of the corruption of Lloyd's of London, but also a metaphor for America's fight against the evil nature of the British Empire. Thus far, it is a tragedy and will remain so, unless we, unlike the unfortunate Mr. Feigin, find the wisdom and the courage to win the fight for justice.

Dossier

Lloyd's insurance policies fall into five categories: marine, non-marine, motor, aviation, and life. Lloyd's has historically been a world leader in marine insurance (the insuring of ships and their cargoes), dating to the time when the British Empire ruled the seas. At the beginning of this century, more than half of the world's marine insurance was written by Lloyd's.

Lloyd's character, and lack thereof, was forged in marine insurance, where good connections and intelligence were often more important than the ability to assess actuarial risks. The benefits of inside information were illustrated in the case of the *Titanic*, in which, according to *Risky Business*, the owners managed to insure it after it had sunk, but before the word got out. It worked the other way, as well. Thanks to Lloyd's far-flung intelligence apparatus, Lloyd's often knew more about ships than the owners. Frequently, a nervous shipowner, worried about an overdue ship, would seek insurance coverage from Lloyd's which, thanks to its intelligence appa-

ratus, knew the ship was safe, and could make a tidy profit writing a no-risk insurance policy.

Lloyd's propensity to profit from inside information carried over into its non-marine business. Non-marine is a catch-all category for policies which do not fall into marine, motor, aviation, or life. The non-marine policies run the gamut from the exotic—insuring the body parts of celebrities, insuring the diamond markets, writing kidnap and ransom policies—to more mundane areas, such as fire and general liability insurance. The diamond and kidnapping lines often bring Lloyd's into contact—and some say collusion—with the international criminal underworld, an additional source of intelligence and profits.

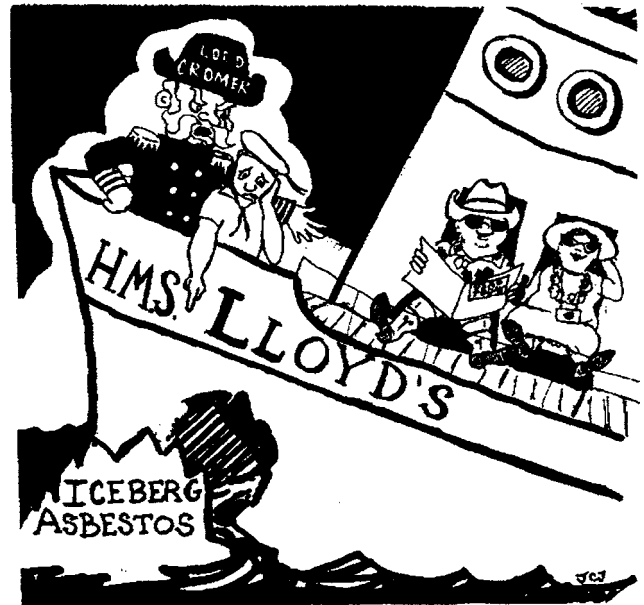
Lloyd's created its first non-marine syndicate in 1885, and, by the turn of the century, was writing non-marine policies in the United States. In the 1930s, Lloyd's began to underwrite American unlimited liability policies; many of these policies were written on a claims-incurred basis, rather than a claims-made basis, a crucial distinction.

On a claims-made policy, claims must be filed within the period of the policy; a claim on a policy covering the year 1950 must have been filed in 1950. Claims-incurred policies have no such time limitations, such that, for example, a worker exposed to asbestos in 1950 who comes down with asbestosis in 1996, could still file a valid claim, for which the insurer which wrote the 1950 policy would be liable. These claims-incurred policies are often called "long-tail" policies, since decades can pass before all the claims are known. Lloyd's wrote many of these long-tailed policies in the United States prior to World War II, both directly, as the primary insurer, and indirectly, through reinsurance policies written for the primary insurer.

Losses on the horizon

Heavy exposure to asbestos, especially crocidolite (blue) asbestos, can cause lung cancer, asbestosis, and mesothelioma, a fact of which the British have been aware since at least the turn of the century. During the 1920s, the *British Medical Journal* published several studies on the issue. Lloyd's was clearly aware of the dangers of asbestos, sending Committee of Lloyd's member Charles Skey to New York to inspect the asbestos situation as early as 1948.

In 1968, with the British Empire gearing up for the launch of the ecology movement with the 1970 Earth Day extravaganza, the top echelons of the Empire knew that their environmental terror campaign would result in large losses for Lloyd's. To counteract that, the Empire launched a scheme to shift the losses from the insiders at Lloyd's, by luring in thousands of new members. The insiders quietly stacked the deck against the newcomers, many of whom would be bankrupted by Lloyd's scheme, losing their businesses, their homes, their life savings. Some would even lose their lives: Dozens would commit suicide, leaving their loved ones to



"WELL, DON'T JUST STAND THERE, SCOGGINS—
THROW SOME YANKS UNDER THE STERN!"

face the relentless Lloyd's bill collectors.

The agent of this imperial scheme was the Earl of Cromer, head of the Baring banking family, a member of the Privy Council, and a former governor of the Bank of England. In addition to being ranking members of the British financial oligarchy, the Baring family had a long history at Lloyd's. Thomas Baring was the chairman of Lloyd's from 1851 to 1869, and another Baring, Lord Revelstoke, was chairman from 1887 to 1892.

In November 1968, Lord Cromer undertook a "study" of the capitalization of Lloyd's, which had lost money in the 1965 and 1966 years of account, and seen the number of Names drop slightly (losing 79 Names between 1967 and 1970). Under Lloyd's antiquated system, results are reported three years in arrears, such that the results of the 1965 year of account were not published until mid-1968, shortly before Cromer began his study.

In the Lloyd's system, there is a direct correlation between the amount of money pledged to Lloyd's by the Names and the amount of insurance Lloyd's can underwrite, so a decline in the number of Names generally signals a decline in overall underwriting capacity. More importantly, however, the decline in the number of Names meant that the looming asbestos and pollution losses would fall on a smaller number of shoulders, many of whom were ranking members of the British Empire. This was, from the British perspective, simply not acceptable, and Cromer's task was to insure that it did not happen.

Among those recruited by Cromer for his study was Ralph Hiscox, who would become a deputy chairman of Lloyd's

in 1992. Hiscox expressed the attitude of much of Lloyd's leadership toward the new Names the Cromer panel's actions would lure into the market, when he issued the following reply to a Name seeking information in 1981: "I have no sympathy for Names who regularly get lousy returns from their syndicates. . . . If God had not meant them to be sheared, he would not have made them sheep."

The Cromer panel issued its report in December 1969, and recommended that the number of Names be significantly increased, putting forth the rationale that such an increase would make Lloyd's more competitive in world insurance markets. The report was distributed to Lloyd's insiders, but not the general membership, many of whom were not aware of its existence until 1986. To accomplish his goal, Cromer recommended that the financial requirements for becoming a Name at Lloyd's be dramatically lowered, and that the amount of insurance a Name could underwrite per dollar (or pound) on deposit, be greatly increased. In short, Cromer recommended that large numbers of less wealthy Names should be brought in, and that they should be allowed to write insurance at higher levels of leverage than previously allowed. Since the level of risk exposure increases with the amount of insurance written, the effect of Cromer's report was to knowingly heap more risk on Names less able to afford that risk.

Cromer made his motive clear with the comment that, in the past, the unlimited liability of Names had been "a legal obligation which was of no practical importance," but that "in the last few years the obligations of unlimited liability have become a reality."

Faced with the "reality" of unlimited liability, the men of the Empire went looking for suckers, and, after a gearing-up period in which prospects were identified and recruited, found them by the thousands. At the time the report was issued, there were just over 6,000 Names; by 1980, there were 19,000 Names; and by 1989, there were 34,000 (see **Figure 1**). Today, of those 34,000 Names, only 12,800 are actively underwriting; the rest are trapped in limbo in bankrupt syndicates.

One place Lloyd's knew it would find plenty of suckers, was the Anglophile community in the United States, which had previously been barred from membership in the exclusive Lloyd's club. Historically, only male members of the British Empire had been allowed into Lloyd's inner sanctum, but that was quickly changed: Non-U.K. and non-Commonwealth males were admitted in 1968, U.K. female members were admitted in 1969, and non-British females were admitted in 1970.

To make sure adequate numbers of Names were obtained, Lloyd's established an aggressive recruiting program, paying its agents commissions for each new member they recruited.

"I feel they set out to defraud the colonials," one female American Name would later accurately observe.

In 1971, two years after releasing his report, Cromer was appointed British ambassador to the United States, where he

undoubtedly helped pave the way politically for this scheme, which required the turning of a blind eye by U.S. regulators.

Further confirmation that Lloyd's knew of the looming asbestos losses, came in 1973—nearly two decades before the general public became aware of the massive losses—in a warning from Ralph Rokeby-Johnson, the leading underwriter at Sturge, a prominent Lloyd's managing agency. "What I can tell you, my friend, is that asbestosis is going to change the wealth of nations. Lloyd's will probably be bankrupted in the final chapter unless something happens to intervene," Rokeby-Johnson told a fellow Lloyd's member on the golf course that year. He forecast that asbestos losses would rise to \$120 billion by the end of the century.

In September 1973, a U.S. court, in a ruling for the plaintiff in *Borel v. Fibreboard Paper Products Company*, found that an asbestos manufacturer had a duty to warn industrial insulation workers of the dangers associated with asbestos. The judgment also stated that 21 million Americans—one in ten—had been in contact with an asbestos-related product.

The insiders dump their losses

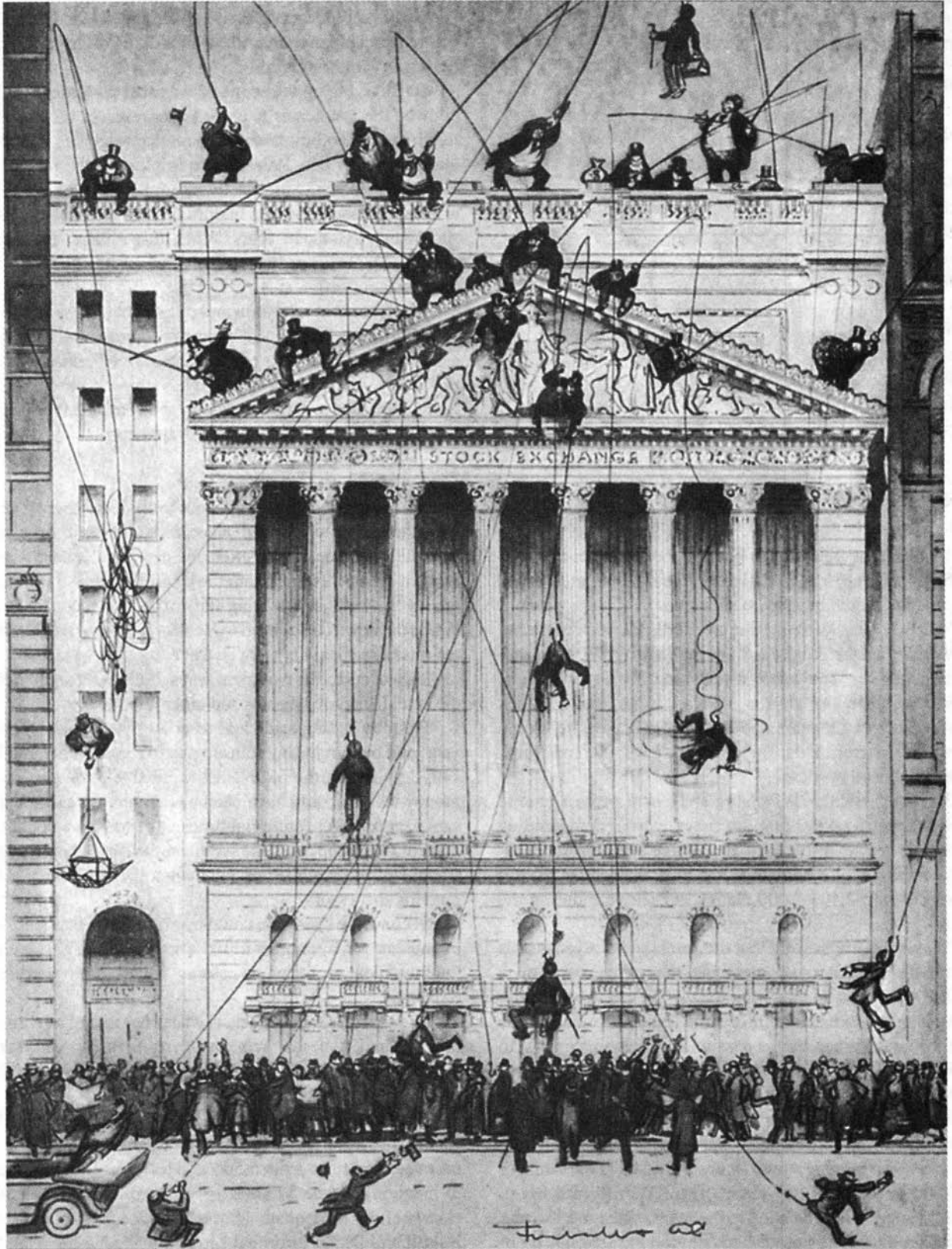
Faced with the knowledge that billions of dollars of insurance claims were slowly making their way through the U.S. courts to Lloyd's, the insiders began maneuvering to shift these losses to the new Names.

In the autumn of 1974, Sturge's Rokeby-Johnson got the U.S.-based Fireman's Fund insurance company to reinsure his non-marine syndicate 210 for the 1969 and prior years of account, knowingly shifting huge future asbestos losses to the American company. (Once Fireman's Fund figured out what Sturge had done, it pressured Lloyd's to take the risk back, and in 1981 it did: Rokeby-Johnson arranged for Outhwaite syndicate 317/661 to take half of the risk, and for Merrett syndicates 417 and 421 to take the rest. The Outhwaite and Merrett syndicates would later collapse under the load; the Fireman's Fund contract ended up producing 40% of the underwriting loss of Merrett 421 for the 1983 year of account.)

By this time, the asbestos claims were rolling in. Claims from Bell Asbestos began to hit the London market, growing to 4,000-5,000 claims by the late 1970s, and asbestos was placed on the "big five" latent disease list, alongside Agent Orange, Dalcon Shield, DES, the Love Canal, and pollution.

In March 1976, U.K. Secretary of State of Employment Michael Foot formed an Advisory Committee on Asbestos. Two years later, asbestos maker Keene Corp. sued INA, its insurer; the court ruled that Keene could collect on both an "exposure" and a "manifestation" basis, greatly increasing the liabilities of the insurance companies.

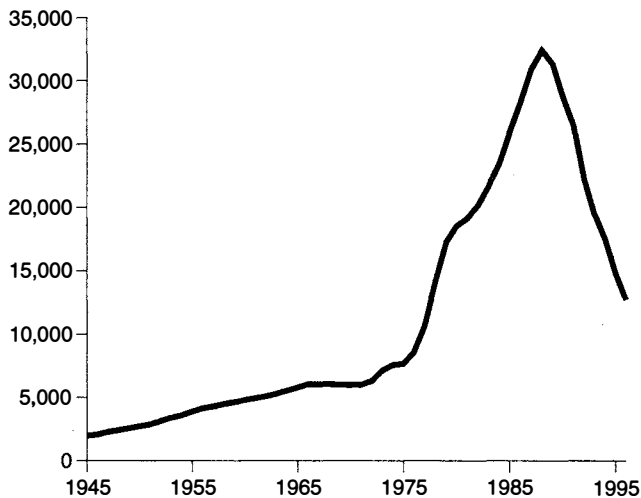
Twelve Lloyd's underwriters and managers journeyed to New York in September 1979, where they privately discussed asbestos with Lloyd's lead U.S. attorneys LeBoeuf, Lamb, Greene, and MacRae. At a private dinner, Tom Hitchcock, the Citibank officer who managed the Lloyd's American Trust



A 1921 cartoon entitled "The Anglers" shows shady operators fishing for victims in the stock exchange—a practice not unlike those of Lloyd's then, and now.

FIGURE 1

Number of active Lloyd's Names



Source: Lloyd's of London, Adam Raphael.

Fund, noted that there wasn't enough money in the fund (\$4 billion at that time) to cover asbestos losses alone, and warned that the fund would have to be bolstered.

Nearly a year later, in August 1980, the Committee of Lloyd's formed the Asbestos Working Party (AWP) to monitor the situation. The AWP was chaired by Committee of Lloyd's member Ted Nelson, of K.F. Adler, and included Charles Skey of Edwards and Payne Syndicate 219, Robin Jackson of Merrett, Don Tayler of Pulbrook 90, and Ralph Rokeby-Johnson of Sturge.

On Aug. 5, 1980, AWP chairman Nelson wrote a letter to Lloyd's agents, saying that attorneys were recommending that syndicates set reserves of an average of \$75,000 per asbestos claimant, plus expenses, and also advised the market to expect some 2,400-3,000 claims in each year during the 1980s.

"It must be emphasized that the potential involved here is so large and the issue so complicated that we cannot allow a 'muddle through somehow' approach," Nelson's letter said. But no action was taken to inform the External Names of the risk (External Names are the passive investors, in contrast to the Working Names, who work for Lloyd's, its agents, or its brokers).

By December 1980, the AWP knew that the \$75,000 per claim figure it had previously published was dramatically low, and that a more accurate figure would be in the range of \$100,000 to \$125,000 per claim. The AWP decided not to make these new figures known, however, since the Lloyd's Audit Committee did not wish to mention the asbestos problem in the annual audit. That same month, Lloyd's was notified by one of its U.S. law firms that Lloyd's would soon

be receiving reinsurance claims from the Travelers', a U.S. insurance company which had already paid out millions of dollars in asbestos claims.

By covering up the scope of the asbestos losses, Lloyd's allowed the syndicates to carry lower reserves than actually required, and to buy their "reinsurance to close" at fraudulently lower prices. Reinsurance to close is the process by which syndicates, which actively underwrite insurance for one-year periods, pass the liabilities from their policies on to succeeding syndicate years. When that reinsurance is provided by another syndicate, or an insurer outside Lloyd's, it is called a run-off.

This annual syndication and reinsurance is the key to the Lloyd's scam. Unlike a corporation which continues year after year, each syndicate is a succession of yearly ventures run by the same managing agency. Names can, and often do, change syndicates at the beginning of a year, and they usually belong to several syndicates at the same time.

Like lambs to the slaughter

Names are steered to syndicates by their members' agents, who theoretically work to place their Names on the most suitable syndicates; in practice, the members' agents steered most of the new Names onto the most dangerous syndicates, where the bulk of the long-tail losses were concentrated. While the new Names were led in, like lambs to the slaughter, the old Names quietly stepped aside.

This occurred in two main ways, both based upon hiding the actual level of asbestos and other liabilities.

First, by setting aside less reserves than necessary every year, and by purchasing reinsurance to close at an unrealistically low figure, the old Names were able to take as profit, money which should have been passed on to the next syndicate year to cover future liabilities. An old Name could take his profit and drop out of the syndicate at year-end, keeping his fraudulent profit while passing the known-but-hidden losses onto his successors.

Second, the syndicate could buy run-off reinsurance from a syndicate run by another Lloyd's managing agency, keeping the fraudulent profits while passing the risks onto another set of Names.

The latter, as we shall see, is what a number of top Lloyd's officials and Asbestos Working Party members did, taking advantage of their positions and inside information to deliberately defraud the External Names.

The cover-up continued into 1981 when, on Feb. 10, AWP Chairman Nelson revealed that the number of claims in the past year had risen from 5,500 to 8,000, but again neglected to mention that the \$75,000 per asbestos claim cost figure, was woefully inadequate. In March, Chicago attorneys Lord, Bissell and Brook informed Lloyd's that asbestos would be the most costly problem in the history of the insurance industry, citing a U.S. government projection that over the next 30

years, 13-18% of all cancer deaths would be asbestos-related. In May, the British insurance company Commercial Union released a study which concluded that "it is conceivable that the damages that will ultimately be awarded will exceed the combined assets of the insurance and asbestos industries." The report also cited a U.S. Insurance Services Office study that found that the average payment (out-of-court settlements and jury awards) in an asbestos case from July 1976 to March 1977, was approximately \$170,000. In May, the AWP met again, this time to discuss the asbestos-claims and policies database being set up by one of its U.S. law firms, Mendes and Mount.

While the AWP continued to stonewall, the insiders were bailing out:

- In August 1981, Michael Cockell, deputy chairman of the Lloyd's Underwriters Non-Marine Association, placed a run-off reinsurance policy for his syndicate 570 with Outhwaite's combined marine 317 and non-marine 661 syndicates, effectively dumping his losses on Outhwaite's Names;

- In November 1981, AWP member Rokeby-Johnson persuaded Outhwaite and Merrett to reinsure Fireman's Fund, returning to Lloyd's—but not to Sturge—the losses Sturge had suckered Fireman's Fund into taking in 1974;

- In January 1982, Don Tayler, the new chairman of the AWP, unloaded the losses of Pulbrook syndicate 90's 1974 and prior years of account, half of which were assumed by Outhwaite 317 and 661. Pulbrook 90 was facing heavy losses from asbestos manufacturer Johns-Manville.

- In March 1982, Lloyd's Deputy Chairman Murray Lawrence unloaded the 1978 and prior liabilities of syndicate 362; Outhwaite 317-661 wrote 66.67% of the risk.

- In August 1982, AWP member Charles Skey unloaded the pre-1968 losses of syndicate 219, with Outhwaite 317/661 taking 50% of the risk.

During the period the insiders were dumping their hidden losses on the Outhwaite Names and others, the asbestos information kept rolling in. In addition to Johns-Manville, Owens Corning Fiberglass had also exhausted its primary coverage, and reinsurance claims were soon to hit Lloyd's. Lord, Bissell and Brook warned of a "potential flood of asbestos litigation," from the 8 million to 11 million U.S. workers exposed to asbestos, of which as many as one-third had, or were expected to, die of asbestos-related diseases.

Nevertheless, Lloyd's Audit Committee decided to cover up the asbestos losses for the second straight year, by omitting references to asbestos in the 1981 annual audit of syndicates. Once again, the External Names were cheated.

In January 1982, Dr. Irving Selikoff of Mt. Sinai Hospital in New York issued a 650-page report which estimated that 13.2 million workers were significantly exposed to asbestos between 1940 and 1979, and that the cost to insurers could ultimately reach \$170 billion.

In February 1982, the accounting firm Neville Russell

requested a meeting with Lloyd's Underwriting Agents and Audit Department, to warn that were auditors to force syndicates to establish proper reserves for future asbestos losses, many of the 1979 syndicate years of account would be unable to close, and that the entire Lloyd's market could go bankrupt.

Rampant corruption

The insider dumping of asbestos losses would develop into a huge scandal, one of many to hit Lloyd's in the 1980s, scandals which Lloyd's would invariably try to sweep under the rug.

In 1974, Richard Henry Moffit Outhwaite had left the Merrett Group, where he was joint underwriter, to form his own firm, and the linked syndicates marine 317 and non-marine 661. Within five years, he had over 1,600 Names, 75% of whom were External Names. Outhwaite specialized in writing run-off policies, which reinsured other syndicates, and his syndicates were a favorite dumping ground for the long-tail asbestos and pollution liabilities of the Lloyd's insiders. He was, in effect, the insurance version of the derivatives traders who buy the risky paper known as "toxic waste"—a lucrative business, until it explodes.

Outhwaite 317/661 was the biggest player in the run-off field, writing nearly 50 such policies for the 1982 year of account. But when closing time for the 1982 year of account came in 1985, auditors Ernst and Whinney balked at signing off on the reinsurance to close (RITC) figures. "We are unable to express an opinion on the accuracy of RITC and therefore the result of the 1982 year of account," the auditors stated.

Outhwaite was forced to leave the 1982 year of account open; with no reinsurance to close, his Names were trapped, unable to resign and forced to pay out of their own pockets, the claims which were rolling in—many of them claims which had been fraudulently dumped on them by Lloyd's insiders. As Lord Cromer had warned, the obligations of unlimited liability had become a reality, and the suckers were taking the hit.

Some of the Lloyd's agents, to their credit, were appalled at the flagrant actions of the insiders. John Donner, chairman of Donner Underwriting Agencies, had in 1984 begun calling for an inquiry of the placing of run-off policies with Outhwaite.

"I have never used the word conspiracy," Donner said, "but what I do say is that information which was privy to a handful of people at the very top of Lloyd's was not properly disseminated." Donner continued to complain, and to charge that Lloyd's had deliberately withheld vital information about asbestos losses from the External Names.

After much pressure and stalling, Lloyd's agreed to hold an inquiry—into whether or not there should be an inquiry. On April 5, 1990, the Council of Lloyd's announced it had determined that no inquiry was warranted. "No evidence has

Lloyd's and the Club of the Isles

Lloyd's of London is more than just an insurance company. It is one of the "crown jewels" of the Club of the Isles, the London-headquartered international financier oligarchy, headed by the British House of Windsor. Cross-gridding the boards of directors of a dozen City of London's major banks, reinsurance companies, strategic metals cartels, chemical combines, and food-processing firms, reveals a high degree of "corporate intermarriage." Thus, for example, among the top half-dozen executives and directors of Lloyd's of London and Lloyds Bank PLC, one finds senior officials of S.G. Warburg, Midland Bank, the Royal Institute for International Affairs (RIIA), Reuters, and the Bank of England; as well as senior figures from the Ministry of Defense, the Government Accounting Service, and the Joint Nature Conservation Committee.

What distinguishes the Club of the Isles as a financial, raw materials, food, and insurance cartel, is the dovetailing of geopolitical initiatives and "investment" decisions. When the Club of the Isles, under the leadership of Queen Elizabeth II and her consort, Prince Philip, launches a geopolitical action, like the post-1989 destabilization of the Balkans, or the mid-1973-74 Middle East oil hoax, all of the relevant companies are able to conduct "insider trading," thus insuring that they reap tremendous financial profits, at the same time as they wage political warfare, especially against the nation-state system.

For a comprehensive look at the Club of the Isles, and the House of Windsor apparatus, in which Lloyd's operates, see *EIR's* two *Special Reports* on the subject: "The Coming Fall of the House of Windsor" (Oct. 28, 1994) and "The Sun Never Sets on the New British Empire" (May 24, 1996).

been provided which supports the suggestion that in placing their contracts the underwriters took advantage of information which was available to the AWP but was not made available to the market," the council concluded, in an action described by the chairman of one of the litigating Names groups as "a disgraceful cover-up."

Behind the scenes, it was obvious the insiders had pulled a fast one, and many of Outhwaite's run-off policies, including those of AWP Chairman Tayler and Lloyd's Deputy Chairman Murray Lawrence, were quietly renegotiated, lessening

somewhat the damage to the Outhwaite Names.

Alexander Howden, the 'Grobfather'

In 1982, giant U.S. insurance broker Alexander and Alexander bought the Alexander Howden Group, a Lloyd's managing agency chaired by Ken Grob, known by the nickname "Grobfather"; Grob ran Howden with three close partners, Ronald Comery, Jack Carpenter, and Alan Page. Howden had grown at a rate of 40% a year during the 1970s, thanks in large part to star underwriter Ian "Goldfinger" Posgate.

"I never knew much about underwriting risks," Posgate would later tell investigators. "I just made a book. If claims came in, the premiums went up. No claims, the premiums went down. I was allowed to be a bookmaker on a huge scale, autocratic, absolutely outrageous."

Posgate described the courtship of Alexander and Alexander Chairman Jack Bogardus of Grob and Howden this way: "He [Bogardus] was played like a salmon on the Tay. . . . Mr. Grob is immoral and a crook. Mr. Bogardus I think is a provincial and did not know what he was doing. It was a natural fit between the two of them."

What didn't fit were the numbers in Howden's books. Alexander and Alexander's accountants discovered, in their audit of Howden, that some \$55 million was missing, having been skimmed from its insurance syndicates via a series of phony reinsurance fees paid to companies controlled by Grob and his colleagues. Some of the funds had gone to employees involved in the scam, some had gone to dress up Howden's profits, and the rest went into the pockets of Grob and friends.

Once caught, Grob and company agreed to return some of the stolen assets and, in true Lloyd's fashion, wanted the whole affair kept secret. Unfortunately for them, former U.S. Securities and Exchange Commissioner Roderick Hills, an Alexander and Alexander director and chairman of the firm's audit committee, demanded that disclosure be made.

Alexander and Alexander made the affair public via an SEC filing, which forced the reluctant British Department of Trade and Industry (DTI) to launch an investigation. After three years of investigations, Lloyd's expelled Grob, Comery, and Carpenter from the market, and charges against Page were adjourned because of his ill health; Posgate was suspended for six months. After another four years of investigation, criminal charges were filed against Grob and Posgate; Page and Carpenter were too ill for a trial, and Comery had died in a car crash. The jury returned "not guilty" verdicts on all charges.

After all, they were just doing what comes naturally to the men of the British Empire, whose guiding philosophy is that of Hobbes, Locke, and Darwin. Posgate summed it up well: "In business I believe in dog-eat-dog, the survival of the fittest, not protection of the weakest."

Despite the acquittals, Lloyd's was not out of the woods, as the audit of Howden led investigators to the doors of the PCW underwriting syndicates, site of another Lloyd's fraud.

The PCW syndicate

The PCW syndicate had been set up in the 1960s by Peter Cameron-Webb, who had been a deputy underwriter with Janson Green, and Peter Dixon, who had been Green's financial director. In 1973, Minet, a leading Lloyd's broker, bought the rapidly growing PCW, and Minet Chairman John Wallrock joined the PCW board.

As it turned out, one of the reasons PCW was profitable, was that it was skimming lots of money from its Names, via a series of phony reinsurance policies, in what the DTI would term "a systematic embezzlement of the funds of the main syndicates." As in the Howden case, the skimming took the form of buying rigged reinsurance policies from companies secretly owned by the principals, a process which produced healthy profits for virtually no risk—except for getting caught, which at Lloyd's was not particularly painful.

Cameron-Webb, Dixon, and Wallrock were summoned by the Committee of Lloyd's on Nov. 1, 1982, to answer questions. Cameron-Webb was abroad, so he did not attend. Dixon was immediately suspended from all his directorships, and, within weeks, Wallrock resigned his directorships of Minet and PCW, admitting that he had taken part in, and benefitted from Cameron-Webb's reinsurance scheme.

Cameron-Webb resigned before he could be disciplined, while Dixon was fined £1 million (roughly \$1.5 million) and expelled from the market. Neither man was brought to court, since by the time Britain's Serious Fraud Office got around to issuing warrants for their arrest in December 1982, they had both fled to the United States, and a life of luxury.

The PCW Names were not so lucky, facing losses of \$400 million; however, they only had to pay \$60 million, because Minet, members' agents, and Lloyd's covered the rest. (In a foreshadowing of the Equitas scheme, Lloyd's set up a special reinsurance company, Lioncover, to handle the PCW runoff.)

One of the reasons that the Serious Fraud Office stalled and Lloyd's agreed to pick up the tab, according to some reports, is that Prime Minister Margaret Thatcher had expressed her desire that the matter not be pursued.

Sir Peter Green toppled

The PCW affair would also bring down Janson Green's Sir Peter Green, then the chairman of Lloyd's. A member of one of Lloyd's leading families, Sir Peter had served on the Committee of Lloyd's for four years before being elected chairman in 1980.

The first information that PCW Names were being defrauded had come in 1981, almost a year before Alexander and Alexander bought Alexander Howden. The complaints revolved yet again around phony reinsurance schemes, this time placed on behalf of the PCW syndicates by Seascop, a small Lloyd's broker chaired by David d'Ambrumenil, another of the old Lloyd's families, and involving S.G. War-

burg's Zurich banker John Nash. Much of the money skimmed from Names in this case was used to fund International Reporting and Information Services (IRIS), a private global corporate intelligence service which folded in 1983.

When the PCW-Seascop matter surfaced, Sir Peter Green then took up a one-man inquiry, despite his close ties to Cameron-Webb, who had begun his career at Sir Peter's Janson Green. "I am satisfied that there has been no dishonesty on the part of anyone connected with the transaction," Sir Peter concluded.

Eight months later, when the details of the £40 million PCW frauds surfaced, whispers of a cover-up by Sir Peter swept the market, so Lloyd's investigated, confirming that "no dishonesty" had occurred, but admitting of Cameron-Webb and d'Ambrumenil that "they had behaved at times in an overbearing and unnecessarily secretive manner."

The DTI published the results of their inquiry in July 1986. DTI found that while Sir Peter had expressed "his honest opinion of the matter," his finding that there had been no dishonesty went farther than was justified by the available evidence. Lloyd's instituted disciplinary proceedings against d'Ambrumenil, found him guilty of three counts of discreditable conduct, and suspended him for two years. "Once again it appeared that Lloyd's was only too eager to forgive its favorite sons," observed Adam Raphael, author of *Ultimate Risk*, a detailed book on the Lloyd's affair.

Sir Peter was not out of the woods yet, however. As one of his first actions in 1983, new chief executive Ian Hay Davison required that all working members of Lloyd's disclose all their financial interests. That act forced Sir Peter to disclose to his Names, for the first time, the existence of reinsurance policies his syndicates had placed with Cayman Island-based Imperial Insurance, a company in which he held an interest. Trying to put the best face on the situation, Sir Peter claimed that those reinsurance policies were actually syndicate reserves, placed there to avoid the attention of the Inland Revenue Service, the British equivalent of the U.S. Internal Revenue Service.

This assertion, naturally, triggered an Inland Revenue investigation. In the autumn of 1983, after discreet consultations with the Bank of England, Sir Peter announced his resignation. He retired at the end of the year with honors, being awarded the Lloyd's Gold Medal, only the 13th medal awarded since it was instituted in 1913.

Sir Peter's honors were not to last. Two years later, parliamentary complaints prompted an investigation, which led to a disciplinary tribunal. Some sweetheart deals were found, and, in January 1983, \$10.6 million was repaid to the Janson Green syndicates. In 1986, a Lloyd's tribunal ruled that while Sir Peter had not acted dishonestly or in bad faith, his repeated failure over the years to ensure that his Names were treated fairly was such "serious or gross negligence" as to constitute "discreditable conduct," and he was fined £50,000.

"The case of its former chairman suggests that, even after the various attempts at reform, Lloyd's enjoys a much more relaxed regulatory environment than the rest of the business community," observed the London *Financial Times*.

Oakeley Vaughan

In 1981, Christopher Moran, who would soon become the only man to be expelled from Lloyd's under the Lloyd's Act of 1871, presented evidence to then-Lloyd's Chairman Sir Peter Green and Deputy Chairman Alex Higgins, that Oakeley Vaughan aviation syndicate 862 had improperly written insurance beyond its allowable limit, and that the syndicate had hidden the act through false bookkeeping and false filings with the Lloyd's Policy Signing Office (LPSO).

On March 6, 1981, Lloyd's announced a "purely technical" inquiry into the matter. In May, when the results were in, Oakeley Vaughan underwriter Barry Bowen was found to have falsified records, concealed evidence from auditors, and deliberately misled the LPSO; Oakeley Vaughan directors James St. George and Michael Whitlock were said to have failed in their duties of supervision; and the chairman, Charles St. George, was criticized for poor judgment. The inquiry also found that syndicate 862 was owed £129,250 by the company's brokerage arm.

The Oakeley Vaughan Names were told little or nothing of this; Lloyd's refused to publish even a summary of their findings. Neither were they told about a follow-up inquiry into Oakeley Vaughan's affairs by Lloyd's audit department, which concluded that the agency's profits had been inflated by false accounting and that it was insolvent. A third inquiry, by Ernst and Whinney, was ended after a meeting between Edward St. George and Lloyd's Chairman Sir Peter Green.

Some details would emerge years later, thanks to litigation in the wake of Oakeley Vaughan's failure, but a cover-up continued. When the Oakeley Vaughan Group went into liquidation owing £2.5 million, a new agency named CCGH was created to run-off the remaining policies. For several years, CCGH tried to obtain documents from Oakeley Vaughan; in 1992, CCGH finally got a High Court order allowing it to see documents stored in a warehouse. That night, the warehouse mysteriously caught fire and all the computer records were destroyed.

Lloyd's seeks immunity

With Lloyd's seemingly overrun with corruption and the certainty of major scandals and problems with American Names on the horizon, the lords of the British Empire had to do something, and they did: They set up the Lloyd's Act of 1982, which gave Lloyd's the authority to set its own rules and regulations, and gave Lloyd's and its officers virtual immunity from suit.

The mechanism by which the Lloyd's Act of 1982 was organized, was the formation of yet another blue-ribbon (or,

perhaps more appropriately, blue-blood) panel, this one headed by Sir Henry Fisher, a former High Court judge who had become warden of Wolfson College, Oxford. Fisher was appointed, in 1979, to examine the feasibility of allowing Lloyd's to regulate itself. Fisher's team included Robin Broadly of the omnipresent Baring Brothers, and David Watt, of the Royal Institute of International Affairs, the British parent of the New York Council on Foreign Relations and a key agency of the British Empire. The Fisher Report, published in May 1980, provided the blueprint for the Lloyd's Act of 1982. "We have no doubt that Lloyd's would be best served by a properly conducted system of self-regulation," the report stated.

To provide the illusion of increased oversight, the report recommended that a new Lloyd's Act should replace the committee with a 27-member council, 16 of which (a majority)

How Lloyd's works

Lloyd's of London is not a single insurance company, but is rather an insurance "market" in which insurance policies are written by syndicates of investors, called Names. Clients who desire to buy insurance at Lloyd's do so through Lloyd's brokers, who deal directly with the syndicates.

When a Name joins Lloyd's, he hires a members' agent to manage his Lloyd's affairs and place him on one or more syndicates. The selection of syndicates is crucial, as some syndicates have suffered catastrophic losses, while others have made huge profits. A Name cannot join any syndicate he chooses, as many of the more profitable syndicates are open only to Lloyd's insiders and prominent subjects of the Queen. Most of the new Names were steered by their members' agents to syndicates which initially appeared profitable, but were actually hiding huge losses, which the new Names would be forced to pay.

The syndicates are run by managing agencies, many of whom also own members' agencies. Each managing agency usually runs a number of syndicates, which are identified by the name of the agency which runs it, and a unique number. Thus Outhwaite 317 is syndicate number 317, run by the Outhwaite managing agency.

Each syndicate has a "box" on Lloyd's trading floor, manned by the syndicate's underwriter, the person who determines which insurance policies the syndicate will underwrite. Brokers approach the underwriters with policies already written and priced; the underwriter will accept the risk at the premium offered, or reject it. Typically, several

would be Working Names; 8 members of the council would be External Names elected by the membership; and three would be non-members approved by the Bank of England. The 16 Working Members would, as a committee, have day-to-day control over Lloyd's. The granting of immunity from suit to Lloyd's and its officers, was said to be necessary to allow them to carry out their regulatory functions without the threat of nuisance suits by those being regulated.

A compliant Parliament debated the issue in 1981-82, and gave Lloyd's the powers outlined by Sir Henry.

The only real oversight was by the Bank of England, which was increasingly concerned that the freelance corruption at Lloyd's would jeopardize the master scheme, in much the same way that a mafia boss worries that uncontrolled skimming by his underlings could weaken his criminal enterprise. To strengthen its control, Bank of England Gov. Gordon

Richardson forced Lloyd's to appoint an outsider (that is, an Empire insider from outside Lloyd's), Ian Hay Davison, to the newly created post of chief executive, to clean up some of the freelance skimming.

The master scam did not change, however. Between 1982 and 1988, the year the hemorrhaging losses began to hit the bottom line, no direct mention of asbestos was made in any of the speeches by Lloyd's chairmen to the market's annual meetings. It was not until the June 29, 1988 speech of then-Chairman Murray Lawrence—two decades after Lord Cromer's report, eight years after the formation of the AWP, and six years after Lawrence had dumped his own losses on unsuspecting Names—that the asbestos problem was directly referenced, and then only briefly.

At the end of 1985, CEO Ian Hay Davison resigned. He had not made any friends when, in the discussions over a

syndicates will underwrite each policy, with each taking a percentage of the risk, and a corresponding percentage of the premium paid by the client being insured.

The same principle works for reinsurance, in which an insurer will buy insurance from another syndicate or company, to spread the risk.

The syndicates operate on an annual basis but have a three-year accounting cycle. Each syndicate actively underwrites insurance for one year, called the year of account, then becomes dormant for two additional years, while its accounts are settled. Premiums collected from clients during the three-year period are held in trust by the managing agency, and used to pay claims.

At the end of the three-year period, the underwriter "closes" the syndicate; he deducts the claims paid out from the premiums collected, buys reinsurance to cover the outstanding liabilities from the policies still in effect, and pays the balance to the Names in the syndicate, minus any fees due his agency or Lloyd's. If the costs of claims, reinsurance and fees is greater than the premium collected, the Names are billed for the difference.

The scam

The combination of annual syndicates and closing reinsurance provided the method by which Lloyd's insiders dumped their losses on the new Names.

Assume syndicate X has written—or inherited through reinsurance—policies which have long-tail asbestos exposure, and assume that insiders in the syndicate wish to fraudulently dump those losses on newly recruited Names. There are two ways to do it, both involving closing reinsurance.

The first method involves "reinsurance to close"

(RITC), the term for when the reinsurance is provided by a successor year of the same syndicate. Since with RITC the underwriter for the seller and the underwriter for the buyer are the same person, it is easy to roll hidden losses over to succeeding years. The underwriter understates the liabilities of the closing year of account, allowing it to buy reinsurance more cheaply than it would were the liabilities properly revealed; the result is a fraudulent profit for the closing Names, and an uncompensated risk for the successor syndicate, which will run the same scam when it closes. Since each syndicate is an annual venture, though, the insiders can quietly drop out, letting others take their places. By the time the losses rise to the surface, the insiders and their profits will be long gone, leaving the new Names to pick up the tab.

The second method involves "run-off" reinsurance, the term for buying the reinsurance from another Lloyd's syndicate or outside insurance company. Here the underwriter again understates the liabilities and books a fraudulent profit for his Names, and passes all the risk to someone else. This method was very popular with the members of Lloyd's Asbestos Working Party and other top officials.

But what happens when the cost of reinsurance is "unquantifiable," or the cost of reinsurance is prohibitively expensive? If closing reinsurance cannot be obtained, the syndicate cannot close and the year of account must be left "open." Unable to pass on their liabilities to others, the Names in an open year must pay all claims out of their own pockets, once the premiums are exhausted.

Open years, once rare, have become commonplace. According to Charles Sturge of Chatset, a firm which analyzes Lloyd's syndicates, there are some 320 syndicates with 676 open years.

successor to Sir Peter Green, he pointed out that nearly all the potential candidates had to be ruled out because they were the subject of investigation by the Inland Revenue into the improper use of offshore reinsurance operations.

As Hay Davison would later say in his book, "From the middle of 1982 it became increasingly apparent that there was something seriously wrong. A handful of powerful insiders involved in the Howden, PCW, and Brooks and Dooley affairs had taken advantage of the Lloyd's climate of arrogant secrecy to milk their backers of millions. Fraud occurs in the City from time to time. . . . These were not frauds *on* Lloyd's, they were frauds by insiders at Lloyd's on their own members.

The probity of the insiders could no longer be taken for granted.

"The cases of outright plunder were few: less than 20 Lloyd's men were ultimately to be disciplined in respect of abuse of their fiduciary duties towards the members they served. When I joined Lloyd's I had announced my determination to pick out the rotten apples. I then thought that to exclude the wrongdoers would solve the problem. But it was not as simple as that. Many of the apples were to some extent tatty, and the barrel appeared to many observers to be infected."

In 1986, after the surfacing of many of the scandals out-

A chronology of fraud

1688: Lloyd's established as a coffee house, catering to the seafaring trade.

1871: Lloyd's incorporated by Act of Parliament.

1885: First non-marine syndicate formed.

1948: Council of Lloyd's member Charles Skey travels to New York to investigate the asbestos situation.

1969: Lord Cromer, banker to the Queen, issues report calling for a massive increase in the number of Names at Lloyd's.

1973: Sturge underwriter Ralph Rokeby-Johnson warns that "asbestosis will change the wealth of nations" and bankrupt Lloyd's unless something happens to intervene.

1977: Lloyd's Deputy Chairman I.H.F. Findlay admits that Lloyd's memberships are securities under U.S. law.

1979: Oxford's Sir Henry Fisher undertakes a "study" to prove that Lloyd's should be allowed to regulate itself; the study formed the basis for the Lloyd's Act of 1982.

1979: Lloyd's officials journey to New York, where they discuss the asbestos situation with their attorneys; Citibank warns them that there is not enough money in the \$4 billion Lloyd's American Trust Fund to cover looming asbestos losses.

1980: Lloyd's forms the Asbestos Working Party to monitor the asbestos claims working their way through the U.S. courts; the AWP does not share the information it gathers with the general membership of Lloyd's.

1981-82: Members of the Asbestos Working Party and other Lloyd's insiders dump their long-tail asbestos policies on unsuspecting Names.

1982: Parliament passes the Lloyd's Act of 1982, which grants Lloyd's the power to regulate itself, and gives Lloyd's and its officers immunity from lawsuits filed by

defrauded Names. This act gave vital protection to a Lloyd's which was rocked with scandal after scandal in the 1980s, on top of its conspiracy to defraud the post-Cromer new Names.

1986: Lloyd's adds a forum selection clause to its contracts with Names, requiring that all legal disputes must be adjudicated in England, under English law.

1988: Lloyd's Chairman Murray Lawrence, who had dumped his own asbestos losses in 1982, briefly mentions asbestos in his speech to Lloyd's annual meeting; it is the first mention of asbestos in a chairman's speech.

1991: Asbestos losses hit the Names with a vengeance. Lloyd's, which reports its results three years in arrears, reveals £549 million in losses for the 1988 year of account. In subsequent years, Lloyd's would report losses of £1.8 billion for the 1989 year of account; £2.3 billion for 1990; £2 billion for 1991; and £1.2 billion for 1992. The heaviest losses fell on the outside Names, while many insiders made hefty profits.

1991: U.S. Names file racketeering (RICO) charges in federal court in New York; this case and several others would be thrown out of court due to the forum selection clause.

1992: The U.S. Securities and Exchange Commission decides not to investigate Lloyd's. However, the SEC did, in 1996, file an *amicus curia* brief in a case in California, arguing that the forum selection clause in the Lloyd's contract violates U.S. securities law and is therefore invalid; that case is under appeal.

1995: The Arizona Corporation Commission charges Lloyd's with defrauding Arizona Names; another 11 states would file similar charges against Lloyd's in 1995 and 1996.

1996: The NASAA task force capitulates to Lloyd's pressure, and negotiates a settlement which would cost the defrauded Names additional hundreds of millions of dollars. Ten states reject the NASAA agreement and vow to continue legal action against Lloyd's.

lined above, the lords convened another panel to examine the regulation of Lloyd's, this one headed by Sir Patrick Neill, vice-chancellor of Oxford and a warden of All Souls College. Neill's report, published in February 1987, recommended that the number of Bank of England-approved independent members of the council be doubled, to eight from four, and the number of Working Names be reduced by four. The effect was to eliminate the council majority held by the Working Members, and increase the oversight by the Bank of England, to keep the conspiracy under control.

The blowout begins

One of the fundamental principles of reinsurance is to spread the risk; the wider the risk is spread, the less the potential for financial catastrophe to follow a disaster. What happened at Lloyd's was just the opposite: The majority of the risk was concentrated, through reinsurance, into a relative handful of syndicates, two prime examples being the Gooda Walker and Feltrim syndicates, which just happened to have a high concentration of External Names.

Reinsurance policies are often written on an "excess of loss" basis, wherein the reinsurer agrees to cover losses to the insured above a certain amount. A typical reinsurance schema would look like an inverted pyramid, in which the primary insurer reinsures his risk with several reinsurers, each of whom in turn reinsure their risks with several more, to as many levels as necessary to spread the risks among large numbers of insurers. The profits to any one insurer are less, but so is the risk of being ruined by a catastrophic event, such as an earthquake.

Lloyd's violated this simple rule, instead placing most excess of loss reinsurance policies with other Lloyd's syndicates, a process which became known as the London Excess of Loss Market (LMX). The result was a concentration of risk which would have devastating consequences.

As long as there were no catastrophes, the LMX market flourished; syndicates reinsured each other with abandon, taking fat commissions with each deal. During the 1980s, the LMX syndicates appeared to be quite profitable, and they seemed attractive to the new Names whom Lloyd's agents steered their way. Gooda Walker syndicate 290, for example, averaged a 14% profit from 1984 to 1988, growing from £6 million to £69 million in underwriting capacity in seven years, and Feltrim 540 almost quadrupled in size from 1983 to 1989. The Working Names, aware of the dangers, stayed away.

The beginning of the end of what became known as the "LMX spiral" became apparent to many on July 16, 1988, when the Piper Alpha North Sea oil platform caught fire; the rig was destroyed and 165 people killed. Much of the risk for the Occidental Petroleum-operated oil rig had been reinsured by Lloyd's. Piper Alpha would ultimately cost Lloyd's a net \$900 million, but generated \$15 billion in claims from 43,000 policies as the spiral unwound. Many Names found out, to their chagrin, that syndicates to which they belonged, had

reinsured other syndicates to which they belonged—often several times over—such that they were effectively trying to collect from themselves. A similar problem arose with the Names' personal stop-loss insurance, designed to protect them from catastrophic losses, and with the errors and omissions (malpractice) policies of the agents. Because of the inbred nature of the Lloyd's market, there was not enough capital to cover the claims; many Names found themselves, in effect, insuring their own losses.

When disaster struck, in the form of a rash of hurricanes, earthquakes, floods, and other storms in the late 1980s and early 1990s, Lloyd's turned to the Names for cash, blaming the storms for the losses.

Sir Peter Green, with typical Lloyd's arrogance, blamed the Names and their "lemming rush" into the market for all the problems. "There were certain people who you could try and explain it to them what was going on and at Rota committees we took enormous trouble, but they were all so stary-eyed and just waiting for the cheques to roll in. I don't think half the time they listened to what they were being told," complained Sir Peter.

Sir Peter was dissembling. Before Names could begin underwriting at Lloyd's—but often after they had signed the membership papers—they had to appear before the Rota Committee at Lloyd's headquarters. Ushered into a magnificent room, with visions of wealth and status dancing in their eyes, the Names were asked one question: Do you understand the meaning of unlimited liability? This one-question ritual hardly qualifies as "enormous trouble," although no doubt Sir Peter and his cohorts found meeting all the sheep tiring.

"Lloyd's blames the losses from the LMX spiral on hurricanes, but that's not true," said Jeffrey C. Peterson, executive director of the California-based American Names Association. According to Peterson, the driving force behind the spiral was the massive influx of underwriting capacity that the recruitment drive brought into the market in the 1980s (see **Figure 2**). The influx of capital outstripped the rise in outside insurance business, so Lloyd's used the spiral as a device to soak up the excess capacity, passing the liabilities back and forth in a frenzy of what Peterson called "incestuous trading," taking a 10-20% commission bite with each transaction, similar to the way a stockbroker steals money through churning an account.

The effect was to eat up the premium income in fees. According to Peterson, Lloyd's churned so much that only 36¢ remained for every \$1 of premium income.

After skimming off 64% of the income, Lloyd's was on thin ice, with inadequate reserves to cover the inevitable natural disasters.

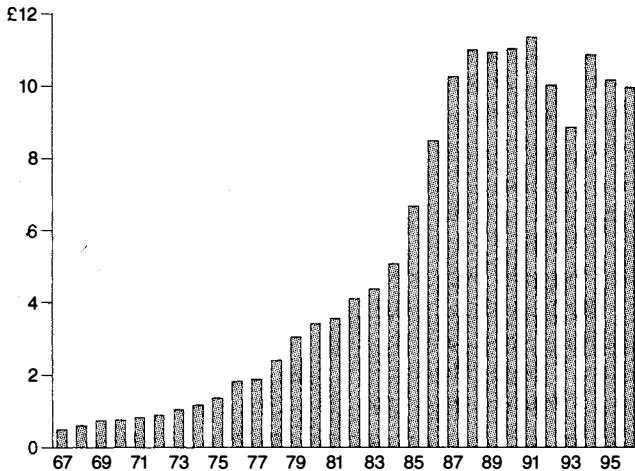
The bubble bursts

The bubble burst in July 1991, when Lloyd's announced a record overall loss of £549 million for the 1988 year of account, marking the beginning of a five-year period when

FIGURE 2

Lloyd's underwriting capacity

(billions £)

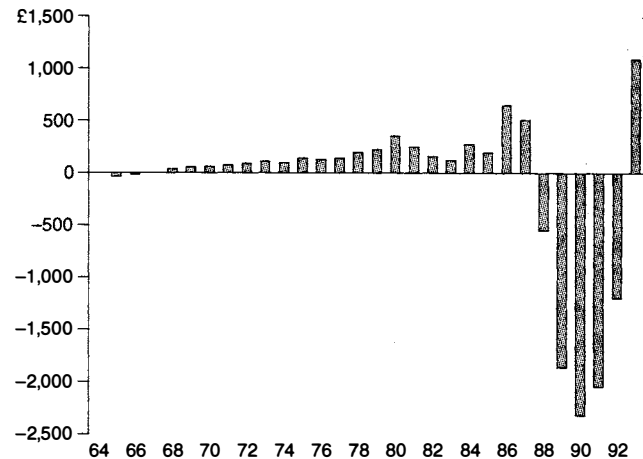


Source: Lloyd's of London, Adam Raphael.

FIGURE 3

Lloyd's profits and losses

(millions £)



Source: Lloyd's of London, Adam Raphael.

Lloyd's would lose some £8 billion (see **Figure 3** for the official figure; the actual losses are higher). In July 1992, Lloyd's announced a £1.86 billion loss for the 1989 year of account; £1 billion came from spiral losses, of which five LMX syndicates accounted for half. Although nearly 90 syndicates were writing significant LMX business in 1988 and 1989, some 95% of the losses were concentrated on just 12 syndicates in 1988, and nearly 80% of the 1989 losses fell on 14 syndicates.

As damage control, Lloyd's brought in Sir David Walker, a former head of Britain's Securities and Investment Board, deputy governor of the Bank of England, and member of the Lloyd's Council, to study the LMX spiral. Sir David and his blue-ribbon panel published their results in June 1992,

concluding that there was no evidence to support allegations made by some Names groups of conspiracy, churning, fraud, and improper underwriting. The report did admit that the actions of Lloyd's agents had fallen "materially below best practice," and that there was the "unattractive appearance" that some agents had lined their own and friends' pockets at the expense of the Names. Lloyd's Chairman Coleridge was so moved by Walker's performance that he described Sir David as "so pure he makes Snow White look smutty."

The Walker report determined that the Working Names fared somewhat better than the External Names. Just how much better was presented by author Adam Raphael: In the years from 1983 to 1990, assuming a standard premium line of £400,000, a member of the Lloyd's Council would have a

TABLE 1

Lloyd's key facts

	1988	1989	1990	1991	1992	1993	1994	1995	1996
Overall capacity (millions £)	£11,018	£10,956	£11,070	£11,382	£10,046	£8,878	£10,898	£10,194	£9,993
Individual members, active	32,433	31,329	28,770	26,539	22,259	19,537	17,529	14,804	12,798
Individual capacity (millions £)	£11,018	£10,956	£11,070	£11,382	£10,046	£8,878	£ 9,303	£ 7,834	£6,949
Corporate members	na	na	na	na	na	na	105	140	162
Corporate groups	na	na	na	na	na	na	25	53	71
Corporate capacity (millions £)	na	na	na	na	na	na	£ 1,595	£ 2,360	£3,044
Profit/loss* (millions £)	£ -549	£-1,863	£-2,319	£-2,047	£-1,193	£1,804			
Syndicates	376	401	401	354	279	288	170	170	167
Individual, % of total capacity	1%	1%	1%	1%	1%	1%	0.85%	0.77%	0.7%
Corporate, % of total capacity	na	na	na	na	na	na	0.15%	0.23%	0.3%

*Adjusted for double-counting.

profit of £72,400 from his syndicates, an underwriter £64,000, and a director of a managing or members' agents £40,800. The average loss for an External Name, by contrast, would be £11,200. An External Name in the United States, Canada, or Mexico would have fared even worse, losing an average £35,200.

The discrepancy between the profits of the insiders—and the more inside, the more the profits—and the losses of the External Names, came from Lloyd's ability to manipulate the syndicate selection process. Syndicates which were loaded with long-tail, spiral, and stop-loss policies were also loaded with External Names. For example, more than 90% of the losses on the seven worst-affected LMX spiral syndicates in 1989 had fallen on External Names.

Many of the worst-hit Names had joined the Lime Street members' agency, which had grown rapidly through aggressive recruitment, and steered its new Names into the LMX market, via the Gooda Walker and Feltrim syndicates. As attorneys for some of the Lime Street Names would later observe, "Lime Street and their associated agencies seem to have unerringly homed in on the majority of the worst performing syndicates over the last decade."

The Working Names and imperial insiders, on the other hand, were concentrated on profitable syndicates, many of which made substantial profits even during the years the market as a whole suffered horribly. According to Peterson, the firm that made the most in LMX commissions was Sedgwick, the firm headed by current Lloyd's chairman David Rowland.

Rowland has a rather self-serving view of the matter. "It became fashionable and too much capital came into the marketplace," he explained to the annual meeting of the CPCU Society in Hawaii in October 1995.

Official inquiries

While under the Lloyd's Act of 1982 the Names were prohibited from suing Lloyd's and its officers, the Lloyd's members' and managing agencies had no such statutory protection. In an attempt to keep the outraged Names from running to court, Lloyd's commissioned official inquiries of the syndicates with the largest losses.

In September 1991, the four Gooda Walker syndicates collapsed, hitting the Names with losses that could ultimately reach £1 billion, despite namesake Tony Gooda's promise that "we won't make you a fortune, but we won't lose you one either." The official inquiry concluded that the Gooda Walker underwriters failed to recognize the "aggregating potential of the spiral business," and that the common management and ownership by Gooda Walker of a members' and managing agency "may have inhibited the ability of the members' agency to take an objective view of the underwriting activities of the managed syndicates."

Another big loser was the Feltrim group of syndicates, which also specialized in LMX risks. By the time the Feltrim loss review committee, headed by Oxford's Sir Patrick Neill,

reported in September 1992, the Names on syndicate 540 had suffered losses of £73,700 for each £10,000 of premium, and the Names on the smaller non-marine syndicate 847 had lost £45,400.

The Feltrim report, as with Gooda Walker and other official inquiries, covered up the corruption of the market itself, and attempted to place the blame on the management of the individual syndicates.

"The authorities emerge from these inquiries in a poor light," observed the Association of Lloyd's Members. "They appear to have been remarkably unaware of the way in which the Room was being used as a casino, with extraordinary odds being accepted on Names' behalf; or, if they did know about it, their failure to take swift remedial action was an act of inexcusable neglect."

The counterpoint was presented by a director at Cuthbert Heath, whose marine syndicate 1084 lost nearly 150% in 1989. "I am not at all satisfied that it was incumbent upon me or my fellow directors to ask chapter and verse of a man in his mid-forties who, as I have suggested to you despite what people may think to the contrary, was a very able and experienced underwriter," he said.

Deluge of lawsuits

The first big case to hit the courts was the suit by 987 Names against Richard Outhwaite's RHM Outhwaite (Underwriting) Agencies, Ltd. and more than 80 members' agencies, which opened in English High Court in October 1991. Outhwaite settled out of court in April 1992, giving the Names \$215 million.

Other suits against the agencies in England were also successful. A suit by 3,000 Names against Gooda Walker and 70 agencies went to trial in April 1994; they won some \$800 million in awards. In October 1994, a trial started in a suit by some 1,600 Names against Feltrim and 53 members' agents, resulting in an award of some \$840 million.

Whether these awards were victories for the Names or not remains to be seen, since Lloyd's seized the monetary awards, and has yet to pay them to the suing Names.

The first U.S. suit also came in October 1991, when a group of 64 U.S. Names filed suit against Lloyd's in federal court in New York, charging Lloyd's with violating the registration and anti-fraud provisions of federal securities laws and violating the Racketeering Influenced and Corrupt Organization (RICO) federal statute.

This landmark suit was thrown out of court by a federal judge, who was upheld on appeal, on the basis that, as part of their contract with Lloyd's, the Names had agreed that any legal dispute must be adjudicated in English courts under English law. Similar suits were also thrown out of U.S. courts on the basis of this same "forum selection" clause.

On Oct. 5, 1994, several hundred Names belonging to the American Names Association, a California-based action group, filed a suit, *Richards v. Lloyd's*, in federal court in

The Windsors created environmentalism

Without the top-down initiative of the House of Windsor and the Club of the Isles, the hoax of modern environmentalism would have never even gotten off the ground. The launching of the World Wildlife Fund (WWF), personally, by Britain's Prince Philip, and the Netherlands' Prince Bernhard, in 1961, was a benchmark event in the process of building a mass irrationalist, anti-science, grass-roots movement, throughout the advanced sector, and now, even in the developing world. The role of the Anglo-Dutch oligarchy in this effort was exposed in a series of recent *EIR* feature stories, beginning with "The Coming Fall of the House of Windsor."

Prior to the blossoming of the drug-rock-sex counterculture in the late 1960s, which provided the irrationalist cannon fodder for the mass-based "green" movement, environmentalism was a gentleman's sport, dominated by members of the British royalty, the House of Lords, and the corporate giants of the Club of the Isles. In fact, in the mid-1960s, Prince Philip and Prince Bernhard launched the 1001 Club, a select group of 1,001 wealthy individuals, who each donated at least \$10,000, to a \$10 million kitty to bankroll WWF, and a number of its spin-off groups, such as Friends of the Earth, Greenpeace, and the Sierra Club, as well as later more hard-core eco-terrorist gangs, like Earth First!. To this day, the radical environmentalist movement receives billions of dollars in tax-exempt cash from leading British and American "philanthropies" to spread their poisonous hoax.—*Jeffrey Steinberg*

California, charging that they had been defrauded by Lloyd's, and charging Lloyd's with violations of the RICO statute. U.S. District Judge Irma Gonzalez dismissed the case in May 1995, saying that "the SEC consistently has exempted Lloyd's from the registration requirements of securities laws. . . . We are extremely reluctant to dispute the SEC's apparent judgment."

The Names were more successful in Texas, where they had a chance to present their evidence of fraud. In August 1995, U.S. District Judge John D. Rainey of Houston issued a blistering ruling in the case of *Leslie v. Lloyd's*, accusing Lloyd's of "attempting to circumvent U.S. securities laws." By entering the U.S. market, Rainey ruled, Lloyd's "elected to subject themselves to the anti-fraud and disclosure requirements of the United States securities laws." Rainey found that

"neither Lloyd's nor Sturge disclosed important information, available to Lloyd's insiders, about asbestos and pollution risks and the 'loading' of outside syndicates," and that "Leslie's accession to the forum selection clause was the product of fraud on the part of Lloyd's and Sturge." "If any reasonable outside Name had known what insiders at Lloyd's knew in the summer of 1986, that Name most certainly would have preferred to terminate or suspend his or her underwriting activity at Lloyd's," Rainey concluded.

Judge Rainey's decision was overturned by the appellate court, which ruled that the case must be heard in England.

Unable to get justice in the federal courts, the Names launched a campaign to enlist state securities regulators to protect them against Lloyd's predatory practices.

In September 1995, the Arizona Corporation Commission filed an administrative order against Lloyd's, Sturge, and Falcon agencies, charging Lloyd's with "fraud on Arizona Names," "fraud in connection with the offer and sale of securities," "asbestos fraud," "omissions of material facts," the "offer and sale of unregistered securities," "transactions by unregistered dealers and salesmen," and "aiding and abetting liability." The action ordered Lloyd's "to cease and desist from the conduct alleged and from doing any act in furtherance thereof, including, but not limited to, drawing on any letters of credit posted by the Arizona Names, pursuing any lawsuits to collect against the Arizona Names or foreclosing on any collateral pledged by the Arizona Names."

In October, the Illinois Department of Securities took similar actions. "These charges reflect the fact that Lloyd's of London knowingly and consistently ignored Illinois securities law," said Illinois Secretary of State George Ryan.

In December 1995, Colorado State Judge Robert Hyatt, at the request of Colorado Securities Commissioner Philip Feigin, issued a preliminary injunction against Lloyd's, prohibiting Lloyd's from collecting funds from Colorado Names. Hyatt ruled that "the Court specifically finds that Lloyd's is offering to sell and selling securities in the State of Colorado in violation of Section 301 of the Act"; that "Lloyd's has failed to disclose significant material facts to Colorado Names, specifically . . . the quantity and nature of asbestos- and pollution-related claims"; and that Lloyd's had made "statements [that] are materially misleading and false."

In February 1996, the California Corporations Commission asked the court to issue a temporary restraining order against Lloyd's, and sought to place a lien on the \$12.6 billion Lloyd's American Trust Fund, held at Citibank in New York. The Corporations Commission said that "Lloyd's fraudulently misrepresented and did not fully disclose the risks involved."

"The Department has taken this action to protect the interests of Californians who have been fraudulently induced into investing hundreds of millions of dollars by an operation well aware of the undisclosed and unlimited risks in such investments," said Corporation Commissioner Gary

Mendoza.

Also in February 1996, Missouri Secretary of State Rebecca Cook filed an action against Lloyd's. "This large and prestigious company clearly took advantage of Missouri investors by leading them to believe that it was on sound financial footing and that over a period of time, sustained losses could never occur," said Cook. "But the fact is, Lloyd's was using money from American investors to cover tremendous liabilities it had incurred. Millions and millions of dollars have been lost by investors in this scandal. . . . It is now time to bring Lloyd's activities to an abrupt halt before further losses are incurred and more Missourians are caught in this web of deceit." "What this action shows," Cook said, "is that no company is too big or too famous to comply with Missouri securities laws. . . . The message should be clear: We will not tolerate investment fraud in this state."

"Officials of Lloyd's were able to selectively and deliberately decide where the funds would be shifted, to isolate risks, and to virtually determine which investors would lose their money and which would retain their funds," charged Mary Hosmer, chief of enforcement for the Securities Division of the Illinois Secretary of State's Office.

"From our investigation, it was clear that Lloyd's bla-

tantly ignored our state's securities laws as its agents solicited investors throughout Missouri," added Steve Yttri, the securities division counsel who headed the investigation.

The Pennsylvania Securities Commission followed suit in March, filing an administrative order which prohibited Lloyd's from collecting funds from Pennsylvania Names. The filing referred to "the fraudulent Lloyd's scheme" and accused Lloyd's of "continuing fraud on Pennsylvania Names."

In April 1996, the Securities Division of the Virginia State Corporation Commission took action against Lloyd's, as did the Utah Department of Commerce Securities Division. "This scheme presented investors with enormous risk," said Utah Securities Division Director Mark Griffin. "Lloyd's had a duty under Utah law to disclose to investors every important fact about that risk. To the contrary, we believe that investors were not told the true facts pertaining to the risks that were known to Lloyd's at the time of these sales. If that were the case, these investors would not have made the investment, and we would not be discussing this today. . . . Lloyd's continues to try to cloak itself in its status as a huge foreign insurance market, not subject to U.S. law. If they raise money here to support their enterprise, then they have to abide by the same rules U.S. companies do: they register their investment prod-

Mother Nature doesn't cause insurance losses

After any natural disaster these days, it has become the media custom to repeat the fairy tale that insurance companies face huge losses because of Mother Nature. Not so. Mother Nature is getting a bad press.

It is the lack of man-made infrastructure building and repair, in the United States and worldwide, that is resulting in needless damage and suffering, and, secondarily, hitting the insurance companies. This anti-infrastructure policy, in turn, is promoted by the same IMF-connected London financial interests that govern Lloyd's, and other giant insurers.

Lloyd's, in particular, was traditionally involved in maritime insurance, over the centuries; and thus has been affected by the degradation of sea trade and shipping infrastructure—ports, fleets, shipping lane maintenance, navigational aids. For example, look at the Panama Canal (1913) and Suez Canal (1859-69); they were high technology when they were new a century ago, but have never been replaced, or even overhauled for modern ship traffic. Other needed canals, such as the cut across the Kra Isthmus in Thailand, have been blocked by the Inter-

national Monetary Fund.

EIR has regularly documented what was preventable and what was not, after many of the recent U.S. natural disasters, such as Florida's Hurricane Andrew in August 1992, the January 1994 Los Angeles earthquake, or the great Mississippi flood of 1993. (For a fuller report, see "Don't Blame Mother Nature for the U.S. Breakdown," by Richard Freeman et al., *EIR*, Feb. 4, 1994).

Consider the Jan. 17, 1994 California earthquake. It is estimated that perhaps \$20-25 billion of the damage could have been avoided. There exist 1) state-of-the-art technologies (retrofitting buildings, bridges, aqueducts, etc. for quake protection) that should have been applied to structures throughout Los Angeles, and weren't; and 2) emerging advanced technologies, such as seismic devices, for which research and development should be adequately backed, and applied.

Seismologist Thomas Hanks, of the U.S. Geological Survey center in Menlo Park, California, speaking right after the quake, noted: "We've had 23 years [since the previous major, Sylmar quake] to gather knowledge, pour more cement, and install more reinforcing steel. Yet more bridges came down."

It is the marginalization of the infrastructure base of the economy—from ticky-tacky housing, to lack of levees and breakwaters, that is costly to the economy, and performance, to the insurance sector.—*Marcia Merry Baker*

ucts and disclose all material risks to investors in writing. That is the law in the U.S. and it did not happen here.”

In May, the Tennessee Commissioner of Commerce joined the parade of states charging Lloyd's with fraud.

On May 6, an appeal was filed in the *Richards v. Lloyd's* case in California. The U.S. Securities and Exchange Commission, finally breaking its silence, filed an *amicus curiae* brief with the appellate court, arguing that the lower court had “erred” in dismissing the case. The effect of the forum selection and choice of law clauses, the SEC stated in its *amicus*, “is to preclude investors from obtaining relief under the United States federal securities laws. . . . The fact that these investors agreed to these provisions is irrelevant, since the very objective of the antiwaiver provisions is to invalidate such agreements. These clauses are directly contrary to express statutory prohibitions in the antiwaiver provisions and should be held void. . . . This Court should not hesitate to condemn the Lloyd's choice of forum and choice of law clauses.”

The appeal is still pending.

The Arkansas Securities Department issued a cease and desist order against Lloyd's on May 15, for having “violated provisions of the Arkansas Securities Act.” And in June, the Ohio Division of Securities issued cease and desist orders against Sturge and Falcon. At this point, 12 states had filed actions against Lloyd's and/or its agents.

Lloyd's response to these suits has been to deny that the SEC and state securities regulators have any jurisdiction, and to insist that taking action against Lloyd's would jeopardize the world's insurance system.

The action by state regulators “appears to be a purely political attempt to indulge the interests of a small minority of Lloyd's members in the U.S.A. who are attempting to avoid meeting their obligations,” Lloyd's states.

“We have been doing the same business for over 300 years; the securities laws, I believe, are not applicable,” Peter Lane, Lloyd's managing director for North America, sniffed to the *Washington Post* earlier this year.

Lloyd's position is more than a bit undermined by the statements of Lloyd's Deputy Chairman Ian Findlay, who

Asbestos: what to fear and what not

The truth is, that any harm from asbestos (a composite mineral, naturally occurring in several forms), as with many other useful substances, depends upon how much of it one is exposed to. According to “Asbestos: The Big Lie,” by Matthew Moriarty (*21st Century Science & Technology*, Winter 1993-94), there is no documented danger to human beings who live or work in buildings where asbestos has been used as fire-proofing, steampipe or furnace insulation, acoustical insulation, wall reinforcing, and so on. In fact, asbestos abatement puts far more asbestos dust into the air as a residue than would be there if the asbestos were left in place.

Where the danger comes, is in high exposures to workers in the asbestos industry, and among non-workers living in the vicinity of a specific form of asbestos. The popular perception that asbestos in any form, and at any exposure, causes cancer, is a falsehood legitimized by the Environmental Protection Agency (EPA), which lied, when it claimed that its 1989 ban on all asbestos was prompted by medical evidence and epidemiological statistics.

Asbestos and health

Three types of asbestos have been used extensively in commerce: *chrysotile asbestos* (white asbestos, with curly,

rope-like fibers), *amosite asbestos* (brown asbestos), and *crocidolite asbestos* (blue asbestos, conformed as bundles of straight, splintered fibers).

Health studies of workers *heavily* exposed to asbestos show that all three types can cause lung cancer, particularly if the workers also smoke; furthermore, there is significant incidence of asbestosis, a non-malignant disease typified by scarring in the lungs, and reduced respiratory function. A third disease called mesothelioma (cancer of the lining of the chest and abdominal cavities) is often seen in professional workers around the blue asbestos (crocidolite); less often seen in brown asbestos settings; and rarely seen in workers exposed only to white asbestos (chrysotile).

Most of the asbestos installed in U.S. schools is the less harmful white, chrysotile variety. Repeated measurements of the asbestos fiber levels in the air inside schoolrooms that contain asbestos-bearing materials, have shown, with rare exceptions, the levels to be less than 0.0001 fibers per cubic centimeter. These levels are often no greater than those found in the local city streets.

Moreover, studies of women living in the mining towns of Quebec, where white asbestos, chrysotile, is produced, show that while these women, who are not miners, are exposed to high levels of ambient asbestos dust originating from the nearby mines and mills, they show no excess asbestos-related disease.

Exposure to ambient asbestos levels has caused additional disease, in the blue asbestos mining regions of West Australia, and Cape Province, South Africa, where non-mineworker residents have died of mesothelioma.

stated on Dec. 22, 1977—nearly two decades ago: “It is now likely that the election to Membership of Lloyd’s and subsequent participation in the insurance business of Lloyd’s by a new Member would be considered to involve the sale of a ‘security’ under United States Law.”

What Lloyd’s is really afraid of, one Names group activist said, is that the U.S. Names will get their day in court. “Every time a case is heard on its merits, Lloyd’s loses,” he said.

Even Lloyd’s does not seriously dispute that it has cheated its Names, a fact admitted by a series of chief executives: In his 1987 book, Lloyd’s chief executive Ian Hay Davison cited cases of “fraud” and “outright plunder” at Lloyd’s. In November 1995, Lloyd’s chief executive Peter Middleton resigned, after reportedly making comments about the presence of “rogues and brigands” at Lloyd’s. In December 1995, Middleton’s replacement, Ron Sandler, admitted in a letter that “the short answer is clearly that there have been instances of bad faith and fraud at Lloyd’s and it has affected a number of Names.”

Even if there was fraud, Lloyd’s asserts, the Names still have to pay in full. Lloyd’s position has been to effectively assert that even if there were fraud, the Names have an obligation to policyholders to pay their claims in full. To do any less, insist the honorable men of Lloyd’s, is to be a dishonorable scoundrel. After all, we cheated you fair and square.

“It is the unswerving policy of the Society that policyholders be paid first, and that any litigation following upon the losses occasioned by those payments comes second,” Lloyd’s chairman David Coleridge pontificated in a February 1992 letter to Names, urging them to pay up.

Reconstruction and renewal

Lloyd’s ardent devotion to its policyholders would be admirable, were it true, but it is, like virtually every public position taken by Lloyd’s, a lie.

The true goal of Lloyd’s has been, and remains, to protect the British Empire and the financial power of the City of London. Lloyd’s Chairman David Rowland admitted as much on June 11, 1996, in a speech to his peers at the annual dinner of City of London bankers and merchants at Mansion House, the home of the Lord Mayor of the City. Said Rowland: “Profit, reform and reconstruction. I am proud to work in a business that has sought to face the reality of its shortcomings, to capture the excellent and discard the shoddy. But I am proudest of all because we have held our business, retained nearly £9 billion of annual premiums flowing through London.”

“The qualities which allowed Lloyd’s to do that,” a Lloyd’s press release bragged, “were the hallmark of the City of London.”

The phrase “capturing the excellent while discarding the shoddy,” accurately reflects Lloyd’s view of separating the Names from their money, a variation of the age-old process which is indeed the hallmark of the City of London.

To accomplish what it calls “separating the past from the future,” Lloyd’s plans to “create a ‘firebreak’ between the ‘old’ and ‘new’ Lloyd’s,” by taking all liabilities from 1992 and prior years of account, and placing them in a new reinsurance company called Equitas.

“It is vital that those who underwrite in the future are satisfied that the market is free from the liability for past problems,” and that “a commitment [be] made not to levy the future market for additional funds for Equitas after the reconstruction plan is implemented,” Lloyd’s insists. The plan, it claims, will leave “the ongoing market better placed to attract new capital to service clients’ growing insurance needs.”

As Lloyd’s own statements make clear, the essence of its “Reconstruction and Renewal Plan” (R&R) is to dump its losses onto Equitas, marking a successful completion of the conspiracy initiated by Lord Cromer nearly 30 years ago. Not only would Lloyd’s be able to walk away from its losses, it would also walk away from its legal troubles, if R&R is successful.

To join Equitas, Names will be required to sign a contract which constitutes “a full and final settlement of any and all claims, however they might arise, in respect of Names’ 1992 and prior business,” and carries a clause stating that the agreement “will be governed by English Law and a Name who accepts the offer will irrevocably agree to the English courts having exclusive jurisdiction to determine any disputes in relation to the agreement”—a requirement the SEC has already identified as violating U.S. securities laws.

Further, the contract stipulates that “no party to the Settlement Agreement owes any duty to disclose any matter; no party owes any duty of care in respect of any statements or representations which are made; no party will be entitled to rescind, avoid, terminate or cancel the Settlement Agreement on the grounds of any misrepresentation, misstatement or non-disclosure; no party shall have any liability to any Name for any misrepresentation, misstatement or non-disclosure; and any claim a Name may have in respect of any of the above is waived and released.”

Any Name signing the remarkably one-sided R&R agreement thus waives his rights to sue Lloyd’s for the fraud it has committed in the past, and the fraud it is now committing with Equitas.

To induce the Names to capitulate to this scheme, Lloyd’s is using a combination of intimidation and bribery, the latter mostly with the Names’ own money. Lloyd’s nastiness is displayed in a letter dated May 10, 1996, from Lloyd’s Chairman David Rowland to the Names:

“All Names should now be convinced of the harsh reality that if the settlement offer fails there will be no escape from their insurance obligations. . . . Names must pay their insurance obligations in full. Names who decide to reject the offer must appreciate that we have both the responsibility and the capability to pursue Names vigorously for the full value of

Anglophilia

Anglophile, ang' glo fil, *n.* A person who admires or sympathizes with England and English views

Anglomania, ang' glo ma ne a, *n.* An excessive or undue attachment to, respect for or imitation of, Englishmen or English institutions of customs by a foreigner

—*The Living Webster Encyclopedic Dictionary, 1975*

One of the great weaknesses of certain strata of the American population, is the susceptibility to the mental disease known as anglophilia, and its more virulent strain, anglomania. Many of the American Names were blinded by the glory of joining Lloyd's, making them ripe for the plucking.

Take the case of Elizabeth Luessenhop, a Virginia Name who admits in her book *Risky Business* that "of course, becoming a Name was not just a business proposition: It was membership in the club, a kind of recognition that only the English landed gentry can give."

"I was easy to convince," Luessenhop wrote. "My family on both sides goes back to Colonial times. Mother firmly believed the United States should never have separated from the mother country. In our home it was a given that the English set the standards of good taste and integrity for the world. Most people I knew in Boston and Philadelphia would have agreed. . . . For me, becoming a Name at Lloyd's was a part of my love affair with England. And the love affair is still there, with London and with country

weekends—and with many of the people I have come to know at Lloyd's. A few of them are real snakes, but even the snakes are at least interesting. They still do a lot of things right at Lloyd's."

"When I came to London in 1983 for my interview at Lloyd's, I didn't worry about whether I was doing something commercially wise," she continued. "It was almost as though I wondered whether I was worthy. On previous trips to London I had stayed at the Dorchester House, but somehow Park Lane seemed too touristy for this visit. I knew that when royalty came to London they stayed at Browns; so for the occasion of my Lloyd's interview, I stayed at Browns."

It sounds a lot like Cinderella going to the ball.

Lloyd's plays this fantasy to the hilt, holding its initiation rituals in the magnificent eighteenth-century Adam Room on the eleventh floor of Lloyd's decade-old modern skyscraper. The Adam Room, which has travelled with Lloyd's from building to building, was originally the dining foyer at Bowood, the country mansion of the Marquess of Lansdowne. The prospective Names are led into this rarefied atmosphere, one at a time, to be inspected by members of the Council of Lloyd's, and asked one crucial question: "Do you understand that by becoming a member of Lloyd's, you are accepting unlimited liability?"

In that carefully crafted setting, surrounded by the wealth and power of Lloyd's, close enough to touch it, heads filled with visions of partaking in that wealth and power themselves, few Names would refuse the offer that was to ruin them. None of them realized that this magnificent room was in reality a slaughterhouse, and that the wealth and power of the empire, was built on the blood of people like themselves.—*John Hoefle*

their outstanding liabilities. . . . The law in the United States is clear in one crucial aspect: that U.S. members cannot avoid their obligations to policyholders."

The bribery takes the form of a £3.1 billion payment to the Names to settle all past disputes, and wipe the slate clean. This package will not, with perhaps a few exceptions, actually pay money to the Names; instead, it will issue credits against the funds Lloyd's claims the Names already owe, thereby reducing the amount they have to pay to Lloyd's to participate in R&R.

Moreover, according to the American Names Association's Peterson, some £2.9 billion of that £3.1 billion is actually the Names' own money, including funds pledged to Lloyd's, reserves, retained premiums, and awards from the suits against Outhwaite, Gooda Walker, Feltrim, and others, which the defendants paid to Lloyd's rather than the victims. Were the American Names to accept that offer, Peterson said,

they would still have to pay, after all credits, an additional \$650-700 million in premiums to join Equitas.

In December 1993, Lloyd's had offered the Names £900 million to settle all litigation, but the offer failed when only 38% of the Names agreed.

To further grease the skids for its Equitas scheme, "Lloyd's has created a \$110 million fund to pay off some leaders of the various anti-Lloyd's working groups," according to the Denver-based Association of Lloyd's State Chairmen (ALSC). "We've had first-hand reports from many Names in a dozen states that Lloyd's is actually making cash offers to investor Names to withdraw from lawsuits," said ALSC spokesman John Head.

While Lloyd's insists to the Names that joining Equitas will relieve them of further liability, that claim is false: Lloyd's will be relieved of liability, but the Names will not. Just as at Lloyd's, the Names who back Equitas will be liable

to pay claims should Equitas go bankrupt, which it will.

The keystone of the Equitas scheme is the analysis by Lloyd's of the future liabilities of the 1992 and earlier years of account, liabilities Lloyd's has in the past admitted were "unquantifiable." Thanks to yeoman work, however, Lloyd's has somehow managed to quantify these unquantifiable losses, at a low enough figure to allow the desperate to imagine Equitas might work. Shrewdly, as the settlement agreement makes clear, Lloyd's assumes no responsibility that these numbers are even remotely correct.

On May 10, 1996, Lloyd's informed the Names they had until the end of August to accept the offer.

NASAA capitulates

On June 6, 1996, Colorado Securities Commissioner Philip Feigin, head of the North American Securities Administrators Association's (NASAA) Lloyd's task force, addressed a meeting of the Association of Lloyd's State Chairmen at the Plaza Hotel in New York City. At that meeting, Feigin stated that NASAA was determined to force Lloyd's to comply with U.S. securities laws, and that he saw no reason for victims of Lloyd's fraud to have to pay further funds to the institution which defrauded them.

"Lloyd's will marshal every fact they can to get R&R through," Feigin warned the Names. "One must read every word Lloyd's uses quite carefully."

Feigin also warned that Lloyd's settlement offers to the Names lack substance. "There's nothing there," he said.

"To my knowledge, neither NASAA nor any state regulator has approved of either R&R or Equitas, and it is unlikely we will ever do so," Feigin told the Names.

On June 25, Feigin and his task force journeyed to London to meet with Lloyd's, carrying with them the threat that if Lloyd's did not correct its behavior, another 20 states would file actions. Instead, it would be Feigin and his task force which capitulated.

On July 11, Lloyd's issued a press release which announced that it had reached an agreement with NASAA under which it would pay up to \$62 million to U.S. Names, in return for the states dropping all legal action. To be binding, the states would have to individually sign the agreement; pressing forward against a weak opponent, Lloyd's imperiously gave the states two days to make up their minds. Fail to sign, Lloyd's warned, and we might leave your Names out of R&R. By July 17, Lloyd's was claiming that 34 states had signed the agreement. Victory, it seemed, was at hand.

Or perhaps not. As of July 29, ten states—Arizona, Illinois, Indiana, Missouri, Tennessee, Utah, West Virginia, Arkansas, Kentucky, and New Hampshire—had rejected the NASAA agreement and announced their intention to proceed with legal action against Lloyd's.

The rejections of two of those states signal dissension in the ranks at NASAA: Arizona Securities Commissioner Dee Riddell Harris is the current president of NASAA, and Utah

Securities Commissioner Mark Griffin is NASAA's president-elect, both of whom have refused the agreement negotiated by the NASAA task force.

Lloyd's, naturally, has a different perspective. "It would be a tragedy if some U.S. Names are denied the enormous benefits of R&R due to the ill-advised action of securities administrators in their states," Lloyd's stated in a July 17 press release. "Lloyd's has gone to every length to construct a settlement that works for the benefit of Names. It is difficult to understand why a small minority of state regulators insist upon threatening the ability of their citizens to receive the hundreds of millions of dollars in financial assistance under the R&R plan."

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Readers with access to the World Wide Web might want to take a look at Lloyd's of London's site at <http://www.lloydsolondon.co.uk>



**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.

LaRouche slams London's terror war vs. Clinton

by Jeffrey Steinberg

In a campaign white paper released on July 31, Democratic Party Presidential pre-candidate Lyndon LaRouche detailed London's role as the command center of a global terror campaign, targeting President William Clinton, and some of America's strategic allies around the world. The motive behind this Anglo-Dutch- and French-led "strategy of tension" against the Clinton administration, can be summed up in one word: "geopolitics."

LaRouche's campaign organization, the Committee to Reverse the Accelerating Global Economic and Strategic Crisis, released the report to provide campaign supporters, government officials, and the public with the relevant background to properly evaluate and probe the most recent incidents of egregious terror-warfare against the United States: the June 25 bombing of an American GI housing compound in Dhahran, Saudi Arabia; the July 17 downing of TWA flight 800, off Long Island, New York, which is still being investigated as a likely terrorist attack; and the July 27 pipe-bomb attack against Centennial Olympic Park, in Atlanta, Georgia.

In a radio interview with "EIR Talks" on July 31, LaRouche expressed his satisfaction that the Clinton administration, and the FBI, under Director Louis Freeh, has been conducting a proper investigation of both the TWA and Atlanta terrorist attacks.

"So far, my view is, as much as I've seen of it, that President Clinton, especially in the past week or so, in taking charge—both politically taking charge of policy in the TWA case, and, also, in getting on the case quickly and properly in the Atlanta case—has done a good job." He continued, "My impression of what Freeh has done in directing the FBI's role, in, particularly, the case of TWA in recent weeks, and, also, so far, in the Atlanta case, is excellent. . . . I see nothing wrong with what they're doing, and they seem to be avoiding the

Pan Am 103 investigation, that kind of fraud. Of course, this was possible because Pan Am 103, even though it was an American aircraft, crashed over British territory. Therefore, the British were able to get in the middle of that, and pull off a fraud, which, for various reasons—because, after all, Bush was pretty much in charge of this sort of thing at that time—the Americans went along with."

President Clinton, since his July 25 visit to New York City to meet with the families of the 230 people who died in the crash of TWA 800, has ordered a clampdown on leaks to the media about the progress of the investigation. On July 26, FBI Director Freeh flew to New York to be briefed on the status of that probe. So far, despite a preponderance of evidence that TWA 800 was a target of a terrorist attack—by either a bomb planted on board the plane, or a missile fired from the ground—the government has declined to identify the cause of the mid-air explosion. Until conclusive forensic evidence has been discovered, the administration is, reportedly, keeping all options open.

President Clinton has also succeeded in forcing Republicans, including presumed GOP Presidential nominee Bob Dole, and the GOP leadership in Congress, to back the White House initiatives, and avoid cheap shots against the President. After a White House meeting on July 29, the President announced a series of counter-terror measures aimed at enabling federal and state law enforcement agencies to expand their tracking of suspected terrorist groups.

The President was also able to avert disaster at a summit on international terrorism that had been scheduled for Paris on July 30. The meeting, called at the initiative of French President Jacques Chirac, during the Group of Seven summit in Lyons, France in June, was to be an ambush of the United States by the Anglo-Dutch and French "Entente Cordiale"

forces, out to enhance the powers of the “Gang of Four” one-world-government bodies—the United Nations, the International Monetary Fund, the World Bank, and the World Trade Organization. Although European Commission Vice President Sir Leon Brittan launched into a strident anti-American tirade, the U.S. delegation, led by Attorney General Janet Reno, held its ground, and the attempt to subvert American anti-terror policies fizzled.

The LaRouche memo

It was in the context of British geopolitical warfare against the Clinton administration’s policies, especially toward Russia and China, that LaRouche drafted his campaign paper on the new international terrorism. He began with a blunt assessment of the current strategic situation:

“The United States of America, and its vital policies in every part of the globe, are presently under attack by international terrorism. That terrorism is an instrument of policy, akin to the methods of general war, deployed under the cover of organizations which are headquartered, chiefly, in London. Although many will object to this statement, what we have stated is the hard fact, on which not only your welfare, but even your life, and also that of your family might depend. There is nothing actually mysterious concerning Britain’s strategic motives in fostering this terrorist targeting of President Clinton’s U.S.A.

“Since President Clinton was inaugurated, in January 1993,” LaRouche continued, “the United States, and its overseas interests have been hit by successive waves of international terrorism. Nothing like this occurred on U.S. territory, during the time the Soviet Union was the principal opposing strategic power. All of these attacks on U.S.A. territory, occurred after the 1993 inauguration replaced London’s asset, George Bush, with a President educated in the patriotic school of Georgetown University’s famous Carroll Quigley, Bill Clinton.”

LaRouche then got to the heart of the matter: “London’s motive today, as in every strategic commitment of the British Empire since Lord Kitchener’s Sudan campaign of 1898, is, as the British themselves insist, ‘geopolitical.’

“The world history of the Twentieth Century, has been the history of Britain’s geopolitical dogma: that the Eurasian mainland must never be permitted to enter into economic cooperation, based upon transcontinental railway links, as envisaged for it by the circles of U.S. President Abraham Lincoln. Britain’s effort to prevent such a project, is called ‘geopolitics.’ The leading results of that ‘geopolitical’ dogma, so far in this century, have included two World Wars, more than thirty years—until 1989—of threat of global nuclear war, and the presently ongoing spiral of collapse of the world’s banking systems.”

LaRouche then reviewed the specific series of Clinton administration policy initiatives that directly challenge Britain’s and its Dutch, French, and other allies’ geopolitical in-

terests. Among these policies are: President Clinton’s intervention to resolve the bloody mess in Northern Ireland; his effort to secure a just peace in the Balkans; the administration’s campaign to implement a Middle East peace, against the London-based terrorist forces of Israel’s Ariel Sharon and Syria’s Hafez al-Assad; the effort to stabilize the Korean peninsula; the U.S. opposition to British plans to provoke a conflict between China and Taiwan, and launch other “separatist” destabilizations to break up China; and Clinton’s efforts to collaborate with Germany to “develop a constructive relationship with Russia.”

LaRouche then emphasized: “The United States today has only one significant enemy in the world, the Entente Cordiale and its accomplices. Yet, some lunkheads believe, nonetheless, that Britain is the U.S.A.’s closest ally!”

“The concept of terrorism as a strategic weapon of warfare between major powers is not new,” LaRouche pointed out. “It has been the strategic policy of the British Empire since Jeremy Bentham took over British foreign intelligence in 1782.

“Although terrorist forms of action by individuals and small groups do occur, most of the terrorism which has occurred during recent decades was deployed as a covert form of special warfare by one major power against another. The covert war which Margaret Thatcher and George Bush conducted during the 1980s, as surrogate war, against the Soviet Union, in Afghanistan, was among the lalpaloozas of covert special warfare. It is the special warfare organizations built up under British and U.S.A. direction, during the 1980s, which provide the principal axis for the organization and deployment of international terrorism today.”

How to defeat terrorism

LaRouche then focussed on another crucial challenge: “The principal problem in defeating such forms of terrorism deployed covertly by major powers (not Iran, Libya, etc., but major powers), is political. The population of the targetted nation must support its government in the way this kind of warfare demands.”

Expressing optimism that terrorism can be defeated, LaRouche continued: “Like any other beast, the terrorist depends upon his own style of eco-system. Those who understand covert operations, know how to track the terrorist in his own special eco-system. The foremost consideration in such tracking operations, is to concentrate, first, on defining the agency which deployed the terrorist as a delivery-boy, and not to be trapped into limiting oneself to tracking down delivery-boys. . . .

“One does not win a war, by capturing and convicting a few enemy soldiers. The same is true in war against terrorism. . . . If the U.S. is afraid to call London to account for maintaining the facilities through which terrorist operations are coordinated, and goes seeking to blame some Arab nation, instead, we would lose the war against terrorism.”

Liberation Tigers assault unprepared army in Sri Lanka

by Susan Maitra and Ramtanu Maitra

After lying low for months, the Liberation Tigers of Tamil Eelam (LTTE), a very well-knit group of terrorists based in Sri Lanka, overran an Army camp at Mullaitivu on the northeast coast, killing or capturing the entire garrison of more than 1,000 men, reports indicate. The assault, launched on July 18, is considered the bloodiest in the 13-year war between the Tigers and the Sri Lankan security forces. Opposition party leader Ranil Wickremesinghe called it "the worst military defeat" that the Sri Lankan Army has suffered at the Tigers' hands. Sri Lankan troops backed by armor, artillery, and air have since regained control.

Although the Sri Lankan authorities were taken by surprise and the Army was unprepared, the Tigers' offensive had been clearly under preparation for some time. Last Dec. 5, the government took control of a Tiger stronghold in the Valikamam division of the Jaffna town, but following successful completion of the Army offensive—Operation Riviresa—the Tigers had been slowly infiltrating back in. On July 4, a "human bomb" went off in the heart of Jaffna town in an attempt to assassinate Housing Minister Nimal Sripala de Silva. Although he escaped unharmed, it is evident that the Tigers have recouped their losses and are beginning to hit back.

Besides the success of Operation Riviresa, which knocked out a few of the Tigers' teeth, a number of other developments spurred the Tiger offensive. To begin with, the new United Front government in India under Prime Minister Deve Gowda informed visiting Sri Lankan Foreign Minister Lakshman Kadirgamar that New Delhi attaches the highest importance to developing cordial and cooperative relations with all neighboring countries, both bilaterally and within the framework of the South Asian Association of Regional Cooperation (SAARC). Prime Minister Deve Gowda told Foreign Minister Kadirgamar, who carried a personal letter to him from Sri Lankan President Mrs. Chandrika Kumaratunga, that he looked forward to building upon the existing close ties with Sri Lanka. Subsequently, it was reported that the Indian Navy is escorting Sri Lankan ships between the northern town of Jaffna and Trincomalee, Sri Lanka's eastern port. Earlier this year, the Tigers reported from London that their ship *Horizon* was destroyed by the Indian Navy on Feb. 14. The charge was denied by both the Indian and Sri Lankan authorities.

In addition, New Delhi announced on June 12 that the

Union Cabinet had decided to continue the ban on all LTTE activities on Indian soil for another two years. The ban, set to expire on July 14, was originally imposed following the assassination of former Prime Minister Rajiv Gandhi in May 1991, and the latest extension followed news reports that Liberation Tigers have once again been using the Point Calimere route to gain entry into the Indian coastal state of Tamil Nadu.

Misinformation planted in Philadelphia

On July 14, only four days before the Tigers launched their massive assault on the Mullaitivu Army camp, the *Philadelphia Inquirer* reported that the United States and Sri Lanka were seeking closer military ties and that Washington was toying with the idea of an American military presence on the island. The U.S. State Department has not denied the story completely, but it has ruled out any existing plan for a future American military presence in Sri Lanka.

The *Philadelphia Inquirer* report, which put both Washington and New Delhi on the defensive, provided the Tigers the necessary assurance to strike while Sri Lanka, the United States, and India sort out the controversy. The report was deliberately biased to create confusion among the strategists in India and China, claiming: "The American military is attracted to the island's prime location between West Asia and the Far East and near China. Sri Lanka is seeking a political counterbalance to its giant neighbor India." Further, the article was designed to sow suspicion in New Delhi about Colombo's backhanded deal with Washington.

While the *Inquirer* article was planted to cause temporary confusion among the authorities in Washington, New Delhi, and Colombo, and in effect made the Sri Lankan troops temporarily vulnerable, the Tigers also took advantage of Colombo's benign neglect at home. It is being reported only now that the Tigers had virtually taken over the Yala National Park, a wildlife sanctuary southeast of Colombo, to arm and regroup. On July 17, it came to light that a large group of armed men had briefly held some local tourists and a Czech couple in custody and released them on July 12-13. In fact, the Tigers had been using motor boats to get in and out of the wildlife sanctuary, and on June 14 had torched a rest house.

Despite this, the park authorities claim that the park was open. But, a senior parks department official told a news briefing on July 17 that the sanctuary staff had deserted their posts, fearing an attack by the Tigers.

In recent months, a number of news items have indicated that the wildlife sanctuaries in South Asia, particularly in the northern Indian provinces of Uttar Pradesh and Himachal Pradesh along the Himalayas, have become the stronghold of narcotics smugglers and those who deal in wildlife articles. It was reported earlier that the Manas National Park, a wildlife sanctuary in the northeast, where the Indian province of Assam borders the Kingdom of Bhutan, has become the training ground of such powerful secessionist terrorists as the United Liberation Front of Asom and the Bodoland Security Force.

Southeast Asian nations rebuff British assault on national sovereignty

by Michael O. and Gail G. Billington

Meetings held July 20-25 in Jakarta, Indonesia of the Association of Southeast Asian Nations (ASEAN) and the security-oriented ASEAN Regional Forum (ARF), were the occasion for a head-to-head confrontation between ASEAN and the European Union (EU) over the issue of national sovereignty. The EU, dominated by the new British-French Entente Cordiale, has attempted to coerce the ASEAN nations into acceptance of supranational policies in regard to their economies, as well as environmental, labor, and human rights issues, in an ongoing effort to impose a "world government" under the auspices of the United Nations and affiliated global entities, such as the International Monetary Fund (IMF) and the World Trade Organization (WTO). These efforts were not only rejected at the ASEAN and ARF summits, but the ASEAN members threatened to redefine the criteria for membership in ARF so as to remove the EU from the organization.

The focus of the EU attack came in regard to Burma (Myanmar), which had been invited to participate this year as an observer in ASEAN, and as a full member of ARF. The July 15 EU foreign ministers meeting in Brussels stopped short of imposing sanctions, opting instead for a condemnation of the ruling Burmese military council, SLORC, thanks largely to the intervention of the former colonial power, Britain, whose representative said the full weight of sanctions would not be felt without the backing of the United Nations. Two days later, EU Vice President Manuel Marin warned ASEAN that continued support of Burma would jeopardize future relations with Europe.

Such threats do not sit well with the growing sense of nationalism in Asia. Ajit Singh, secretary general of ASEAN, responded the following day by announcing that Burmese politics would not be accepted as an issue at the ASEAN meeting. "We have a policy," said Singh, "of non-interference and constructive engagement. We do not tell other organizations how they should run their affairs . . . and at the least, we expect the same kind of consideration. . . . The West and the media are going on a witch-hunt as far as Myanmar is concerned, because it is not an issue at all as far as ASEAN is concerned."

Clinton sidesteps British trap

Efforts to draw the United States into a confrontation with its Asian allies were avoided by careful and prudent diplomatic steps taken by President William Clinton. Leaders of the Anglophile "Conservative Revolution" in the U.S. Congress, led by Republican Senators Mitch McConnell (Ky.) and Alfonse D'Amato (N.Y.), and Democratic Senator Daniel Patrick Moynihan (N.Y.), have, in previous months, introduced bills calling for immediate sanctions against Burma, including a cutoff of all U.S. investment and humanitarian aid to the country, including in anti-narcotics areas. Clinton clearly recalls how McConnell and others last year manipulated him into permitting a visa for an (unnecessary) invitation to Taiwan President Lee Teng-Hui to visit the United States, touching off a severe crisis in U.S.-China relations, which is only now being resolved.

Clinton acted preemptively this time to avoid a similar disaster in regard to the ASEAN nations. While agreeing that sanctions may become necessary if human rights conditions worsen in the future, he deployed two special envoys, William Brown and Stanley Roth, to tour Japan and ASEAN members Thailand, Malaysia, Indonesia, Singapore, and the Philippines, to discuss the Burma question. While this trip demonstrated the administration's concern over the situation in Burma, it also gave the Asian nations a venue to express to the United States their deep concern that any supranational breach of sovereignty would be counterproductive, and that only through creating conditions of economic development in Burma, in league with its ASEAN neighbors, could the transformation away from military government be realized.

The importance of the Brown-Roth trip became evident at the ASEAN and ARF meetings. President Clinton stated before the meetings that the United States, in deference to its allies in ASEAN, would not join the EU in calling for sanctions, while instructing Secretary of State Warren Christopher to support the ASEAN policy of "constructive engagement." Thus, when Christopher spoke at the ASEAN meeting, although he used tough language to denounce Burma's military regime, and declared that "we retain the option of taking more forceful action as developments in Burma

warrant," he nonetheless acknowledged: "We recognize that ASEAN has a different approach—indeed, President Clinton's decision to dispatch two special envoys to the region last month reflects the importance we attach to hearing your views. We hope that the ASEAN nations will use their engagement in Burma constructively."

On July 26, the U.S. Senate voted up an amendment to the foreign aid budget, which outlines the conditions under which President Clinton can impose stiffer sanctions on SLORC, should the political situation deteriorate further. Drafted with the participation of administration officials, the rider supersedes the McConnell-Moynihan bill and, largely, codifies Clinton's standing policy.

To express their displeasure with the EU, ASEAN foreign ministers issued a declaration at the end of their two-day meeting, stating that, in the future, only sovereign nations, not organizations, would be admitted to membership in the security group, the ASEAN Regional Forum. The EU is the only organizational member of ARF. Promptly, Britain and France filed for membership.

Economic issues at stake

Behind the worldwide publicity over human rights-environmental-labor issues in Asia, lies the more fundamental confrontation over the direction of their economies. As *EIR* has reported over the past months, the British have responded to the unfolding global financial breakdown by actively restructuring the British Empire, centered on the existing structure of the British Commonwealth, with a principal focus on controlling the expanding economies of Asia.

The founding of ASEM (Asia Europe Meeting) in Bangkok in March, a project launched by the Entente Cordiale and their favorite Asian comprador, Singapore's Lee Kuan Yew, represented the British effort to transform the area into an expanded version of the colonial banking centers of Hongkong and Singapore, based on drugs, speculation, and cheap labor for the "globalization" of low-skilled process industry from the West. The included purpose, in addition to establishing British looting rights in Asia, was to prevent the implementation of the opposite policy, as proposed by *EIR* founder Lyndon LaRouche, for the joint development by Europeans and Asians of the Eurasian landmass, centered on the reconstruction of the ancient "silk routes," connecting Europe, Asia, and Africa with high-speed rail lines through Russia, Central Asia, and the Middle East.

At a May conference in Beijing, sponsored by the Chinese government, called the "International Symposium on Economic Development of the Regions Along the New Euro-Asia Continental Bridge," the two opposing policies were starkly contrasted. Helga Zepp LaRouche, founder of the Schiller Institute and wife of Lyndon LaRouche, was a featured speaker, detailing the current historical opportunity to reverse the impending global collapse through the imple-

mentation of this vast international development project, and through the collaboration of sovereign nations, East and West. British Vice President of the EU, Sir Leon Brittan, in an insulting display of colonial arrogance, insisted that neither European nor Asian nations would be allowed to implement national credit policies to finance the Continental land-bridge, that the international financial institutions would sabotage any approach which did not assure both short-term profits for private investors, and forwarded related demands that would ensure that the land-bridge project is never carried out. Sir Leon pointed to the Bangkok ASEM meeting as the model for "free trade" agreements, rather than collaborative dirigist methods, insisting that "the rules of the WTO" must supersede sovereign national policies.

Britain's leading asset within ASEAN, self-proclaimed British agent Lee Kuan Yew of Singapore, in a July speech to Singapore businessmen, confirmed *EIR*'s charge that the underlying purpose of the ASEM organization is to *prevent* the development of the Eurasian landmass, while subjecting Asia to the dominance of British financial methods and geopolitical control. Europe and Asia, Lee said, share a fundamental strategic reason for forming the ASEM alliance, which is *containment of Russia!* He insisted that peace through development is impossible, because a strong Russia would necessarily be an imperialist threat to both Europe and Asia. "I don't care whether it's democratic or dictatorial or whatever. . . . It is in the psyche, in the ambition, in the historic memory of the Russian people." This is a classic restatement of the geopolitical methods which guided 19th-century British policy in creating divisions in Eurasia, to better maintain imperial power, through control of sea-borne trade and global finance.

The military aspect

The British have, since the founding of ASEM in March, gained considerable leverage over the economic policies in Asia, despite some significant resistance. The question arises: Why did they jeopardize this leverage by fighting with ASEAN over Burma? The answer lies in part in the role of the military in the defense of national sovereignty, not only within Burma, but across Asia.

As in Ibero-America, the military in several ASEAN nations have historically taken an active role in both forging the industrialization and modernization of their nations, as well as defending against subversion of foreign-sponsored ethnic insurgency and/or drug armies. While problems of corruption and abuse of power certainly exist, the role of the military has been and will continue to be crucial in defending both the economic and military security of developing nations. Not surprisingly, the UN apparatus pushing for a "world government" has been in the forefront of efforts throughout the Third World to remove the military from any influence in the government or in economic policy-making,

or, when possible, to eliminate the military altogether.

Indonesia is the crucial test case in Asia. Since the time of its hard-fought and bloody war for independence against the Dutch after World War II, Indonesia has assigned the military a dual role, such that military personnel are constitutionally included in every branch of government, and in social institutions across the country. Indonesia, the fourth most-populous country in the world and the largest and most resource-rich country in ASEAN, has been the most resistant to IMF demands for the elimination of protective economic policies, policies which have allowed the utilization of their considerable natural wealth for the industrialization of the nation. Again, it is not surprising that the international non-governmental organization (NGO) apparatus has escalated a global campaign against Indonesia, promoting the efforts of Megawati Sukarnoputri, daughter of the first President of independent Indonesia, Gen. Achmed Sukarno, to destabilize the regime in the name of "democracy." The British news service Reuters even crowed that "democracy movements overshadow Asia security talks," reporting that Megawati and Burma's Aung San Suu Kyi, these "daughters of independence leaders," were both calling on the *Western* members of ASEAN and ARF to take action against Indonesia and Burma, respectively.

Indonesia has, in fact, played a critical role in Burma's emergence from backwardness and isolation, as the Burmese military government has called on the Indonesian government and military to help in the shaping of a constitutional republic based on the Indonesian model, capable of bringing both security and economic development. It is precisely this effort to create a constructive role for the military which has been denounced and rejected by British darling Aung San Suu Kyi. Suu Kyi, the daughter of the leader of the independence movement in the 1940s, Aung San, was deployed back into Burma from her home in London (and her British husband) in 1988 to activate the populist movement against the military regime. The international NGO apparatus, with primary financing from the godfather of the drug-legalization movement, speculator George Soros, has provided Suu Kyi with massive international publicity for her demands for the cutoff of all economic aid and investment into her country.

The government released Aung San Suu Kyi from house arrest last year, and invited her party to participate in the preparation of a new constitution at a special convention for that purpose. Suu Kyi, however, pulled her party out of the convention, refusing to participate unless it was agreed that the military would not be permitted any role in government.

ASEAN leaders should take note of similar, and more advanced, efforts to destroy the military institutions in Ibero-America. During the administration of George Bush, junior partner of Margaret Thatcher, the U.S. State Department joined international institutions in demanding the disman-

ting of the military forces in South and Central America, to be replaced by multinational forces from the United Nations or from the Organization of American States (OAS). This news service published a book in 1994, *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America* (the original was published in Spanish in 1993), reviewed in the Spring 1996 *Joint Forces Quarterly* of the U.S. National Defense University. The review grudgingly admitted that the book "has sold thousands of copies in Latin America, and the Mexican military printed a special edition. . . . It is reportedly on the required reading lists at several regional military academies and staff colleges. Students of Latin American affairs will ignore this book to their own detriment."

In the same issue, the principal architect of this plot against the military institutions during the Bush administration, Luigi Einaudi, argues that changes in military structures are required to fit a post-Cold War world in which the new security concerns center on stopping "truly transnational forces, some with appalling destructive powers," such as global warming, pollution, "population overflow . . . and the evils of dictatorships and protectionism."

Without explicitly naming *EIR*, Einaudi complains of the wide acceptance of "conspiratorial depictions . . . that the U.S. wants to abolish all national military forces in the region," which has stalled the creation of an OAS supranational military force.

A similar plan in store for Asia

As confirmation that the British have the same, or at least a similar plan in mind for the ASEAN nations, the leading British intelligence think-tank for Asian affairs, the International Institute for Strategic Studies (IISS) in London, released a new report entitled "The ASEAN Regional Forum (ARF)—Extending ASEAN's Model of Regional Security." The report, by London School of Economics Prof. Michael Leifer, dismisses ARF as an "imperfect diplomatic instrument for achieving regional security goals." He makes clear that the "security goals" he has in mind are those of the new British Empire, not those of peace and development in Asia. Leifer complains that the ARF has refused to intervene in conflicts such as the Taiwan-China confrontation over the past year, a conflict which was largely created by the British and their allies among the Conservative Revolutionaries in the U.S. Congress. In a review of the IISS report by journalist Sally Patten in the July 16 *Asia Times*, Leifer is paraphrased as follows:

"One of the central problems is ASEAN's insistence on retaining the central diplomatic role in ARF. This has resulted in ARF's approach resembling that of ASEAN, which is based on a quasi-familial culture of consultation and cooperation. Consequently, the forum is based on informal confidence-building and preventative diplomacy alone, under

the assumption that the process of open dialogue will improve [the] political relationship.”

After this burst of cynicism, Leifer concludes that what is required is a “balance of power” in the region, the classic colonial methodology for maintaining divisions and conflict among subject nations, by purposely accentuating the apparently conflicting interests of each nation, rather than forging alliances between sovereign nations based on common interests. The security arrangement which the British have in mind for such a “balance of power” is a supranational defense force, to function in the same manner as the occupying army in the colonial era, intervening against the sovereignty of any nation that refuses to submit to the “balance,” as determined by the “world government.”

The ASEAN nations did well to repulse this diplomatic assault. It were even better if this experience strengthens their resolve to withstand equally deadly demands from the United Nations, the International Monetary Fund, and the World Trade Organization for dismantling their protective economic regulations and state-directed development policies. That ASEAN leaders are aware of the consequences of “globalization,” Malaysian Prime Minister Mahathir Mohamad made clear in a speech in Kuala Lumpur July 25, just as the ASEAN meetings concluded in Jakarta. Mahathir warned, “A globalized world is not going to be a very democratic world. It will belong to the powerful, dominant countries. They will impose their will on the rest and the rest will be no better off than when they were colonies of the rich.”

The option of joining with China and Russia in the Eurasian land-bridge great project, is very much on the agenda, especially in Malaysia and Indonesia. During his first state visits to the Central Asian republics of Kyrgyzstan and Kazakhstan on July 17-20, Prime Minister Mahathir reached agreement for Malaysia to participate in tying Kazakhstan into the railway project along the southern silk route, and the rail extension southward through peninsular Malaysia. In mid-June, Malaysia hosted a five-day meeting, attended by China, the seven ASEAN members, and three prospective members, Laos, Cambodia, and Burma, to discuss further ASEAN’s “beautiful vision” of developing the 2.3 million square mile Mekong River Basin.

The Chinese took a step in the right direction at the ASEAN conference, confirming their willingness to negotiate with ASEAN on a multilateral basis, rather than their previous insistence on bilateral talks only, in regard to the South China Sea, where sovereignty over the Spratly Islands is contested by China and several ASEAN member nations.

Viewing the South China Sea as an internal Asian waterway, much like the Great Lakes of North America, can facilitate the ASEAN nations taking their rightful place as crucial contributors to the development and security of Eurasia as a whole.

British games sink Burundi into war

by Linda de Hoyos

On July 24, the military in Burundi took power directly in a coup that sent President Sylvestre Ntibantunganya to seek refuge in the residence of U.S. Ambassador to Burundi Rusty Hughes. Although initial reactions from the White House and the U.S. State Department indicated hopes that the military would uphold the Burundi Constitution and democracy, by July 25, the coup was official. Burundi Defense Minister Firmin Sinzoyiheba, a participant in the coup, declared: “The Constitution is suspended, the National Assembly is suspended, and the political parties are banned. That’s the end of the story.” Pierre Buyoya, a retired major and the military dictator of Burundi from 1987 until elections imposed on Burundi by the United States in June 1993 turned him out, emerged as President of Burundi once again.

The next day, State Department spokesman Nicholas Burns reported that the United States would cut off all financial and economic assistance to Burundi, as per U.S. law. However, although on July 24, he had stated that the United States would “work to isolate” any regime that did not uphold the Burundi Constitution, on July 26, Burns appeared to renege on this, stating, “I think on a practical basis we will have to work with these people”—meaning, Pierre Buyoya.

Burns’s statement was but a milder echo of the enthusiastic endorsement of the Buyoya coup appearing in the London *Times* July 26, under the headline: “Tutsi Ruler Rekindles Hope.” The military coup, said the *Times*, especially in that it brought Buyoya back to power, “is the most promising sign in a bleak picture. . . . In the absence of any rapid decisions with regard to foreign intervention in Burundi, it is the best thing that could have happened under the circumstances.”

The proffered logic behind the London *Times*’s endorsement is the stated hope that Buyoya, will be able to restrain the Burundi military from a full-scale slaughter of the 80% of the Burundi population who are Hutus. The Burundi military is 99% taken from the Tutsi ruling military caste, and its top leaders, including Buyoya, come from the Hima sub-caste of the Tutsis, based in the southern district of Bururi. Buyoya has won backing from London, and Washington, by presenting himself as the “moderate Tutsi,” who will keep at bay his Presidential predecessor, Jean-Baptiste

Bagaza, and his Tutsi youth militias. As Burundi dictator from 1976 to 1987, Bagaza carried out a merciless campaign of repression and murder against the Burundi Hutu majority in 1988, and then reduced the Hutus to status of serfs. Hutu children were not permitted to go to school.

Museveni's game

This presentation of politics in Burundi, however, constitutes in itself a murderous hoax. Until very recently, the threat of mass murder there was no cause of concern in Washington, London, and Paris. In October 1993, when the military murdered the first Hutu President, Melchior Ndayaye, elected in June 1993, and attempted to overthrow his ruling Frodebu Party, a killing spree between the military and Hutus resulted in the deaths of more than 100,000 people. This cataclysm received barely a notice in the Western press.

Burundi is in the limelight now, not because of events inside the country, but because of the goals set to be achieved *through* its destruction. In 1994, as *EIR* has documented, a large section of the National Resistance Army (NRA) of Ugandan President Yoweri Museveni launched a blitzkrieg invasion of Rwanda, moments after President Juvenal Habyarimana, a Hutu, and his Burundian counterpart, President Cyprien Ntamyira, were killed, when a missile shot down their plane as it was approaching the Kigali Airport. As *EIR* has documented, Museveni (himself a Hima), coordinates his activities in the region principally with Baroness Lynda Chalker, British Minister of Overseas Development, formerly the Colonial Office. Since the seizure of power in Rwanda by Museveni's Rwandan Patriotic Front, composed of Ugandan-trained Tutsis, Rwanda has become a satellite of Uganda. Uganda, in turn, since Museveni came to power in 1986, has become recolonized by British financial and mining interests.

Burundi is now slated for the same treatment. Museveni has evidently been promised by his British masters that he can emerge as the leader of a Hima-Tutsi empire in east-central Africa. Ultimately, the Tutsi military machine will simply enforce British looting of the countries involved—all of which lie along the Great Rift Valley of Africa, one of the world's most mineral-rich regions. Museveni works closely with the Burundi military. The three officers and six soldiers directly responsible for the murder of President Melchior Ndayaye walk freely on the streets of Kampala. Repeated requests for their extradition by the now-deposed President Ntibantunganya, were ignored. For the past year, Ugandan military advisers have been working in the capital, Bujumbura, with the Burundi military, and NRA soldiers are also to be seen.

Chalker's warlord Museveni is the source of destabilization in the region, as the British and American press have poured out the propaganda cover for months for the overthrow of the Ntibantunganya government in Burundi, and the return of the Tutsi military, under any guise or pretext. Museveni is

also used by London to carry out similar operations against Sudan to the north.

London's super-game

If Museveni's job is to force through events on the ground, the British have yet another operation coming at Burundi: to use Burundi as the test case for breaking national sovereignty in Africa, and imposing supranational "trusts" over "failed states," as specified in the United Nations Development Program of 1994.

Burundi has been brought to such "failed state" status by the machinations of the so-called "international community" itself. Burundi President Sylvestre Ntibantunganya succeeded his murdered predecessor in April 1994, leading the Frodebu Party, which had enjoyed a wide margin of support in the Burundi elections. The party was not Hutu-based, but was also supported by leading Tutsis, who reject the race superiority dogma of the Burundi Tutsi-Hima elite. But, the Tutsi military, bolstered by Bagaza and his militias, continued to hold real power, as the armed force in the country. The United Nations and the Western diplomatic corps chipped away at the political power of the Frodebu government. In September 1994, they imposed a "power-sharing" arrangement on the government, bringing the Tutsi opposition Uprona Party into key posts in the cabinet. In December 1994, they watched as the military, which had carried out the ethnic cleansing in Bujumbura, held the government hostage, forcing the naming of an Uprona leader as prime minister.

Meanwhile, the Tutsi military murdered with impunity 8 out of 16 provincial governors, and murdered or forced to flee the country 16 cabinet ministers and 10 members of the National Assembly. This decimation of the elected government went largely unnoticed in the Western press.

Many of those who fled for their lives joined the National Council for the Defense of Democracy (CNDD), led by Leonard Nyangoma, Ndayaye's interior minister, who had organized the 1993 election campaign. Any attempt by Hutus to defend themselves against Tutsi attackers won them the label of "extremists" and "insurgents." The only Western protest against Tutsi military slaughter of civilians came from U.S. Ambassador to Burundi Robert Krueger, who was nearly killed himself when militia attacked his convoy while he was on tour. Krueger has since been posted to Botswana. The word from London, Paris, Brussels, and Washington, was that the Ntibantunganya government must constantly accommodate itself, if it does not want to provoke the Tutsi military into mass slaughters like those of 1965, 1972, and 1988.

Former U.S. President Jimmy Carter called several conferences, involving Uganda, Rwanda, Tanzania, and Zaire, to reach a "settlement" in Burundi. This spring, he turned over his mediation role to former Tanzanian President Julius Nyerere, the very man responsible for bringing Museveni to power in Uganda.

Nyerere, the godfather of both Museveni and Sudan's British-backed warlord John Garang, put in place a design for a multinational African peacekeeping force to enter Burundi, composed of Africans, as demanded by Henry Kissinger in the case of Somalia. Under the auspices of the Organization of African Unity (OAU) and with the logistical and financial support of the United States, combat troops from Uganda, Ethiopia, and Tanzania would enter Burundi. Nyerere motivated this force as necessary to impose a "permanent solution"—a federation of East African states, under the domination of Tanzania and Uganda.

Kenyan President Daniel arap Moi denounced the peacekeeping plan, and said Kenya would not provide troops for it. "I know the problems in Burundi from start to end," he said July 15, "and I know that Tutsis will fight to the end." Zairean Foreign Minister Kititwa also said his country would not permit such a military force to enter Zaire territory to reach Burundi.

It was Museveni's hope that this "peacekeeping force" would mop up Nyangoma's Forces for the Defense of Democracy (FDD), which now control large sections of the countryside in northern Burundi, and have even scored military successes in Burundi in the south. However, pressure from the "international community" forced concessions, by which the "peacekeepers" would be protecting the civilian government, not fighting along with the Tutsi military.

Bagaza organized Tutsi demonstrations to protest "foreign troops" entering Burundi. By early July, the Burundi military—which has refused negotiations with Nyangoma or any international presence in Burundi—seriously began preparing for its coup.

Led by the nose

While London writes the script, Washington is the major player on the ground in Burundi. E. Michael Southwick, U.S. ambassador to Uganda, told a recent seminar that the United States is working closely with Museveni on Burundi: "I would have to say in the case of Burundi, he [Museveni] has been extremely constructive—very helpful, in his advice, and his willingness to commit resources, and all the rest of it. Basically, this plan [for the Ugandan et al. military force in Burundi] that is being worked on by the donors and [U.S. special envoy] Howard Wolpe, right now is Museveni's plan."

The United States has been cultivating Buyoya with money and prestige. The retired major has been a frequent visitor to Washington since 1993. On July 29, the State Department said that the U.S. Agency for International Development (AID) gave \$145,000, over the years 1994-95, to the Buyoya Foundation. The funds went to Buyoya from AID via the National Democratic Institute, which supported a Buyoya-sponsored conference on "democracy," and funded his travel expenses to South Africa. Buyoya was to be a guest at the upcoming Democratic Party Convention.

Buyoya worked closely with the Carter Center in Atlanta,

Georgia, and was a frequent guest at the Burundi Policy Forum in Washington, sponsored jointly by the Carnegie Endowment for Peace, the Search for Common Ground, and International Alert, a London-based spin-off of Amnesty International. Most recently, Buyoya was attending a course on "conflict resolution" at Yale University, and was being put through a crash course in English.

Given that Buyoya's commitment to democracy is tenuous at best, his major credential for being boosted by the State Department and the London *Times* might be his commitment to free trade. Buyoya is a member of the African Council of Advisers to the World Bank, and visited the bank four times a year over the last two years. According to the May 1995 *Africa Analysis*, in early 1993, as Burundi President, Buyoya, on the advice of the World Bank, had set up a free trade zone outside of Bujumbura, in which the Belgian metals firm Affimet was the primary beneficiary. In June 1993, President Melchior Ndadaye canceled the zone; it was restored after Ndadaye's murder that October.

Buyoya's own role in the Ndadaye murder and the attempted military coup of October 1993 is not fully known. Suspicions are that exposure of that role is one reason why the United Nations is so far refusing to release the report by a commission of inquiry appointed by UN Secretary General Boutros Boutros-Ghali to investigate the 1993 events. The report, completed earlier this year, is only now being read by members of the UN Security Council, and even then, no copies are being circulated, but members must read it in private.

With strong ties to Paris and London, and to Uganda's Museveni, Buyoya, in his first week in power, has not proved to be cooperative with the United States. He has denied an American request to permit deposed President Ntibantunganya to either leave Burundi, or to be permitted to rejoin the political process inside the country.

Buyoya has already met with Museveni in Kampala, and with Nyerere, although he was prohibited from attending the July 31 summit on Burundi organized in Arusha, Tanzania. OAU Chairman Salim Saleh, who appears to have his own direct line to London, has proclaimed that the OAU will not recognize the Burundi coup. The Arusha summit decided to impose economic sanctions on Burundi, but given that Burundi has always functioned as a smuggling depot for the region, this may not amount to much.

The U.S. policy of accommodation to the British-backed Tutsi military in Burundi—whose atrocities and ethnic cleansing techniques recall the horrors of Serbian actions in Bosnia—has completely failed. On July 25, the CNDD, the only remaining resistance to the domination of the Tutsi war machine, urged its supporters to maintain calm, and to offer the military no provocations for slaughter. On July 30, the military reportedly killed 30 Hutu civilians in reprisal for an FDD attack in central Gitega region. It is almost a foregone conclusion that there will be total civil war in Burundi; the question now is how wide the conflagration will be.

The Swedish model of fascism no longer has a 'human face'

by Tore Fredin, Stockholm

The "Swedish model" became internationally known during the 1950s and '60s as a symbol for industrial growth, peaceful labor relations, increasing real wages and living standards, and better health care and insurance, both when one became unemployed or sick, as well as for pensioners. Today, the Swedish model represents just the opposite: a zero-growth, "post-industrial" society with endless austerity and cuts in welfare, decreased unemployment benefits and health insurance from 90% to 75% of the wage level, and reduced benefits for children and retirees.

Why did this happen? It was all just to satisfy the so-called market forces and speculators. Sweden has, since the era of Prime Minister Olof Palme starting in the early 1970s, travelled fast, from its no-nuclear policy adopted in the late '70s, through the Thatcherite deregulation policy of the late '80s, into the '90s as a deindustrialized nation run by incompetent monetarists from both left and right.

The continuous deindustrialization by the Social Democrats all through the '80s, with lower real wages and decreasing purchasing power of wage earners, finally caused the crisis to break out into the open during 1991-92. The last straw was the breakup of the European Rate Mechanism (ERM) currency stabilization system in September 1992, after a barrage of speculative attacks by George Soros and others against the British pound, the Italian lira, the Finnish mark, and the Swedish kroner. All of them had to decouple from the ERM.

When that currency crisis hit Sweden, the country was going through the worst banking crisis in its history, which threatened to pull down entire the financial structure. The state had already had to move in and make guarantees for most major banks. Then the acute currency crises forced the central bank, the Riksbank, to push the discount rate up to the astronomical level of 500% for a few days, in order to cool things down. The price Sweden has paid for these two interrelated crises is between 150 and 200 billion kroner (\$23 to 27 billion). By comparison, Sweden has paid as much as France to keep the insolvent banking and finance structure intact. The only difference is that the Swedish population is one-fifth the size of that of France.

Ironically, it was the liberal-conservative coalition government of former Prime Minister Carl Bildt (nowadays the European Union's Balkans mediator), who had to use the state to intervene to save the "free-market system" and prevent the nation's credit structure from being wiped out. Bildt had been elected in 1991 on a policy of non-interference by the state, and had criticized the Social Democrats for not pursuing the deregulation policy vigorously enough.

The Social Democrats had, despite their own rhetoric against free-market monetarism, implemented a Thatcherite policy during the 1980s, with their decision to deregulate the banking and credit sector in 1985. And in 1989, they removed currency controls. This policy gave us the roaring late-1980s' speculative bonanza, with its highly destructive effects upon industry.

Lawfully, this meant that the worst economic depression since the 1930s set in by the early '90s, on top of the financial crises already mentioned, causing an explosive increase in official unemployment, from a previous low level of 2-3% to verging on an unheard-of 13%. Total unemployment increased from 5-6% to almost 20% at its peak in fall 1994. Today's total unemployment, including "hidden" unemployment, is still just about 15%.

Slashing the 'welfare state'

It was during the liberal-conservative coalition government of 1991-94 that the most brutal slashing of the welfare system began. In the name of saving the economy, the reduction of the budget deficit and the state debt was sped up. The state debt had reached Belgian and Italian levels of over 100% of Gross National Product. Now everybody had to pay, because we had all been living beyond our means, the government declared. Now was the time for sackcloth and ashes, and everyone was supposed to "throw his stone onto the pile."

Therefore, it was only fair that pensions, health insurance, and unemployment benefits should be reduced. The argument for the austerity measures was that they were necessary to get the budget balanced, because otherwise the economy would not recover. That was how it sounded five

years ago during the liberal-conservative Bildt government, and it still sounds the same today from the Social Democratic government of Prime Minister Göran Persson.

A charade has gone on in the parliament (Riksdag) over the years, creating widespread disgust for the politicians who, on the one hand, could seriously debate the need to cut 500 million kroner in allowances to the handicapped, while voting without hesitation to bail out the insolvent state-owned Nordbanken with 50 billion kroner—that is, 100 times more—for its fraudulent real estate speculation.

The Social Democrats won the election in September 1994, when unemployment was at its height. They had pulled out all the usual demagogic and populist arguments; they had mobilized the unions in big demonstrations outside the parliament, demanding the restoration of unemployment benefits and health insurance to the original level of 90% of wages.

The Social Democrats did not get their own majority in parliament, however; they had to govern with support from one of the anti-nuclear parties in the parliament, the Left Party (Vnsterpartiet), formerly the Communist Party. After the election, they carried out some cosmetic restoration of unemployment benefits. But what they also decided was to cut and postpone badly needed state-financed investment for infrastructure expansion, citing the exigencies of the budget crisis. Six months later, the Social Democrats dumped the Left Party and turned to another anti-nuclear party, the Center Party.

With the vote of the Center Party secured in parliament, the present prime minister, Göran Persson, in spring 1995, when he was finance minister, started a new round of austerity measures, and threw away all his party's election promises. He initiated increases in the cost of medicine, raised doctors' fees, eliminated public subsidies for dental surgery, and reduced allowances for families with several children. Nothing was safe any more: He even reduced sacred unemployment benefits below 80%, which upset the unions. But this time, there were no mass demonstrations. As Social Democrats, the national leadership of the trade unions showed where their true loyalties are: that they are first and foremost Social Democrats, and, after all, it is a social democratic government.

The next phase: abolish union rights

A new phase is now being prepared for the coming fall. Since the beginning of June, a heated debate has been raging over a proposal to install an emergency labor rights law, concerning the right to strike and employment conditions, which is supposed to be in place for two years. The proposal was put forward by the former chairman of a government-appointed Commission on Labor Rights, Tony Hagström.

When the unions started to scream, the government backed down; but now, it has been leaked from the Finance

Ministry that the government has advanced plans to eliminate the unions' right to strike, by installing a state-appointed mediator (*riksmedlare*). The mediator will decide which wage increases should be accepted. In a conflict between the unions and the employers, if the mediator's ruling is not accepted, the parliament will just make his ruling into law. All this has the announced aim of ensuring low wage increases. The government will also appoint a commission which will decide which strikes are a danger to society, and which are not.

This is not official policy yet; but the mere thought that the state will decide wage policy and take away the right to strike, shows how serious the Social Democratic government considers the economic crisis to be. They will throw away the foundation of the "Swedish model," i.e., that independent organizations on the labor market should themselves take responsibility for labor rights and wages.

Furthermore, the government has officially abandoned one other cornerstone of the Swedish model: the policy of full employment, a sacred cow for all Social Democrats since the 1950s. They announced that decision on July 12, when the parliament met in a special session just to debate the unemployment question. In the bill under debate, it is stated that it is no longer possible to have full employment. The aim is now to reduce official unemployment by half before year 2000, from 10% to 5% of the labor force. Sweden has, by that admission, joined the ranks of the rest of the European Union, with its high unemployment a fact of life in a depression.

Fascism with a Swedish face

The actual historical definition of fascism, is the preservation of financial titles in an economic crisis, by looting the living standards of the population. By this measure, Sweden's Social Democrats today, under Prime Minister Persson, are rigorously pursuing a fascist economic policy every bit as much as Mussolini did in Italy in the 1920s, to please the international bankers.

With this new labor bill coming into effect, it will be much more onerous to be unemployed in Sweden. One new restriction is that an unemployed person can receive unemployment benefits for a maximum of three years, and after that he or she has to be on welfare. That measure has been appropriately baptized as "the block." Today, over 200,000 Swedes have been unemployed for two years or longer, which corresponds to 5% of the labor force.

The most frightening aspect of this new proposal, is the stated aim of putting the ideas of "recycling" the labor force into law. Recycling of the labor force—driving workers into jobs with lower and lower skill levels, at lower and lower wages—has been implemented before, but on a voluntary basis. Now, they will by law force an unemployed person to accept what is called an "individual action plan," which puts

additional pressure on the unemployed, and that pressure is formalized by a legal contract between the labor exchange official and the unemployed person. In order to get benefits during the three-year period, the unemployed person has to sign a contract, which also states that the person accepts the fact that he or she will lose the benefits after three years.

People who are older than 55 years and have been unemployed for two years, can now be ordered to work for the municipal authorities, regardless of whether they are paid by unemployment benefits or live on welfare. If the person does not accept the job that is offered, no welfare check or unemployment benefits. This policy was put into practice during the 1920s, and was used to drive down wages by replacing employed people with unemployed.

This will be the effect, even if that, of course, is not publicly admitted; but labor research on similar programs already implemented on a voluntary basis, shows that 50% of ordinary jobs are replaced by lower-paid so-called labor-training jobs. The idea is just to continue with austerity and recycle employed people with the unemployed at cheaper costs, and use the vast pool of unemployed and people living on welfare created by the depression. The estimate is that today, one-fourth of the labor force is outside what is considered the normal labor market.

Sweden is now—as a result of its policy of deindustrialization over the last two decades, with industrial investments today barely above the low level of 1974—approaching the phase where the Information Age or “post-industrial” society, with its own logic, demands a semi-fascist regimentation of the labor force. The next step is probably labor camps, the Social Democrats being loyal “bankers’ boys,” serving the addiction of the financial oligarchy for ever more austerity to prop up their financial assets.

The art of ‘boiling a frog’

During the two last decades of zero-growth economic policy, the average Swedish wage-earner has lost almost two months of purchasing power. The last 20 years of ratcheting reduction in the living standard have made the Swedish population in general, and the labor force in particular, accept the breakdown as something normal and unavoidable. It may, in many cases, have been accepted grudgingly, with a clenched fist deep in the pocket, but one rarely sees Swedes take to the streets to show their anger these days.

This tells us that social democratic control of the population still functions, even if the façade has some scratches. It also tells us that the Social Democrats know the art of “boiling a frog,” as the Chinese proverb says. In order to boil a frog, one cannot first boil the water and then put the frog into the hot water, because it will immediately jump out. Instead, one must take the frog, put it into cold water, and then slowly heat up the water; the frog will adjust to the gradual warming, and get cooked.

The Swedish labor force is about to get cooked.

By contrast, labor in Germany and France for the past year has only begun to get the kind of treatment that the Swedes and Finns have been getting for the last four to five years.

The international aspect

Here we see the new and real meaning of the Swedish model. It is no wonder that this new tough leader for the Social Democrats, Göran Persson, is being glorified among monetarists in Sweden, by the Kohl government in Germany, and elsewhere in Europe. This once again tells us how little difference there is in content between left and right these days, when it comes to an economic policy of endless austerity in order to please the international financial interests. We can see that clearly if we compare the policy of Persson and his Finnish colleague, social democratic Prime Minister Lipponen, with the policies of liberal-conservatives such as Belgian Prime Minister Jean-Luc Dehaene, French Prime Minister Alain Juppé, and German Finance Minister Theo Waigel: They are all pretty much the same. This also explains why the new British Labour Party leader Anthony Blair is so popular among the financiers of the City of London.

Internationally, the Swedish and Finnish Social Democrats have qualified the Socialist International, in the eyes of European oligarchical finance circles, as the operational alternative to implement further austerity, and to phase out European industry. At the same time, these social democratic parties can use the unions to keep labor unrest under control. This strategy is in the works for Great Britain, where the Conservatives of John Major are universally hated.

How long will it take before the French and German governments fall? Six to twelve months might be enough, if those governments maintain their present economic policies.

The irony of politicians who praise the Swedish model, such as Chancellor Kohl’s Minister of Special Assignments Friedrich Bohl (Christian Democratic Union), is that they are pushing the Socialist International alternative, and thereby helping to dig the grave of their own party. Bohl should know, if anyone does, that the reason the Swedish economy has not completely broken down, is because of the devaluation of the Swedish currency against the German mark since 1992, which has allowed the Swedish export industry to out-price German industry.

Swedish export industry is the only sector which has grown since 1992. That has resulted in a small increase in employment, as well as a slight real wage increase of 2% in 1995 for industrial workers. This, together with a decrease of the budget deficit and low inflation rate, is presented in official GNP “glitter figures” as a real turn of the economy, when it at best might mean a temporary break in the economy’s downward slide. Recently published figures that show unemployment rising again, tell us just that.

Toward a new Baltic defense policy

Government posturing will do nothing to further regional security; look instead at LaRouche's new defense program.

In the context of the new NATO doctrine of extension into eastern Europe, several international interventions have been made into the Nordic/Baltic region, proposing in geopolitical terms how Sweden, Finland, Estonia, Latvia, and Lithuania should shape their future security policy together.

In February, the Rand Corp. issued a study which proposed a Nordic-Baltic security zone, according to which Finland and Sweden ought to take a bigger responsibility for the Baltic countries. This proposal was supported by former British Foreign Secretary Douglas Hurd. In a speech at the International Institute for Strategic Studies (IISS) in London on March 28, he suggested a Baltic pact for the region.

The purpose of both these proposals is to present an interim security alternative for the region, containing a new variation of the old neutrality policy. The proposals are aimed to calm down the Russians, who have reacted rather violently to the demand from the Baltic nations that they be allowed to join NATO. According to Swedish security expert Bo Huldt (director of the Swedish Foreign Institute), this solution for the Baltic nations is the second best alternative, since NATO membership for the time being is out of the question. That was probably what President Bill Clinton presented as the U.S. policy to the three heads of state from the Baltic countries who visited Washington in June.

This will also be on the agenda when President Clinton meets Swedish Prime Minister Göran Persson at

the White House on Aug. 9. According to the Swedish media, the Clinton administration wants Sweden and Finland to play a leading role in the Baltic area. After he meets Clinton, Persson will meet with Finland's Prime Minister Paavo Lipponen.

This reflects the external pressure for a new policy, but Persson himself has introduced a new tone into Swedish foreign policy during his first four months as prime minister. Unlike previous Social Democratic administrations, he has tilted Swedish foreign policy away from a utopian globalist UN policy, to ally with Europe in general and the Baltic region in particular. He has been making militant statements such as, "The Baltics cause is ours" or that he supports Latvia's efforts to become a member of NATO. Both statements clearly go beyond the traditional Swedish utopian neutrality policy.

Persson's statements have thrown the orthodox Swedish neutralists into disarray, but up to now he has only been posturing, as part of a carefully nurtured image of himself as a man of action.

A top official in Persson's staff stated, according to the daily *Svenska Dagbladet* of July 26, that Persson impressed Clinton with how he had handled the European Baltic regional conference on May 1, for which Sweden was the host nation. It was held in the town of Bisby on the island of Gotland, in the middle of the Baltic Sea. Twelve heads of state and foreign ministers from the countries around the Baltic Sea, among them German Chancellor

Helmut Kohl, attended the meeting.

The policy of expanding NATO in Europe has not been connected to the need for economic development of Russia as well as the Baltic countries, but rather to the shock therapy policy which has led to an economic disaster for eastern and central Europe. To leave out the economic aspects and limit the extension of NATO to security and military affairs, is a message which Moscow will interpret as having NATO's arms closing in on Russia.

This basic problem was not at all addressed by participants at the May 1 conference. The Swedes themselves have played a destructive role by totally ignoring the problems of economic disintegration in Russia, only focussing on the Baltic countries. Persson's militant posturing has created a new, confused, situation in Swedish security policy. A way out has been presented for the region, in Lyndon LaRouche's new strategic security document for reforming NATO's policy based on economic development (see *EIR*, June 28, "Rid NATO of the Entente Cordiale Now!"). LaRouche's analysis was distributed in the form of a leaflet by the European Labor Party (EAP) to all Swedish parliamentarians, as well as to the relevant government officials who participated in the special session of the Swedish Parliament on July 6, which had been called to discuss the domestic unemployment situation.

A second phase of the intervention by the EAP is planned for August, with the publication of the whole LaRouche document in Swedish. Since World War II, the situation has never been so open for a new security policy, both in Sweden and Finland. The confused state of affairs in Sweden, as well as the disarray of the orthodox neutralists, shows the need for a truly alternative doctrine.

Camacho demands power . . . or else

This traitor is forging an alliance with the narco-terrorists, against the Presidency of Mexico.

Sick with o'erweaning ambition, and wearing the puppet strings of Anglo-American imperialism, Mexico's frustrated Presidential aspirant Manuel Camacho Solís has just declared that if he is not given the power he craves, he will sink the country in chaos. Camacho told the *New York Times* on July 20 that "50% of the population is not required to make the country ungovernable. If only 5% took to the streets, that would be enough."

Camacho, a member of the UN's Commission for Global Governance and Mexico's former "peace commissioner" in terror-stricken Chiapas, dedicated a July 18 conference presentation in Mexico City to the Zapatista National Liberation Army (EZLN), "which has committed itself to peace and democracy, and which reminds us that the Indians, and the humblest men and women, also have something to say to the nation."

Camacho may speak a great deal about democracy, but what he proposes is quite the contrary. Ever since he failed to be named Presidential candidate following the 1994 assassination of Luis Donaldo Colosio, the Presidential candidate of the ruling Institutional Revolutionary Party (PRI), Camacho has wanted to take power by less democratic means. In his conference talk, Camacho painted a "black" picture for Mexico, no matter who wins the 1997 congressional elections—unless Camacho is elected.

According to Camacho, if the PRI takes the majority of the House of Representatives in 1997, the current Zedillo government "will lose political stability and whatever credibility remains to it." Camacho argues that nei-

ther the PAN nor the PRD opposition party has the forces to win and rule, and so he proposes the formation of an "opposition coalition" which would include "political, social, and civic forces," presumably the EZLN, "Zapatista" gangs like El Barzón, and the non-governmental organizations which have served as a support network for the EZLN and as a transmission belt for foreign interests.

It came as no surprise on July 22, when El Barzón—which proposes selling non-performing debt on the secondary market as a security, as a supposed "solution" to Mexico's exploding internal debt crisis—went public with its alliance with the narco-terrorist EZLN, by signing a mutual "protection pact" with its "Subcommander Marcos."

In his July 18 presentation, and in a July 24 article published in the newspaper *Reforma*, Camacho insisted that an opposition takeover of Congress was not enough; it is also necessary to strip away the power of the Presidency, which he dubs "currently illegitimate." To do this, said Camacho, the institution of a "cabinet chief" has to be created, named by the President at election time. In the event of an opposition victory during intermediate congressional elections, the cabinet chief would be named by Congress. Thus, insists Camacho, "the centerpiece of the new arrangement would be a strong Congress," to be accomplished only through "reelection of deputies."

Camacho's proposal is precisely that of the British magazine the *Economist*, which, in its June 29 issue, proposed that Zedillo make four changes before the 1997 congressional elec-

tions: "The first is to permit the reelection of congressmen and local officials."

On July 22, the *New York Times* published an editorial insisting that President Zedillo "push through desperately needed political and judicial reforms. Specifically, Mr. Zedillo needs to distance himself from his party's corrupt and authoritarian old guard." The editorial complains that, "Instead, Mr. Zedillo seems to be moving in the opposite direction," and concludes threateningly: Zedillo "may buy a few months of political respite . . . but he greatly heightens the risk of more radical challenges to the system."

What has the *New York Times* so upset, in fact, is that President Zedillo has halted the privatization of the state oil company Pemex, and has decided to back the governor of the state of Tabasco, Roberto Madrazo, whose ouster is furiously sought by the PRD and the EZLN, as well as by Camacho's gang.

Last June, Camacho and like traitors published a manifesto which backed "globalization" of the economy and separatist "indigenist autonomies," while calling for the destruction of the Presidency and for a new Constituent Assembly, which in their hands would constitute nothing less than a coup d'état.

To support globalization is to support the doctrine of "limited sovereignty," which implies, among other things, the destruction of the national defense forces, as the EZLN is demanding. "Globalization" also means submission to the North American Free Trade Agreement and to the International Monetary Fund, as well as the privatization of the national patrimony, such as Pemex—something the *Economist* also includes in its commentary, as the third change President Zedillo must make.

International Intelligence

Soros: roving ambassador for culture of death

Switzerland's financial daily, *Neue Zürcher Zeitung*, lavished praise on the activities of international speculator George Soros on behalf of such campaigns as drug legalization and euthanasia, in a July 22 feature. Referring to Soros as a "financial magician and philanthropist," the article highlights the Soros Foundation's operations to send students from the former communist countries to British universities. Their training in the Soros ideology of the "open society" at such institutions as the "legendary London School of Economics," writes author Stefan Wehowsky, will have an impact back home that can hardly be overestimated.

Wehowsky continues that, only in the United States do people have problems understanding Soros's "open society"; nevertheless, he is very active there, where he has put the issues of drug legalization and "death with dignity" at the top of his U.S. agenda. "Actually, his project aims at developing a new culture of death," Wehowsky admits. The Soros foundations are now active in 25 countries, spending \$300 million per year. It is not surprising that a financial speculator is "pushing people to learn to become free," concludes Wehowsky, because money and freedom are very similar: They are both "mediums for ever-changing purposes."

Mexican columnist agrees 'LaRouche was right'

In his July 20 column "La Semana" for the Sonora, Mexico daily *El Imparcial*, reporting on the Hermosillo conference "There Is Life after the Death of the IMF," the pseudonymous "El Hombre de Corbatón" summarizes the main points made by the speakers, Marivilia Carrasco of the Ibero-American Solidarity Movement (MSIA), Adalberto Rosas of the National Action Party, and *EIR*'s Dennis Small (see *EIR*, Aug. 2).

"Corbatón" then continues, "Some of those who belong to the MSIA some years ago, followed the political and economic

thesis of Lyndon LaRouche, an American who went across Latin America to preach his ideas, which in our country gave rise to the Mexican Labor Party. LaRouche's political career came to an end, when he was jailed in the United States, accused of fraud. However, the fact that he is (or perhaps, was) in prison, does not necessarily mean that he was guilty of the charges against him.

"In the beginning, Corbatón was one of those who passed judgment without knowing exactly the content of LaRouche's ideas. But, reading his book *Ibero-American Integration* changed his understanding. He understood that LaRouche was a man of great intelligence and well informed. Many of the things he wrote about in that book, we are now living through, and it would not be out of the question that they railroaded him into jail to deprive him of his liberty and discredit him, because he was too dangerous to the interests of those who today rule half of the world."

Sudan repulses attack from inside Eritrea

Sudan said on July 23 it had repulsed an attack from Eritrea. Sudanese opposition groups have set up camp in Eritrea, and are attacking Sudan from there. According to the Sudan news agency, the Army "chased a pocket of enemies who retreated inside the Eritrean border, leaving their dead." Over the July 20-21 weekend, Sudan police arrested members of the British-backed National Democratic Alliance, who had infiltrated from their military camp across the Eritrean border. The NDA is operating under the "command" of a former Sudan Army officer, Brig. Abdel-Aziz Khaled.

The previous week, Khartoum had accused the Sudanese People's Liberation Army of John Garang and the Ugandan Army of attacking Sudanese refugees who are camped in northern Uganda, which the secretary general of the Sudanese High Council for Peace said was a cover for "the kidnapping and forced recruitment of refugees as soldiers in the rebel movement which is suffering from desertion." Ugandan Presi-

dent Yoweri Museveni responded that relations between Sudan and Uganda "cannot deteriorate any further unless we go to war." He said Uganda was fighting Sudan by killing the insurgent Lord's Resistance Army in northern Uganda, which Uganda claims is supported by Sudan.

Meanwhile, former U.S. President Jimmy Carter announced a new initiative for a cease-fire in southern Sudan. This bid comes after four out of five factions of the southern insurgencies abandoned Garang and worked out a peace settlement with Khartoum.

Yeltsin Defense Council seeks to undermine Lebed

President Boris Yeltsin signed a decree in July creating an 18-member Defense Council. He will chair the council, Prime Minister Viktor Chernomyrdin will be its deputy chairman, and the council's secretary will be Yuri Baturin, whom Security Council Secretary Aleksandr Lebed replaced as Presidential security adviser in June. Other prominent members are Lebed, Defense Minister Igor Rodionov, Chief of Staff Anatoli Chubais, Interior Minister Anatoli Kulikov, Foreign Minister Yevgeni Primakov, Federal Security Service Director Nikolai Kovalev, and Economy Minister Yevgeny Yasin.

The *Washington Times* described Yeltsin's move on July 26, as "a classic divide and rule Kremlin power play, undercutting his ambitious new national security chief," Lebed. The newspaper quotes Baturin saying that the new council's duties would include the application of "strategic decisions" by General Lebed's security council.

According to Germany's *Frankfurter Allgemeine Zeitung* of July 26, Lebed is demanding that his powers as head of the Security Council include "economic security," and that "his economic adviser [Sergei] Glazyev, an opponent of Prime Minister Chernomyrdin, [have] a post in the government, or on the Security Council in charge of economic security." Lebed himself, interviewed in the July 25 *Financial Times* of London, warned: "One fine day not too far

Briefly

off, we risk a social revolt. If we do not begin to take energetic steps, then in the autumn we can expect a serious economic crisis. We have a financial crisis already, and a banking crisis is on the horizon."

Brzezinski chastises Lee Kuan Yew over China

Zbigniew Brzezinski, former U.S. national security adviser, told an audience in Taipei on July 23 that, since China is already a regional power, and has the potential to be a world power, the United States should seek engagement with it, and build a security triangle with China and Japan. The speech was an unusual departure from his normal geopolitical stance, made more unusual by an attack on the British Crown's man in Singapore, Lee Kuan Yew, whom Brzezinski charged with spreading the idea that "the current policy of the United States is to call on an alliance to battle China's potential threat." Brzezinski said that such a shocking statement can only serve to create hostility between China and the United States.

Brzezinski had been invited by the *China Times* in Taiwan to speak at an international conference on "Cross Straits Relations and Asia Pacific Affairs." He later met Taiwan President Lee Teng-hui, who had also recently attacked the Singapore leader. Earlier in July, Lee Kuan Yew had pronounced that Russia could pose a potential threat to China and the United States.

Japan baffled by deadly outbreak of *E. coli*

Health Minister Naoto Kan told a press conference on July 26 that Japan is considering using quarantine measures to combat the killer outbreak of *E. coli* 0-157, which has killed seven and made 8,500 ill throughout the country. "If the epidemic spreads further and it poses an even greater threat, we must take such measures, and I want experts to consider this seriously," he said. Prime Minister Ryutaro Hashimoto called a meeting the same day, of a special cabinet panel to

create emergency measures, and formally asked the United States, Canada, and Britain for expert medical teams.

The epidemic of this deadly strain of *E. coli*, usually spread by contaminated food, began in June in Okayama, and then turned up in the Osaka suburb of Sakai on July 11, striking 6,000 elementary schoolchildren. At first, raw fish was suspected, then cooked pork and chicken, but no vector was demonstrated. Worse, fresh outbreaks occurred July 20-21 in Kyoto, as well as in Fukuoka in the west, and cases have been reported in Yokohama and Tokyo in the east. *EIR* sources report rumors in political circles, that since no tainted food has been found, a completely unknown vector, including a terrorist act, could be involved. "The failure to identify the cause of the food poisoning makes it difficult to deal with this issue," Health Minister Kan admitted to the press.

Temple Mount crazies stage new provocations

In late July, a radical cult known as the Temple Mount Faithful called for a new showdown with the Islamic clerics at Haram al-Sharif in East Jerusalem, Islam's third holiest site. The Temple of Ancient Israel, first built by Solomon and rebuilt once, was also located there. Over recent years, the group has repeatedly attempted to blow up the mosques on the site, in order to prepare for rebuilding the Temple.

The group tried to hold prayers at the site on July 25, the holiday of Tisha B'Av, which mourns the destruction of the First and Second Temples. Al-Aqsa Mosque is located there, and several of the "Faithful" tried to break through police barricades to storm the mosque. Muslims ban non-Muslims from praying there, and all earlier Israeli governments have banned Jews from praying at the site, because of the extreme provocation that would result. The Netanyahu government has promised to rescind this ban. The Temple Mount Faithful had proclaimed that its action there would be the "first step to free the Temple Mount of its foreign occupation, and establish the Third Temple."

PALESTINIAN Authority President Yasser Arafat and Israeli Foreign Minister David Levy met on July 26, according to *Yediot Aharonot* of July 22. Reportedly, Arafat presented Levy with a list of the Israeli violations of the peace accords, including: failure to hand over Hebron; failure to open the safe passage routes connecting Gaza to Jericho; failure to release Arab prisoners; failure to end its closure of the occupied territories; failure to resume talks.

LAITH SHUBEILAT'S aide Imad Ghanem, after being detained in a Jordanian prison for eight months without trial, was sentenced to a nine-month term, and then released with a reduced sentence. Imad had been jailed for distributing copies of a speech by Shubeilat, a former, highly popular, opposition member of Parliament, who himself remains in prison.

ETA TERRORIST executive member Julian Achura Egurola ("Pototo") was arrested near Pau in southern France on July 23. He is in charge of logistics for the Comando Vizcaya, and the Spanish government is seeking his extradition. The other two members of the ETA executive operating in France are Ignacio Gracia Arregui (Inaki de Renteria), and Miguel Arbizu (Antza).

ANOTHER SAMPER intimate, the president of Bogotá's leading soccer team, has been arrested by the Colombian Prosecutor General's office for links to the Cali Cartel. The investigation of César Villegas Arciniegas, could unveil a number of high-level cartel collaborators in addition to narco-President Ernesto Samper Pizano.

LIGHTNING STRUCK a royal garden party for 8,000 guests at Buckingham Palace on July 23, missing Queen Elizabeth, Prince Philip, and Prince Charles by only 150 feet. It is not known at press time whether charges of *lèse majesté* will be sought.

Bush 'Trojan horse' usurps U.S. policy toward Russia

by William Jones

President William Clinton, on numerous occasions, perhaps most symbolically in his meetings with Russian President Boris Yeltsin at the Franklin Roosevelt home in Hyde Park, New York, in October 1995, announced that he viewed the U.S. relationship with Russia as a "partnership." Harkening back to the Roosevelt policy of the war years, the Clinton administration has attempted to deal with Russia as a sovereign nation, with its own national interests and purpose. The "good intentions" of that policy have, however, taken a back seat to implicit and explicit support for the International Monetary Fund (IMF) austerity policies, policies now pushing Russian industry and agriculture to the point of irremediable collapse.

At the same time, U.S. Republican Party operatives, working through the International Republican Institute (IRI), have been given a free hand to deal with Russia as if it were a colonial satrapy, trying to impose intrusive external controls and preponderant foreign influence in order to force down the throats of the Russian people the IMF-dictated "free-market" austerity policies. As Democratic Presidential pre-candidate Lyndon LaRouche commented recently at an international seminar in Oberwesel, Germany, "The International Republican Institute, which is a Kissinger-related, National Endowment for Democracy-related operation, controlled by Bush-league Republicans, controls most of the politics, street politics, in terms of government, in St. Petersburg and in Moscow. And, the biggest disaster the Clinton administration has, in its relations with Russia, the biggest disaster we have in terms of our dealing with Russia, happens to be these damn Republicans who are running loose there. And, the United States government has no effective counter to the Republican control over most U.S. influence inside Moscow." This includes

the Bush-league U.S. ambassador, Thomas Pickering, a close collaborator of the IRI in Russia. Unless these operations are quickly dismantled, they will spell the ruin of any constructive Russia policy on the part of the Administration.

What is the IRI?

In 1989, the Berlin Wall came down. The reunification of Germany and the break-up of the Warsaw Pact set off reverberations within the Soviet Union. After the August 1991 coup attempt failed, the nations comprising the Soviet Union moved for independence. One month later, the U.S.-based IRI held a forum in Moscow, entitled "Building the Foundations of Political Pluralism." Working primarily at that time with the Democratic Russia Movement, a loose coalition of some 30 parties and civic organizations, the IRI set up shop in Moscow.

The IRI is the Republican wing of an institution established in 1983 entitled the National Endowment for Democracy (NED). The NED describes itself as "a nonprofit, bipartisan, grant-making organization," whose aim is to "strengthen democratic institutions around the world through nongovernmental efforts." Funded by an annual Congressional appropriation, "the Endowment's worldwide grants program assists organizations abroad—including political parties, business, labor, civic education, media, human rights and other groups—that are working for democratic goals." The NED was established as a "private" entity, in order to shield it from Freedom of Information Act inquiries and unpleasant government audits.

As government secret operations were coming under more intense scrutiny by the Congress during the 1970s, it was deemed desirable to "privatize" many intelligence operations,

making them immune to Congressional oversight—and constraints. The legislation establishing the NED created an entirely new entity, called the “quasi-autonomous non-governmental organization,” or quango, for short. Under the legislation, four quangos were set up: the IRI for the Republicans, the National Democratic Institute for International Affairs for the Democrats, the Center for International Enterprise for business, and the Free Trade Union Institute for labor.

Although much of the activity of these quangos was still funded through the government-sponsored NED and the U.S. Agency for International Development, the organizations could also accept private monies. The creation of the quangos, however, didn't completely shield their operations from public scrutiny. When it became apparent that elements of the Reagan National Security Council, led by Vice President George Bush, were, in their “democratic” endeavors, financing the drug-running Contras in Nicaragua under the NED umbrella, an outcry led to the Irangate hearings. Calls for dismantling the NED were, unfortunately, defeated in Congress.

The Bushmen

Under the Bush administration, this apparatus controlled the levers of government power. As the “wall” came down in eastern Europe, the Bush administration, in close collaboration with British Prime Minister Margaret Thatcher, used the quangos to put operations on the ground in the newly independent countries of eastern Europe and the Soviet Union. If “free market” economics were rapidly introduced into the newly independent states, the resources and raw materials of the East could be picked up by Western companies at bargain-basement prices. Prospective “clients” in the East European and CIS states were rapidly brought to the United States for veritable brainwashing, primarily conducted at the Republican think-tanks, while operatives from these same think-tanks with the appropriate linguistic skills were sent to the target countries to proselytize.

Already, prior to the breakup of the Soviet Union, the U.S. Department of Justice, under Bush Attorney General Richard Thornburgh, had begun collaborating with their Soviet counterparts in order to establish what Thornburgh characterized as the “rule of law” in Russia.

This invoking of the “rule of law” was particularly ironic, coming from Thornburgh. His “Thornburgh Doctrine” claimed U.S. supranational sovereignty over other, smaller nations, and led, in Mexico and Panama, to literal kidnappings of targets of the U.S. Department of Justice. Thornburgh left the Attorney General's post when top aides were convicted of cocaine trafficking and use, while serving in the Bush DOJ.

The initial contacts for this collaboration stemmed from far-reaching cooperation set up in the 1970s under Secretary of State Henry Kissinger between Soviet authorities and the Justice Department Office of Special Investigations, the self-proclaimed “Nazi-hunters,” who proceeded to turn over U.S.

citizens of East European origin to Soviet authorities on fraudulent allegations of “war crimes.” In some instances, these U.S. citizens were summarily executed by Soviet authorities.

With the breakup of the Soviet Union, the attempt was made to engage in “democracy building” in the individual CIS states, in order to secure a foothold for Western companies to begin looting operations. Much of this activity was done directly through the IRI, but orbiting the IRI were a series of Republican think-tanks, such as the Heritage Foundation, the Cato Institute, and the American Enterprise Institute, all radical free-market proponents of Mont Pelerin Society “gangster capitalism” and the underground economy, which conducted their own operations in the newly independent states.

Russian and eastern European economists were brought to the United States, imbued with the virtues of the British free-market “reforms,” and then sent back to their countries, providing a cadre to build support for the “reform” policy. The pathetic former Russian Prime Minister Yegor Gaidar, perhaps one of the great “success stories” of the Heritage Foundation training, told a forum at Heritage's Washington headquarters in 1993: “We remember that Heritage supported us long before it was fashionable to do so in the West.”

New policy, old faces

One would assume that, with the inauguration of a Democratic President, things would be put under new management. Not so—or, at least, not entirely. The same old faces are still to be seen; the IRI remains the key player. With the demise of the Bush administration, the IRI received an influx of “trained hands” who had extensive contacts from their stint in government, and who were intent on maintaining their leverage in the CIS and eastern European nations. IRI's president, Lorne Craner, for example, led the fight for Contra financing as a Senate aide and served in the Bush administration as deputy assistant secretary of state for legislative affairs and as director of Asian Affairs at the National Security Council.

In fact, the IRI board of directors is a virtual Who's Who of the Bush administration—and Kissinger's closet—including Brent Scowcroft, Bush's national security adviser; Lawrence Eagleburger, Bush's deputy secretary of state and one of the key people in establishing the NED; and Janet Mullins, who was assistant secretary of state for legislative affairs in the Bush White House. James Baker III, Bush's secretary of state, received the IRI Freedom Award and was very active in helping monitor elections in Mongolia. His son, James Baker IV, was a member of the IRI delegation to Russia in 1993. Thornburgh, who had been Bush's Attorney General, led several IRI monitoring delegations to the Russian elections, utilizing the legal and judicial networks he had built up while serving as Attorney General.

IRI has established two main offices in Russia, in Moscow and St. Petersburg, concentrating its activity in 15 districts. The Heritage Foundation, one of the many “asteroids” of the Republican network, set up its only office outside the United

States in Moscow, in January 1993. According to its own reports, the Heritage Foundation holds a monthly summit at its Moscow headquarters with reformers, businessmen, and journalists. Initially, the office was run by an American, Jeffrey Gayner. Recently, however, it has "russified" its operations, with Gayner being replaced by a Russian, Yevgeni Volk. The Russian director for the Heritage Moscow operations is Vitali Naishul, an on-again, off-again economics adviser to Gen. Aleksandr Lebed.

Watchdogs

The IRI has been especially keen on controlling the Russian elections. Already in April 1993, an IRI team was sent to Russia to monitor the referendum that was to endorse a continuation of the Yeltsin Presidency. They then issued a report calling for changes in the Russian election law. Amazingly, the IRI recommendations were published in *Izvestia* and later introduced on the floor of the Duma by some of its "pro-democratic" members. Many of the recommendations were adopted as a part of the Russian election laws. On a trip to Washington on March 29, 1995, in a meeting on Capitol Hill, Aleksandr Ivanchenko, vice chairman of Russian Central Election Commission, commented that "the report provided by IRI's international observer delegation served as the road map for the CEC in making improvements to the election law."

Some of the IRI recommendations were relatively innocuous. Others could only be considered a rather brute force interference in the internal affairs of a sovereign nation. The IRI made it a point to maintain a system of "international observers," making IRI and similar "monitoring" a permanent part of the Russian electoral process to ensure there would be no serious electoral opposition to the IMF policies. This system of "watchdogs," as Thornburgh, head of the IRI "monitors" to the 1995 elections, termed it, "provides an important new check and balance" in Russia.

(Thornburgh played a leading role in the political railroad against U.S. Democratic Presidential candidate LaRouche, which led to a 15-year jail sentence for LaRouche on trumped-up charges. The smear campaign against LaRouche that facilitated the railroad prosecution, was coordinated with senior officials of the NED's "Public Diplomacy" group, including Anglophile banker John Train.)

The IRI also recommended that "military officers should be removed from civic education and all other aspects of the voting process to avoid concerns regarding influence." They even proposed that Russia adopt Racketeering and Corrupt Organization Act (RICO) laws, allegedly to deal with the problems of organized crime.

In June 1996, a major scandal erupted when it was revealed that Yeltsin had used a team of U.S. "consultants" and "pollsters" to surreptitiously run his election campaign, a campaign characterized by McCarthy-style "red-baiting." Looking at the extent of the IRI operations in the Duma elec-

tions, one sees that the scandalous case of Yeltsin consultants Richard Dresner and Co. are only the tip of the iceberg.

Is this frenetic activity really generated by concern for "democracy" in Russia, as the perpetrators claim? When one examines the IRI board of directors and its major contributors, including Texaco, Mobil Oil, Chevron, and other major oil and minerals companies, suspicions are raised that the loot provided by the vast amount of raw materials available in Russia at bargain-basement prices is the motivating force for these concerns for "democracy." While IRI focusses on keeping the electoral situation under control, Heritage and other foundations work to influence the laws on privatization, land ownership, and energy policy, all of which would keep Russian patrimony "open for business"—and exploitation.

According to the IRI, 20 of its "trainees" ran for seats in the Duma in 1993. Twelve of these won election. In the December 1995 elections, 400 trainees worked on campaigns, either as candidates or as advisers to candidates.

From 1991 to January 1994, the IRI boasts, 1,300 people participated in 31 IRI seminars and numerous one-on-one consultations. It has trained 45 candidates for local office, and several hundred campaign workers since regional elections began in January 1994. Over 1994-95, it trained more than 3,000 party activists. According to IRI, 35% of the "reformers" in the Duma are beneficiaries of IRI training. Nationwide, it claims that reformers won "nearly half the seats in cities with active IRI programs," although "reformers" won only one-fifth of the Duma seats.

While these Republican "asteroids" in Russia are fanning anti-Americanism, in the United States they are part of the British monarchy's campaign to destroy the institutional power of the U.S. Presidency.

The situation is further aggravated by the fact that President Clinton's appointee to the U.S. embassy in Moscow, Thomas Pickering, was himself deeply involved in the Bush-era Iran-Contra operations, while ambassador to El Salvador. Pickering had also been Bush's UN ambassador, helping to bring together the needed support for the Bush-Thatcher Persian Gulf war. Concerning his old buddies in the IRI, Pickering says, "The embassy continues to work very closely with IRI's Russia office, and we appreciate IRI's excellent work here."

As LaRouche noted in his Oberwesel speech, "The problem is, that in world politics today, there are only two big powers: the United States and China, big nations that have a certain degree of sovereignty against the other big power, the British Commonwealth and its instrument, the world government of the UN. Russia does not have sovereignty; it can achieve sovereignty only with help from the outside, from the United States." If the IRI is permitted to continue its activity in Russia, it will totally discredit U.S. policy in the eyes of the Russian people, who will tend to blame the U.S. President for the operations conducted by his most bitter enemies to deprive Russia of its sovereignty.

LaRouche sues DNC Chairman Fowler for abuses under Voting Rights Act

by Nancy Spannaus

Lyndon H. LaRouche, Jr., a candidate for the Democratic Party nomination for President, and minority voters from four states and the District of Columbia, filed suit on Aug. 2 against Donald Fowler, chairman of the Democratic National Committee (DNC), and Democratic state parties and officials in Louisiana, Virginia, Texas, Arizona, and D.C. The lawsuit, filed in federal court in Washington, D.C., charges that Fowler conspired with the others to deny LaRouche, and his voters, duly won delegates to the Democratic National Convention. Fowler's actions are in violation the Voting Rights Act and the U.S. Constitution.

The suit stems from Fowler's issuing a Jan. 5, 1996 letter falsely ruling that LaRouche was not a *bona fide* Democratic candidate, and that, thus, state party officials "should disregard any votes . . . cast for LaRouche." Fowler's unilateral ruling was based on falsehoods made in total reckless disregard for the truth.

On Jan. 8, LaRouche demanded Fowler issue an apology because his determination was based on a "flagrant lie." In that response, LaRouche stated that "since I have been an active Democratic Party campaigner during more than 15 years . . . such an obviously hysterical document now, suggests that someone is terribly afraid of my candidacy. . . . 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. . . .?"

Fowler has not only refused to retract his determination, but he restated it to Democratic Party officials in Washington on April 1.

Despite Fowler's contention, LaRouche ran in 26 state Democratic Presidential primaries and received almost 600,000 votes. In Louisiana's 6th Congressional District primary and Virginia's 2nd CD caucus, LaRouche received enough votes to be awarded a delegate to the Democratic National Convention. But, because of Fowler's letter, party officials in those states have refused to certify any delegates pledged to LaRouche.

The Pennsylvania outrage

Fowler's misguided attacks on LaRouche have already been used to help Republicans. Most recently, the suit alleges,

several television stations in Pennsylvania, relying on Fowler's letter, have refused to sell campaign ads to LaRouche's campaign committee. The half-hour broadcast, entitled "Impeach Governor Tom Ridge, for Nazi-style Crimes against Humanity," denounces the Republican governor for implementing cuts in medical benefits which will cause the deaths of 3,500 people before the end of the year, which, under the Nuremberg standards, is prosecutable as a crime against humanity. Ridge is considered a vice-presidential prospect for Republican candidate Bob Dole.

Fowler's letter was circulated by the Pennsylvania Association of Broadcasters, and was then used by the Federal Communications Commission, to argue that TV stations did not have to air LaRouche's shows under FCC rules, because he was allegedly not a "*bona fide* Democrat." This fraudulent argument led to all but one station pulling the show, which had already been paid for, in a move to protect Ridge from LaRouche's charges.

Fowler took his action against LaRouche pursuant to a Democratic Party rule which gives the chairman dictatorial power to determine who is a Presidential candidate. The party rules provide for no appeal of such a ruling, no matter how arbitrary or erroneous. The suit charges that Fowler's actions and the Democratic Party rules are in violation of the Voting Rights Act, because they had the effect of discriminating against African-American, Hispanic, American-Indian, and disabled voters. Because this rule affects the electoral process, it must be cleared by the Attorney General as required under the law, precisely to prevent discrimination against minority voters.

The lawsuit shows that neither Fowler, the DNC, nor the state parties took the steps to get clearance of their exclusionary rule; thus, their actions are in violation of the Voting Rights Act.

Furthermore, actions of state party officials, acting on the authority of Fowler's ruling, violated the civil rights of LaRouche and his voters.

Minority voters in the District of Columbia, Arizona, and Texas were denied the right to participate in Democratic Party elections and caucuses when local party officials, acting on Fowler's determination, prohibited them from running for office or being seated as delegates.

The suit also seeks monetary damages from Fowler.

Fulani blows cover, embraces racist Lamm

by Kathleen Klenetsky

Richard Lamm, the former Democratic governor of Colorado who is seeking the Presidential nomination of Ross Perot's Reform Party, received a ringing endorsement from radical left-wing feminist Leonora Fulani, who simultaneously accused African-American leaders Louis Farrakhan, Ben Chavis, and Al Sharpton of "misleadership," for failing to break with the Democratic Party and President Bill Clinton. The Lamm-Perot-Fulani alliance is intended to block Clinton's re-election by pulling votes away from his core constituencies, including African-Americans.

Writing in the July 26 *Philadelphia Tribune*, Fulani—who recently merged her New Alliance Party with Perot's Reform Party—charged that Farrakhan, by capitulating to "pressure to make yet another mournful attempt to persuade Bill Clinton . . . to heed a Black Agenda," was committing "political mistakes which have grave ramifications for the African-American people," and that Reverend Sharpton was providing a "militant cover that Clinton et al. need to keep African-Americans in check."

She also slammed Farrakhan for pursuing "his political interface with the neo-fascist charlatan Lyndon LaRouche," who "has cozied up to the Nation of Islam . . . to secure an outlet for his destructive agenda in the black community."

Fulani then turned her attention to Lamm: "U.S. politics are realigning," she wrote. "The current two-party arrangement will not last. When a major Democratic Party leader, officeholder and friend of Bill Clinton such as Gov. Dick Lamm enters the Reform Party primary, it is clear that political insiders at the highest levels see that realignment coming." Fulani ended this panegyric on a truly ludicrous note, claiming that "Lamm himself has a long record on behalf of civil rights and affirmative action—one which surpasses that of Clinton's."

Fulani's fulsome praise for one of the leading advocates of Nazi-style economic and social policies, should shatter the image of the "savior of black America" which she has striven so hard to create for herself. Lamm's program—killing off the elderly, denying medical care to the handicapped and terminally ill, slashing welfare, Social Security, and Medicare, and backing the pro-eugenics Federation for American Immigration Reform—is a direct attack on the most fundamental of civil rights, the right to life, and would, most immediately

and adversely, affect the black community.

Moreover, Lamm has shown utter contempt for the fate of Africa. In 1985, for example, he asserted that Africa and the rest of the so-called Third World "are not developing countries, but they are 'never-to-be-developed' countries. . . . Most don't have the capital, don't have the culture, don't have the knowledge ever to become 'developed' countries. They will sink into squalor, disease, and death."

Fulani's pathetic effort to peddle the otherwise unsellable Lamm to African-Americans may well backfire against both of them. By backing Lamm, "a guy's who's the most shameless, most disgusting, fuzzy-mouthed, but vicious, fascist. . . . Fulani has blown her cover," Democratic Presidential pre-candidate Lyndon LaRouche said on July 30.

A few days earlier, LaRouche issued a statement entitled, "Dr. Fulani's Lamm Stew," in which he pointed out that "she libels a Democratic Presidential candidate, myself, a well-known anti-fascist, as a fascist, and endorses, as her political ally, an ex-Gov. Richard Lamm, a figure best known for demanding the early deaths of the aged: hence, a fascist."

Lamm's 'insiders': what a crew!

In his July 30 interview with "EIR Talks," LaRouche raised the issue of one of Lamm's backers, the billionaire oilman Marvin Davis. Davis pals around with the British royal family, when he isn't rubbing shoulders with Henry Kissinger, whom he placed on the board of Twentieth-Century Fox after buying the movie studio in the early 1980s, or doing business deals with fugitive financier Marc Rich.

Indeed, Davis may well be one of the "insiders at the highest level" whom Fulani referred to in her *Tribune* commentary. If so, she'll have an even harder time defending Lamm's record on civil rights. In 1977, Davis threw a birthday party for himself, with Lamm, then governor, among the guests. According to *Newsweek*: "The grounds were decorated in an Old South motif, featuring a mini-steamboat in the pool. . . . But what many people remember most was a group of young blacks hired to sit on cotton bales and eat watermelon. Behind Davis's back, the affair is still referred to as 'the pickaninny party.'"

Another "insider" to whom Fulani may have been referring is Peter Peterson, U.S. commerce secretary in the Nixon administration, and currently a wealthy Wall Street financier. Like Lamm, Peterson has been in the vanguard of the campaign to slash spending on entitlement programs, primarily Social Security and Medicare, on the spurious grounds that there are too few resources available to keep "useless eaters" alive. Peterson and Lamm have collaborated on such efforts as "Lead or Leave," a group set up in 1992 to foment a generational war by the young against their "greedy" elders.

Columnist Robert Novak reported in early July that Lamm would like Peterson to run as his vice president if he wins the Reform Party nomination in August—which would be like having Mussolini and Hitler on the same ticket.

Federal judge denies Billington habeas

Issuing a piece of Nazi-like propaganda in the form of a “judicial opinion,” U.S. District Court Judge Richard L. Williams has refused to overturn the fraudulent conviction of LaRouche associate Michael Billington, who is serving a sentence of 77 years for “securities violations.” The July 26 opinion, which shows that the judge was either insane, corrupt, or both, ignores all evidence presented in a two-day hearing in May. In that hearing, Billington proved he was denied a fair trial, because his attorney, the late Brian P. Gettings, betrayed Billington during his 1989 frameup trial in Roanoke, Virginia. At the May hearing, Billington also clearly proved prosecutorial misconduct and lying by the prosecutor in the case, Virginia’s Assistant Attorney General John Russell.

Billington was a co-defendant of LaRouche’s in the 1988 federal trial in Alexandria, Virginia, which has been widely condemned as a political frameup. To date, over 700 U.S. state legislators, 30 former U.S. congressmen, and thousands of civil rights, religious, and political leaders, and legal specialists, from around the world, have signed an open letter to President Clinton urging him to exonerate LaRouche and his associates.

After the 1988 federal case, Billington was forced to trial a second time in Virginia state court on substantially the same charges, involving loans to political organizations. In that case, Gettings (who did not prepare for trial, but sought, and was paid, a huge fee) was convinced he could get the innocent Billington to plead guilty. When this failed, Gettings went into a psychotic rampage, colluding with prosecutor Russell in trying to prove Billington mentally incompetent.

Two legal experts, testifying on Billington’s behalf in the May hearing, said that Gettings’s conduct in this regard violated all professional standards, and in some cases was “bizarre.”

Confronted with the fact that Billington’s 1989 trial was a travesty, involving the collusion of the ADL’s trial Judge Clifford R. Weckstein, Gettings, and prosecutor Russell, Judge Williams chose not to deal with the evidence before him. Instead, taking his cues from the playbook of the “Get LaRouche” task force, Williams launched a venal attack on LaRouche, and anyone associated with him. “Billington wished to make his trial a platform to defend and extol the virtues of various LaRouche entities and LaRouche himself,” Williams blathered.

Williams went on: “Unlike most defendants who want to be found innocent of criminal charges, Billington, either because he was dominated by his political associates or be-



Michael Billington with his wife, Gail, in 1992.

cause of his own zealotry, wanted a forum to make a political statement rather than to establish his innocence. Billington was willing to assume the role of a martyr for a political cause.”

Judge Williams is lying. It was Gettings who refused to refute the government’s charges, both in specific, and by demonstrating the fact that the loans taken were political, and it was a political motivation that led to the prosecution. To remove politics from the trial, was to concede defeat.

In perhaps his most fanciful statement, Judge Williams called Gettings’s efforts to have Billington declared mentally incompetent and placed in an institution, “a classic example of his dedication to his client’s cause and his efforts to promote his innocence at all cost.”

Billington proved at the May hearing that he was denied his constitutional right to a lawyer. Through Gettings’s own notes, obtained only recently, he showed that Gettings lied repeatedly to Billington and misrepresented the status of his case and the evidence. Separate notes, produced by the state attorney general’s office, also proved that Gettings betrayed the attorney-client privilege in backroom conferences with Judge Weckstein and Russell.

Other evidence presented at the hearing showed that Gettings’s trial performance was so poor, that he agreed to let the prosecutor present false evidence against Billington, which helped lead to his conviction. Other documents show that prosecutors withheld exculpatory evidence during the trial—but in January, Judge Williams refused to hear evidence of prosecutorial misconduct.

House hearings target Mideast peace process

by Our Special Correspondent

The congressional faction which refused to hear a word of evidence suggesting Syrian involvement in the downing of Pan Am Flight 103 over Lockerbie, Scotland on Dec. 21, 1988, has now discovered that Syrian President Hafez al-Assad is involved in terrorism. In July hearings, Republicans on the House International Relations Committee were in high dudgeon, demanding trade war and sanctions against the Assad regime. There were no epithets too strong for them, either against Syria, or in favor of the Netanyahu government in Israel. Their antics threaten the unleashing of unstoppable chaos in the Middle East.

The ostensible topic of the hearing was current U.S. policy toward Damascus, but Reps. Dan Burton (R-Ind.) and Benjamin Gilman (R-N.Y.) escalated pressure on State Department officials, who are now formulating trade sanctions which will be applied against Syria and Sudan in August. Those regulations were mandated by an amendment to the anti-terrorism act which was passed in April. A critical step in the continuation of the peace talks requires Israel and Syria to arrange for an Israeli withdrawal from the Golan Heights—a delicate process at best, which Benjamin Netanyahu wants to postpone or eliminate as a realistic goal. The bluster from the advocates of escalated trade sanctions will help create the environment that the rejectionists want.

The hearing was held while U.S. envoy Dennis Ross was in Damascus. The State Department and the White House had requested that the committee restrict itself to Syria's status as a "state sponsor" of terrorism—and keep out of the broader regional policy issues. The committee agreed, but went ahead to pummel State Department Coordinator for Counter-Terrorism Philip Wilcox. On cue, their interlocutors in Syria spoke back, from the pages of the official newspaper, *Al-Thawra*, which said, "Once again, American diplomacy leaves the region with empty hands. Ross gave no more than an impression that there is a timid move to preserve the weak pulse in the peace process." It also said, "Ross failed to build a flexible base upon which peace talks can be built."

Weakness in U.S. Syria policy

The reality behind the controversy over negotiations with Syria, is that the Kissinger and Bush apparatus built up the "Islamic fundamentalist" armies which now represent the leverage for geopolitical games. Anyone who wants to address the origins of terrorism in the region, has to look into that, and

that inquiry begins in London, where these groups receive their financing—not in Damascus.

Rep. Lee Hamilton (D-Ind.) provided a prime illustration of the dirty arrangements which previous administrations have created. In an attempt to allow Wilcox to explain current U.S. policy, Hamilton asked: "Is it accurate to say that Syria has had a policy of preventing attacks against the United States and U.S. targets by groups that are under its influence?" Wilcox answered: "I think that is an accurate statement."

Wilcox explained that although Syria has been listed as a "state sponsor" of terrorism since the 1980s, and is known to safe-house elements of Hamas, Hezbollah, and other organizations which are proxy armies in the regional conflicts, "we do not have information that Syria provides arms to Hamas and the Palestinian Islamic Jihad. We believe those organizations obtain their arms and explosives . . . from other sources"—such as the friends of former National Security staffer Oliver North in Iran.

Burton shouted that Wilcox was an "appeaser," a "Neville Chamberlain," and all but called him a Nazi sympathizer—while comparing himself to Winston Churchill in the House of Commons. The performance would have been comic, if it were not so hypocritical. Burton and his gaggle worked night and day to prevent any investigation into allegations of Syrian involvement in the Lockerbie incident, mainly so that they could carry on a battle with Libya and Iran—a staged fight which culminated in the sanctions legislation, co-sponsored in the Senate by Alfonse D'Amato (R-N.Y.).

Patrick Clawson, an analyst at the National Defense University who was hired by the American Jewish Committee to push the D'Amato-Gilman sanctions, argued that the same European allies who are the targets of the sanctions against Libya and Iran would support U.S. sanctions against Syria. "There's a lot of controversy with our allies . . . about whether a country like Libya or Iran is engaged in some of the unacceptable behavior that the U.S. government alleges it's engaged in. But I don't see that kind of controversy with regard to Syria," he testified. He proposed that the U.S. drop its policy of encouraging European allies to provide aid to Syria, and suggested that "we could also discourage U.S. oil firms from investing in Syria. Assad remains dependent on the \$4 billion a year in oil that's produced in Syria. And while most of this is from European firms, there are some American companies that have been involved in the past, and that have been leaving Syria."

The statement is disingenuous—it is really the policy which Netanyahu's cheerleaders want written into the regulations limiting trade with Syria, Sudan, and other nations on the "state sponsors" list, which the State Department issues in August. If those regulations are not strong enough, there is an amendment by Rep. Bill McCollum (R-Fla.) which will impose sanctions by statute. No financial transaction will be permitted with any country on that list. This measure has been sent to the Senate, and will be debated in September.

New from the Roy Cohn file: Why 'Dirty Dick' Morris 'never had any qualms'

An exposé of the criminal machine sponsoring President William Clinton's disloyal adviser Richard S. "Dirty Dick" Morris, was commissioned by Lyndon LaRouche, printed in the *New Federalist* newspaper, and first distributed to White House staff members on June 28. The *New Federalist* article, making public the close family and political relationship between "Dirty Dick" Morris and organized crime manager Roy Cohn, made waves within the Clinton administration—where Morris is widely despised. A shaken Dick Morris put out the word to his friends, that they should say the exposé had been inaccurate in alleging a close tie between Dick Morris's father, New York attorney Eugene J. Morris, and Eugene Morris's first cousin, the infamous Roy M. Cohn.

A reporter for the *Washington Insider*, seeking to establish the unassailable truth of the matter, met with Dick Morris's father, Eugene J. Morris, on July 15, and interviewed him for two and a half hours. That interview, covering a wide range of Morris-Cohn family affairs, has been made available to *EIR*.

Dick Morris is bitterly resented by Clinton loyalists for coldly working for the most reactionary enemies of the President, feeding them dirt on the President and encouraging their attacks on him, even while Dick Morris himself was employed as Clinton's chief campaign strategist. In the interview, Eugene Morris attempted to explain his son's attitude: "Dick has never had any qualms. He got that from me. I represented terrible reprobates." Eugene Morris described these "terrible reprobates" as real estate gangsters whose affairs he managed.

The Morrises' fortune and powerful connections have been built upon criminal enterprises protected by the master of organized crime, Roy M. Cohn.

Eugene Morris emphasized that the LaRouche-commissioned exposé had *greatly understated* the closeness of his relationship to Cohn. Eugene, who was born in 1910, stated that his own father had deserted his mother, and that as a young boy he had moved in with his mother's family, the Cohns. Eugene's uncle, Bronx judge and political boss Albert Cohn, became Eugene's "surrogate father." *Eugene knew Albert's son, Roy M. Cohn, as a younger brother, virtually from the moment Roy was born in 1927, until Roy died of AIDS in 1986.* Roy's "meteoric" career—his fascistic role as Sen. Joe McCarthy's chief counsel and goad, his sponsorship by the

Dulles brothers and Thomas E. Dewey, his perverted intimacy with FBI chief J. Edgar Hoover, and his feared potential for deploying assassins—paved the way for Dick Morris. In the interview, Dick's father proclaimed himself "the last surviving Cohn."

In 1935, when Roy was eight years old and Eugene was about 25, Albert Cohn set up Eugene in a law practice. In 1947, when Roy Cohn first came out of Columbia University Law School at age 20 (too young to practice law), *Eugene started Roy's career* by taking Roy into his firm as a junior associate; that same year, Eugene's son Dick was born. Roy Cohn soon got his first job outside of the family, as a junior prosecutor with the U.S. Attorney's office in New York.

Dick's mother, Terry Morris, entered her own career as a magazine writer by acting as a flack for Roy Cohn. Her "first significant article," according to Dick's father, puffed Roy's prosecutorial prowess in a counterfeiting case, thus "launching her career." Cohn's fame grew when he prosecuted Julius and Ethel Rosenberg for espionage and they were executed.

Establishing protection

Roy Cohn went on to greater fame, and ultimate disgrace, for his daring corruption as the manager of Joe McCarthy's inquisition. But the brothers John Foster Dulles and Allen Dulles, their political creation Thomas E. Dewey (respectively, U.S. secretary of state, CIA director, and New York governor), and FBI Director J. Edgar Hoover, had all become Roy Cohn's patrons. The Dulleses and Dewey, controllers of the Republican Party, arranged in 1957 that Cohn be placed in the old-line Manhattan law firm Saxe, Bacon, which Cohn soon took over and made his base.

By the mid-1960s, Cohn was the leading lawyer, fixer, manager, and protector of Italian and Jewish mobsters. The Cohn apparatus controlled magazine and newspaper circulation, the selection of judges, real estate rackets, and many other corruptible aspects of public life which were of interest to the powerful. The Dulleses and Dewey had started it all by putting the British Empire's Canada-to-U.S. smuggling and murder arrangements of the 1920s bootleg era under strict new management. As a special prosecutor, Dewey had jailed Charles "Lucky" Luciano, leaving Luciano's partner Meyer Lansky in charge at the crime apex. Dewey later

released Luciano to Italy, and he and Lansky then built the modern heroin trade.

The Cohn machine took over the *New York Law Journal*, which, by decree of Roy's father and other judges, had become the official daily newspaper of the legal profession. In his interview with the *Washington Insider* reporter, Eugene Morris said that he had been in charge of the *Law Journal's* weekly real estate law column for some 25 years beginning in 1965. He wrote every column himself, he said, and each column was awaited by real estate owners as the last authoritative word.

The *Law Journal* was a classic "setup," linking the sewer with the centers of official power. A certain Jerry Finkelstein had been an assistant to Dewey in the phony organized-crime prosecutions in the 1930s. This Finkelstein, who became Roy Cohn's client and business associate, bought out the old *New York Law Journal*. While Mafia dons such as the Gambino family and Joe Bonanno made Cohn's East Side office their New York clubhouse, Finkelstein and Eugene Morris dispensed Cohn's "authoritative" advice to New York lawyers, judges, and public officials. Finkelstein's son James married the granddaughter of mobster (and Cohn client) Lewis Rosenstiel, Lansky's old partner whose bootleg empire became Schenley's liquors.

In the recent disclosures about the sordid affairs of the trio of Rosenstiel, Cohn, and J. Edgar Hoover, Rosenstiel's widow complained that she had discovered her husband in bed with Roy Cohn. He made light of it as "a client getting closer to his lawyer," but she retorted that his *other lawyer*, Governor Dewey, had not gone to bed with him.

'Negro removal,' and a fateful murder

Eugene Morris got his money and built the family's connections through an enterprise which brought terrible suffering to New York's most vulnerable residents. His son Dick was simultaneously trained as a cold-blooded political operative, in transforming that dirty enterprise into the nation's business.

Eugene Morris told the interviewer that a "tax lien shark" named Max Donner was typical of his clients around the time Dick graduated from Columbia. Morris and those he managed would be informed that a landlord or homeowner was behind on his real estate tax payments. Morris and company would acquire from the authorities the right to collect the taxes owed, along with a large interest penalty. The money would roll in from collection or foreclosure and resale.

Through this and other varieties of building-flipping, real estate gangsterism has devastated the poorer New York neighborhoods. A clique of gangster lawyers and financiers loots buildings and investors by usurious mortgage lending to slumlords who can't make the payments and gut the building, then the lenders foreclose and do it again with new "owners." Or, the gangsters buy buildings, take second mortgages on them, use the loans to buy still other buildings, and don't

repay the loans or maintain the buildings. The owner and lender then both go into bankruptcy, and may keep going after being bailed out by the government. Rats bite tenants, while the human rats are protected by a corrupted legal system.

Eugene Morris ascended to the top of the urban renewal game, bitterly known as "Negro removal" by its victims. Neighborhoods are degraded into slums, then anti-poverty programs remove the poor people, and subsidized speculators build office towers or luxury high-rise apartments in place of affordable housing. Poverty is thus solved!—for the speculators. Dick's father became the lawyer, strategist, and spokesman for these swindlers, on a global level.

In 1957, Dewey and then-U.S. Solicitor General J. Lee Rankin arranged with Britain's Queen Elizabeth and Prince Philip to create a globalist lawyers' group known as World Peace Through Law. Eugene Morris told the *Washington Insider* interviewer that he was himself "very close" to J. Lee Rankin. In the 1960s, Morris was put in charge of the group's Urban Renewal section. Morris, representing the Cohn apparatus, himself formed other secretive Anglo-American lawyers organizations. Eugene met often in London with the top British real estate operators, who had to be salivating at the increasingly hot New York prospects.

The 1963 murder of President John F. Kennedy was soon followed by a deep degradation in America's political outlook, away from the national commitment to progress, and by a criminalization of business and investment. Leading this debasement was a political coup centered in New York City, in which Eugene Morris's son played his first role as "Dirty Dick."

Toward a criminal economy

Allen Dulles and his friends presided over the official Warren Commission inquiry into the John Kennedy assassination. Commission counsel J. Lee Rankin supervised every detail of the inquiry, aided by his assistant Norman Redlich. The resultant cover-up (claiming that the assassination "wasn't political") was almost universally disbelieved, but was not overturned.

Rankin and his assistant Redlich then went to New York for "the revolution," serving as counsel and assistant counsel to John Lindsay, whom the Anglophile Republicans had installed as mayor in 1965. Rankin and Eugene Morris went to Switzerland together in 1967 to brief the British and their friends on the Urban Renewal bonanza they were generating.

Dick Morris graduated from Columbia in 1967, starting work as a researcher and propagandist for the Citizens Budget Commission (CBC), which was personally directed by the biggest international bankers and Eugene Morris's fattest real estate operators. CBC pressed for a radical restructuring of government, and a radical re-division of the economic pie. They argued that in the new lean era, the nation could not afford "lavish" public services, high wages, strong labor unions, or a unified urban political unit with its typically

uppity citizens.

Dick Morris was CBC's chief research analyst, as CBC crusaded for breaking unions and decentralizing New York government. Meanwhile, the old line African-American leadership was taken down in witch-hunts: for example, Adam Clayton Powell was purged from Congress, or the ouster of Manhattan Borough President Hulan Jack. The Lindsay-Rankin-Redlich regime brought in Ford Foundation President McGeorge Bundy's plan for race conflict, for which CBC wrote the propaganda. The school system was to be decentralized, so that ethnic groups would fight over their shares of the "inevitably shrinking budget."

Budget cuts closed fire department stations in the most vulnerable neighborhoods. Arson fires "cleared" vast areas, giving insurance windfalls to slumlords and a free hand to real estate speculators and gangsters of all types. Youth gangs were formed to sell narcotics for organized crime. Drug dollars poured into buying up New York buildings, as a money laundry. While violence and fear came to rule the streets, Dick Morris wrote CBC propaganda urging "more realistic" drug law enforcement, and advocating government dispensing of drugs as addict-therapy.

Roy Cohn's toy, Jerry Finkelstein, served as chairman of the New York Democratic Party in 1970-72. It was just then, while Dick Morris was still on the bankers' and landlords' payroll, that Dick began rising in Democratic Party politics. Eugene Morris told the *Washington Insider* interviewer that in the early 1970s, when Dick and his cronies worked in West Side Manhattan politics against local liberals such as Manfred Ohrenstein and Albert Blumenthal, the Dick Morris grouping was known on the street as "the junior Mafia."

Dick Morris learned to be the slickest spokesman for the post-Kennedy, post-industrial political gospel. The program was austerity and brutality for the poor, and unbridled freedom for the speculators and looters. As New York and the nation stumbled on into the roaring 1980s, Dick was promoted as the guru of "realistic" politics. In New York, urban squalor spread, but papa Eugene's real estate bubble made crooks (many of them Roy Cohn's nominees, such as Donald Trump) into billionaires. Perhaps the biggest score was made by the Bronfman family, partners of Lansky and Rosenstiel. The Bronfmans worked inside "Trizec" and other real estate organizations, as associates of the British Eagle Star group, the masters of drug money-laundering and global criminalization.

The split in the Jewish community

Dick Morris's exalted position within public life has been built upon many layers of subterfuge and corruption. A recent incident within the American Jewish Congress (AJC) is a case in point.

The AJC is publicly associated with the liberal, Democratic side of politics. Indeed, its Washington, D.C. office has been recently *chiefly concerned* with lobbying to defeat the

murderous Republican Party "welfare reform" program, or to bring about its veto by President Clinton. Its Washington office acknowledges Dick Morris as the enemy, trying to mislead the President into the disastrous course of reactionary, crush-the-poor policies.

Yet, on May 16, the American Jewish Congress, as a national organization, gave a secretive, private dinner in honor of Dick Morris. With hundreds of influentials in attendance, the AJC gave a "Justice Award" to Eugene J. Morris, with his son Dirty Dick serving as master of ceremonies and keynote speaker. The Washington office, helping in the fight for national sanity against Morris, was not informed, even after the fact, about this dinner.

At the Morris dinner, Norman Redlich—of the Dulles-Dewey apparatus, the Warren Commission, and the New York "gangsters' revolution"—set up a specious "law and social action" program in Eugene Morris's name. Redlich happens to be chairman of the governing council of the AJC, under the patronage of World Jewish Congress President Edgar Bronfman, heir to the Meyer Lansky-Cohn-Rosenstiel arrangements. These reactionaries were spreading the essentially anti-Semitic lie, that "we Jews support Dick Morris." One Wall Street fat cat who attended the dinner summed it up for the *Washington Insider*: "Dick is moving the President away from the left."

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Organized crime hearing is an anti-labor circus

House Republicans, led by Crime Subcommittee Chairman Bill McCollum (R-Fla.), held a hearing July 24 which was supposed to prove that the Clinton White House is soft on organized crime. The hearing was to air Republican allegations that the administration "bought" labor support with a consent decree recently signed with the Laborers International Union of North America.

Bob Barr (R-Ga.) waved around a golf club (representative of a souvenir which the White House gave to Laborers President Art Coia), accusing the Clintons of kow-towing to organized crime figures, and intoned that "such presents are not bestowed lightly." This was followed by the entrance of former Laborers official and FBI informant Ron Fino, who was wearing a black hood and was seated behind panels for his testimony. Fino explained that he just didn't want his picture taken.

Charles Schumer (D-N.Y.) ridiculed this absurd theater, waving a copy of the multi-million circulation tabloid *Globe* newspaper, which featured an article by Fino about O.J. Simpson, and which included Fino's picture. Fino explained that he had been approached by a journalist who offered him \$9,000 to tell the *Globe* everything he knew about O.J. Simpson's ties to the mob—which was not much.

Fino explained that he took the money because the FBI dumped him after he was "compromised" in 1989, and exposed as an informant for the FBI. They left him with no work, no money, and no cover, even though he was allegedly a key witness in many prosecutions of labor-linked mobsters.

Schumer said, "Well, I'm always interested in what the *Globe* has to

say—by the way, are there any space aliens linked to the mob?"

Steve Schiff (R-N.M.) interrupted the laughter and said, "I didn't know you were so interested in space aliens, Congressman Schumer, would you like to come and visit Roswell?"

"Why? Are you going to show me your constituents?" cracked Schumer.

Senate begins to act on appropriations bills

The "rolling gridlock" that Senate Majority Leader Trent Lott (R-Miss.) complained about only a couple of weeks ago, seemed to be broken by July 25, when the Senate passed three appropriations bills that week, Agriculture, District of Columbia, and Foreign Operations, for a total of five that the Senate has completed action on. Lott and Minority Leader Tom Daschle (D-S.D.) both said they were confident that at least three or four more would be finished before Congress adjourns for summer recess on Aug. 2. Lott also indicated that the Republicans have given up the idea of an early continuing resolution, and will keep the Congress in session after the August recess until Oct. 4.

The Senate also broke the logjam on the minimum wage and health insurance reform bills, appointing conference committees for both. Edward Kennedy (D-Mass.) and House Ways and Means Committee Chairman Bill Archer (R-Tex.) came to an agreement on medical savings accounts, that would set up a test program involving 750,000 people. The remaining problem is language proposed by the Republicans to change the definition of "portability" of health insurance policies, but Democrats agreed to work this difficulty out in conference. Daschle said the Republican language

"would subject too many people to insurance policies with such high premiums that, in essence, they still would not have health protection." Daschle, however, said chances were only "50-50" that both bills would be passed by Aug. 2.

Families First looks at economic responsibility

The third in a series of Democratic Families First forums, on July 23, looked at legislation to end government subsidies in the form of tax breaks to companies which move their plants overseas to utilize cheaper labor, and to curb the import of goods produced by child labor.

A bill introduced earlier by Sen. Byron Dorgan (D-N.D.) and Carl Levin (D-Mich.) would repeal the "deferral" tax breaks which allow U.S.-based corporations to avoid paying taxes on profits generated by foreign affiliate sales back in the U.S. market. It is estimated that the loophole costs the government \$2.2 billion in annual tax revenue.

One of the charts showed that the long-term trend for loss in U.S. manufacturing jobs has been 14,000 per month. A union leader from a General Electric plant in North Carolina testified that GE followed a deliberate strategy of driving up labor costs at his plant, by creating parts shortages, in order to justify moving the plant to Mexico.

Rep. Jim Moran (D-Va.) attacked this "shareholder" mentality. "This will catch up with us," he said. "We won't have the people to buy the products they produce." He said it was a short-term strategy to make money for CEOs and stockholders.

Rep. Chaka Fattah (D-Pa.) added that manufacturing in Philadelphia is an endangered species, which has lost

200,000 manufacturing jobs over the past 15 years. He asked, "How can we keep our manufacturing base? How can we remain an industrial power?"

Bosnia reconstruction vital, say Clinton team

On July 24, the Senate Intelligence Committee, chaired by Arlen Specter (R-Pa.), was told by three Clinton administration officials that, while the military implementation of the Dayton agreement has been going well, the prospects for long-term stability in Bosnia-Herzegovina are poor unless economic development gets under way.

Lt. Gen. Patrick Hughes, the director of the Defense Intelligence Agency, said that because the "strategic goals of the main political protagonists have not changed, continued international engagement and pressure, over some period of time, will be required to proceed with the work of trying to establish a viable Bosnian state."

Deputy CIA Director John Gannon concluded his remarks saying that "economic reconstruction and outside assistance that promotes economic integration will be key to long-term peace and regional stability."

Thomas Fingar, deputy assistant secretary for intelligence and research at the State Department, said, "Most Bosnians still do not foresee any significant, tangible benefits from pledged foreign assistance. The future success of such international efforts will depend on the timely dispersal of funds in the context of adequate public security, reestablished commercial networks, and protection against corruption." He warned that while reconstruction is not an immediate factor in Bosnia's peace and security, "reconstruction efforts are fundamental to the

region's long-term stability."

Neither Specter nor the other senators present, Bob Kerrey (D-Neb.) and Mike Dewine (R-Ohio), picked up on the issue of reconstruction. Specter was concerned about whether or not U.S. ground forces would stay in Bosnia after the Implementation Force mandate expires in December.

Dorgan, Byrd seek to end trade deficit

On July 22, Sens. Byron Dorgan (D-N.D.) and Robert Byrd (D-W.V.) introduced a bill to establish an "Emergency Commission to End the Trade Deficit." He said that the purpose of the commission will be "to review economic and trade policies, tax and investment laws, and other incentives and restrictions that affect trade, with the hope that recommendations can be made . . . to end the trade deficit."

The current merchandise trade deficit must be eliminated, Dorgan said, because "trade deficits must be and will be repaid by a lower standard of living in this country." He said that 75% of U.S. imports are "high-tech and value-added manufactured goods," equivalent to 56% of U.S. manufacturing capacity.

"No wonder the purchasing power of hourly and weekly wages in this country for the vast majority of working Americans are back to the levels, in some cases, of the 1950s and 1960s. That kind of downward pressure means fewer jobs in this country, and the jobs that exist in the manufacturing sector pay less and have less security," Dorgan said. He said, based on the calculation that each \$1 billion in exports creates 20,000 jobs, that "last year's trade deficit represents a loss of around 3.5 million jobs."

"The fact is," he said, "we must

do something to try to strengthen and maintain a strong manufacturing base. . . . No country will ever remain a world economic power unless it retains its manufacturing base. That is what is slowly eroding and being washed away by these chronic, troublesome trade deficits."

NATO enlargement act passes in the House

The House, by a voice vote on July 23, passed a bill to facilitate the enlargement of NATO. The bill identifies Poland, Hungary, and the Czech Republic as having made the most progress toward meeting the criteria for NATO membership, and makes them eligible for \$60 million in enlargement aid authorized by the bill. International Relations Committee Chairman Benjamin Gilman (R-N.Y.) said that the bill "stands for the proposition that neither we nor the emerging democracies of central and eastern Europe can afford to wait any longer" to be invited into Western political, economic, and security structures.

Lee Hamilton (Ind.), the ranking Democrat, supported the bill, but with reservations. "I am impressed with how casually we are considering this issue. I am afraid that this bill is driven by domestic politics more than it should be," he said.

The only member to speak in opposition to the bill was Harry Johnston (D-Fla.), a former chairman of the Africa subcommittee. He complained of the cost of NATO enlargement, estimated to be \$60-125 billion over 15 years, with the U.S. share estimated at \$5-19 billion. Noting that he wanted to send troops to Rwanda before the bloodshed there in 1994, he asked, "How can you give a blank check to the white eastern European nations and totally abandon black Africa?"

National News

Disabled leader breaks with Dole over Gingrich

Longtime Republican Justin Dart, Jr., sometimes called the "godfather of the disability movement," is campaigning nationally in support of President Clinton, after repudiating Bob Dole for going along with the Gingrich agenda in Congress, the *Washington Post* claimed July 27.

Dart, a victim of polio, supported both Ronald Reagan's and George Bush's Presidential bids; and serves on the board of the Dole Foundation, created by Dole in 1983 to promote employment for people with disabilities. "Our civil rights are under attack, our education is under attack, our health care is under attack, virtually every service we have is under attack," Dart tells his audiences. According to the *Post*, he demands to know, "How often would President Dole veto a Gingrich law?"

Dart calls his decision to back Clinton "a painful decision of conscience." He is urging audiences to make the same decision, and then "get into politics as if your lives depended on it, because they do."

'Dr. Death' hails Satan at National Press Club

Before a cheering mob at the National Press Club July 29, serial killer Jack Kevorkian displayed his satanic hatred of human life, and claimed that pagan Rome's slaughter of the Christians was simply "assisted suicide."

Still flush from taking the life of his 33rd victim, Kevorkian raved, "The question of ethics always comes up. I mean, what are ethics? You ask someone to define ethics, you're going to get various definitions. I have a simple one: Ethics is doing and saying what's right at the time. That's what people forget. So you have eternal ethics based on some mythology you invent, you're going to have crises if you think that's eternal, as society changes.

"Let's talk a little more about assisted suicide and get down to the nitty gritty. The

ancient Christians in Rome, they were all healthy. They weren't suffering physical disease. I think they were suffering mental disease—but not physical. And they had assisted suicide. Why? To alleviate the pain, mental pain, of having to renounce their faith. If I did that today—if I helped a person today under those circumstances I'd be strung up. And yet these people you call almost divine had assisted suicide in lions' jaws," Kevorkian declared.

"Well, let's take what people think is a dignified death. Christ—was that a dignified death? Do you think it's dignified to hang from wood with nails through your hands and feet bleeding, hang for three or four days slowly dying, with people jabbing spears into your side, and people jeering you? Do you think that's dignified? Not by a long shot. Had Christ died in my van—with people around Him who loved Him, the way it was, it would be far more dignified. In my rusty van. Anyone disagree?"

Kevorkian's victims have typically turned up dead in abandoned cars, after being asphyxiated by carbon monoxide poisoning. Law enforcement authorities in Michigan have treated the deaths as homicides, and have reported that a number of Kevorkian's "mercy killing" victims could not possibly have used his device to administer the fatal gas by themselves.

Clinton again rejects spy's clemency appeal

For the second time, President Clinton has denied an application by convicted Israeli spy Jonathan Jay Pollard for executive clemency. In announcing the decision July 26, White House spokesman Mike McCurry said that, as in Clinton's previous review of the matter in 1994, "the President made his decision taking into account the recommendation of the Attorney General and the unanimous views of the law enforcement and national security agencies."

McCurry reported that, in the President's judgment, "the enormity of Mr. Pollard's offenses, his lack of remorse, the damage done to our national security, the need for general deterrence, and the continuing

threat to national security that he posed, made the original life sentence imposed by the court warranted."

Pollard has been in jail since his arrest in 1985; he pled guilty in 1986 and was sentenced to life in prison. Pollard was, in fact, a Soviet "false flag" agent working under Israeli cover. Uri Ra'anana, the Oxford-trained chairman of the International Security Studies Program of the Fletcher School of Law and Diplomacy at Tufts University, played a key role in recruiting Pollard to the Israeli-Soviet spy program.

Ra'anana, a longtime anti-LaRouche operative, was responsible for placing both Pollard and Pollard's classmate, Mira Lansky Boland, into sensitive government positions following their graduation in 1978. Pollard was forwarded to U.S. Naval Intelligence; Boland to the CIA, and then the Pentagon.

Boland subsequently joined the Anti-Defamation League's Washington office, as a member of its "Fact-Finding Division," where she became an integral part of the "Get LaRouche" task force. The principal funder of the Fletcher School International Security Studies Program was Richard Mellon Scaife, a founding member and one of the moneybags for the "Get LaRouche" task force.

Scaife is well known as one of President Clinton's leading enemies. He has financed a multitude of anti-Clinton projects, including the recent book, *Unlimited Access*, by renegade FBI agent Gary Aldrich.

Powell and Weinberger to meet Thatcher on yacht

Sirs Colin Powell and Caspar Weinberger, "Honorable" Knights of the British Empire, will join Baroness Margaret Thatcher on board Steve Forbes's 151-foot luxury yacht *The Highlander* off the coast of South Carolina, just prior to the Aug. 12-16 Republican National Convention.

According to the London *Times* of July 27, the Margaret Thatcher Foundation is guarded, "for security reasons," about discussing the Thatcher visit, describing it as being at the invitation of Forbes and his wife

Briefly

RULE BRITANNIA? State Department spokesman Nick Burns responded July 25 to suggestions by some Canadians, that the Helms-Burton Act might enable them to reclaim sections of the eastern United States. Burns noted "that if anyone is looking for compensation for Tories, they might want to look in the direction eastward over the Atlantic Ocean, toward the former colonial master of this continent, and not toward the U.S. government in Washington."

THE MASSACHUSETTS legislature has overturned Republican Gov. William Weld's veto, of a bill to provide health insurance for all of the state's 160,000 uninsured children. The law also extends Medicaid coverage to all families with incomes up to 133% of the poverty level, providing coverage for another 75,000 working people who are too poor to afford medical insurance.

TOM RIDGE has his "Hooverville" emerging in Philadelphia. The Pennsylvania governor's Nazi-like policies, which have also turned homeless people away from publicly funded shelters, have already led nearly 50 people to move into tents on a vacant city lot. A wooden sign identifies the site as "Ridgeville."

BALANCED BUDGETS are "unsustainable," George Brown (Calif.), the ranking Democrat on the House Science Committee, said July 24. Those who think they will lead to an "artificial nirvana" assume "that all things will remain equal," including employment, inflation, etc. But the "general failure to commit to long-term R&D budgets inevitably leads to a lack of economic growth."

NEWT GINGRICH is a leading environmentalist, says the National Center for Public Policy Research. A recent press release, omitting any reference to Adolf Hitler's "greenies," emphasized that "Gingrich has staked out positions on the environment that are so radical that some of the staunchest environmentalists appear moderate by comparison."

Sabina. The foundation's American director, Robert Higdon, claims, "It's a private holiday and the foundation is not involved. But I imagine the conversation may concern current events."

The arch-Anglophile Forbes clan is, however, much involved with Thatcher's foundation. Steve's brother Timothy has been a director of the foundation since 1993. Weinberger became chairman of *Forbes* magazine in 1989, following his stint as President Reagan's secretary of defense. Both Powell and Forbes are being given speaking time at the GOP convention, with Powell set to outline on opening night "his vision of America in the 21st century," a topic on which Thatcher has been outspoken.

It is believed that Forbes will attempt to talk about his distinctly Thatcherite flat tax scheme, which was the main plank of his brief campaign for the Republican Presidential nomination. Forbes took a walk, after generating a barely visible blip on the electoral screen in the early primaries.

NASA rules that animals can't set space policy

The advisory council of the National Aeronautic and Space Administration (NASA) has approved all of the experiments to be performed on Russian-owned rhesus monkeys during the Bion 11 and 12 space flights. The Bion missions are joint ventures of the U.S., Russian, and French space agencies, to investigate biomedical effects on astronauts during expeditions in space.

The anti-science pagans of the violence-prone group, People for the Ethical Treatment of Animals (PETA), had demonstrated at NASA installations, trying to put pressure on the space agency to pull out of the missions. In response, NASA Administrator Dan Goldin convened a Bion Task Force, to disprove PETA's assertions that the experiments were both scientifically unnecessary, and brutal for the monkeys. NASA's advisory council has accepted the task force finding, that PETA's animal claims don't fly.

The missions are unpiloted, and both the

spacecraft and the monkeys are to be retrieved. Bion 11, scheduled for launch from Russia this October, has a mission duration of 14 days. Bion 12 is scheduled for launch in 1998.

U.S. airlines see hoax in Brits' 'open skies'

Chief executives from the six largest U.S. airlines sent a letter to President Clinton July 22, urging a halt to any further talks with Britain, on an "open skies" agreement which they believe might ruin U.S. carriers. Their letter requests that the Department of Justice first determine, whether the proposed alliance between American Airlines and British Airways, will hinder efforts by other U.S. airlines to compete.

American Airlines and British Airways announced June 11 that they would align their operations to jointly serve 3,600 cities worldwide. The two airlines together control 60% of the U.S.-U.K. airline market. Their alliance, however, is contingent upon the signing of an "open skies" agreement between the United States and Britain, which would allow airlines of one country to fly to any destination of the other country.

The appeal to President Clinton, by the chief executives of United, Delta, Continental, Northwest, TWA, and Tower, states, "We are worried that the U.K. is seeking . . . to maneuver the U.S. into an agreement which, in practice, will prove far less than open. In the field of international trade, tigers do change their stripes, but they seldom do it overnight. For years the United Kingdom and its flag carriers have insisted upon the most restrictive interpretation of one of the most restrictive aviation agreements in existence. Suddenly, to secure U.S. approval of an alliance . . . they profess a willingness to abandon completely their protective policies. . . ."

"The question that immediately comes to mind is whether this is an actual philosophical conversion, or whether the British believe they can manipulate circumstances to maintain an even more protective environment under the false banner of 'open skies.'"

Editorial

Eurasian development or British swinishness

The latest wave of terrorism comes at a time when the financial markets are teetering on the brink of collapse, but also when there is the prospect for an alternative path to oligarchical rule and social collapse. Surely the historic May 7-9 conference in Beijing, on creating a Eurasian land-bridge, was on President William Clinton's mind when he coupled the reemergence of China and Russia as great powers, to the terrorist incidents of the past weeks.

For the British, rebuilding the historic Silk Road, through construction of a major railroad linking Asia to Europe through Russia, is more than a threat to their wished-for hegemony. To them it is an outrage. This was confided to *EIR* by a top-ranking British military person on July 26, who, not surprisingly, wished to remain anonymous. Such a land-bridge, he said, would be a threat to British imperial designs, equivalent to the threat posed by Adolf Hitler. The land-bridge "would not be accessible to the Anglo-American maritime powers," and the effect of building these railways "would have an enormous multiplier effect, in terms of materials and logistical infrastructure."

Global development on this scale would end the reign of the British-controlled International Monetary Fund's attempt to impose a dictatorship over the world economy, and re-create the conditions for viable national economies. Not only in Asia, but globally.

Such a situation, in which China and Russia would realize their status as superpowers, along with the United States, is intolerable to British geopolitical thinkers today, just as it was to the pre-World War II geographer Halford Mackinder, and to Franklin Roosevelt's enemy, Winston Churchill.

Clinton understands that the British Empire still exists, and he knows that it is evil. It is not just an aspiration of the Chinese which the British fear, but the attraction of Clinton to the politics of Franklin Roosevelt, who created the historic World War II alliance among the Soviet Union, China, and the United States—an alliance intended to defeat British imperialism once and for all, as soon as a military victory over Germany and Japan had been achieved.

On July 29, in the wake of two major British-inspired terrorist incidents on U.S. territory, the *New York Times* reviewed Clinton's foreign policy. On the same day, of the whole article, the British wire service Reuters singled out Clinton's remarks on how the "unfinished business of leaving the Cold War behind" has been a major part of his foreign policy framework since taking office in 1993. This, for Clinton, has meant creating the conditions in which China and Russia would, in his words, "define their greatness."

"Will they define their greatness in terms of their internal achievements," he asked, "and what kind of values and character they have, what kind of economic achievements they can have . . . how they can solve their problems?" While he did not explicitly reference plans to revitalize the Silk Road, Clinton asserted: "It seems to me that if America is at the center of these emerging [trade] networks, it dramatically increases our leverage to work with people for peace, for human rights and for stability in the world." Such a policy orientation is precisely what Reuters' masters fear.

At the Beijing conference, British representative and Vice President of the European Commission Sir Leon Brittan attacked plans for such a continental link, and said that the Chinese must instead bow to the dictates of "the market," i.e., that China would not be allowed to buck the plans of the British monarchy.

This Grand Design for peace through development is central to the economic program of Lyndon LaRouche, and it was an important element in the discussion in Beijing, where Helga Zepp LaRouche spoke on how building a Eurasian land-bridge would be the basis of a new Renaissance. She closed her remarks with a call to humanity, saying that if this were realized, then the conference would be remembered generations far into the future, who would say of those at the conference, "Yes, they were like the people of the Italian Renaissance and the Sung dynasty. Yes,' perhaps they will even say, 'they even were a little better.'"

It is this promise which the British fear, and which they seek to defeat with a new terror wave. They cannot be allowed to succeed.

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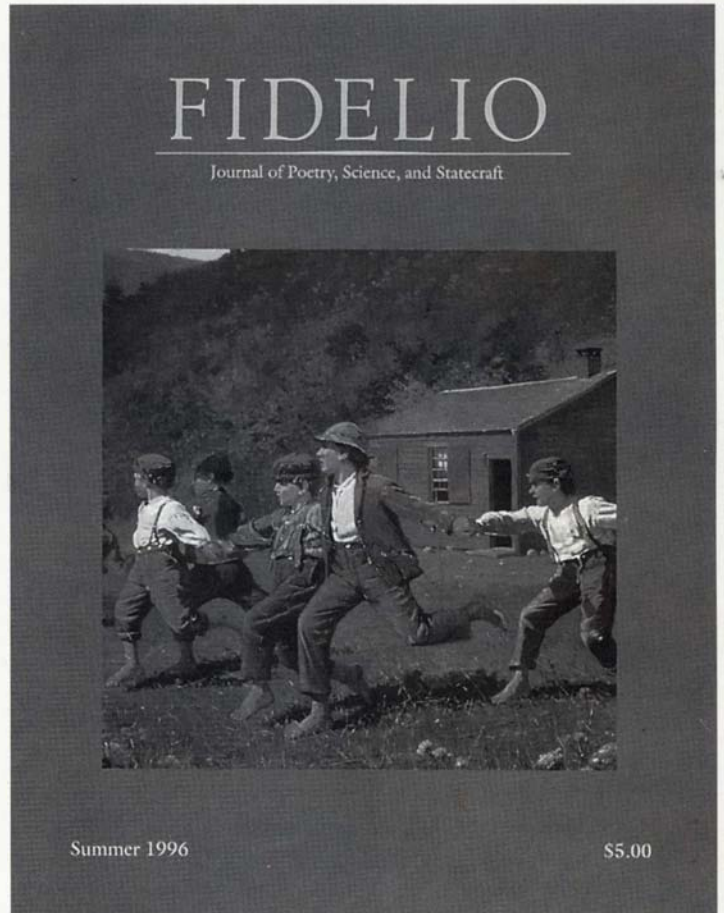
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