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Executive Intelligence Review

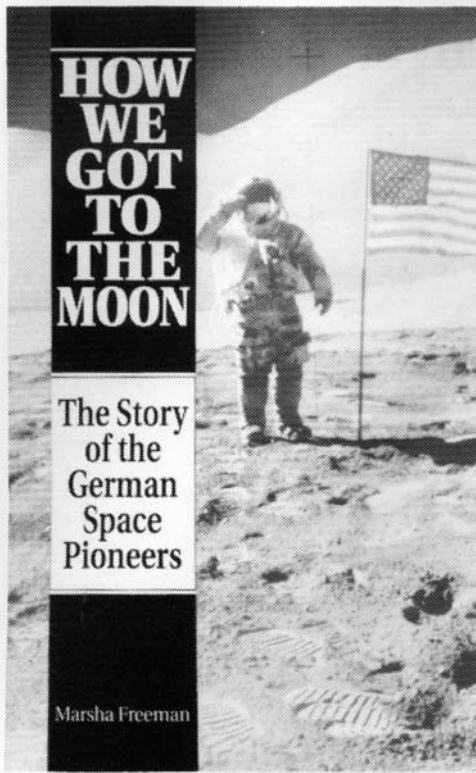
September 6, 1996 • Vol. 23 No. 36

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History of the tax against speculators
IRI's friends in Russia: the anti-utopia

**Is there, was there,
life on Mars?**





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The Story of the German Space Pioneers

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EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451.

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In Mexico: EIR, Río Tiber No. 87, 5o piso, Colonia Cuauhtémoc, México, DF, CP 06500. Tel: 208-3016 y 533-26-43.

Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

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Postmaster: Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

From the Associate Editor

There was quite a bit of celebrating around *EIR* headquarters this week, when President Clinton's "Rasputin," Dick Morris, resigned, crawling away from Washington with his tail between his legs.

Morris's demise began on June 19, when Lyndon LaRouche first publicly called for his ouster. On July 5, *EIR* published "The 'Ghost' of Roy Cohn Stalks the Clinton Campaign," exposing Morris's close family ties to the infamous Cohn, and quoting LaRouche's call for Clinton to dump Morris. *EIR* further documented the Morris-Cohn connection in a series of articles, including July 19 ("The Roy Cohn Mob and 'Dirty Dick' Morris") and Aug. 9 ("New From the Roy Cohn File: Why 'Dirty Dick' Morris 'Never Had Any Qualms'").

This victory can break the controlled environment around Clinton, and allow him to govern in the national interest, not according to the manipulations of the evil Morris. This is a victory for what LaRouche has termed the "Carnot principle," after Lazare Carnot, whose brilliant strategic thinking in 1793 saved France from defeat.

LaRouche, in the last television program of his 1996 Presidential campaign (shown on cable WWOR-TV on Aug. 24), described how Carnot changed the policies of France: Rather than attacking the adversary on a broad front, with mass attacks on every front simultaneously, "which only a jarhead would do," he focussed the military power of the nation at certain specific points, "and, by picking a point on which to attack, to turn the flank of the enemy, and rout him."

That strategy of attacking on the flank, is how a small force, with limited resources, can change the course of the United States today. LaRouche chose three targets: Dick Morris, Democratic National Committee Chairman Donald Fowler, and Pennsylvania Gov. Tom Ridge. In the aftermath of the Democratic convention, the attack against the remaining two will escalate.

Internationally, LaRouche has called for a campaign to shut down the Moscow operations of the International Republican Institute (IRI). In our *Strategic Studies* feature, St. Petersburg correspondent Roman Bessonov contributes the first of a series on the corrupt "anti-topians" in IRI's orbit. His article is a literary and strategic masterpiece, full of insight and the sort of unforgettable images one finds in Russian novels.

Susan Welsh

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U.S. Fourth Circuit says: British law is supreme

by John Hoefle

On Aug. 23, U.S. District Judge Robert Payne issued a temporary injunction against Lloyd's of London, prohibiting Lloyd's from imposing the terms and conditions of its Reconstruction and Renewal Plan (R&R) on any U.S. Name, as Lloyd's investors are known, and ordering Lloyd's to make full disclosure to the Names of the details of that plan, in accordance with the rules of the U.S. Securities and Exchange Commission (SEC). Judge Payne gave Lloyd's until Sept. 23 to provide the information, and ruled that the Names would have an additional 30 days to evaluate the information and decide whether to accept or reject Lloyd's offer. The ruling was a major victory for American Names, who have fought long and hard to defend themselves from the fraud perpetrated on them by Lloyd's.

Lloyd's immediately appealed the verdict, and on Aug. 27, a three-judge panel of the U.S. Fourth Circuit Court of Appeals in Baltimore reversed Judge Payne's decision and ordered him to dismiss the case.

The ruling, and its reversal, come at a critical time for Lloyd's, which is desperate to finalize its R&R plan. Lloyd's had given Names until Aug. 28 to accept or reject the plan, three days before Lloyd's annual Aug. 31 solvency test by the British Department of Trade and Industry. According to Lloyd's, were R&R to be delayed, it might fail its solvency test; were that to happen, it would collapse, Lloyd's claims, thereby collapsing in domino fashion the global insurance business, and then the global financial system. Lloyd's position, although it would never say it publicly in these terms, is that, were it to be forced to obey the law, the world as we know it would end.

The case (*Allen v. Lloyd's*), like several other suits filed by Names against Lloyd's, was thrown out of court because of a clause inserted in Lloyd's contract with its Names in

1986, which stipulated that any disputes between Lloyd's and the Names must be adjudicated in England, under English law. Lloyd's inserted the clause, because it knew that Names were about to be hit with billions of dollars of losses from asbestos and pollution claims, losses which it had hidden from Names for years, during which time Lloyd's insiders shifted those losses onto tens of thousands of Names recruited just for that purpose (see *EIR*, Aug. 9, "The British Empire's Lloyd's of London Conspiracy"). Lloyd's wanted any and all suits arising from its premeditated fraud upon the Names to be heard in England, where the laws and the political system are friendly to it, and where Lloyd's has had virtual immunity from suit by act of Parliament since 1982.

Although the appeals court cited the "in England under English law" forum-selection clause in dismissing the case—one of several appeals courts to do so—the real reason the case was dismissed, was political.

The forum selection clause is, in fact, illegal, according to the SEC, which filed an *amicus curiae* brief with Judge Payne, pointing out that the Securities Act of 1933 expressly prohibited investors from waiving their rights under U.S. securities law. The "in England under English law" clause, the SEC stated, was null and void, and could not be enforced.

That the appellate court would dismiss such an important case, involving such an obvious case of fraud, by citing a clause already stated by the SEC to be void, exposes clearly the political nature of this case. The fix, as they say, was in.

R&R is a fraud

The R&R scheme is the culmination of a 30-year conspiracy by Lloyd's to shift asbestos and pollution losses that would have otherwise been borne by British Empire insiders, onto what the Brits call the "colonials," the "commoners,"

and the "wogs." R&R contains two main elements. The first is the Settlement Offer, which absolves Lloyd's of any crimes it may have committed against Names in the past, and any crimes it may be committing now against the Names under R&R. It also contains a clause stipulating that any future litigation be heard in England, under English law. It is, in short, a remarkably one-sided document, and one which violates U.S. law. The second element of R&R is the formation of a new reinsurance company named Equitas, into which Lloyd's plans to dump all of its outstanding pre-1993 liabilities. With Equitas, Lloyd's is effectively unloading billions of dollars of current and future asbestos and pollution claims onto a new company; when Equitas fails, policyholders will have to sue the Names—many of whom are at or near bankruptcy—for payment, while Lloyd's will be free. The winners in R&R are Lloyd's, the City of London, and the British Empire. The losers are the Names and the policyholders, both of which face huge losses.

"The Names are being asked to forego claims against Lloyd's insiders, its officers and directors, its lawyers, its accountants, the Managing Agents it controls, and indeed against anyone in the Lloyd's enterprise who was involved in what is one of the most far-reaching and serious insurance frauds of record," Judge Payne stated in his 141-page opinion. "That the rights which Lloyd's insists the Names must surrender are valuable is proved beyond serious question by the sheer volume of claims successfully asserted against those involved in this fraud, and the fact that, to date, there have been judgments and awards in English courts and in arbitration of more than £1 billion."

Although Lloyd's and its officers are immune from suit under the Lloyd's Act of 1982, the Members' Agents and Managing Agents who work in the Lloyd's market are not, and some of them have been forced to pay huge judgments in fraud suits. However, thanks to the corrupt British courts, Lloyd's, and not the defrauded Names, got the money. Such funds account for about half of the \$5 billion Lloyd's claims to be issuing as debt-reduction credits to Names who accept the R&R offer. Names who have successfully sued Lloyd's agents, but who do not accept the R&R agreement, will not get a penny of their just awards:

In the words of Judge Payne, "The Names cannot even have access to the fruits of the successful litigation efforts without accepting the Settlement Offer and R&R."

That the British courts would permit such a travesty, proves that U.S. Names will get no justice in England.

Full disclosure

The essence of the *Allen* suit against Lloyd's, is to force Lloyd's and Equitas to file the disclosure forms required by the SEC, detailing the risks involved to the investors. Lloyd's has refused to provide Names with sufficient information to judge the merits of Equitas, and has given the Names precious little time to make up their minds, trying to pressure the Names into signing quickly, reminiscent of the used car sales-

man who wants to hurry you into buying the car before you discover that there is no motor.

"The record discloses clearly that each time the Names have received information about the progress of R&R, it has differed in significant ways from previous installments of like information," Judge Payne wrote. He added that the R&R documents were "filled with many words and little data," and "laced with disclaimers that counsel against reliance." Using those documents, the judge said, "a Name cannot tell how his liability was calculated or whether it is long-term or short-term. Nor is it possible to verify the credit or premium calculations."

Far from over

Judge Payne's ruling may have been overturned, but Lloyd's troubles are far from over. State securities regulators in six states (Arizona, Illinois, Missouri, Tennessee, Utah, and West Virginia) have vowed to press forward with fraud actions against Lloyd's, rejecting the agreement negotiated between Lloyd's and the North American Securities Administrators Association (NASAA).

On Aug. 23, the same day as Judge Payne's ruling, Colorado Attorney General Gale Norton notified Lloyd's that several provisions in the Lloyd's-NASAA agreement, which had been signed by Colorado Securities Commissioner Philip Feigin, were in violation of state law and would have to be modified, and that her office was considering taking action against Lloyd's for consumer fraud.

Lloyd's is also facing trouble in New York, another state which signed the Lloyd's-NASAA agreement. New York Attorney General Dennis Vacco wrote a letter to Judge Payne on Aug. 21, expressing his "support for certain of the relief requested" by the Names, and recommending that "any disputes be resolved in the United States." Five days later, Vacco wrote a letter to the Names indicating that his acceptance of the Lloyd's-NASAA agreement "may be affected" by Judge Payne's ruling.

"The Lloyd's drama is far from over," a senior City of London source told *EIR*. "The Lloyd's fight is ultimately political, even down to the judges. What's at stake here is enormous. After the war, Lloyd's became the glue to bind major sections of the U.S. establishment to the British 'special relationship.' Because of Lloyd's size and influence, it was able to operate as a law unto itself. It could conduit large sums of capital across the Atlantic without any visible traces. The manner in which Lloyd's actually operates is the essence of the highest levels of the City power structure. This you will never find in books on Lloyd's. Only insiders are privy."

The London source cited the purchase by Munich Re, the largest reinsurance company in the world, of American Re; and the purchase by Swiss Re, the world's second-largest reinsurance company, of Mercantile and General Re, Britain's largest, as part of a reorganization in which European rivals are positioning themselves for "the event of at least a severe diminution of the global role of Lloyd's of London."

Italian government puts Maastricht Treaty up for reconsideration

by Claudio Celani

Someone once made a joke: “Italy has a President and a king,” the king being the chairman of FIAT, the Turin-based, largest private industrial-financial conglomerate in Italy. Such a joke reflects the power that the Fiat group has had in the country, often greater than the government itself.

It was, therefore, as if the government had spoken, when current FIAT Chairman Cesare Romiti, speaking in Rimini at the yearly meeting of the Catholic movement *Comunione e Liberazione* (Communion and Liberation) on Aug. 23, departed from his written speech to add a sentence which signified that Italy was going to challenge the infamous Maastricht Treaty, which has bound European Union (EU) countries to a draconian schedule of budget cuts, in order to fill the established criteria required to join the utopian Single Currency reform in 1998. Thus, Romiti was unofficially announcing the death of the Maastricht agreement, which was designed to destroy national sovereignty, a danger that *EIR* has continuously pointed out since the Treaty was signed, in 1991.

According to the press, Romiti said: “To join Europe — and I am in favor of it, even if a certain price has to be paid— we must at least partially solve the unemployment issue, which, above all in [Italy’s] South, is dramatic. Government people must think about this.” The daily *La Repubblica*, close to FIAT interests, added another sentence: “Italy must delay for some time the entrance into Europe.”

The government follows

Barely 24 hours had passed before the Italian government, through Vice Prime Minister Walter Veltroni, picked up Romiti’s statements. Veltroni, in an interview with *Corriere della Sera*, which went out immediately on the international wires, said that the European countries should reconsider the criteria for European Monetary Union. Italy should not necessarily take any unilateral moves to delay joining a single European currency, but rethinking is called for. “We should not give in to the temptation for a unilateral detachment from Maastricht,” he told the Milan daily. “But there is something new—the recession in Europe. Therefore, a question of the excessive severity of the criteria for the single currency exists. We must see if it might not be the right thing to sit around a table to rediscuss the criteria or their interpretation, or maybe

even the timing of monetary union,” he said. He added that he preferred informal contacts on the matter rather than official initiatives.

Both Veltroni and Romiti, even if not challenging the Maastricht policy as such, made proposals that, if accepted by Italy’s European partners, will mean, de facto, the death of the Maastricht plan. A delay of the plan, in fact, means its abandonment in practice. Knowing how things work inside the EU, it is unthinkable that the Italian move could have been made without consultations and agreement with Bonn and Paris. The opposition to the Maastricht-dictated austerity is mounting in both France and Germany, so much so that even international speculator George Soros has predicted that social revolts will break out unless both countries decide to drop the plan for a European Monetary Union.

Therefore, the official reaction coming from Brussels after Veltroni’s statement, rejecting “any change of what was established in Maastricht on schedules and conditions to achieve the single currency,” has not worried the Italians. As the daily *Corriere della Sera* wrote on Aug. 26, “The ‘Nos’ coming from institutional sources do not suffocate the uneasiness which nowadays goes throughout the continent.” The article listed prominent anti-Maastricht spokesmen, such as, in Germany, the Bundesbank’s Otmar Issing, and the governor of Bavaria, Edmund Stoiber; in France, the chairman of Peugeot, Jacques Calvet. And even in Britain, the paper noted, shadow-Chancellor of the Exchequer Gordon Brown thinks that unemployment is the priority, and then comes Maastricht. “Today, in Brussels, in Strasbourg, and in all offices of the European Community, contacts are multiplied. A way out is being sought,” the paper commented.

In other words, as economist Stefano Zamagni stated, “Let us be frank: Our problems are common to almost all other countries, and everybody hopes that somebody else will take the first step. But everybody hopes and nobody moves.”

Broad opposition in the country

The Italian government had already, in effect, abandoned the Maastricht schedule at the beginning of the summer, when it had Parliament approve the FY 1996 budget plan. The plan includes cuts which are far less than the amount demanded—

for instance, by the International Monetary Fund—in order to satisfy the Maastricht criteria. Instead of 50 trillion liras (roughly \$34 billion) in cuts, the government announced cuts for “only” 32 trillion liras. Moreover, the three-year plan, called the Document of Economic and Financial Planning (DPEF), established a looser schedule to reach the Maastricht targets, including those for inflation, the relationship between Gross Domestic Product and public debt, and between debt and the deficit. Their achievement was postponed for one year, to 1999 instead of 1998—nothing big, but it meant Italy is out of the Maastricht schedule. It was only a matter of time until the issue was officially posed.

Massimo D’Alema, leader of the main government coalition party, the Party of the Democratic Left (PDS), expressed the prevailing mood in political, business, and labor circles about the effect of the Maastricht austerity, when he declared in an interview, “We cannot bring a dead country into Europe.” Demonstrating a broad consensus on government policy, central banker Antonio Fazio declared, in front of a Parliament committee on July 10, that a package of budget cuts any bigger “would negatively effect the economic growth in 1997 and in 1998.” In answer to a radical Northern League representative, Giancarlo Pagliarini, Fazio said that Italy’s sticking literally to the Maastricht guidelines, thus reducing the ratio of public debt to GDP, from the present 120% to the required 60%, “would demand a budget reduction of 1,000 trillion liras.”

Defusing the Northern League threat

The Maastricht-dictated austerity is the main reason behind the electoral growth of the separatist Northern League, which in northern Italian regions garnered 20-30% of the vote in the last general elections. League voters disagree with League leader Umberto Bossi’s proposals for northern Italy to secede from the rest of the country, but they are going to follow him on Sept. 15, in a huge demonstration organized to celebrate the birth of the northern Italian nation of “Padania.” It is a way to signal to Rome that they have had enough of taxes and no development policies. Although the demonstration is no direct danger from a law-enforcement standpoint, Bossi’s anti-Rome propaganda could incite radical sections of the League to violent actions.

Law enforcement officials are also worried about a “Southern League” movement, which is growing, in apparent reaction to Bossi’s racist demagoguery. Such a movement receives financing from Serbian factions, and is suspected to be a front for the Mafia, which, at the end of World War II, supported by the British, already once before tried to separate Sicily from the rest of the country.

Italy’s elite knows that both the tax burden in the north, and unemployment in the south (over 20%), have reached a threshold, beyond which the situation will go out of control. This was one of the urgent considerations behind the decision “not to die for Maastricht.”

Furthermore, the “export boom,” due to the devaluation of the lira after 1992, which kept some sectors of the economy going in the northeastern regions, ensuring a positive trade balance over the last few years, is long gone. Official figures published at the end of July showed a slowdown in industrial production and a drop in internal consumption, with car sales down 6% and food consumption decreasing for the first time in postwar history. Even a supposedly positive figure, showing inflation in negative growth for two months in a row, is in reality an indication of a collapse in consumption. Italy’s number two pasta producer, Vincenzo Divella, commented to the daily *Corriere della Sera*:

“I do not digest at all this inflation decreasing so rapidly. Here, with this Maastricht story, in order to respect parameters, the government squeezes everything. And I say, low inflation is good, but they are going too quickly. In my sector, our turnover has increased 16% in the first four months of the year, without increasing prices. But do you know what it means when people eat more pasta and bread? That is the first signal of a recession. Because in food, they cut back on more expensive stuff.”

Giuseppe Cerroni, head of the largest retailers’ association, Confcommercio, declared on Aug. 21: “European countries have become prisoners of the Maastricht Treaty and of the . . . obsession to control inflation. The consequences are evident, and they are paid for with double-digit unemployment, frozen consumption, drops in production, and both companies and families becoming poorer and disoriented.”

At the end of August, the government was confronted again with the budget question when it started to draft the FY 1997 plan, which, according to the Maastricht guidelines, should include an additional 21 trillion liras in budget cuts. Compared to previous years’ cuts, it is quite mild. But, Luigi Spaventa, head of the Government Committee on Prices and Tariffs, wrote in a commentary in the daily *La Repubblica* on Aug. 24, that such cuts are an impossible target, unless social expenses, such as health care and pensions, are cut, which the government promised not to do. “Restrictive policies currently pursued do not represent the required medicine,” wrote Spaventa.

Lack of alternatives

If the Italian Parliament voted today on Maastricht, there would be a broad bipartisan majority *against* austerity, as two opposition representatives, Giovanni Alemanno and Alessandro Galeazzi, declared on Aug. 25. However, no member of the government or the business community has formulated a real alternative policy. People such as Romiti, Veltroni, Spaventa, and Zamagni are all supporters of free-market dogmas, which make them incapable of challenging the wrong axioms of the Maastricht policy.

More interesting proposals are coming from trade union leaders, who represent a quite powerful force which the government must listen to. The unions are prepared to organize

strikes in September, when the national contract of the metalworkers has to be renewed. The unions' business association counterpart, Confindustria, is unwilling to concede wage increases which the unions are demanding in order to compensate for inflation. The unions have called for wage increases in the context of more general demands for a job-creation policy and an expansion of the internal market, but have so far avoided a frontal attack on Maastricht, in order not to create problems for the government.

After Romiti gave the signal, Sergio Cofferati, leader of the largest trade union, the CGIL, and with the support of his colleagues Larizza and D'Antoni, leaders of the UIL and the CISL, respectively, demanded that the infrastructure-development program called the "Delors Plan," named after the former head of the European Committee, Jacques Delors, finally be adopted. As *EIR* has reported, that plan is very similar to Lyndon LaRouche's earlier "European Triangle" infrastructure program, issued in 1989.

"I ask, what happened to that plan?" D'Antoni said. "Even at the last [EU] Florence meeting, the issue has been ignored. And through that, Italy has made a double mistake, because the right way to combine financial balancing and employment, is to oblige Europe to adopt an expansion policy."

Return to national banking

The central question is: How to finance investments in infrastructure? Measures urged by CGIL leader Cofferati, who proposed, for example, to use the income from the privatization of state-owned companies, are no solutions. Even if the Maastricht guidelines are rejected, the tax revenue of the state is not enough to generate credit for all the infrastructure investments that are needed. Already last July 26, a government meeting gave a pre-taste of the problem, when government members quarrelled over whether the limited money available should be allocated to enlarge the northern Bologna-Florence highway, or the southern Salerno-Reggio Calabria one. The meeting ended with a compromise: Both will be started—and then we will see.

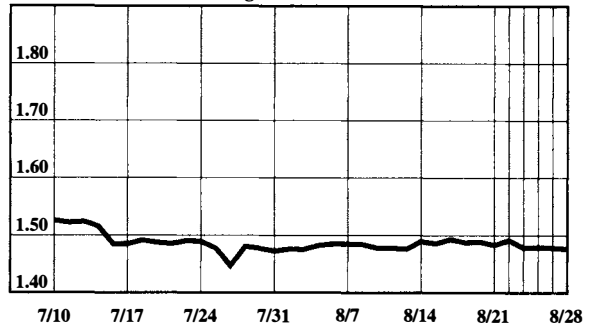
Nor is the scheme to use private financing a real alternative, as UIL leader Larizza, among others, has proposed. As shown by the case of the English Channel tunnel, which went bankrupt, high interest rates demanded by private banks cannot be repaid through tariffs or user fees, which should be as low as possible, or nonexistent, in order to make infrastructure productive.

The only solution is the "national banking" reform proposed by Lyndon LaRouche. Increasing sectors of the Italian political world are looking with interest at LaRouche's ideas. In the most recent example, the magazine *Ordine Pubblico*, which has 80,000 subscribers among law enforcement officers, published a three-page interview with LaRouche, under the headline "We Need a New Roosevelt," in which the American economist explained in detail his economic analysis and his programs.

Currency Rates

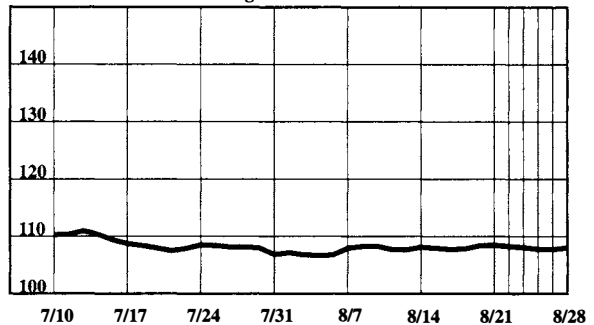
The dollar in deutschemarks

New York late afternoon fixing



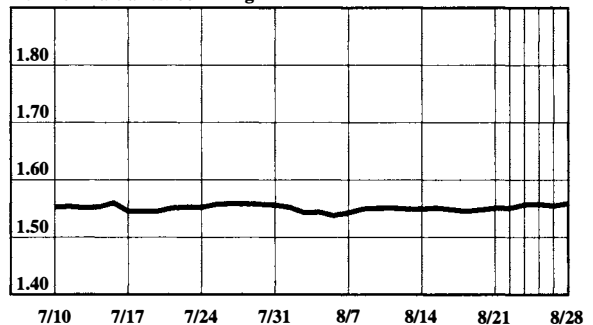
The dollar in yen

New York late afternoon fixing



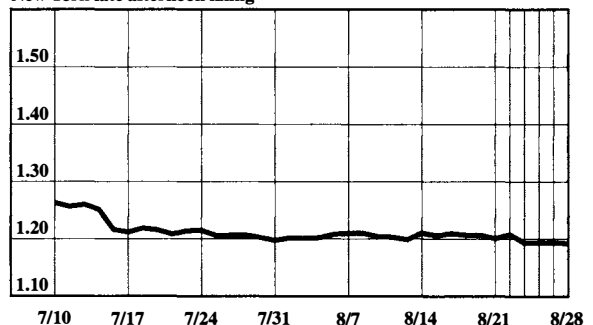
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Tax the speculators: the transaction tax as a weapon of the nation-state

by Richard Freeman

A tax on the sale or transfer of financial securities has been applied frequently throughout the history of Europe and the United States, and its restoration is sorely needed today.

British oligarchical financiers and their Wall Street helpers have tried, with a fair degree of success, to blot out the true history of the transaction tax. They slander the proponents of the tax as “kooky,” “dangerous,” and “out of the mainstream,” and claim that the tax has rarely been applied, and has largely been untested. In July 1993, the Catalyst Institute (formerly the MidAmerica Institute Research Project), a Mont Pelerin Society-affiliated think-tank based in Chicago, released a report entitled “Securities Transaction Taxes: Can They Raise Revenue?” that lied that “little revenue would be raised,” and further, that “a tax focusing on equity transactions . . . would decrease business fixed investment,” i.e., that it would contract industry. Nothing could be further from the truth.

On June 27, Pennsylvania state representative Harold James introduced House bill 2833, a proposal that his state levy a tax, at the rate of two-tenths of 1%, on the transfer or sale of “any bond, stock, security, future, option, swap or derivative.” Representative James urged the immediate adoption of this measure, which at minimum would initially raise \$10 billion in revenues, to thus prevent the projected murder of 3,500 persons by Pennsylvania Gov. Tom Ridge’s Nazi-like policy of throwing 220,000 persons off the state’s medical assistance program (see article, p. 68).

In proposing this course of action, Representative James has revived a 300-year-old tradition. The transaction tax is an incisive weapon at the service of the nation-state, in the project of nation-building. It takes its place alongside the protective tariff, the Hamiltonian system of national banking, and the financing of infrastructure, as a key instrument in policy-making. For only if a state can tax financial bubbles, which are a tool of British economic warfare, and which threaten to devour the state’s physical economy and population, and only if it can tax these financial flows as a helpful and painless source of state revenues, can the state protect its existence.

This is not just a good idea; it is an idea that has been implemented:

- President Abraham Lincoln and the U.S. Congress adopted the tax in 1862 as a weapon, along with an anti-gold

speculation tax in 1863, to defeat the British Confederate military, as well as London-led economic warfare, at a time when the American Republic’s fate hung in the balance. The United States instituted a federal transaction tax twice more, from 1898 until 1902, and from 1915 until 1965, that is, for half a century.

- England adopted a transaction tax in 1711, and had it in force continuously, until 1993. The Netherlands (1689), France (1798), and Germany (1881) all instituted the tax, and each of them had it in effect for at least 100 years.

- During this century, five states—New York, Pennsylvania, Massachusetts, South Carolina, and Florida—instituted state-applied transaction taxes, with New York’s lasting from 1905 until 1975. The Securities and Exchange Commission successfully operates a stock transfer fee, which, in 1996, will allow the SEC to return a \$288 million surplus to the federal treasury.

- Leading national figures, from House Speaker Jim Wright (1987), to Senate Finance Committee Chairman Lloyd Bentsen (1990), to Nobel Prize-winner in economics James Tobin (1992), to economist Lyndon LaRouche (1993), have called for the tax.

Two reasons for the tax

There are two principal reasons for the tax: raising revenue and crushing speculation. Both need to come into play to help reverse the ongoing economic collapse, which threatens to become the worst in 500 years.

The explosive growth of financial markets represents a huge speculative bubble. The worldwide value of derivatives outstanding has exploded from close to zero in 1986, to about \$10 trillion in 1991, to \$75 trillion in 1995. The derivatives losses to pension plans, government agencies, corporations, and individuals represent tens of billions of dollars. In mid-August, it was discovered that there were losses in Pennsylvania (see box). The issue of protection of public funds, as well as the elimination of speculation, is crucial.

Further, the Nazi policy of the “Contract on Americans” and the genocidal policy of the International Monetary Fund put hundreds of millions of lives at risk. Saving human lives is more important than the “inconvenience” of a speculator paying a 0.2% tax on financial transactions, which in the case

of Pennsylvania, is only one-thirtieth the level of what people pay as a sales tax. Applied on a U.S. national level, a transaction tax could raise, initially, between \$100 billion and \$400 billion a year.

We present the story of the transaction tax, which is sometimes called a "stock transfer tax" when applied mainly to stock sales. We begin with the European history of the tax, especially England and the Netherlands, where the tax first began, as well as two other European powers, Germany and France. Then we look at the history of the tax in the United States.

I. European history of the tax

A. England

England, which has second oldest transaction tax, shows in microcosm many of the critical features of the tax. Some of that history is presented in a 1940 report, entitled "Stock Transfer Taxes," which was prepared by the Committee for the Study of Federal and State Stock Transfer Taxes. This committee was established in 1939 to study and improve the stock transfer tax then in effect in New York State. Hereafter, we will refer to the report as the "Stock Transfer Taxes" Report of 1940. According to the report:

"The transaction tax in Great Britain originated with the adoption in the 1690s, during the reign of William and Mary, of a system of stamp duties on transfers of various types of properties, privileges and offices. According to the English Stamp Act of 1694 . . . the payment of a stamp duty of five

shillings was made requisite to the authentication of all conveyances and presumably represented a guarantee by the state of legal title thereto. Though the law did not specifically define conveyance as covering both tangible and intangible property, it may be inferred from the general usage of this term in English statutory law that both types of conveyances were covered under the act."

The transaction tax is an extension of, or subdivision, if you will, of the "conveyance tax." An example of tangible property is a home, horse, cart, office, etc. Intangible property is represented by a stock, financial instrument, etc. However, since joint-stock companies were of little importance in the late 17th century, the conveyances of stock to which the tax could be applied were relatively few. The tax therefore was restricted in the main to transfers of real property and offices.

In 1711, the British Parliament passed a Stamp Act which made explicit the tax on intangible property: It incorporated a flat duty of 2 shilling 6 pence sterling on all transfers of corporate shares. In 1713, the tax on stock transfers was increased to 4 shilling 6 pence. In the 1790s, the tax rate was raised to 6 shilling 9 pence per conveyance.

The stock transfer tax was often collected as a stamp tax; that is, whoever effected the sale, had to purchase a stamp, issued by a government authority. Gradually, there arose two taxes: one for the registered transfer of title of ownership; a second, for the everyday trading of stock.

Ironically, as the British government became more squeezed for revenue, and as the nature of stock trading took on the more pronounced character of gambling, even the *Economist* magazine, the mouthpiece of the British financier oligarchy, jumped on the bandwagon for increasing the rate

Derivatives losses threaten Pennsylvania

The losses from derivatives investment have been building over the last several years, ranging from Orange County, California in 1994, to Barings Bank, London. Now they have hit Pennsylvania.

On Aug. 13, the Bethel Park School District in Allegheny County filed a federal suit, charging First Empire Securities of New York with fraud in the sale of mortgage-backed derivatives securities; the district has lost \$2 million over the last five years. Pennsylvania Auditor General Barbara Hafer reports that at least 18 school districts in 13 counties, plus a vocational-technical school, have invested more than \$59 million in mortgage-related derivatives.

The suit claims that First Empire deliberately "churned" securities for its own profit, since it received a

commission on each of the hundreds of transactions it made. The disclosure requirements of a securities transfer tax would have allowed state regulators to monitor these transactions, and detect suspicious trading activity at an early point.

However, the problem extends far beyond the issue of local school districts.

For example, the 1993 Financial Report of the Pennsylvania Public School Employees Retirement System (PSERS) showed that \$2.8 billion out of the total \$25.4 billion fund, were also invested in mortgage-backed derivatives securities.

Similarly, the 1993 Annual Report of the State Employees Retirement System (SERS) revealed a substantial derivatives exposure. Also worrisome, is the fact that PNC Bank, which was the agent bank for the SERS and master trust custodian for the PSERS, reported a \$2 billion loss in the value of its securities and derivatives for 1994.

—Phil Valenti

of the tax. In arguing a particular point on Chancellor of the Exchequer Goschen's proposal for increasing the stock transfer tax, the March 31, 1888 *Economist* said that speculative trading of stock should be taxed. Stated the *Economist*:

"Now, probably nowhere has the advisability of taxing those speculative transactions been more strongly advocated than in these columns. There is no shadow of a reason why gambling purchases and sales of stock should be permitted to escape taxation, while bona fide purchases and sales should be taxed."

In response to the need to raise more revenues, the tax was increased repeatedly, including after World War I. It reached the rate of 2% by 1963—ten times the level proposed by Representative James in Pennsylvania—and was maintained at a rate of between 1% and 2% until 1986 (the tax was applied only to stocks and not to derivatives, etc.). In fiscal year 1992-93, the stamp duty on U.K. equities raised £830 million (about \$1.25 billion) in revenues for the British government. In 1993, after 282 years of being continuously in effect, speculators forced the British government to abolish the tax.

B. The Netherlands

"The taxation of stock exchange transactions in Holland dates back to the 17th century and originated as an attempt by the city of Amsterdam to control speculation in shares of the Dutch Indies Companies," the "Stock Transfer Taxes" Report of 1940 said. "Many individuals held that such speculation was detrimental to the credit of these companies and hence should be curbed by taxation. . . . The Council of the city of Amsterdam enacted, in 1689, a law imposing an *ad valorem* tax on transactions in shares of the Dutch East India and West India companies. This tax, as amended in May 1689, applied only to margin trading and was based on the par value of the shares transacted. The tax on East India shares was fixed at one-thirtieth of 1% and that on West India shares at one-sixtieth of 1%. . . . All brokers were required to record every purchase or sale used in this country."

The Netherlands stock transfer tax was stopped sometime around the 1750s, but resumed again in March 1917, and was levied at the effective tax rate of one-tenth of 1% of the value of the transaction. In 1938, the transaction tax yielded 4,327,000 guilders, which constituted four-tenths of 1% of the Dutch federal budget revenues for that year. Holland repealed the tax in 1990-91, as did several European countries, under intense pressure from banks and speculators.

C. Germany

Prior to the formation of a unified German state, stock transactions were taxed only by the Hanse cities of Hamburg and Lubeck. In 1881, a national German transaction tax was adopted, with the rate set at 0.20 marks on all stock transactions, regardless of the amount involved.

The most interesting development came in 1884 when, in

TABLE 1
Transaction taxes around the world

Country	Tax size 1991	Description
Australia	0.3%	Transaction tax
Austria	0.15%	Transfer tax
	0.06%	Arrangement fee
	0.04%-0.09%	Courtage fee
Belgium	0.17%	Stamp tax on buys & sells
	0.025%	Stock market fee
Canada		No taxes
Denmark		No taxes for non-residents
Finland	0.5%	Transaction tax
France	0.15%	Trading tax
Germany	0.125%	Stock market remittance tax
	0.06%	Courtage tax (official broker fee)
Hongkong	0.25%	Stamp duty
	0.006%	Special levy
	0.050%	Exchange levy
Italy	0.05%	Stamp duty tax
Japan	0.30%	Sales tax
Malaysia	0.05%	Clearing fee
	0.3%	Transfer stamp duty on purchases and sales
Netherlands		No taxes
New Zealand	0.0057% plus per trade fee	Transaction levy
Norway		No taxes
Singapore	0.1%	Contract stamp duty
	0.05%	Clearing fee
	0.2%	Transfer stamp duty
Sweden	0.5%	Turnover tax
Switzerland	0.0005%	Exchange tax
	0.01%	State tax
	0.075%	Stamp tax
Taiwan	0.6%	Transaction tax
U.S.A.	0.0033%	SEC fee
United Kingdom	£2	PTM levy
	0.5%	Stamp duty tax

Source: "Securities Transaction Taxes: What About the International Experiences and Migrating Markets?" by Kenneth A. Froot and John Y. Campbell, Catalyst Institute, Chicago, Illinois, July 1993; UBS Philips and Drew.

As of 1991, eighteen countries had transaction taxes in effect, or transaction fees were being levied by their nation's stock and/or financial trading regulatory bodies, such as the Securities and Exchange Commission in the United States. But during 1991-93, speculators coerced the repeal of the transaction taxes by a number of governments, including the United Kingdom and Germany. This facilitated faster growth of the global speculative bubble.

introducing amendments to the 1881 Stamp Act, one participant in the German parliamentary debate very usefully assailed speculation, while asserting the right and duty of the state to intervene. He said:

"Large sums are involved in stock exchange transactions.

Transactions are executed with great facility. With variations in business activity, intelligent stock brokers—and there is no lack of them—may gain large profits in no time. . . . Compare this with the gains in agriculture or industry, where profits are amassed very slowly and only with much difficulty and many hindrances. Trading on the stock exchange enjoys unlimited freedom. . . . The brokers are free to establish their own regulations with the aid of the courts of commerce and to fix prices independently on the big stock exchanges. . . .

Transaction fees fund SEC

The Securities and Exchange Commission (SEC), a branch of the United States government that regulates and polices stock trading, is a completely self-financed agency. It applies a transaction fee, which operates in exactly the same fashion as a transaction tax, except that the SEC, not being a government, lacks the power to tax. The Commission assesses a fee on the registration statement of stocks for all stock exchanges in America, at the rate of one-twenty-ninth of 1% of the face value of the security registered; and a fee of one-three-hundredth of 1% on the face value of stocks traded day-to-day.

The following is the projected source of SEC revenues for 1996:

Fees assessed on registration:	\$439,545,000
Fees assessed on trading:	\$117,252,000
Other revenues:	\$29,700,000
Total:	\$585,797,000

According to the SEC, its expenditures for 1996 are projected to be \$297,405,000; so, the SEC will run a surplus of \$288,392,000, which will be turned over to the U.S. Treasury and included in the general revenues of the federal government. So, de facto, today, there already is a kind of national transaction tax in effect in the United States, from which the United States collects more than a quarter-billion dollars a year.

In addition, the New York Stock Exchange, the Philadelphia Stock Exchange, and other stock exchanges in America self-fund themselves through transaction fees. The administration of the fee presents no technical problem. If the financiers choose to pay transaction fees when it is to their advantage, they should also pay a transaction tax when it is to the benefit of the nation.—*Richard Freeman*

According to my way of thinking this turnover or transactions tax is nothing more than a return for the benefits bestowed by the government on the brokers. All brokers should pay for the protection afforded them by the government. Consequently I believe there is ample justification for the tax.”

The rate was increased according to German development financing needs. On Aug. 7, 1923, at the height of the Weimar hyperinflation, the tax rate applied to shares of domestic (and colonial) corporations was increased to 3%, and in the case of transactions between brokers and the public, to 6%. In 1991, Germany still had a stock transfer tax of 0.125%, applied to German residents. This was repealed in 1991, again at the behest of speculators.

Until as late as 1989, the German government held firm and refused to legalize the trading of some financial derivatives within the country. As a result of pressure from the trading of German government bond futures in the London markets, amendments to Germany’s gambling law in 1989 made changes, and permitted retail participation in derivatives markets, followed by the opening of Germany’s first financial exchange, the Deutsche Terminbörse, in 1990.

D. France

Taxation on security transactions began in France with the enactment of the Stamp Act of Nov. 3, 1798, and the Registry Law of Dec. 12, 1798. As of 1938, the last year for which the “Stock Transfer Taxes” Report of 1940 carries data, the rate on the stock transfer tax was 0.43%; the transaction taxes yielded almost 2% of France’s national revenue. As of 1991, France had a 0.15% trading tax on its stock exchange. In addition, there is a fee exacted on France’s major futures/options exchange, the MATIF.

II. United States history of the tax

The Lincoln era

The context for the adoption of the U.S. transaction tax in 1862, was that fierce battle between republicanism and oligarchism: the Civil War. Much is owed to the courage of America’s greatest President, Abraham Lincoln, who was at war with the British oligarchy, the most evil force in the world. He was attempting to prevent the disintegration of the American nation-state. The parallel to today’s situation in Pennsylvania is notable.

In 1861, the British launched and directed their puppet, the Confederacy, in an insurrectionary uprising against the United States. To reinforce the activities on the battlefield, the British conducted the war on a second front: economic warfare, using speculation, and the manipulation of the financial and gold markets, to attempt to shatter the integrity of America’s credit system, especially the greenback, America’s

currency, and U.S. Treasury bonds. This started in the period December 1860 through February 1861, before Lincoln took office as President (March 1861), when London and Wall Street forced the U.S. Treasury to market \$15 million of Treasury notes and bonds at ruinous interest rates of 10-12%.

On Dec. 31, 1861, the American nationalist forces, led by Sen. John Sherman (R-Ohio) and Rep. Thaddeus Stevens (R-Pa.), introduced the Legal Tender Act. It passed Congress and was signed by President Lincoln into law on Feb. 25, 1862. Up to then, America did not have a single, coherent national currency. Three issues of legal tender notes, totalling \$450 million, were issued by the end of 1862. This was the greenback, which became America's currency. It was essential to the functioning of the Union and its war effort.

The British gameplan was to wreck the American credit system, by attacking the fragile greenback. London speculated its value downward, and hoarded gold. Since currencies were valued against gold—even though the U.S. had gone off the gold standard in 1861—a soaring gold price meant that the value of the greenback, and of U.S. treasury bonds, whose interest debt service was to be repaid in gold, would plunge.

In 1861, the price of an ounce of gold averaged \$100; its price would be speculated up to an average of \$113.30 per ounce in 1862; \$145.20 per ounce in 1863; and \$203.30 per ounce in 1864. This process was abetted by John Pierpont Morgan, who was 24 years old when the Civil War started. Morgan was deployed by his father, the powerful banker Junius Morgan, head of the London-based firm Peabody and Co. Peabody and Co. had been founded in the 1840s in London by George Peabody, who was extremely close to Queen Victoria.

The Union victories at Gettysburg, Pennsylvania and Vicksburg, Mississippi in the summer of 1863, brought the price of gold down from its level of \$163 per ounce earlier in the year, to a trading range of \$126-129 per ounce. In response, Peabody and Co., working through its American employee, J.P. Morgan, surreptitiously accumulated \$4-5 million worth of gold. Of this amount, Morgan shipped half to England, including \$1.5 million in one shipment on Oct. 10, 1863. The artificial gold corner, created a scarcity of the metal in the United States, sent the price of gold skyrocketing, and caused an immediate depreciation of both the greenback and U.S. Treasury issues.

This is the background against which President Lincoln acted. In his first action, in mid-1862, to curb speculation against the greenback, as well as against the stocks of fragile U.S. companies, Lincoln and the Republican-controlled Congress adopted a stock transfer tax, to be assessed on every stock sale (L. 1862, Ch. 119, Sec. 94). The "Stock Transfer Taxes" Report of 1940, said:

The tax "was levied at the rate of 10 cents on every broker's note, or memorandum of sale of stock, irrespective of the amount of stock involved in such sales. It was part of a comprehensive provision taxing at the rate indicated, sales by

brokers of every type of property, goods, stock, bonds, real estate, merchandise, etc.

"Two years later [in 1864], the provision for the taxation of stocks and bonds was segregated from the provisions covering the taxation of other types of sales made by brokers. In place of this flat rate tax, a proportional rate was established. The tax was fixed at one-twentieth of 1% of the par value of the stock, or, in other words, at 5¢ for every \$100 of par value. In this way, the tax was made more fair and also more productive of revenue."

The tax raised revenue for the U.S. government to spend on the war effort.

But Lincoln had to wage a parallel fight against the gold speculators, who were led by the British-run House of Peabody-Morgan. On March 3, 1863, Lincoln and the Congress placed a 0.5% tax on time-sales (i.e., forward sales and the like) of gold. The 1863 Act also stipulated that loans made against the security of gold or silver coin, which had a greater value than the pledged coin, were prohibited. A contemporary edition of the *New York Times* reported that in reaction to the tax, the day after the tax was passed, on March 4, 1863, gold prices fell 5%, and a further 10% on March 5.

On June 17, 1864, Congress escalated. It passed legislation that effectively would have shut down the gold room at the New York Stock Exchange. The bill forbade anything but spot selling of gold, i.e., no forward or future contracts would be allowed. Again, the issue was not strictly gold, but whether the United States would have sovereign control over its credit and currency, or whether oligarchical financiers would have the final say. The June 17 legislation, in and of itself, did not succeed. The British and the Morgans flew into action, speculating and hoarding gold, to drive up the price of gold, and undo entirely the intent of the legislation. Fifteen days after the June 17 legislation had been passed, it was repealed.

But the thrust of the overall strategy of President Lincoln's 1861-65 measures did succeed. Typified by such measures as the subsidization of transcontinental railroad building; the creation of land grant colleges; and the Homestead Act, which brought millions of acres under cultivation, Lincoln established a principle: to dirigistically foster productive investment, while crushing speculation. The transaction tax was an indispensable, leading component of this package.

In 1870, the tax was repealed.

McKinley revives the tax

In 1898, President William McKinley adopted the transaction tax. McKinley, who was felled by a British-controlled assassin's bullet in 1901, was a proponent of the protective tariff and other nationalist measures. In 1898, a stamp tax on stock transactions was enacted (Law 1898, Ch. 448, Sec. 6).

The "Stock Transfer Taxes" Report of 1940 said, "When the tax was reimposed, however, during the Spanish-American War, its basis was broadened to include not only the

sales of stock but the transfers of stock of every form and description as well, such as transfers resulting from gifts, inheritances, bankruptcies, loans, exchanges and assignments. . . . The tax became a hybrid one combining the features of a tax on stock trading with those of a tax on the transfers of title to stock. . . . It was primarily a tax on stock market operations.” The rate of the tax was now set at 2¢ per \$100 of par value, which, when translated into percentages, amounts to one-fiftieth of 1% of the aggregate par value of the stock sold. In 1902, during President Teddy Roosevelt’s term, the tax was repealed.

The 1915 tax lasts till 1965

In 1914, the United States adopted a transaction tax, which went into effect in 1915. This was the third time America had ratified such a tax, and this time, it lasted a half-century.

Though the United States did not enter the British-engineered World War I at its outbreak, the government required added sources of revenue, and in 1914, it resorted to the stock transfer and other stamp taxes on a temporary basis. The stock transfer tax went into effect in 1915, and was made permanent in 1917.

The tax was almost identical to the one adopted in 1898 (L. 1914, Ch. 331, Sec 5.).

The tax was levied at the rate of 2¢ per \$100 par value trade. By 1929, the tax yielded the U.S. government \$40 million in revenues. In 1932, U.S. Rep. Fiorello LaGuardia (D-N.Y.) proposed what would effectively be a 10-fold increase in the federal stock transfer tax, whereby the existing rate would be made equal to 0.25% of the market value of the securities traded. This touched off a battle royal in the House Ways and Means Committee, with Wall Street’s agents there telling old wives’ tales that the increase in the tax rate schedule would “produc[e] violent fluctuations in [stock] transactions from day to day or even from hour to hour.” Though the LaGuardia proposal was killed, instead, the federal transfer tax was raised to between 4¢ and 5¢.

The federal transaction tax survived the post-war period. Finally, it was killed in 1965, helping clear the way for the wild speculation on the U.S. stock market during the latter part of the 1960s, known as the “Go-Go Years.”

III. State transaction taxes

The fight in Pennsylvania for a state-administered securities transaction tax is nothing new: That state, along with four others, administered one earlier in this century. These taxes existed at the same time as the U.S. federal government had one, and were not seen as in conflict with the federal tax.

The state taxes were enacted between the repeal of the McKinley transaction tax in 1902, and the re-adoption of a federal tax for a third time in 1915. In 1905, New York State, where more than three-quarters of all stock trading transpired

(and still does) took the bold step of levying a transaction tax at the rate of 2¢ per \$100 traded (0.02%). The tax was intended as a source of revenue, to replace the state property tax. Modifications over time raised the rate to 4¢ per share traded.

The constitutionality of the tax was upheld in the courts [*People ex. rel. Hatch v. Reardon* (184 N.Y. 341; Aff’d 204 U.S. 152)]. It stayed in effect until 1975.

In 1915, state transfer taxes were also instituted in Pennsylvania and Massachusetts, and shortly afterward, in Florida and South Carolina, patterned after the national tax of 1915. The Pennsylvania and Massachusetts rate was 0.02%, the South Carolina rate was 0.04%, and the Florida rate was 0.1%. Since Florida and South Carolina did not, and still do not have state stock exchanges, presumably the tax was applied on state residents irrespective of where their stocks were traded, a precedent with direct bearing on Representative James’s House Bill 2833. All four of the latter states’ transaction taxes were in effect for at least a quarter-century.

The “Stock Transfer Taxes” Report of 1940 said that, “during the prosperous Twenties, the [state] stock transfer taxes were extremely lucrative.”

In the period from 1915 through 1965, the federal and New York State transaction taxes were both in force. The two taxes combined amounted to between 8¢ and 9¢ per \$100 of par value stock, slightly less than one-tenth of 1%. Clearly, this level of tax is easily supportable.

IV. The fight for the transaction tax today

Though repealed on a national level and in New York State in 1965 and 1975, respectively, the idea of a transaction tax would not die. As during the 1980s and 1990s, the volume of derivatives whirled out of control, creating a speculative bubble growing at a hyperbolic rate of growth; and as the shrinking physical economy collapsed incomes, as well as federal, state, and local budget revenues, the demand for a transactions tax was rekindled.

A partial list indicates the increasing density of calls for re-instating this tax.

1. In 1987, Rep. Jim Wright (D-Tex.), then Speaker of the U.S. House of Representatives, proposed a Securities Tax on stock trading. The tax would have required payment of 0.5% of the value of the transaction, by both the seller and the buyer; thus it would have been a 1.0% tax. In May 1993, Wright explained the background to the bill:

“I proposed the tax at the time I was Speaker. . . . I raised it as one of the few options I thought of, to raise revenues without putting the burden on low-income Americans. Instead, shift the tax to speculators. I thought that with the large volume of stock trading and sales, a tax applied there wouldn’t be hurtful to the average taxpayer or be a burden on him. . . .

“At the time, we were trying to work through a budget bill; we wrote out a budget that had a \$36 billion reduction. That would reduce the budget by that amount. In 1987, that would be the 1988 budget that we were preparing. The \$36 billion reduction was to come half through taxes, and half through expenditure cuts. We had budget cuts of \$9 billion in domestic programs and \$9 billion [in] military, that’s \$18 billion. And then the other half was to come from taxes. That’s when I came up with my options.”

Speaker Wright revealed that “the vote was very close; I think, it was 206 to 205,” in which the budget bill, containing this tax, went down to defeat.

2. During the 1990 budget negotiations, Chairman of the Senate Finance Committee Lloyd Bentsen proposed a Securities Transactions Excise Tax (STET) of 0.5% on all financial transactions except Treasury securities. But the proposal was opposed and was not included in the final budget resolution.

3. In 1989, Joseph Stiglitz, now chairman of the Council of Economic Advisers (CEA), proposed a securities transaction tax in an article, “Using Tax Policy to Curb Speculative Short-Term Trading,” in the *Journal of Financial Services Research*, 3, (1989), pp. 101-16.

4. In 1989 and 1990, Lawrence Summers, who is now deputy secretary of the Treasury, along with his wife Victoria P. Summers, issued two articles proposing a transaction tax: “When Financial Markets Work Too Well: A Cautious Case for a Securities Transaction Tax,” which was a Harvard University Mimeo, 1989; and “The Case for a Securities Transactions Excise Tax,” which appeared in the *Journal of Financial Services Research*, 3, (December 1989), pp. 261-86.

5. James Tobin, Nobel Prize winner in Economics and professor of economics at Yale University, proposed a 0.5% tax on foreign exchange transactions, in an article entitled “Tax the Speculators” in the Dec. 22, 1992 *Financial Times*. Tobin wrote:

“Since the breakdown of the Bretton Woods agreement in 1973, exchange rates among leading national currencies have fluctuated, often violently. Much of their volatility reflects short-term speculation, distorting signals the markets give for trade and long-range investment. Most experts agree that the ups and downs have greatly exceeded variations in rational estimates of currencies’ fundamental values. . . .

“Here I shall argue for a different proposal, which I first advanced in 1978. An international uniform tax should be levied on spot transactions in foreign exchange (including deliveries on futures contracts and options). . . .

“A one-half-percent tax on currency transaction is equivalent to a four percentage point difference in annual interest rates on three-month bills, a considerable deterrent to those contemplating a quick round trip to another currency.”

6. On March 9, 1993, Lyndon LaRouche proposed that the United States adopt a 0.1% tax on the face value, or in the case of derivatives, the notional principal amount, of all financial transactions, including stocks, bonds, foreign ex-

Is a transaction tax enforceable?

The constitutionality of such a tax was upheld in the courts (see New York State). Nevertheless, individuals or corporations may seek to evade the tax, by engaging in transactions in other states, or through brokers located in other states.

Among the legal precedents dealing with this issue are two Supreme Court decisions: a 1974 case, *National Bellas Hess, Inc. v. Department of Revenue of the State of Illinois*; and a 1992 case, *Quill Corp. v. North Dakota*. These cases have been interpreted to allow imposition of a sales tax by a state, on its residents engaging in transactions through a broker in another state, as long as that broker also has an outlet in the original state.

For example, a Pennsylvania resident who deals with a Merrill Lynch broker in New York, is still subject to a Pennsylvania transactions tax, since Merrill Lynch has offices in Pennsylvania, thus constituting a “physical nexus” of the company in Pennsylvania.

—Richard Freeman

change, options, futures, and all forms of derivatives. LaRouche said this tax should “lance the speculative bubble,” and calculations showed it could raise more than \$100 billion per year in federal tax revenue.

7. On March 28, 1994, Rep. Henry Gonzalez (D-Tex.), then chairman of the House Banking Committee, on the floor of the House, called the derivatives market “an electronic Ponzi scheme.” He stated, “I think you stop [the speculation] overnight if you just imposed a one-tenth of 1% tax on those transactions. You’d see an immediate deflation.”

8. In a Feb. 28, 1996 report, “Scrambling to Pay the Bills: Building Allies for America’s Working Families,” by Sen. Jeff Bingaman (D-N.M.) to Senate Minority Leader Tom Daschle (D-S.D.), a proposal to tax speculation was floated. The tax “would impose a small and diminishing securities transfer excise tax (STET) on broad-based security sales, made less than two years after purchase.”

Pennsylvania Representative James’s bill, H. 2833, proposing a 0.2% transaction tax, would save human lives, while rebuilding the economy. It would raise desperately needed revenues, while beginning to deflate the dangerous speculative bubble. Reviving a 300-year-old tradition, were Representative James’s bill to be passed in Pennsylvania, it would create leverage to pass this tax on a federal basis. Every citizen’s interest, whether in the United States or internationally, would benefit from its passage.

Book Reviews

Free trade is an aberration, not the norm, in economic history

by Leonardo Servadio

Economics and World History: Myths and Paradoxes

by Paul Bairoch

University of Chicago Press, Chicago, 1993
184 pages, paperbound, \$13.95

Usually, professional economists believe that their analyses are “objective” because they are based on numbers, and therefore they tend to accuse the representatives of different schools of thought of harboring ideological proclivities. In reality, there is no science which is so tainted with subjectivism as is classroom economics, in which theories, however organized into numerical structures and systems of graphics, are always based on unstated preconceptions and partisan interests. This book has the great merit of confronting the issue of the “mythologies” on which today’s classroom economics is based. In so doing, the book’s author, a professor of Economics and History of Economics at the University of Geneva, Switzerland, moves an important step in the direction of truth and honesty, which makes of this essay something rare in the world of economics publications.

We will summarize some of the most significant conclusions which are drawn or which can be drawn from the accurate statistical-historical analysis by Bairoch, then summarize some of the arguments he presents.

The gist of the book is that it proves that economic liberalism is another name for British economic imperialism; that, far from favoring economic development, liberalism has always been the cause for economic recession in history; and that industrial development could only take place thanks to protectionist policies. Bairoch shows that what is today variously known as the “Third World” or the “developing sector” actually became underdeveloped precisely because of the imposition of British liberalism; whereas North America and

Western Europe could develop, precisely because they rejected liberalism throughout their history, up until the 1960s.

Among the mythologies that Bairoch challenges, there is the one that has had great success among Marxist circles: that industrial economic development of the Western world was possible thanks to the exploitation of the Third World markets and raw materials. Bairoch shows that those countries which did not have colonial enterprises were able to develop faster than the colonialist powers and, further, that the relation between colonial power and colonies was bad for both parties, because it hindered the extent to which the industries of the colonial power were able to develop (for example, Great Britain), while it destroyed whatever industrial potential existed in the colonies.

Protectionism vs. liberalism in 1929

Let us look more closely at some parts of Bairoch’s analysis. Being an historian, Bairoch looks at the present from the vantage point of the past. His analysis starts off from the crisis of 1929, which, he explains, evoked the ghosts of the crash of 1929. At that time, the dominating concern was to fight protectionist policies, because the 1929 crash was considered to have occurred precisely due to the prevalence of protectionism during the 1920-29 decade. One of the reasons for this mistaken belief, was that the 1927 meeting of the League of Nations in Lausanne, Switzerland, set out to modify the trade policies of that time, which were considered too protectionist. In reality, the weighted average of tariffs remained tendentially the same as in the years preceding the First World War: 24.6% in 1913, as against 24.9% in 1927. Furthermore, as a consequence of the 1927 conference, tariffs were generally reduced. In other words: There was no particular protectionism at that time. Between 1924 and 1929, the volume of world exports increased by 6%; it was not a time of rampant liberalism in world trade, but one cannot speak of particularly strong protectionism either, since that level of protectionism had been predominant throughout the industrial countries, not

only in this century, but also before.

If one cannot say that protectionism caused the 1929 crash, possibly the contrary is true: It was as a result of the 1929 collapse that the Smoot-Hawley Act brought the level of U.S. industrial tariffs up to as much as 60% in some cases, and to an average of 45-50%; this led to an increase of tariffs internationally.

The general problem of neo-classical economists is that they believe in the dogma that free trade is the rule, protectionism the exception. The reality is the reverse: The rule in the economic history of the industrialized sector is protectionism, and free trade is the exception. As it becomes clear with the development of Bairoch's argument, protectionism tends to favor industrialization, whereas free trade tends to destroy it.

On May 15, 1846, the Corn Laws were abrogated in Britain. Those laws, dating back to 1815, protected local grain production from foreign imports, and had been fought by a free trade lobby called the Anti-Corn Law League, founded in 1838 in Manchester by industrialists who relied on the opportunity of importing cheap grain to push forward Great Britain's status as the world's strongest industrial economy: Bairoch relates that its level of industrial production per capita surpassed the rest of Europe by 250%. In other words, being a new industrial exporter, it had all the advantages in pushing

free trade. Britain started to propagate the free trade line internationally: In 1855, the Belgian Association for Tariff Reform published a call inspired "by the results of economic science and by the experience of real facts, in particular, in England." Bairoch notes that similar groups emerged in several countries, often created under British direction, precisely to push free trade ideology, and sometimes they succeeded in their attempt, even if the general tendency of the time was the reverse. Before 1860, only a few countries (Holland, Denmark, Portugal, and Switzerland, and later Sweden and Belgium) had adopted a free trade policy.

In 1860, Great Britain signed a free trade agreement with France, a necessity for Britain which had a trade deficit in agricultural products, with that country. The agreement was considered in France as a coup d'état, since the parliament was opposed to it, and the agreement was established by means of secret negotiations between Napoleon III's envoy Michel Chevalier (a follower of Saint-Simon) and Britain's Richard Cobden. That agreement was the first of a series which Britain would establish with several European countries, known as the "Cobden agreements."

But the period of free trade did not last long. As early as 1879, Germany reintroduced a new system of tariffs and a new wave of European protectionism began in 1892, when France also reintroduced protective tariffs.

LaRouche on protectionism

The most rigorous refutation of British free-market liberalism, is that developed by physical economist Lyndon LaRouche, the foremost exponent today of the "American System of Political Economy." Philosophically, LaRouche's contributions go far beyond the work of Alexander Hamilton and the cameralist school, to demonstrate the relationship between economic growth, scientific and technological progress, potential relative population-density, and the creativity of the human individual.

In a speech during his campaign for the 1996 Democratic Party Presidential nomination, in Manchester, New Hampshire on Feb. 6, LaRouche took up the issue of protectionism vs. free trade, outlining a concept of "national economic security."

Citing the U.S. war mobilization of the 1930s and 1940s, he said: "We had to have a policy of protecting our vital national industries. We had to have supplies of helium and other kinds of essential materials, so that we could not be cut off from those supplies needed for a mobilization for peaceful or other purposes. We had to protect those

industries, by tariff protection and trade agreements, which were struggling to emerge as the future industries of the United States. . . .

"Every patriotic President, was for the protective tariff. The Whig Party, out of which the modern Democratic Party comes, as well as all decent Republicans, comes out of that tradition, of the Clay-Carey Whigs of the early 19th century; of John Quincy Adams and James Monroe, and Lincoln, and people like that. McKinley was part of that, too. The McKinley Tariff of 1890, to protect American industry.

"Under those conditions, we emerged repeatedly as a leading world power. We established the highest level of income in the world, under these policies. We didn't hurt anybody by doing that. These protectionist policies were good for us, and they were good for others who imitated us in doing it."

Among LaRouche's writings on physical economy and the bankruptcy of classroom economics, see these that appeared recently in *EIR*: "Why Most Nobel Prize Economists Are Quacks," July 28, 1995; "Non-Newtonian Mathematics for Economists," Aug. 11, 1995; and "More 'Nobel Lies,'" May 31, 1996. See also "Why Lincoln Built the Nation's Railroads" and "How Lincoln Made Farmers Scientific," by Anton Chaitkin, *EIR*, Feb. 9, 1996.

Case study: the United States

Outside of Europe, the United States was decisively protectionist throughout the 19th century. The highest level of protectionism coincided with the first wave of industrialization of the country in the early decades of the 19th century; in the 1873-74 period, the average tariffs were on the order of 43-44%, and in 1879-81, the average rate of tariff for imported industrial goods was around 40%. In 1842 there was a policy of liberalism which drew the tariffs down to around 25% for industrial products. Again, in 1846, the tariffs were reduced by the Democratic Party to a level of around 10-20%. The Civil War saw the British-backed liberalist South against the protectionist North, and the victory of Lincoln was the victory of protectionism: the victory of those who wanted industrial development.

Bairoch shows that throughout its history, until after the Second World War, the United States had strict protectionist policies. Yet most economics books present the U.S. policy as free-marketeer, citing examples, such as the October 1913 Underwood Tariff, which dramatically increased the number of goods which could be imported freely into the United States, and significantly reduced the average level of tariffs. But, in reality, this law had nearly no effect, because the First World War erupted a few months after its approval. Immediately after the war, with the return to power of the Republican Party, tariffs again increased to around 30% for industrial products. "The idea that the United States is in the forefront of the free-market policies is so strongly widespread that the tariff of 1913, even if it nearly had no practical effect at all, is generally mentioned as an index of the level of the U.S. tariffs prior to the First World War," writes Bairoch, regarding this clear example of how economists base themselves on mythologies.

'Ocean of liberalism'

If what today is known as the industrialized Western world was predominantly under protectionist policies, was it the same in the colonial countries (later known as the Third World)? No, says Bairoch, because here we have a dramatic difference: "If we get out of the ocean of protectionism of the developed world, there is no doubt that the future Third World was an ocean of liberalism," a liberalism which was directly imposed on the colonies or "strongly suggested" to former colonies which were nominally independent. The British Empire functioned exactly that way: It ensured that all the products of Great Britain could be imported duty free into the colonies, whereas, the products of the colonies were subject to measures which distinctly favored the industries of the imperialist power. This went for India, for all the Ibero-American countries, for China, for Thailand, and for the Middle East. A series of treaties, significantly named "unequal treaties," regulated the relation of those countries to the industrialized sector. The majority of those treaties were signed between 1870 and 1950, especially under British pressure. A typical example is Ibero-America. Britain had backed the independence of the Ibero-

American states from its Spanish and Portuguese competitors; in exchange it imposed the "unequal treaties" on trade, the first of which was signed with Brazil in 1870. The treaties opened the economies of those countries up to the free introduction of British and European goods. At the same time, those treaties did not guarantee free access in the British markets to the future Third World country's production.

This is the key to why the underdeveloped sector is underdeveloped. Without exception, the countries which became the Third World were all dominated by British liberalism. At the same time, in the course of the 19th century, the advanced sector was predominantly protectionist; hence the difference.

Does free trade policy favor the development of international trade? No, as Bairoch demonstrates. In 1892 France introduced strong protectionism; in the ten years prior to that, its exports grew 2.1% per year and the GNP grew 1.2% per year. In the first ten years after the protectionist shift, exports grew 1.9% per year and the GNP grew 1.3% per year; the following decade shows exports growing 2.2% per year and GNP 1.5%. Even stronger differences occur with the case of Germany: After the introduction of new protectionist measures in 1885, exports went from an average 3% growth per year in the previous ten years, to 2.4% in the subsequent decade and 5.7% in the second decade, whereas GNP went from 1.3% in the previous decade, to 3.1% in the subsequent decade, and to 2.9% in the second decade. With these kinds of statistics (and many more), Bairoch proves that the growth of international trade has more to do with the development of industrial production, which protectionism allows, than with the free trade afforded by reduced or no tariffs.

Again, in the "ocean of liberalism," i.e., in the countries which would become the Third World, free trade policies destroyed their productive capacities. The case of India is typical: After 1813, the last Indian monopoly on cotton was suppressed and the import of textile products was liberalized. As a consequence, 1 million yards of cotton fabric were imported in 1814, 51 million yards in 1830, and 7,050 million in 1890. The Indian producers closed shop, as technological advances in Britain allowed productivity there to vastly surpass the productivity of the Indian firms. The textile industry disappeared in India. The same happened in Ibero-America as a result of similar policies implemented by Britain, with the participation of the United States and France.

Was it necessary for the Third World to remain backward in order for the industrialized sector to advance? To the contrary, answers Bairoch: The level of exports to the future Third World countries was always relatively small, aside from the case of imperial Britain; and, in addition, the level of exports from the future Third World countries to the industrialized countries was insignificant until the 1950s.

In the case of Britain, which at the beginning of the 19th century was so much more advanced than the other European countries, the fact that it had at its disposal so many markets in the colonial world, delayed the development of its industry, because it could easily export to those captive markets without

the need for technological improvements. It was this situation which brought Britain from being the most highly developed economy of the world at the beginning of the 19th century, to being surpassed by Germany, at the century's end. So, in reality, the colonized countries did not develop faster than the other economies; to the contrary, they developed more slowly. The economies of Great Britain, France, the Netherlands, Portugal, and Spain, throughout the 19th century, were characterized by slower growth than those countries which were not colonial powers, such as Belgium, Sweden, Switzerland, or the United States. The same is true in the 20th century: As Belgium joined the club of the colonialist powers, its rate of growth decreased.

What happened in the Third World? At one point, the nations of the South were at approximately the same industrial and economic level as what would later be the industrialized sector. At the end of the 18th century, the economies of the future Third World were comparable with those of the European countries (see below).

India was a net exporter of cotton yarn in the 18th century; by the middle of the 19th century, its cotton industry was totally destroyed. Deindustrialization took place as well in steel production: By the end of the 19th century, local steel production had fallen so much, Bairoch estimates, that some 90% of the national steel industry had been destroyed. China met a similar fate: Its once powerful textile industry was so destroyed, that at the beginning of the 19th century it was able to satisfy no more than 50-70% of domestic requirements. On the destruction of the Turkish industry, Bairoch quotes British Prime Minister Benjamin Disraeli: "In Turkey they introduced the free market and what was the result? It destroyed some of the best manufactures in the world."

A table in Bairoch's book dramatically presents the progression of deindustrialization in the Third World. It indexes industrialization, as production of industrial goods per capita, for the underdeveloped versus the developed sectors. In 1750, the level of industrialization was 7 against an index 8 for the developed countries; in 1830, the indices were, respectively, 6 and 11, dropping to 7 against 35 in 1900; 5 and 135 in 1953; and 29 and 412 by 1990. Making this difference even more dramatic, the indices for the Third World include the economies of South Korea, Singapore, Taiwan, and Hongkong, whose productivity is the highest in the world; in fact, the majority of the industrial production of the Third World is concentrated in those "Asian tiger" countries and Brazil. In 1750, the future Third World accounted for 70-76% of the industrial production of the world. In 1973, the percentage of the Third World industrial production had fallen to 7-8%. In the meantime, the population of the Third World, proportionately, had dramatically increased.

Here we have the beautiful results of the "free market": in reality, the new name for imperialism.

Bairoch leaves his conclusion to a quote which John Kenneth Galbraith wrote in an article on "The Rush to Capitalism," for the *New York Review* of Oct. 25, 1990 (p. 51): "In

my opinion, some, and perhaps most of the advice offered today to the states of Central and Eastern Europe, originates from a view of the so-called capitalist economies, of economies based on free enterprise, which has nothing to do with reality. Nor would those economies have survived, if they had shared it. What is being offered is an ideological construct which in its entirety only exists in the minds and in particular in the hopes of those who offer it. It has no relationship to reality."

In other words: Free market economics is an ideology whose aim is domination over countries and populations. So, in the light of the broad historical overview, which clearly shows that the free market economy is actually an anti-industrial instrument, in whose interest is it to run up the flag of free-market economics? The only answer which can be derived from the historic analysis of Bairoch, is that it was in the interest of the British Empire. It is overall an honest book and a very interesting analysis, which could open up serious reflections in the academic world, if that world were capable of honesty and independence from the dominating financial powers of today.

*Editor's Note: Mr. Servadio is a Milan contributor who wrote his review based on the just-released Italian translation of Mr. Bairoch's book, *Economia e Storia Mondiale*. The quotations he uses are re-translated into English from the Italian, and are not from the University of Chicago Press edition.*

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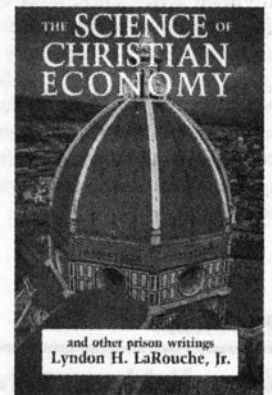
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Business Briefs

Education

Attack on Classical curriculum sparks row

Luigi Berlinguer, Italy's minister of education, caused a major controversy in mid-August by stating that the Classical Liceo (high school) "has corrupted us." According to Berlinguer, as quoted in all of the major Italian press on Aug. 15 and 16, the Classical Liceo, which emphasizes study of Greek and Latin, leads to a denial of "manuality."

Berlinguer, a member of the Party of Democratic Socialism and the cousin of Enrico Berlinguer (the former leader of Italy's Communist Party), was publicly supported by a member of the party's executive, although praise and condemnation for the minister's comments came from all sides of the political spectrum. Support for the attack on Classical education is based on the perceived necessity to keep up with the technological innovations in the workplace, and thus to be able to compete in the global economy.

Such approaches, however, lead to the dumbing-down of the labor force. The Classical curriculum is necessary to enable people to learn how to think, to function as citizens of a republic. Italy's education system, unlike that of the United States, is federally centralized, and thus, any reform is initiated by the government and permeates the entire system.

Petroleum

Iran, Pakistan to build refinery, study pipeline

Iran and Pakistan signed an agreement on Aug. 21 to build a joint oil refinery in Pakistan, *Al-Hayat* reported. The refinery, which will cost \$1.2 billion, will be built in Pakistan's southwestern Baluchistan province, and will refine 120,000 barrels daily of crude oil imported from Iran. The Iranian News Agency announced, that according to the agreement signed by Iran's Oil Minister Gholam Reza Aghazadeh and his Pakistani

counterpart, Mohammed Asghar, the two countries will cooperate to build the refinery, using Iranian expertise and material; 70% of the cost of construction will be covered by international sources.

Iran and Pakistan also signed an agreement to conduct a feasibility study for a 1,600-kilometer gas pipeline to supply 1.6 billion cubic feet of gas per day to Pakistan. The National Iranian Gas Co. and Interstate Gas Systems Ltd. agreed to a fast track for a detailed feasibility study of the proposal, after a meeting of the Iranian oil minister with Pakistan's Federal Minister for Petroleum and Natural Resources Anwer Saifullah Khan.

Pakistan's gas requirement is increasing at a very high rate of around 8% a year. In winter, Pakistan resorts to gas cuts for industrial areas in order to meet the requirements of domestic consumers. Domestic consumption is also increasing, with rapid population growth and extension of the gas supply to more and more towns and cities.

High Technology

Transrapid will make money, says executive

Germany's high-speed magnetic levitation railway project, the Transrapid, could generate DM 1 billion (\$670 million) in income annually, according to chief executive Dieter Baum, *Welt am Sonntag* reported Aug. 25. The line is to begin operation in 2005.

Baum said that contracts were almost complete to build and service the maglev rail line that will cover the 290-kilometer (180-mile) Hamburg-Berlin route in about an hour. Baum said that the firm to operate the Transrapid would be founded officially in Berlin this year or early 1997. It would go public by autumn 1998, with starting equity capital of DM 500 million.

Baum said construction would begin next year. The main contracts to build and service the track and trains would be spread among members of a consortium financing half of the semi-state project. Tenders would be sought Europe-wide, but, Baum said, "it

is not conceivable that any other firm could provide the standards needed." Transrapid is 50% financed by a consortium comprising Thyssen, Siemens, Daimler-Benz, Hochtief, Holzmann, Bilfinger and Berger AG, and Deutsche Bahn AG, the German state railway operator. Baum thinks it would be simplest to give Deutsche Bahn the role of monitoring the track, trains, and personnel.

Annual operating costs for the venture would be around DM 280 million a year. In addition, Deutsche Bahn would receive around DM 130 million a year for use of the tracks and another DM 170 million once the venture has reached breakeven. Transrapid officials are projecting an annual passenger ridership of 14.5 million. However, Baum said, the venture could still turn a profit by 2010 if riders were as low as 12.5 million.

Russia

Renationalization of raw materials mooted

Plans are on the table within the Russian elite "to restore the state monopoly over natural raw materials resources" in order to generate revenue, *Nezavisimaya Gazeta* reported on Aug. 14. The plan involves using the Federal Program for Intensified Combat Against Crime in 1996-1997, approved in May.

On Aug. 2, *Izvestia* wrote that the State Committee on Precious Metals has recommended renationalization of the diamond firm Almaz Rossii-Sakha, because the diamond industry has been turned from an earner of more than \$1 billion a year for the state, into a loss-maker.

On Aug. 13, according to *Nezavisimaya Gazeta*, there was a leadership meeting of the Union of Oil Exporters of Russia, attended by the heads of more than 20 oil companies, including LUKoil and YUKOS, which oppose the restoration of a state monopoly on natural resources, especially oil. They told the press that this would mean "a departure from the policy of liberalizing Russia's foreign economic relations and the integration of Russia into the world economic system," and would make it more dif-

difficult for Russia to join the World Trade Organization, as well as damage relations with the International Monetary Fund (IMF) and harm the investment climate and the world market position of Russian oil exporters.

Politically, the paper said, Prime Minister Viktor Chernomyrdin and other ministers would oppose such a move, but it noted that Internal Affairs Minister Kulikov recently proposed to fund the Army and Internal Forces with oil dollars and rubles. Other gossip has it, that the President's staff is pushing these scenarios, only in order to pass the latest IMF review. The IMF's many years of anti-market struggle against the Russian oil and gas companies show that the Washington officials could not give two hoots about the competitiveness of Russian business, *Nezavisimaya* observed, and the Fund might be quite happy with promises of increased budget revenues, raised by a reintroduced state oil monopoly.

Labor

Productivity higher in Germany than Britain

A comparative survey carried out by the Munich-based IFO institute over a three-year period (1991-93), found that the productivity and qualifications of the labor force were higher in Germany than in Britain, the *Frankfurter Allgemeine Zeitung* reported Aug. 23. Even Irish industry comes better off than Britain's, in many aspects, the IFO researchers found. The report is based on interviews with 3,500 firms in Germany, Britain, and Ireland.

For example, 71% of the German firms interviewed introduced newly developed products to the market, against 68% of the Irish firms and 61% of the British ones, indicating a higher rate of innovation.

In terms of the general qualifications of the workforce, 25% of German high-technology firms have problems finding qualified workers, compared to 31% in Britain. In the automotive industry, 44% of the British firms have problems finding qualified workers. In firms with more than 500 employees,

the respective percentages in Germany, Ireland, and Britain are 14, 17, and 40%.

The IFO findings corroborate an earlier report which defended the higher wages in Germany against those in low-wage Britain, and which said that the productivity and workforce qualifications in Germany were almost twice as high as those in Britain's industry. The figures of the IFO clearly discredit the propagandists of the neo-conservative movement in Germany, who praise the British model of "Thatcherism."

Nuclear Energy

Turkey looks to tap new energy potential

"Nuclear power is a must for Turkey," Energy Minister Recai Kutan said Aug. 20 during a meeting with businessmen in the city of Izmit, the Anatolian news agency reported. "We cannot build big hydroenergy power plants every year. We must make use of our nuclear energy potential."

Kutan said Turkey was seeking to revive a 30-year-old plan to build a nuclear power plant on the Mediterranean coast. Previous governments shelved the plan after protests from residents, local politicians, and environmental activists. Officials said the government would invite an international tender to build the plant, originally designed to have a generation capacity of 1,000-1,400 megawatts and produce up to 10 billion kilowatt-hours (kwh) annually—nearly 10% of Turkey's needs. Its total cost is estimated at \$3-5 billion.

Turkey had been self-sufficient in electricity for years, but lack of investments led to shortages. The obstacles were aggravated by a constitutional court ruling in the early 1990s that demanded special oversight of projects involving foreign concerns. That decision has delayed at least seven power projects with a generation capacity of about 1,000 MW, worth around \$2.6 billion, according to official figures.

The decision, announced by Kutan, makes even more clear the determination of the Erbakan government to achieve long-term energy independence.

GERMANY needs infrastructure investments of more than DM 800 billion (\$500 billion), DM 300 billion in water management alone, stated Otmar Franz, the chairman of the construction industry association, the Aug. 18 *Frankfurter Allgemeine Zeitung* reported. This year, construction bankruptcies will lead to a loss of 100,000 jobs, and every billion marks creates about 12,500 jobs, he said.

MYANMAR and Thailand held discussions in August, in part aimed at reviving plans from 1979 for dams along the Salween River, which parallels their border, *Asia Times* reported on Aug. 6. The projects were held up by the civil warfare in the area which, with the surrender of Khun Sa, is winding down.

FRANCE'S oil group Total SA said on Aug. 19 that Malaysia's Petronas had taken a 30% stake in a \$600 million project to develop two oil and gas fields in Iran. The Sirri deal is the biggest foreign commercial contract signed by Iran since the Khomeini takeover in 1979.

TURKEY'S Prime Minister Necmettin Erbakan announced on Aug. 21 major defense industry accords with Pakistan, Malaysia, and Indonesia. "Turkey, Pakistan, and Indonesia are in agreement to jointly produce military transport aircraft," he said, and would also seek to cooperate in manufacturing military helicopters, submarines, and frigates.

JAPAN plans to shift low-interest loans from coastal regions in China to underdeveloped inland areas, according to the *Nihon Keizai Shimbun*, the Aug. 19 Singapore *Business Times* reported.

DANISH shipyards face investigation for 308 cases of suspected financial fraud over 1986-95, that garnered them support from the state, the European Commission announced Aug. 19. The move came days after the Danish Supreme Court ruled that the 1992 Maastricht Treaty is open to challenge in Danish courts.

Is there, was there, life on Mars?

by Marsha Freeman

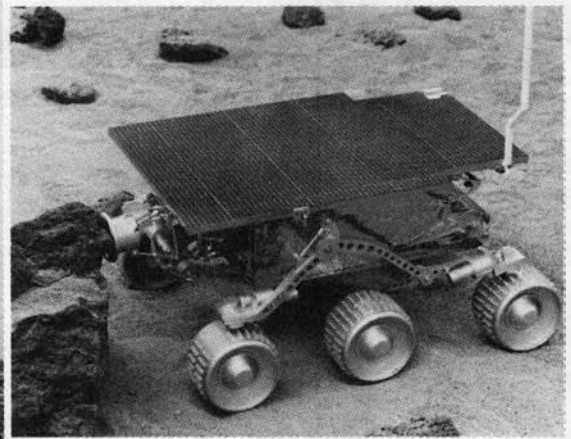
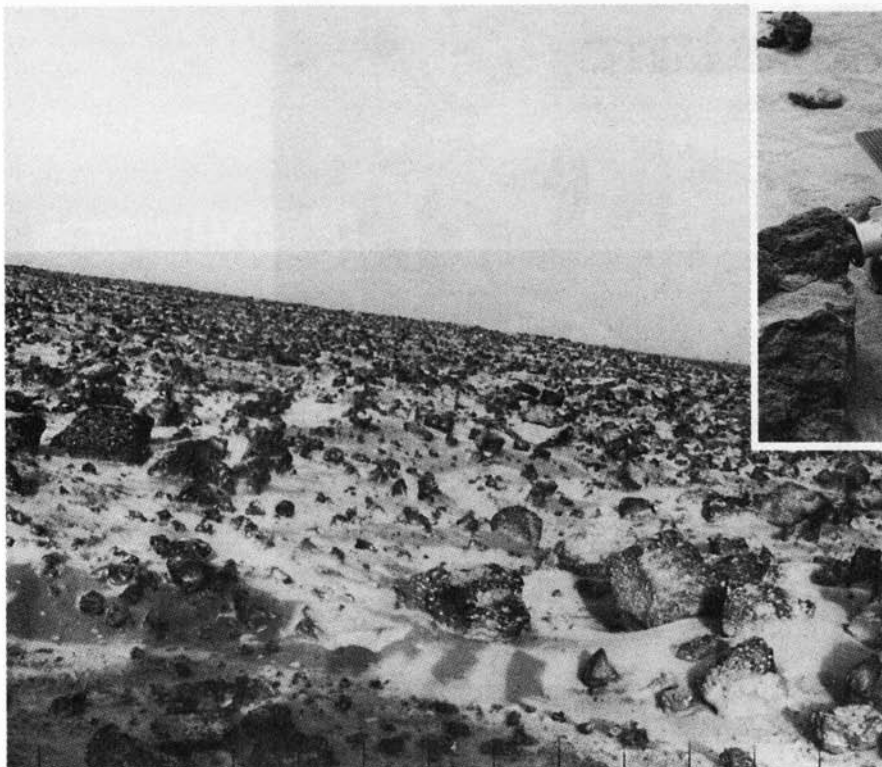
For over one hundred years, one of the most hotly debated questions in the world scientific community has been whether there was, and even could still be, life on Mars. In 1877, Italian astronomer Giovanni Schiaparelli pointed his telescope at Mars, and described features he saw on its surface as *canali*, by which he meant channels, but which was mistranslated as “canals.” That error fueled the notion that sentient beings had constructed a series of waterworks on the red planet.

Even before that, there had been speculation that intelligent beings lived on Mars, and the great scientist Carl Gauss suggested one way to communicate with them, which was to plant trees in Siberia to form three squares, demonstrating to the Martians that the Earthlings understood the Pythagorean Theorem. Such speculation ended, however, when the Mariner 9 orbiter returned photographs of Mars, in 1971, showing no artifacts or other signs of intelligent life.

But the Mariner spacecraft revealed a fantastic planet that *could* have harbored life, in the past. Clear to any observer was evidence of a previously geologically active planet that had produced features such as volcanoes, including the largest one in the Solar System, Olympus Mons. Channels and dry lake beds, most likely formed by liquid water, indicated that in its past, Mars had been a wet, and, therefore, warmer planet, not all that different from the early Earth.

Over the decade following the arrival of the next visitors to Mars, the Viking landers and orbiters, in 1976, scientists continued to pore over the photographic evidence, as well as the results radioed back to Earth from the instruments aboard the four Viking spacecraft, to try to solve the mystery of whether there was life on Mars. Most experts closed the book on life on Mars when the Viking landers could not provide conclusive evidence that life exists on Mars today.

But in their paper on the evidence for early life on Mars from a meteorite, published in the Aug. 16 issue of *Science* magazine, the team of scientists led by David McKay and Everett Gibson, from the NASA Johnson Space Center, points out that no matter how one interprets the Viking results on the existence of life on



Scientists have determined that the only nonnegotiable prerequisite for life is water. This 1979 photograph of the Utopia Planitia region of Mars, taken by the Viking 2 lander, shows a thin coating of water ice on the rocks and the soil. The ice remained on the surface for 100 days. Inset: The 25-pound Sojourner rover will be the first vehicle to traverse another planet. The top of the vehicle is the solar panel that will power it.

Mars today, “the Viking results contained no information on possible fossils.”

It is indeed ironic, that the Aug. 7 announcement by a team of scientists that they believe they have found evidence of life on Mars, was garnered from a piece of Mars that came here, rather than from spacecraft we have sent there.

There is general agreement, however, that the definitive answer to the question of whether there has been, and whether there is today, life on Mars, will require the transit of man to the planet, to search for himself.

Is there life on Mars today?

The initial investigations by researchers looking at the Viking data led to the conclusion that there is no life on Mars. Each of the two Viking landers had a pair of slow-scan cameras mounted about three feet apart. The cameras were capable of “seeing” objects big enough to be seen by the human eye, but in none of the hundreds of pictures relayed back to Earth could anyone discern any sign of life.

In 1984, two years after Viking stopped sending data back to Earth, NASA released its evaluation of the results, in a publication titled *Viking: The Exploration of Mars*, stating that “the cameras found nothing that could be interpreted as living.”

Each lander also contained a Biology Instrument package, and a Gas Chromatograph/Mass Spectrometer (GCMS) to search for organic molecules, evidence of living things, in the Martian soil. Samples for the biology and chemical experi-

ments were provided by the soil collector arm on Viking, which scooped up soil and delivered it to the chambers of the experiment.

Each sample was heated in a small oven, and the instruments measured the volatilized gases that were released, in a search for organic compounds—combinations of carbon, oxygen, hydrogen, and nitrogen—that are present in living matter on Earth. In its 1984 evaluation, NASA reported, that “to the surprise of almost every Viking scientist, the GCMS, which easily finds organic material in the most barren Earth soils, found no trace of any in the Martian sample.”

But not every Viking scientist was satisfied with the conclusions drawn from the results. As exobiologist Penelope Boston wrote in 1993, “Is absence of evidence evidence of absence?” In the years since Viking ceased transmitting data, scientists have continued to use increasingly sophisticated processing technology to reevaluate the data. Similarly, the recent discovery of the tiny structures in the Martian meteorite was made when scientists used a new scanning electron microscope and other tools that became available only in the past few years.

On July 21-23, 1986, the NASA Mars Conference was held at the National Academy of Sciences in Washington, D.C., to commemorate the 10th anniversary of the Viking landing. Presentations that were given before more than 400 scientists and engineers, described the state of knowledge about Mars and the upcoming missions that were planned to further explore it, and also allowed scientists to air their



After the Mars Pathfinder lander is on the planet's surface, its air bags will deflate, and the three petals protecting the scientific instruments will open. Nestled on one of the petals will be the tiny Sojourner microrover (left petal), which will collect data and relay it back to the lander, for transmission to Earth.

differences in evaluating the Viking data.

In his highly controversial presentation on "A Reappraisal of Life on Mars," Dr. Gilbert Levin, a biochemist who had designed one of the instruments for the Viking landers, stated that he did not think that one of the tests, using the GCMS, which had produced negative results on organic material in the Martian soil, was adequate, or accurate. His, and colleague Dr. Patricia Straat's, Viking instrument, the Labeled Release experiment, had, in fact, indicated a partially positive response to the question of life on Mars. Their experiment took a sample of wetted Martian soil on Viking, labeled with a radioactive nutrient, and heated it to observe the evolution of gases emitted, to determine whether living organisms had ingested the food, and, one might say, "burped." The instrument yielded what Levin described as an "astonishing result."

On the other hand, Levin reported, he used an instrument similar to the GCMS to test soil samples from Antarctica, and this showed *no* signs of life, indicating that it was not as sensitive as scientists had believed. Therefore, Levin proposed, the possibility of there being life on Mars today cannot be ruled out; the Viking results were not conclusive.

Dr. Levin's departure from the mainstream on this issue of life on Mars helped encourage the following decade's search for the possibility that life *could* exist on Mars. Many exobiologists concluded that Viking was not necessarily looking in the right place.

In an article in the July/August 1996 issue of *Ad Astra* magazine, writer John Kross relates that a few years ago,

there was a cartoon posted on a bulletin board at the Jet Propulsion Laboratory in California. It showed the Viking lander on the surface of Mars with its "electronic eyes vainly searching the horizon for signs of life. Nothing was to be seen. But out of view of the camera, a leafy vine curled unnoticed around the lander's leg."

While leafy vines are not to be expected, there are promising places to look for life on Mars.

The terrestrial analogues of Mars

During the Aug. 7 press conference on the finding of possible fossils in a Mars meteorite discovered in Antarctica, science team leader David McKay answered the question, what could have interrupted the evolution of the primitive life forms he thinks they have found, into higher forms of life? Dr. McKay responded: "Mars is a very inhospitable place right now, even for the kind of life forms that we think we see here. Such life forms could not exist on the surface. Mars lacks an atmosphere, except for about 7 millibars, a little bit of carbon dioxide atmosphere. There's no water on the surface."

"At some point in Mars' history," he said, "things went bad . . . in the sense that the atmosphere mostly disappeared, either into space, or it got locked up in carbonate rocks in the subsurface. And the water dried up, and some of that water went into space, some of it may still be there as ice, as permafrost, or even as a groundwater system. So the question is, what happened to this early life when things went bad? And it is one view that early life retreated under-

ground, and may still be there.”

NASA associate administrator for space science Wesley Huntress stated, at the same press briefing, that the discovery that life exists just about anywhere on Earth today “where there’s a source of chemical energy and liquid water,” leads one to ask, “why wouldn’t it [life] have evolved also on other places in the early Solar System, where one might have had liquid water and sources of chemical energy?”

Today, Mars is a frozen planet, where the temperature stays below zero. The north and south poles are covered with water ice and frozen carbon dioxide, and the atmospheric pressure is so low, that when water evaporates from the polar caps, it does not become liquid, but sublimates directly into the atmosphere as a gas.

There are many theories about what happened to the once-plentiful flowing water on Mars, which has produced the channels, canyons, lake beds, and now-dry riverbeds that are visible today. Some of the water is clearly frozen at the poles. Some of it, undoubtedly, went into space. Ground ice, or permafrost, represents the greatest potential reservoir of water on Mars, and, according to some estimates, may indicate that there is liquid water deep within the planet.

While we are preparing for the more sophisticated unmanned, and then, manned, missions to go to the red planet for *in situ* research, there is another way that Earth-bound scientists can examine the history of life on Mars, beside investigating pieces of that planet that make their way to Earth.

Chris McKay, a physicist and exobiologist at the NASA Ames Research Center, has been approaching the question of whether primitive life developed earlier in the history of Mars, and whether or not it may still be there in some form, by looking for terrestrial, or Earth-based, analogues for the conditions that exist on Mars.

McKay has stated that when the results from Viking first came in, in 1976, he could not understand why, if the chemical ingredients for life were there, no life was found. He later determined that only one ingredient for life—water—is “nonnegotiable,” and water was not present, at least not in the dry regions from which the Viking landers examined their samples. McKay has described water as a “metaphor for life.”

McKay and his colleagues have been exploring places on Earth that share some of the extreme characteristics of Mars, in order to observe how life emerged, how it has survived in hostile environments, and what mechanisms can be used to discover more about Mars. This has taken him to Siberia, the Antarctic, and under the sea.

In 1990, McKay made his first expedition to northeastern Siberia, along with members of the Soviet Academy of Sciences, to explore what he termed the “best terrestrial analogue to the Martian permafrost.” Freezing conditions have persisted in Siberia for over 3 million years, where temperatures fluctuate between 10 and 14°F.

Preserved in the ice, about 30 feet under the surface, the scientists found large numbers of bacteria, which, when thawed out, resumed their life functions. As McKay remarked in an interview with *Omni* magazine in 1992, “On Earth, wherever there’s a niche that life can expand into, it

Meteorite trove in Antarctica

The first discovery that there were concentrations of meteorites in the Antarctic was made by Japanese scientists in 1969. Since that time, more than 16,000 pieces of meteorites have been collected in Antarctica, and since 1977, frozen meteorites have been returned to NASA’s Johnson Space Center Meteorite Processing Laboratory for curation, and distribution to scientists for study. Scientists at the Johnson Space Center gained experience in extraterrestrial geology, by studying the rocks brought back from the Moon by the Apollo astronauts.

The meteorites, which are pieces of rock from space, have been preserved in the ice of Antarctica and are concentrated in areas characterized by stagnant, snow-free “blue ice.” It is estimated that most of them fell to the Earth over the past 1 million years.

Most of the fragments are of asteroids, from the “belt” made up of pieces of an exploded planet between Mars and Jupiter. The two classes of meteorites that can definitely be classified by their origin are those from the Moon and Mars, because they can be matched against the rocks brought back from the former, and the chemical composition of the atmosphere of the latter, as determined by the Viking landers.

The annual hunt for meteorites in Antarctica is a joint endeavor by the National Science Foundation, the Smithsonian Institution, and NASA. The annual meteorite field visit to Antarctica by the United States is led by Dr. Ralph Harvey, a planetary geologist from the University of Tennessee.

Last year, Harvey noted that a Martian rock that he is studying—one of 12 found in Antarctica—contained carbonate, an unusual mineral for a meteorite. He said that the find had “staggering implications,” in that the material would have been deposited by fluids travelling through the Martian crust. Such analyses can give scientists a new window on the development of the planet’s climate, over billions of years. The Antarctic meteorites, Harvey said, provide “new and exciting ideas about our Solar System.”—*Marsha Freeman*

does." McKay and the other American members of the team proposed that even if the Martian climate today is unsuited for life, based on what they discovered in Siberia, the frozen soil could be a treasure trove, because it is "ideal for preserving frozen samples."

Teams of scientists have also made trips to one of the coldest places on Earth—Antarctica—in search of Martian conditions that could shed light on the possibilities of life on Mars. The largest ice-free expanses on the continent are the dry valleys, where the average temperature is -4°F , and where there is less precipitation than in the Gobi Desert. Several years can go by without there being as much as snow flurries. Nothing lives on the surface.

Although there did not initially appear to be any life in this region, closer inspection has revealed that below the surface, in crevices on the north-facing (sunny) side of sandstone rocks, there are layers of lichen and bacteria that receive sunlight through the translucent rocks. Minute amounts of water, generated from occasional snows, get trapped in the pores of the rock, and are used by the organisms.

The other major habitat for life in the Mars analogue in the Antarctic, is below the perennial 13- to 16-foot-thick ice

cover of the floors of the dry valleys. The dry valley floor is ice, 60 to 120 feet thick, but under its surface are lakes that are 90 to more than 200 feet deep. Here, algae, diatoms, and other microbial life forms live in the water, under the ice, where they are protected from the cold, dry conditions above.

Microbes on Earth have been found living in boiling hot springs, on the sides of active volcanoes, in hydrogen sulfide-rich geothermal springs, in acidic pools of mine-tailings, in the depths of the oceans near hot vents, in deep aquifers under the Savannah River Nuclear Plant in South Carolina, and other extreme environments, which, until recently, would have been excluded from consideration in a search for life.

In October 1995, the Pacific Northwest Laboratory issued a press release titled, "SLiME at Hanford Hints at Potential for Microbes on Mars." It reports on the discovery of a microbial ecosystem, called a "subsurface lithoautotrophic microbial ecosystem," or SLiME, found in groundwater samples, thriving on chemical energy in basalt rock, more than 3,000 feet below the surface, at the Department of Energy's Pacific Northwest Laboratory.

Commenting on the find, Chris McKay described these organisms, which use carbon dioxide and hydrogen as an

Pathfinder could find signs of a warmer Mars

In an interview with the editor of the German-language Fusion magazine, Dr. Jonathan Tennenbaum, on July 18, Pathfinder project scientist Matthew Golombek described the region of Mars the Pathfinder rover will explore, after it arrives there on July 4, 1997:

This will be the first rover to be on the surface of a different planet. There have been rovers on the Moon, of course, but never on Mars. The two previous [Viking] landers just had little arms that poked out, but no mobility.

The main goal of our mission is "ground truth." Imagine seeing a cornfield from orbit. In order to really know that it is corn, you need to go down there and look at it. We are going to go down, and we have a rover with a suite of instruments, designed to look at the rocks, basically. You may not think rocks are very interesting, but, in fact, rocks are like old blueprints of how they formed; what the environment was when that material formed. And so, we're landing at the mouth of a giant catastrophic outflow channel, [Ares Vallis], that could have a whole variety of rock types.

This is a location where enormous volumes of water

coursed through the surface in a very short period of time. An analogy would be to take all the water in the Great Lakes and rush it to the ocean in about a two-week period. . . . This has happened on Earth, where large lakes have been dammed by loads of the ice sheet in the last ice age, and when the ice dam broke, the water drained in a very short period of time.

The idea is that there could be a whole variety of rock types there, and we have instruments [on the rover] that will go and look at the rocks and determine the environment, and how they formed. The areas that this channel came from is all the ancient heavily cratered terrain on the planet, and actually a whole variety of different terrains that we've seen from orbit. And the idea is that [on] early Mars, the environment could have been much more suitable—both warmer and wetter—for the formation of life.

We hope to learn about the environment early on in the planet's history—how the planet differentiated, how the crust formed, how the weathering products have developed.

And if we find evidence of liquid water, that would be quite amazing, because it would indicate that at a time on the Earth when life got started, about 4 billion years ago, there could have been a similar environment on Mars. . . . Pathfinder won't give us all the answers, right away, but we're going to be able to address those questions, and, hopefully, over a series of missions, we can begin to address them and learn about it.

energy source, and live independently of the surface biosphere, as "exactly the system we have postulated for Mars." They can live below the surface, without light, in an oxygen-free environment.

"The basalt connection," the report states, "in theory, also indicates that microbes could exist in the Martian subsurface," assuming that there is liquid water there. "This does not mean there is life on Mars," the release cautions, "but if SLiME can exist here, then, in theory, it could exist on Mars, too."

John Rummel, director of Research Administration and Education Programs at the Marine Biological Laboratory at Woods Hole, Massachusetts, told writer John Kross, as reported in the current issue of *Ad Astra*, that there may well be liquid water below the permafrost on Mars. There are "a number of outflow features on Mars consistent with a meteorite impact piercing the permafrost layer and releasing large amounts of water," which would be evidence of subsurface water resources. "There is nothing in biological terms that precludes life on Mars existing below the surface," he concluded.

The next small steps to Mars

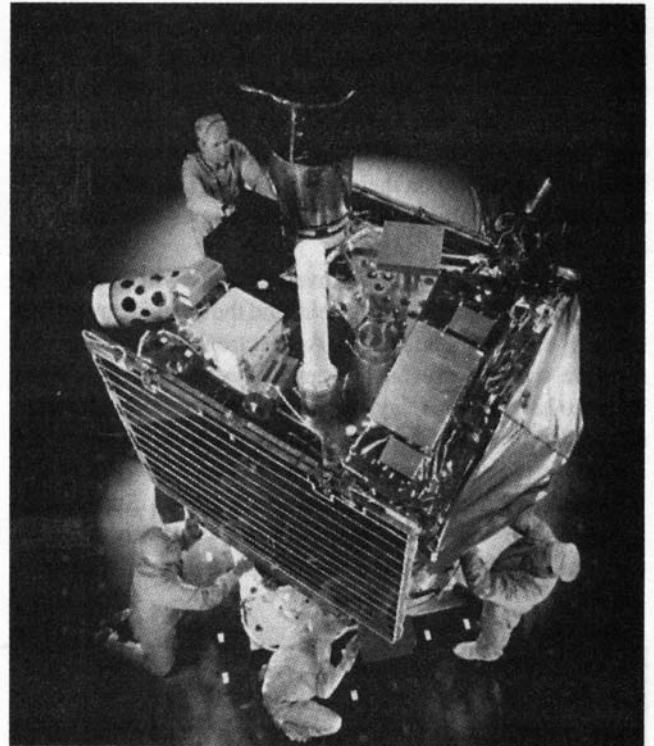
The demoralization that resulted in much of the scientific community, when the Viking data seemed to indicate negative findings for life, has been dramatically reversed, through the new evidence of fossil remains from Martian meteorites.

NASA did not abandon the red planet after Viking, but turned the focus of its investigation away from life on the planet, and toward a more global understanding of Mars. The highly capable Mars Observer was launched on Sept. 25, 1992, but the spacecraft lost contact with Earth on Aug. 21, 1993, three days before its insertion into Mars orbit. Mars Observer was not going to land on Mars, but to orbit the planet as a kind of extraterrestrial Landsat remote-sensing system, to provide further detail on the topography and mineral distribution, as well as the global weather, on Mars.

In order to accomplish the scientific objectives of the Mars Observer, but within a very limited budget, NASA has scheduled a series of small Mars Surveyor missions, which will fly Mars Observer instrument spares, or similar equipment, on a series of spacecraft.

The first launch will be in November of this year, and is the Mars Global Surveyor. The scientific objectives involve high resolution imaging of the surface, studies of the topography and gravity, the role of water and dust on the surface and in the atmosphere of Mars, the weather and climate of Mars, the composition of the surface and atmosphere, and the existence and evolution of the Martian magnetic field.

The Mars Global Surveyor will arrive at Mars in September 1997 after a 10-month cruise phase. After four months, aerobraking (using the atmospheric drag of Mars) and thrusters will convert its elliptical capture orbit into a nearly circular two-hour orbit. Mapping operations will begin in January 1998.



Because the Martian atmosphere is so thin, spacecraft hardware has to be tested in a vacuum chamber. Here, workmen ready the Mars Global Surveyor for testing. It will carry duplicates of five of the instruments that were on the Mars Observer, which failed just before orbiting the planet, in 1993.

The spacecraft will be in a polar, or "Sun-synchronous," orbit, so that each image will be taken with the Sun at the same mid-afternoon azimuth, similar to Earth-orbiting remote-sensing spacecraft. Data will be acquired for one Martian year, or approximately two Earth years. The spacecraft will also be used as a data relay for later U.S. and international missions over the following three years.

The Mars Global Surveyor includes six primary investigations. The Mars Orbital Camera will take high-resolution images, on the order of one meter, of surface features. It will also take lower resolution images of the entire planet over time, to enable research into the temporal changes in the atmosphere and on the surface.

The Thermal Emission Spectrometer is an interferometer that will measure the infrared spectrum of energy emitted by a target. This information will be used to study the composition of rock, soil, ice, atmospheric dust, and clouds. The Mars Orbital Laser Altimeter will measure the time it takes for a transmitted laser beam to reach the surface, reflect off the surface, and return. This time will allow the calculation of the distance, and hence the height, of objects on the surface. Combining these measurements will result in a topographic map of Mars.

The Radio Science Investigations will measure the

Doppler shift of radio signals sent back to Earth to allow the precise determination of changes in the orbit of the spacecraft. This will allow scientists to construct a model of the Mars gravitational field. As the spacecraft passes over the poles on each orbit, radio signals pass through the Martian atmosphere on their way to Earth. The way in which the atmosphere affects these signals allows determination of its physical properties.

The Magnetic Fields Investigation will determine whether Mars has a magnetic field, and the strength and orientation of the field, if one exists. An electron reflectometer will measure remnant crustal magnetization, and the spacecraft will also have a radio relay system to relay scientific data from the landers that will be deployed by the Russian Mars '96 mission, and future Mars Surveyor landers.

Less than a month after the Mars Global Surveyor is launched, the Mars Pathfinder will be on its way to Mars, taking a shorter path, and arriving before its orbital partner.

The Pathfinder will be the first spacecraft to land on Mars in 20 years, and the first one to deploy a rover there.

Because, as part of NASA's Discovery Program, the cap on the cost of the mission is \$150 million, new, and somewhat daring, techniques were incorporated into Pathfinder's mission. The mission is primarily an engineering demonstration of key new technologies and concepts, for use in future rover missions to Mars.

Upon arrival at Mars, the spacecraft will enter the Martian atmosphere, and deploy a parachute to help slow its descent. Then, four huge air bags will inflate to surround the lander, to cushion it during a relatively hard landing, which will be at about 35 miles per hour. At a height of about 330 feet, three solid rocket motors, placed inside the top half of the entry vehicle above the lander, will be fired to stop the descent, and the lander will fall to the ground, bouncing and rolling until it stops.

Within an hour of landing on the surface of Mars, the air

Exploration with humans and robots

In a series of interviews with Mars mission scientists, Jonathan Tennenbaum asked Dr. Steven Squyres, from Cornell University, about the limitations of robots in exploration, compared to sending humans. Dr. Squyres responded with an example from his own experience:

I think that the appropriate strategy to adopt is to let robots do what robots do best, and let humans do what humans do best. And have the two work together in . . . the most efficient fashion. What comes to my mind is an experience I had once when I was doing some field work in Antarctica.

I am interested in this problem of lakes on early Mars, and what those environments might have been like. And in the dry valleys of Antarctica, there is a region where there are some lakes that are covered with about four or five meters of ice year-round. So we were studying those lakes. It's a very hostile environment; a very cold place to work, and certainly trying to get into the water column to the bottom of the lakes is a very difficult thing to do.

We had two ways of exploring the bottom. Once we put holes through the ice, we could either put on scuba equipment and go down to the bottom and dive there ourselves, or we could use a small robotic vehicle which we had with us, and put that down and it could dive for us and explore the bottom. We could control it remotely from the surface. We had the opportunity for both human and

robotic exploration open to us.

To put a human there is very, very costly and difficult. You have all the life support systems associated with scuba, you have to worry about tanks, you have to worry about compressors that compress the air—it's difficult, it's dangerous, it's time-consuming, and you don't want to do a lot of it if you don't have to. In contrast, the rover, the ROV—the remotely operated vehicle—was much easier to operate, but much less capable.

So once we put a dive hole in, the first thing would be to put the robot down the hole, and we would spend hours surveying the bottom, finding out, basically, what it looks like, making some simple, first-order measurements, doing a simple, basic reconnaissance without using the precious dive resources that we had. Then, once we had answered the simple, first-order questions, and we had really focussed on what the key difficult scientific questions were that the robot couldn't answer, then we put the humans down the hole.

You would answer the questions you went down there to answer, plus, you could look and you could see the environment around you, you could touch it, you could observe it, you could very rapidly formulate a hypothesis and test it right there on the spot, which a robot can't do or certainly can't do very well. And it was only by putting humans in the environment that we really understood it. If we had only the robots to go on, we would have made a lot of mistakes, we would have gotten a lot of things wrong. But, if we had tried to put the humans down first, without doing the robots before them, the humans would not have been able to use the time nearly as efficiently and we wouldn't have come away with this much.

bags will be deflated and partially retracted toward the lander. Pathfinder will then open its three metallic petals, stand itself right side up, if necessary, and then engineers will instruct the rover to drive off and begin exploring the immediate surroundings.

The diminutive rover is named Sojourner, after African-American Isabella Van Wagner, who, as Sojourner Truth, travelled around the United States during the Civil War, advocating the abolition of slavery as well as women's rights. Sojourner, which weighs a mere 25 pounds, will be deployed to roam across an ancient Martian flood plain, using an autonomous navigation system.

The primary mission of the rover, to be accomplished within the first seven days of deployment, is a combination of engineering try-out tasks and scientific requirements. Barring unforeseen inclement weather or other circumstances, the rover is planned for deployment between 10 a.m. and 2 p.m. (Mars time) each day, and will do more extended missions farther from the lander, for 30 days. Since it has solar panels, and, therefore, will not run out of fuel, scientists expect it to operate for a longer period of time. The communications range of the rover is about 1,640 feet (500 meters), a distance it would take it a few weeks to achieve.

The Sojourner rover has cameras fore and aft, and an Alpha-Proton X-Ray Spectrometer. The APXS will be capable of determining the elemental composition of rocks it encounters. Such information can yield the mineralogy of the rocks, and specially filtered cameras will aid in the identification of specific minerals. One thing scientists hope to find are aqueous deposits, or minerals that were deposited by standing bodies of water, to tell them about the history of water on Mars.

The lander will make atmospheric and meteorological observations during its descent through Mars' atmosphere, and will function as a weather station on the surface of the planet. Its Atmospheric Structure Instrument/Meteorology Package includes temperature, pressure, and wind sensors. The lander will also relay data to Earth from the microrover.

Cameras on the lander, which will "see" at about human eye-level above the surface, have filters to aid in geological studies. The cameras can be rotated, to provide a nearly complete view of the lander and the Martian surface.

NASA currently has plans for two spacecraft for each 26-month window of opportunity for launches from the Earth to Mars, with increasing sophistication and difficulty of tasks. The focus of the 1998 orbiter will be on Martian climate, for example, and include an ability to conduct active soundings into the atmosphere to measure pressure and temperature.

There is also a panoply of Russian, and one Japanese, Mars missions planned. The Europeans have long proposed an InterMarsNet series of landers to function as a global on-the-ground observation system.

In 1993, representatives of most of the world's space agencies met in Germany to discuss coordination of future

Mars missions. At that time, the International Mars Exploration Working Group was formed. The InterMarsNet program it favored, was to include four stations on the surface, with three in the northern hemisphere of Mars, forming a triangle. The fourth would be farther north. Three of the landers would be provided by NASA, as part of its Mars Surveyor mission in the year 2003.

Each station would deploy a seismometer and a meteorological station, and would carry instruments for geochemical analysis of the surface, and panoramic cameras. The lifetime of the mission was two Earth years (one Mars year).

But, at the meeting of the European Space Agency's Space Science Advisory Committee in Paris last April, InterMarsNet was passed over for an astrophysics satellite. However, it is possible that InterMarsNet will be chosen as the science mission following that, for a launch possibly in the year 2005.

Currently, the future unmanned missions to Mars, which have been sketched out in general form by NASA scientists and mission planners, are undergoing scrutiny and may be revised, following the Aug. 7 announcement that life may have developed on early Mars. This finding certainly adds urgency to the task of finding out as much as possible, from robotic representatives of man's intelligence that we send to Mars, in preparation for going there ourselves.



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.

Is there any future for the Mideast peace process?

by Our Special Correspondent

In the course of President Clinton's acceptance speech at the Democratic Party convention in Chicago on Aug. 29, he referenced several foreign policy achievements in his first term, from North Korea, to Bosnia, to Northern Ireland and the Middle East. It is no accident that in every case, where progress had been certainly made in the last four years, forces hostile to the U.S. Presidency have engineered attacks to undermine, indeed, suffocate the efforts. Clinton hailed the process toward peace between the Palestinians and Israel, saying he hoped it would soon be extended to include more Arab parties; in the moments he was speaking, the most significant strike action swept across Palestine, and preparations were afoot for a major showdown over Jerusalem. If Clinton is reelected, and the Middle East peace process is to be rescued, a drastic change in course must be effected, and fast.

The single main obstacle to peace in the region is constituted by the Israeli government of Benjamin Netanyahu, characterized by Lyndon LaRouche in a recent interview as "a stooge for the Sharon interests," which are, in turn, a "stooge for the British interests," which intend to bury the peace process—and U.S. foreign policy—in blood. Since the Sharon-Netanyahu combination took power, in what was most probably a fraudulent election, in May, the Israeli side has piled up provocation on provocation, putting Palestinian Authority President Yasser Arafat in an untenable position: Either he would continue to approach Tel Aviv with offers for resuming negotiations, and, being rebuffed, meet the scorn of his political base and population; or, he would respond to provocations with a return to the tactics of the Intifada.

Arafat had no choice in the closing days of August, but to

adopt a militant stance against the Israelis. Since taking power, Netanyahu has refused to meet his Palestinian counterpart, insulting Arafat by offering him meetings with lower-level aides, or at most, with Foreign Minister David Levy, who has been virtually shut out of any decision-making process by Netanyahu. During the meeting the two had, Arafat presented a long list of grievances. It was a list of instances of Israeli non-compliance with clauses of the official peace agreements since Oslo I in September 1993, and a list of outright violations of such accords. Among them are Netanyahu's non-compliance with the commitment to redeploy Israeli troops out of Hebron on the West Bank, and his violation of the joint commitment, not to do anything on the ground which would jeopardize the agreements regarding territorial jurisdiction. In both cases, Netanyahu's government made clear that it would not hold any promise on Hebron or on freezing Jewish settlements, to be sacred.

Provocative actions

These were words which enraged Palestinian negotiators and citizens, but they were only words, until a few weeks ago, when Netanyahu's government announced plans to redefine Israeli military troop deployments in Hebron, in such a manner as to expand, rather than reduce, their presence and control. On Aug. 12, Defense Minister Yitzhak Mordechai formally approved a plan for 300 mobile homes to be built in the occupied territories, during the current school year. Half the mobile homes were said to provide space for overcrowded schools, but another 100 were to be put at the disposal of the College of Judea and Samaria, in the Gush Emunim/Jewish

Defense League settlement at Ariel. As Palestinian negotiator Saeb Erekat remarked, it appeared that Israel were more interested in expanding settlements, than in peace. He characterized the decision as a declaration that the peace process had been brought to a close.

The crisis thus created in Palestinian-Israeli relations seemed to be relaxed, when Israeli President Ezer Weizman made known on Aug. 25, that he would meet Arafat, at his home in Caesarea, unless the prime minister were to meet the Palestinian leader soon. Former Prime Minister Shimon Peres, who had directed the Oslo agreements, made known his intention to meet with Arafat as well, albeit in a personal capacity.

Then, the words became deeds, with disastrous consequences. Netanyahu's government acted first to impede the Peres-Arafat meeting planned to take place in the West Bank city of Ramallah, by refusing Arafat overflight permission for his helicopter. Instead, the two met at the checkpoint for Gaza.

On Aug. 26, the Israeli government officially approved the construction of a new neighborhood in the Kiryat Sefer settlement, west of Ramallah. This constituted the first approval under the Netanyahu government of a plan for building, and thus the first act of reversing the freeze on construction which the previous Peres government had instituted. The minister's spokesman, Avi Benayahu, followed up three days later with the correction, that "a number of construction plans in existing settlements" had been approved. Although he did not quote figures, the Likud-linked daily *Maariv* wrote that they were 3,550, seven hundred of which would be housing units for the Kiryat Sefer settlement, 1,050 for Hashmonaim, 900 for a seminary, 200 for Matiyahu, and 700 for the settlement at Betar Ilit.

The straw that broke the camel's back came in Jerusalem. The Israeli authorities had been demanding for some time that several offices of Palestinian entities in the city be shut down, under the pretext that they constituted "political" representation of the Palestinian Authority in an area, East Jerusalem, whose final status has yet to be negotiated. Tel Aviv closed down the Geographic Society, a sports club, and a statistical office, all institutions whose presence there pre-dated the Oslo accords. Rather than respond with hostility, the Palestinian Authority watched the offices being closed.

Then, on Aug. 27, Israeli authorities demolished a Palestinian building there, in the process of completion, on the grounds that it had been put up without a permit. The building was to function as a community center for the handicapped. Police moved in before dawn, sealing off the area in the old city where the construction was going on. A crane hoisted a bulldozer over the walls and razed the building.

Pressures on Arafat

In a meeting that same day with his Legislative Council in Ramallah, Arafat was under fire. The council's president,

Ahmed Korei (Abu Alaa), said he thought they had to "examine whether there is any real peace process at all." Korei himself had just been subjected to outrageous personal harassment at the hands of Israeli soldiers in Hebron, who had pushed and shoved him at a checkpoint, after he had visited the Tomb of the Patriarchs in the city. In the meeting, the legislators demanded that Arafat freeze all contacts with the Israelis until Tel Aviv began to honor its peace commitments.

Arafat emerged from the heated discussion, stating that Israel, with its provocative actions, had declared war. "What happened concerning continuous violations and crimes from this new Israeli leadership means they are declaring a state of war against the Palestinian people," he said. "They are idiots to have started the Jerusalem battle," he charged, and vowed that "there will be no Palestinian state without Jerusalem. Netanyahu should know he is stupid to have started this battle."

U.S. Middle East envoy Dennis Ross phoned Arafat from Paris, urging him to have patience. Ross was meeting with an Israeli government envoy, Dore Gold, and an Egyptian Presidential adviser, Al Baz, to seek ways of reviving the talks. Ross reportedly told Arafat that the Israelis were "prepared to move" and "had good intentions." Arafat reported on Ross's promises, and then issued a call to the Palestinians to mobilize. He called for a general strike the following day and for Palestinians to go to East Jerusalem on Friday, Aug. 30, for prayers at the Al Aqsa mosque. "On Friday, all Muslims, including Palestinians in Israel . . . will go to the Al Aqsa mosque and pray," he said. "Jews and Christians who do not pray should accompany them and stand behind them"

The Israeli reaction was, predictably, as harsh as it was hypocritical. Netanyahu's office issued a statement saying that the government would "relate with severity to any attempt to bring about escalation or violence that could harm the peace process." It continued, "Extreme statements and actions which do not contribute toward moving the diplomatic process forward should be avoided, especially in light of emerging understandings between Israel and the Palestinian Authority to advance their negotiations on a number of issues."

The strike, the first in two years, since the partial handover of authority to the Palestinians, was a political success. Most shops and businesses were closed from 8 a.m. to 12 noon in Gaza and the West Bank, including East Jerusalem, and the city of Hebron, where Israeli soldiers are on patrol everywhere. There were no clashes reported.

On Friday, Aug. 30, the Israeli authorities mobilized a massive presence at all checkpoints and in Jerusalem, to intimidate Palestinians and prevent them from entering the Old City. As a result, a smaller number than hoped for reached the mosque. Estimates range from 30-40,000, probably mostly residents, whereas 100,000 were expected.

If the strike and gathering at Al Aqsa were political achievements for the Palestinians, this does not mean that

the crisis has been overcome. Arafat is under significant pressure from the radicals of the Damascus-based "rejection front" organizations, George Habash's PFLP and Nayeh Hawatmeh's DFLP. A PLFP spokesman said that "Arafat should stop all negotiations with Israel if he is serious about confronting Netanyahu's settlements policies in the occupied Palestinian lands." Hawatmeh issued a statement to the effect that Netanyahu's "settlement policies show that he wants war, and not peace." Such organizations, and the locally active Hamas, can only gain from further Israeli intransigence, as people despair of breaking the deadlock through peaceful means.

Arab governments are furious

On the other hand, forces within Israel as well as among those Arab governments which have made peace treaties with Israel, seem to have realized that unless they move to bring pressure on Netanyahu, the peace perspectives will be dashed forever.

Egyptian President Hosni Mubarak spoke out, just prior to the dramatic events in the territories, to warn Netanyahu that, unless he returned to a peace posture, there would be no need and no sense, to convene an international conference of the Middle East and North Africa economic summit. The conference, slated to take place in Cairo in November, was to be a follow-up to last year's economic summit in Amman. But, Mubarak made clear, no international investors would attend the event, if conflict were on the agenda.

Jordan, which has suffered political turbulence as a result of popular discontent, with economic distress instead of the promised peace dividend, has also moved to try to restart the stalled process with Israel. Following a visit by Jordanian Prime Minister Abdul Karim Kabariti to Ramallah on Aug. 29, for talks with Arafat on the eve of the strike, King Hussein telephoned Netanyahu. Kabariti reportedly told Arafat that "we do not accept any analysis that calls for continuing settlement expansion and at the same time to say that the peace process is all right." The King, in his direct call to Netanyahu, "stressed the need to implement the agreements signed between Israel and the Palestinian side, and to work to prevent a deterioration in the situation, to confront all the difficulties which confront the peace process and to emerge from the current crisis."

Mubarak echoed similar sentiments in an interview with *Maariv* Aug. 30, in which he characterized the Israeli promises to revive talks as "window dressing." He condemned the settlements policy in particular, as "a policy [which] could destroy the entire [peace] process."

Israeli opposition to Netanyahu

Within Israel, pressure is mounting. Weizman's announced intention to meet Arafat, came after many figures, including in the Likud coalition, had voiced their criticism of the government's confrontationalist stance. Labor Party lead-

ers, who had been relatively silent, also moved, as it became clear that the process was not only stalled, but in danger of exploding into full-fledged armed conflict again.

As Shimon Peres, the architect of the Oslo accords said during a private visit to Morocco recently, there can be no solution without a direct meeting between Netanyahu and Arafat. "Arafat is our partner, a legal partner, there can be no agreement without him," he said. "It is a political mistake not to meet him. . . . The better the Palestinian situation will be, the better the peace plan will go ahead." Peres made clear, "There is a serious crisis because there was a change of policy" when the new government took over.

It would seem, that with such massive and authoritative pressure, Netanyahu, with his back up against the wall, would acknowledge reality and govern himself accordingly. But that would contradict the political fact of the matter, which is, that the Netanyahu-Sharon combination itself was put into power precisely in order to torpedo the peace effort. It is difficult, if not impossible, to imagine that such an animal put into place, could do anything other than what it has been trained to do. Changing its policy would be tantamount to losing its spots. The hope for a return to peace is therefore pivoted by many on the perspective that the current government coalition, itself wracked by internal conflict, petty rivalry, and mafia-style turf warfare, could undo itself of its own accord, thus leaving the path open for a return to Labor.

Netanyahu thinks differently. He, who has long-standing, deep (at times, obscure) ties to the most rabid anti-peace circles in the United States, from the Kissingerites like Richard Perle, who wrote his political platform, to the current gaggle of ideologues around the Dole-Kemp ticket, is gambling on the possibility, that he may have powerful allies against Mideast peace in the White House soon. If President Clinton, who is genuinely committed to the idea of peace in the region, were actively engaged in pursuing it at this critical juncture, the crisis there could be overcome, all to the credit and benefit of the President's reelection chances.

Crisis coming to a head

But, as LaRouche pointed out in a radio interview with "EIR Talks" on Aug. 30, the White House is not thinking that way. "I think it's fair to say," LaRouche said, "that the administration's policy has been, for some time, not to deal with any foreign policy questions until after the election is over, for fear of what effect any kind of decision might have, in terms of wild, distracting reactions inside the U.S. political process."

LaRouche's approach to the crisis is straightforward: "It's coming to a head. The President of Israel, Weizman, and Peres, are taking action, recognizing that this Sharon, with his stooge Netanyahu, are a menace to Israel, and Middle East peace. So, obviously, we're coming to a showdown, where somebody has to back the sane forces on the Arab and Israeli side, against the nuts."

EIR's Small visits Argentina, roasts IMF

EIR's Dennis Small toured Argentina at the end of August, to speak on the topic, "There is life after the death of the IMF." His speeches, exposing the bankruptcy of the drug-money-addicted International Monetary Fund system, received widespread press coverage, both in Argentina and elsewhere in Ibero-America.

The Mexico City daily *Ultimas Noticias*, on Aug. 28, ran an international news wire from AFP, under the headline: "The IMF Could Not Survive Without Drug Trafficking, Small Says That the International Banks Were Reinforced by Money Laundering." According to the story, "The IMF 'could not survive without the money from drug trafficking,' said journalist Dennis Small, editor of the weekly *Executive Intelligence Review*, at a news conference held in the Argentine capital on Tuesday night.

"He added that the international banking system that sustains the IMF structure, was reinforced, thanks to the laundering of money from the sale of drugs.

"Small spoke at a hotel in downtown Buenos Aires about 'Dope [Inc.], the great British business of \$521 billion.' According to the journalist, 'the disaster caused by the application of the free market dogma promoted by the IMF' in the nations of Ibero-America, in the republics of eastern Europe, and in the former Soviet Union, 'subjects the population to extreme poverty and to find employment in the drug business.' . . . Asked about the issue of drugs and money laundering in Argentina, the journalist admitted he was 'not in the position to provide figures,' but he said that to identify those who manage the drug trafficking business, it's enough to determine who is proposing drug legalization and who is carrying out large financial transactions, 'without any explanations.' "

Small's remarks were covered by the daily *La Nacion*, a newswire, and by Cronica TV, all of Buenos Aires, after a standing-room-only audience of 116 persons jammed the room in the Argentine capital city where Small spoke on Aug. 27. Attendees included bankers, diplomats, retired and active-duty military figures, students and professors, businessmen, labor leaders, and congressmen.

Small was introduced by *EIR*'s correspondent in Argentina, Diana Olaya de Teran, who noted that he had been one of the political prisoners who had been thrown in jail by George Bush, along with Lyndon LaRouche. This conference, she said, is part of a continental mobilization against the IMF,

which will crescendo with a forum in Mexico City on Oct. 11-12.

System about to collapse

Small said that he had first visited Argentina in 1982, during the Malvinas War, when he was sent there by LaRouche. He noted that the evening's conference was titled, "There is life after the death of the IMF," because, indeed, the current international financial system is in its death throes. He cited what IMF Managing Director Michael Camdessus had said recently in Lyons, France: "The system is facing an earthquake worse than Mexico. . . . The banking system is in pieces, and there is an urgent need to tighten the screws."

Small said that Russia is about to blow, thanks to the IMF policies. Since 1990, Russia's physical economy has been destroyed, but its debt has tripled. While the production of foodstuffs, steel, consumer goods, and such has been going down, the production of vodka has been going up, he said.

Ukraine is going in the same direction, as is Ibero-America. In Mexico, the so-called "Salinas model," much touted by Malcolm Forbes and others, has led to the disastrous situation we know, said Small. We at *EIR* were the only ones to warn that NAFTA and the rest of the free-trade prescriptions were no good. We were told that we were exaggerating, that everything was booming, until December 1994, when the bubble burst, the so-called "tequila effect" hit, and everyone realized that we had been right all along in warning that the "Mexican miracle" was full of hot air. The U.S. economy has been gutted, too, he said. The physical economy has given way to the service economy of post-industrial society, and to the uncontrolled growth of speculative activity, fueled by drug dollars and other dirty money.

Brazil could explode at any moment, as could Argentina, said Small.

The disintegration we are facing is not only because of the wrong policies of the last 25-30 years; it is the end of an era that began five centuries ago, Small said. LaRouche has taken on the responsibility of forging an alliance with Russia, China, and the United States to oppose British free-trade methods and to establish a new economic and financial system. In the United States, the LaRouche movement is gaining more power. "Our political movement is unique because it stands for truth and justice, regardless of what it costs us," he said. Small presented the "LaRouche plan," otherwise known as the bill for the bankruptcy reorganization of the economy, which is the centerpiece of the October continental mobilization. The bill—which has already been introduced in the Congress of Argentina—among other measures, calls for declaring the entire world financial system bankrupt; replacing the central bank system with national banks; putting exchange controls in place; and channeling investments into infrastructure. The nations of Ibero-America must retake the fight they abandoned in 1982, establish a debtors' club, and declare a debt moratorium, he said.

'Islamic' terrorists gather in London, salute the Union Jack

by Omar Abdul-Aziz

Preparations for an international terrorist conference in London on Sept. 8, have brought into the broad public view a truth which this news service has been virtually alone in exposing: the control of terrorism by the British oligarchy and its intelligence services.

On Aug. 20, the Egyptian daily *Al-Akhabar* accused the British government of sponsoring terrorism: "Britain is intending to organize an 'international Islamic conference,' which will be attended by the leaders of the top terrorist organizations in the Islamic world."

This statement was quickly echoed by the chairman of the Egyptian President's office, Usama Al-Baz, who, on Aug. 24, called on European countries "not to give terrorist groups a chance to use these countries as a base to launch and fund terrorist operations." Speaking on Egyptian television, he added: "We are not demanding that they protect us, but we do demand that they stop making their country a fertile field for destabilization of the security of other nations."

Next, on Aug. 26, Egyptian Foreign Minister Amre Mousa said that "there is a question mark on this issue. We, and many other countries, don't understand [Britain's] position. . . . Egypt will contact the British government to find out the truth of the matter and to discuss the possible consequences of such an unfortunate step."

Then, on Aug. 27, the official Egyptian daily *Al-Ahram* carried an exposé of the British role in providing a comfortable base for organizing and fundraising for some of the most notorious terrorist groups in the world. The newspaper charged that almost \$140 million has been solicited by terrorist groups in Britain, with the full knowledge of British intelligence's domestic counterintelligence department, MI5. "The MI5 has done nothing to stop these funds from becoming bombs," reported *Al-Ahram*.

The international gathering in question, known as the Re-

vival Conference, has been held annually for the last two years. The organizers were formerly a group called Hizbu Ut-Tahrir, an umbrella organization for Islamist groups in Britain. Almost 14,000 participants have attended in the past, at London's huge Wembley Arena, a soccer stadium. This year, however, the event will be organized by **Omar Bakri**, who lost his chairmanship over Hizbu Ut-Tahrir, and is now the leader of the Muhajirun movement and chairman of the London School for Shari'a. He has been organizing Muslim university students in the U.K. to support his terrorist projects.

The Revival Conference gathers leaders and supporters of Islamist organizations from around the world. Speeches are made calling for a *Jihad* (holy war) against the United States, Israel, and their respective governments, creating the psychological environment in which political support and, more importantly, donations, are made to support these groups in their home countries.

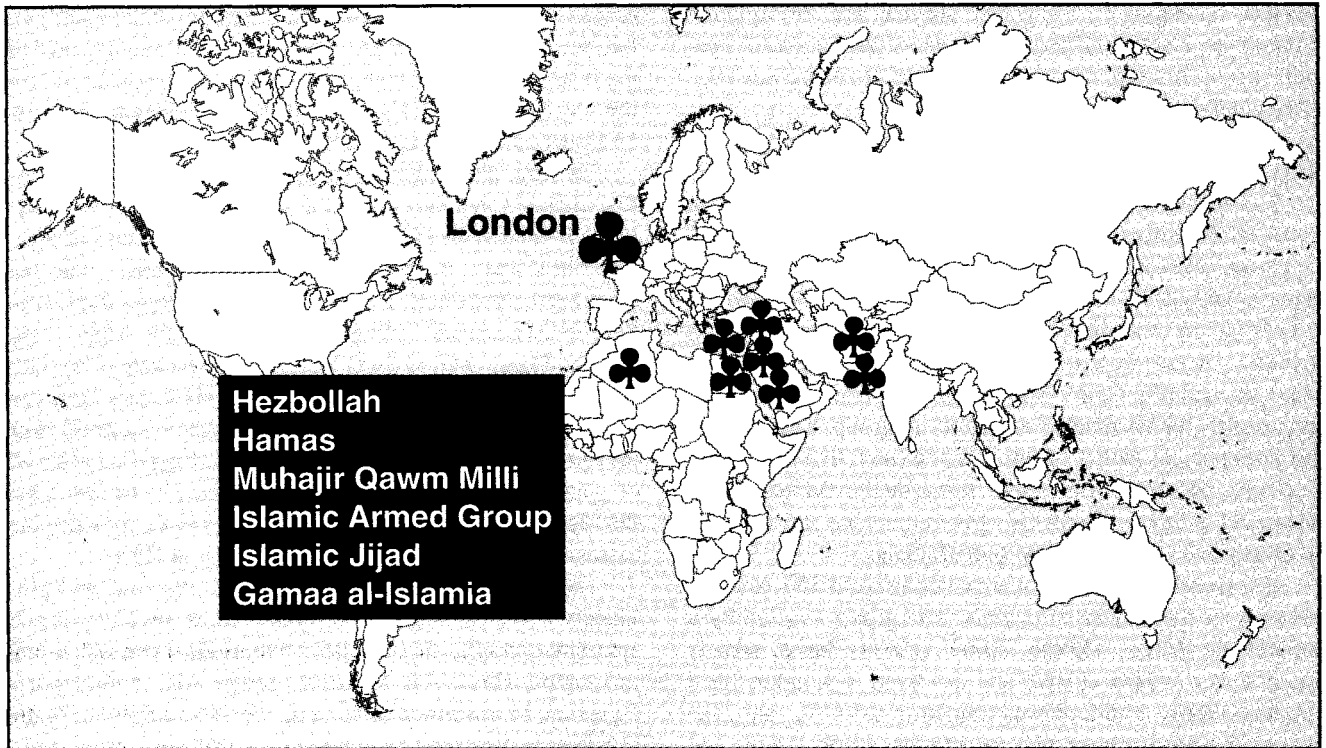
The list of leaders of Islamic groups who were invited to make speeches at the coming rally includes: **Osama Bin Laden**, Saudi terrorist financier; **Sheikh Hussein Fadhlallah**, leader of Hezbollah of Lebanon; **Mohammed Al-Masaari**, leader of a London-based Saudi opposition group; **Sheikh Omar Abdul Rahman**,

who is in prison in the United States; **Sheikh Ahmed Yassin**, founder of the Palestinian group Hamas; and a number of extremist Pakistani groups. Those who will not be able to attend the rally will send videotaped speeches.

No other country in the world today rivals Britain in the density of Islamic organizations advocating terrorism to destabilize Islamic nations. This is not because the British government is so "tolerant," as its propagandists claim (see box); it is because the British oligarchy has, for centuries, manipu-



London gathers its terrorist brood



lated and controlled groups such as these, for its broader strategic, geopolitical aims.

Britain's efforts to create irrationalist movements within Islam date back to the early 19th century heyday of the British East India Company, which deployed intelligence agents to profile cultural vulnerabilities, and to unearth early pagan traditions that could be "revived" as the basis of new, syncretic "Islamic" sects. In the modern epoch, the India Office of the British Foreign Office tasked its Arab Bureau to continue this program. Saint John Philby, the father of the notorious "triple agent" H. Kim Philby, was a leading figure in this effort, along with Edward Evans-Pritchard (father of the Hollinger Corporation's poison-pen, Ambrose Evans-Pritchard), and Bernard Lewis, author of the infamous "arc of crisis" doctrine, and the intellectual author of Ayatollah Khomeini's 1979 "Islamic Revolution" in Iran.

To this day, the British Foreign Office regularly dispatches teams of cultural anthropologists to every city, town, and village in the Near East, updating the genealogical charts on the leading families, and scouring for prospective recruits. Through this method, British intelligence has maintained a hands-on ability to foster precisely the terror apparatus now gathering in London.

Some of the most notorious terrorist groups in the Islamic world are currently organizing and fundraising in Britain. For example, the spiritual leaders of the mass-murderous Islamic Armed Group of Algeria (GIA) live in London. **Abu Qatada**

al-Filistini and **Abu Musaab al-Suri**, the editors of the GIA's newspaper *Al-Ansar*, openly advocated the killing of Christian priests, foreigners, women, and children of government officials in Algeria. Abu Qatada told the London-based daily *Al-Hayat* on Aug. 22, 1995, that he "approves the killing of Christian priests in Algeria."

Hamas has an office in London, and its monthly magazine, *Filisteen al-Muslima*, published a *Fatwa* (religious ruling) advocating the suicide bombing of civilian targets in Israel, during the terror wave of February and March of this year, which ousted the Labor government of Prime Minister Shimon Peres, and put the Likud Party into power. The Islamic Jihad and Gamaa al-Islamia of Egypt also use London as their base. **Adel Tawfiq al-Sirri** and **Adel Abdel Maguid Abdel Bari** are leaders of this group. The former has a death sentence waiting for him in Egypt, as the result of a failed assassination attempt against Egyptian Prime Minister Atif Sidqi. Al-Sirri has been granted political asylum in Britain.

Saudi dissident **Mohammed al-Masaari** has recently been advocating attacks on U.S. troops in Saudi Arabia. He has been used by the British establishment to blackmail the Saudi regime into accepting a weapons deal worth \$20 billion, and has been granted legal residence in Britain. The Saudi terrorist financier **Osama Bin Laden**, who runs a number of Islamist groups, has an estate in Wembley, London, and reportedly travels frequently between Afghanistan and Britain. *EIR* has received documents proving that, at least from

June 1994, Bin Laden has been operating from an office in London belonging to his group, Advice and Reformation Committee, London Office. The leader of the Pakistani separatist group Muhajir Qawm Milli, **Altaf Hussein**, has been living in Britain for the last few years.

Egypt: 'All terrorists come from London'

There have been frequent calls from Islamic countries to condemn Britain as a base for international terrorism. In April, Egyptian Interior Minister Hasan Al-Alfi told the London-based weekly *Al-Wasat* that "all terrorists come from London. They exist in other European countries, but they start from London." A few days after that statement, 19 Greek tourists were murdered in Cairo. The Gamaa al-Islamia claimed responsibility for the attack. Leaders of this group, **Yassir Tawfiq al-Serri** and **Abdel Maguid Abdelbari**, live in London and enjoy political asylum there, while on the run from death sentences in Egypt. The British government has refused even to discuss the issue with Egyptian officials.

In December 1995, Egyptian police arrested a 50-member network of the Gamaa el-Islamia. The group was led by a naturalized Briton, **Akram Abdel Aziz al-Sharif**, who is married to a British citizen, and has lived in London since the mid-1980s. Al-Sharif was trained in the U.K., and was regularly receiving large amounts of money from Britain and

Switzerland, to finance his operations. Egypt is mostly concerned about el-Serri and Abdelbari, leaders of the Talai'i el-fath faction of the "Gamaa." The two were also connected to the Islamic Jihad of Egypt, which claimed responsibility for the bombing of the Egyptian embassy in Pakistan, in which 15 Egyptian diplomats were killed.

On Aug. 25, the Egyptian Supreme Security Deputy Office declared that investigations into 40 members of the Islamic Jihad revealed that the group has been trained and organized in Damascus, Syria. The 40 terrorists were connected to al-Serri, Abdelbari, and one **Aiman al-Dhawahiri**, who lives in Switzerland. This group took part in the Afghanistan War, and later entered Syria legally, with the help of Syrians who had met them in Afghanistan. Later, they were deployed to Egypt. Egyptian security forces moved against them, after the Syrian government refused to extradite Egyptians accused of planning terrorist attacks in Egypt. This move has been the biggest blow to the terrorist networks in Egypt since the assassination of President Anwar as-Sadat in 1981.

The Egyptian weekly magazine *Roz al-Yusuf* had previously revealed that at least one of those involved in the assassination of as-Sadat, **Abdul Majid Hussein**, was living in London. Hussein is reportedly cooperating with another Egyptian, **Mohammed al-Maqri**, now an Imam at one of the mosques in the center of London.

London terrorists took 'an oath to the Queen'

A group describing itself as "the Queen's loyal Muslim subjects" took offense at recent accusations that London is harboring Islamic terrorists. A communiqué, issued by the Bangladeshi Muslim Literary Circle in Great Britain, and authored by **Mohammed Jalal-Abadi**, responded to an article in the London *Sunday Times* on Aug. 18, which accused some British Muslims of being linked to terrorist networks in the Middle East. Jalal-Abadi is a major advocate of terrorism against Western, especially American, interests.

"Britain's record of tolerance and fairness is well known," he writes. "Barely any other nation can rival her in this. This is the spirit and human virtue which always bids Britain to support the underdog, even if that underdog happens to be an enemy. It wouldn't be unfitting to say that this little island became 'Great' because of this trait.

"We British Muslims have taken an oath of loyalty, in the name of Allah, to the Queen and the State. For us Muslims this is, indeed, a very serious matter, for we are

under obligation both to Allah, then to the Queen and the State, to keep this oath.

"We are looking forward to the day when all Islamic land is liberated and united, and we are able to establish excellent relations between Britain and the Islamic world. That is exactly the new world order the enemies of Islam want to postpone."

Jalal-Abadi concludes by asking British Intelligence to carry out an investigation of those who are "spying" on Islamic groups, "to see if these gangs are not on the payroll of the Zionist terrorist organization, Mossad."

Jalal-Abadi, an elderly "poet" whose words can only breed hatred in the hearts of suicide bombers and GIA throat-slitters, has been urging Muslims to destroy any American influence in the Islamic world, and to keep the fire of Arab-Israeli bloodshed blazing. He issued a statement in July 1996, saying that "the Infidel must be ejected from the land of Haramain [Saudi Arabia]." He emphasized that "it is now time for Islamic jurists to issue a *Fatwa* pinpointing the fact that infidel armies' stay in the holiest land of Islam violates all *Shari'a* injunctions. Hence it is imperative for the Islamic *Ummah* [nation] to eject the forces of *Kufr*. It is, of course, up to the *Ummah* how they achieve this objective. . . . We must not, by Allah, allow this kind of [U.S.] criminal activity to continue."

How Washington missed the boat on the Comprehensive Test Ban Treaty

by Ramtanu Maitra

In the week of Aug. 19, the government of India acted to veto the proposed Comprehensive Test Ban Treaty up for consideration at the Conference on Disarmament in Geneva, and on Aug. 23 blocked the treaty's transmittal to the United Nations for further deliberation. India's chief negotiator at Geneva, Arundhati Ghosh, called the transmittal "unjustified and extraordinary." For the officially recognized nuclear-weapons states—Great Britain, France, China, Russia, and the United States—India's veto of the test ban treaty was unexpected, and from all available accounts, the United States is displeased with the Indian role in the deliberations.

Washington's offer

During the months of deliberations and negotiations, Washington had offered India the deal that India may choose to abstain from signing the treaty, but must not block it. Insiders in India claim that Washington had also asked India, as a part of the deal, not to carry out any nuclear tests.

There were indications that Delhi was seriously considering a nuclear detonation to get the message across to Washington that the Comprehensive Test Ban Treaty (CTBT) is unacceptable, simply because it loaded the dice in favor of the nuclear weapons states—the great powers of the unipolar world. Washington's offer, reports indicate, finally became acceptable to Delhi and no explosions took place on this south side of the Himalayas, although the Chinese, without opposing the CTBT, and while enjoying the status of a nuclear-weapons state, did just that. Washington wisely chose to ignore Beijing's provocation.

Simultaneously, Delhi stated that it would continue to press on its fundamental objective, which is global nuclear disarmament. This is not a policy initiated by recent Indian governments but goes back decades.

In 1954, after a U.S. nuclear explosion on Bikini Atoll, then Indian Prime Minister Jawaharlal Nehru proposed the "standstill agreement" on testing. The test ban proposal, however, appeared as a separate agenda at the United Nations General Assembly in 1957 and has been deliberated upon for years. The proposal did not go any place because of the Cold War. Since the inception of the Comprehensive Test

Ban Treaty, India had maintained that the treaty must be accompanied with a time-bound commitment to nuclear disarmament by the nuclear-weapons states. India maintains this position today, because of the discriminatory nature of the treaty. Meanwhile, in 1974, India exploded a small nuclear device and has the scientific, technical, and industrial capability to produce and deliver nuclear weapons.

The Entry-into-Force clause

In this context, there is no question that Washington had rightly recognized that India had one of the biggest stakes in the treaty, although both Pakistan and Israel are both threshold nations. Pakistan linked its signing with that of India's. What sunk the deal between Washington and India was the introduction of the Entry-into-Force (EIF), a clause primarily designed by the United States to freeze the nuclear-weapons technology development of all nuclear-weapons states, including its own, in the draft. The draft treaty stated that the Entry-into-Force must have the signature of the five nuclear-weapons states and 35 or 40 other states. No specific nation, other than the five nuclear-weapons states, the draft indicated, need to sign the Entry-into-Force.

The Entry-into-Force clause was like opening Pandora's box, and Britain, India's most vocal critic, seized on it, followed by China and Russia. China stated that all threshold nations—such as India—must sign the Entry-into-Force and none of these threshold nations will be given the option not to sign. Britain and Russia agreed. India soon found out that it was not Washington that was calling the shots on the treaty, but Britain, China, and Russia. In response, India called off the deal and proceeded to block the CTBT.

As Michael Krepon of the Henry L. Stimson Center, a U.S. arms control think-tank, told reporters, there are "several nuclear weapons states that don't want this treaty to enter into force. . . . Britain, for sure, but even more than Britain, Russia and China."

Daniel Plesh of the British-American Security Council had a more pointed observation. He contended that the "British set this up brilliantly. . . . The Conservative government hated the CTBT. . . . The British are hung up on the post-

colonial idea that they can't sign up to something that restricts their nuclear weapons while an ex-colony (India) might be able to slip through."

The same experts claimed that if the treaty went through, China's large-scale upgrading of its nuclear weapons would hit a brick wall. China wants to carry out fresh tests to develop more accurate and potent nuclear weapons in the future, the experts claimed.

Despite this, the United States was still hoping that by offering a deal to India, it would be able to sneak in a global nuclear weapons freeze to which its fellow nuclear-weapons states would have to agree.

Who will threaten India now?

At the same time, the Indian veto would not kill the treaty if the five nuclear-weapons states are determined to get it signed in the form it exists or with fresh modifications. The Conference on Disarmament is a part of the United Nations, and the Comprehensive Test Ban Treaty can be brought back into the United Nations General Assembly to get ratified with majority support.

There could be a CTBT without India's signature. However, the factional line-up is now far clearer; earlier, Britain would have invariably supported the United States unequivocally on all issues concerning nuclear disarmament.

There is yet another faction emerging which wants to ram the treaty down India's throat and isolate India, and perhaps Iran, a backer of India's position on the CTBT. As one unnamed western diplomat was quoted in a news wire: "Obviously, there has to be one final big showdown with India rejecting the treaty. We may go through the formality of India rejecting the treaty publicly in front of the press and the gallery. This would isolate India, and maybe Iran, while showing the world the rest of the international community in favor."

On Aug. 16, U.S. State Department spokesman Nicholas Burns gave the message: "The treaty ought to be signed and those standing in the way of the treaty, ought to get out of the way of the treaty, because the treaty expresses the will of people all over the world to have five nuclear powers declare and commit in writing that they will no longer, at any point into the future, conduct nuclear tests on a zero-yield basis."

Burns also hinted that Washington is in no mood to entertain negotiations to change the text of the treaty that had been presented in Geneva.

Visiting Kuala Lumpur, Malaysia, Indian Foreign Minister Inder Kumar Gujral issued a statement that his country has already written to Washington to amend the Comprehensive Test Ban Treaty draft again. He explained that a number of nations are now finding the Indian position justified and have conveyed their support to the Indian opposition. He, however, was unwilling to discuss what amendment of the treaty would be acceptable to the government in Delhi.

Travesty of Justice

French gov't moves against Cheminade

On Aug. 16, the political party, Solidarité et Progrès, whose president is Jacques Cheminade, issued a statement detailing the outrageous actions to seize the assets of the former Presidential candidate. On April 7, 1995, Cheminade, a close associate of Lyndon LaRouche, had completed the arduous requirements to appear on the April 23 ballot, an action which upset the traditional "rules of the game." In France, the Presidential campaigns are publicly funded, with the candidate receiving a FF 1 million advance when his or her candidacy is accepted, and the balance of the funding when the final campaign expense accounts are submitted.

Cheminade's supporters extended his campaign some FF 3.7 million in loans, expecting to be repaid from the proceeds of the public funding after the campaign. In a completely unprecedented action, however, the Constitutional Council rejected Cheminade's accounts, claiming that the loans were actually contributions, because some of them (about one-third) were non-interest-bearing! While Cheminade is now personally bound to repay the loans, the government is also demanding he reimburse the million francs.

On July 24, 1996, the government began the process of seizing Cheminade's personal property, and has attached his bank account. Cheminade's only "crime," has been to expose the international financial oligarchy running France and the world, reponsible for the cancerous destruction of the productive economy. The following is abridged from Solidarité et Progrès' statement.

1) On July 24, 1996, a process server from the Public Treasury announced that he would come to Mr. Cheminade's residence on July 26, 1996, in order to seize Cheminade's furniture on the grounds that he has not been able to pay the state back FF 1 million his campaign organization had been advanced for his Presidential candidacy.

2) On July 26, 1996, this process server did in fact come to his residence and, in his absence, inventoried for seizure and sale his scant furniture and books ("a period cupboard, a desk, a brown fabric bench, a large wicker armchair, some 500 books"). It should be pointed out that the "cupboard" does not belong to Mr. Cheminade.

3) The seized goods "may be sold" in public auctions as of Sept. 26, 1996.

4) On Aug. 6, 1996, the attachment of Mr. Cheminade's bank accounts was effected by the same process server on

order of the Paris Collector's Office of Finances.

5) Mr. Cheminade's estate, as can be seen from his possessions and from his bank accounts, is very modest. What is being targeted are his means of daily living, both material (his furniture), and intellectual (his books).

6) Thus, Mr. Cheminade's possessions and personal bank accounts have been seized for the purpose of reimbursing a sum which no one denies was used to meet the costs of a political campaign, which Mr. Cheminade was fully qualified to enter into (having received the signatures of over 500 elected officials).

His campaign expense accounts were rejected by the Constitutional Council on Oct. 10, 1995, because the interest-free loans he had received from individuals, were considered, totally or partially, as non-reimbursable donations representing too great a share of his funds.

This argument is legally and politically astounding, especially since two other major candidates exceeded authorized spending ceilings, without that being held against them. Besides this, there is the well-known fact that other campaigns were supported by "secret funds" coming from the Prime Minister's Office and from commissions on military contracts (protected from judges' scrutiny on "national security" grounds), as well as from even less acceptable sources close to real estate interests and "business in Africa."

The targeting of Mr. Cheminade is clear; it discriminates against a "small" candidate whose ideas "bother" the political *nomenklatura* ruling France today. Seizing his possessions and his bank accounts confirms, unfortunately, a regression into the practices described in a Dickens novel. Just as the welfare recipient, the immigrant worker, or the poor person whose checking account is closed because of a small overdraft, are personally harassed, at the same time that taxpayers are called upon to bail out the large French banks' losses; in the same way, Mr. Cheminade's honor, respect, and estate are called into question because he has denounced the "financial cancer" destroying the economy, and those who are responsible for it.

7) In another legal case, decided by the 13th Chamber of the Paris Appeals Court on Jan. 16, 1996, Mr. Cheminade must reimburse the plaintiffs FF 1.1 million plus interest. It should be recalled that in this case as well, Mr. Cheminade must reimburse, out of his personal assets, donations and loans given to associations with political or social objectives. Mr. Cheminade has proven that he, himself, during the same period of time, gave very large contributions to these associations, which fact has not been challenged (see *EIR*, Jan. 26, 1996).

8) Mr. Cheminade is thus obliged to personally reimburse sums of money given to associations or political campaigns to which he was independently a major contributor—devoting both his time and money to them. Just at the time when his estate has been reduced to a more modest proportion because of this volunteer work, what remains of it is being seized. The



Jacques Cheminade campaigning during the Presidential election in 1995.

next step, as Mr. Cheminade pointed out in a memo on Jan. 19, if this contrivance is not blocked, will be putting him personally into bankruptcy and excluding him de facto from the political arena.

9) Let us add that the political activities of Mr. Cheminade's friends have been repeatedly hindered in Paris, following a police order forbidding distribution of leaflets or sale of political publications. (Although the police have preferred to charge political organizers with "obstructing traffic," the fines imposed prove the political discrimination.)

10) In conclusion, there is reason to fear that, beyond Mr. Cheminade's case, there is a basic tendency building to limit the exercise of public liberties, especially the freedom to run for political office.

In any case, despite harassment against him, Mr. Cheminade will continue his fight for a different economic, social, and international policy, one that will allow us to reestablish the conditions for peace through mutual development, to guarantee respect for the downtrodden, the poor, and the wronged, and, thereby, to break with the suicidal climate of each against all, which is become widespread today. His fight is one for solidarity and progress, against the exclusion brought on by the prevailing monetarism and unbridled liberalism, in France as well as in the world.

In addition, Mr. Cheminade is using all available legal means, because of the precedent his case might represent.

South Africa is at a turning point, as economic policy fight rages

by L. Chamberlain

“As a country, we are today in danger of digging ourselves into a trap which will almost be impossible to escape from,” says Secretary General of the Congress of South African Trade Unions (Cosatu) Sam Shilowa, who warns that the danger facing South Africa “is to abandon the path of transformation which we have set ourselves, by relinquishing our national sovereignty in the sphere of economic decision-making.” In recent months, Shilowa has issued calls for a two-tier credit policy, with lower rates for investment in the productive economy, and for direct government control of the now-independent Central Bank. Shilowa, as well as leaders and members of Cosatu, the South African Communist Party (SACP), and the African National Congress (ANC) are engaged in a policy battle against an unelected shadow government called the South Africa Foundation (SAF), for control of national economic policy.

The SAF was founded by the British elite in 1959, and first headed by Sir Francis de Guingand, former head of British military intelligence. The pretext for its formation at that time, was that British (and American) businessmen would join with South African business leaders to defend white South Africa against a hostile world. The real purpose, however, then as now, has been to ensure British control over South African economic policy thinking. While the Anglo-American group of extractive companies, led by the Oppenheimer family, is well represented in the SAF, the Foundation embraces all of the power centers of South African big business. The heads of two of South Africa’s largest banks are members of the SAF board. Its corporate members include such major insurance companies as Metlife, Sanlam, Old Mutual, and Liberty Life. Other corporate members include ESKOM (the formerly state-owned electricity company), Total, Shell, Sappi (the paper manufacturing giant), the Rembrandt Group founded by Anton Rupert (tobacco), Anglo Alpha (cement), and SA Breweries. There are links between the SAF and the South Africa Institute of International Affairs, an extension of the Royal Institute of International Affairs in London, as well as links between the SAF and the South Africa Nature Foundation, the South African affiliate of the World Wildlife Fund (now the World Wide Fund for Nature).

EIR has one overriding criterion for analyzing South Africa: Can this economic powerhouse become the cornerstone for saving Africa, a continent which is dying?

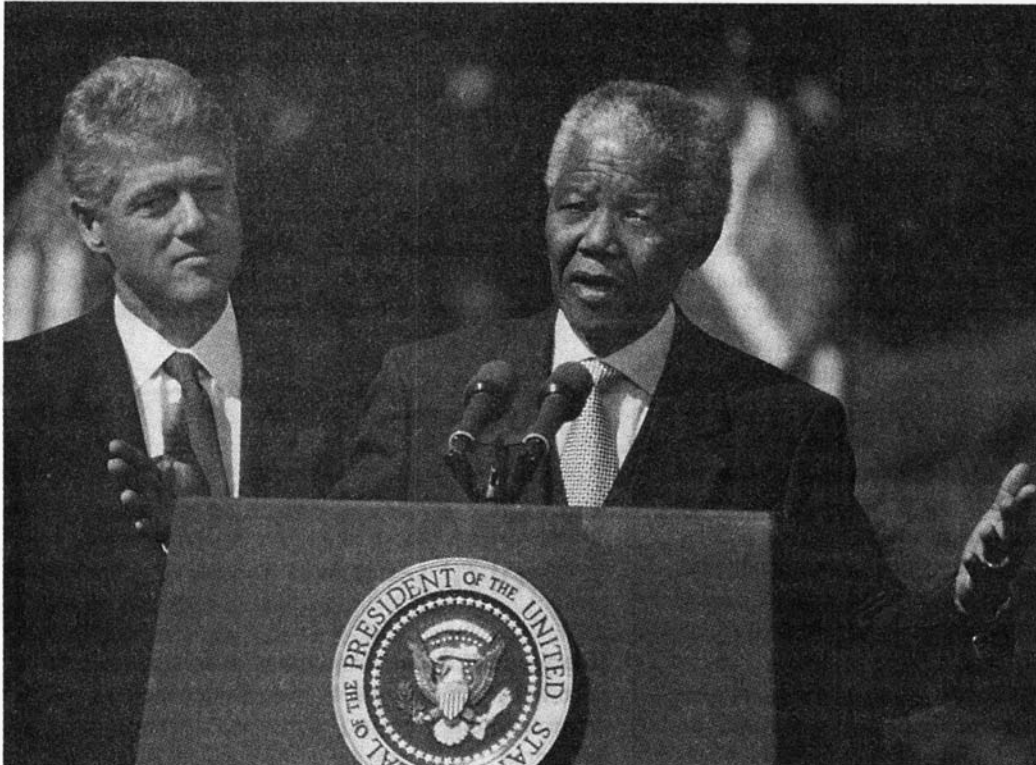
As *EIR* Founding Editor Lyndon LaRouche commented on Feb. 23, 1990, upon hearing of President Nelson Mandela’s release from prison: “The problem is developing a high-technology structure, to build up the basic economic infrastructure and the social, that is, educational and medical infrastructure, required to elevate the entirety of the population of the region, beginning with South Africa itself, to a level of cultural potential and economic potential for proliferation of small, relatively high-technology firms, and including the development of an independent, flourishing African agriculture to match the quality of the Afrikaner farms in that region.” Unless this is done, LaRouche warned, a “Dionysiac explosion” will be the result.

South Africa’s fragile stability continues to rest on President Mandela as the figure of national unity. But a plummeting economy, a drain of the country’s skilled labor power, and the destruction of the country’s productive economy will mean the country’s demise. For the British-tied mining interests in South Africa, their historical concern has only been extraction of raw materials.

A difficult ‘inheritance’

Dr. Solomon Terblanche, a professor of economics for the last 30 years at Stellenbosch University, and described as one of South Africa’s dirigist Afrikaner economists “of a bygone era,” in an interview with *EIR* on July 31 (see below), emphasized the complexity of the current economic fight. “It must be said that the inheritance left to the ANC is a terribly difficult one—one really needs the wisdom of the biblical Solomon,” he said. Terblanche chronicled the recent period:

“In the beginning of this year, suddenly, it seemed, the honeymoon of South Africa was over. The external support was not what it had been; foreign investment flowed out; the rand tumbled, and we’ve experienced quite an economic crisis since February.” Also in February, the South Africa Foundation and Old Mutual, one of the biggest insurance companies, put out a document called “Growth for All.” “My opinion was that it was a *terrible document!* It was rabid, and as Thatcherite as it could be,” Terblanche said. Following this, “the government appointed a commission to formulate a new macro-economic policy. . . . And in the end, the new Macro-Economic Plan put to the table by [Deputy President Thabo] Mbeki and the government is more or less on the side of the South Africa



South African President Nelson Mandela with President Clinton in Washington, Oct. 4, 1994. South Africa's fragile stability rests upon Mandela as the symbol of national unity, but his effectiveness is being undermined by the deepening economic crisis and the machinations of the British-backed South Africa Foundation.

Foundation document. And the ANC accepted it!"

Terblanche explained that he is oriented to the "continental version of capitalism." This refers to the dirigism of Friedrich List, a policy that was approximated in South Africa, especially in the 1960s and early 1970s. The British-instigated policy of apartheid served as a brake on this process. Nevertheless, the relative success of this dirigistic policy is reflected in the following figures: Imports as a percentage of total production declined from 62.5% in 1945, to 40.3% in 1955, and to 33.8% in 1965. Domestic industries for the production of consumer goods accounted for much of the industrial growth, but the expansion of heavy industry and the production of machinery was also taking place in parallel. Employment in production of metal products, for example, grew from 54,100 in 1951, to 135,500 in 1982—a 250% increase.

But it was not just development of industry; South Africa became proof positive that modern agriculture is possible on the African continent. Its low and unreliable rainfall means that only 12% of the country is suitable for dry land crop production. It would seem to be a most unlikely candidate to become self-sufficient in food production, but it became nearly self-sufficient. South Africa became a world leader in the use of surface water resources for irrigation. But in order to remain self-sufficient in food production, by the year 2020, South Africa must double the volume of water available for irrigation.

If extremely dry South Africa can feed its population, then

almost anybody can—with the proper technology and skills.

Yet, South Africa's success came to a screeching halt during the Reagan and Thatcher era, when most South African economists began the shift to the "free-market" orientation, according to Terblanche. The country now sits with 40% unemployment, mainly blacks, who live in absolute poverty.

The SAF destruction operation

The ANC leadership, the euphemistically named "Growth for All" document insists, has absolutely no choice but to accept the SAF documents' prescriptions "hook, line, and sinker." For example, it declares: 1) "This document proposes such a comprehensive strategy—one which can only succeed if *all* its elements are accepted"; 2) "The country has *no* alternative; world experience points in this direction and powerful international forces are pushing the economy that way. The underlying economic reality is so harsh that drastic measures are required immediately"; and 3) "Government needs to be decisive and firm about reform, overriding opposition from those who will lose out from it."

The kinds of reforms demanded? The SAF says: 1) Government investment should be limited; 150,000 jobs should be cut over five years in civil service; a plan is needed to cut government employment by perhaps 100,000 over the first three years. (The country already has 40% unemployment!) 2) There must be a plan to eliminate all export subsidies within two years. Both exchange controls and export subsidies should go. Reserve Bank intervention in the forward market

should be terminated. 3) If “the need to render the labor market less rigid is not tackled firmly, then the reform program proposed” will not succeed; a strategy is needed “to eliminate or drastically ease minimum labor standards.” 4) Overhaul the Department of Education to render it more efficient, with private education being encouraged. 5) Sell off most or all Industrial Development Corporation holdings within 18 months. 6) Government pension funds should be fully privatized. 7) “The main role of government is to create a suitably enabling market-friendly environment, and allow markets to respond appropriately.” 8) The rand should be revalued.

The South Africa Foundation is serving as the British-run locomotive to force through Thatcherite economics, and to eliminate the opposition—predominantly labor—by manipulating ANC government officials into smashing their Cosatu and SACP allies in the tripartite alliance. Part of the game has been for various banks participating in the SAF to take actions to cause the fall of the rand, and then have spokesmen blame the rand’s fall on statements by Shilowa and others, who have supposedly discouraged outside investors and the proverbial “market forces.”

However, the reality is that the rand had been holding steady against the dollar for over a year, when the March-April issue of *Foreign Affairs*, publication of the New York Council on Foreign Relations (part of the same British-led international orbit as the SAF) published a 13-page signal piece for investors to pull money out of South Africa. And that they did. A Johannesburg political analyst told *EIR* at that time: “This is when the slide started; prior to this things were going quite well. . . . But now the money is gone. It is another Mexico.”

Similarly, Standard Bank, whose head, Dr. Conrad Strass, is a trustee of SAF, took the lead in what appears to be a decision with other SAF-connected banks, to increase prime overdraft rates a full point on May 17, *without waiting for a lead from the central Reserve Bank*, dealing another blow to the economy. Officials at the central bank were reportedly quite miffed, but followed suit. The action is now the subject of parliamentary hearings. The leading individuals within Standard Bank are seen as anti-labor ideologues; they played a key role in formulating the South Africa Foundation’s “Growth for All” document, and they publicly attack, and try to create dissension within, the alliance among the ANC, Cosatu, and SACP.

Moves to break up tripartite alliance

The attempt to force failed Thatcherite economic policy on this country—a country that has some of the infrastructure for making it the engine of Africa—unquestionably has driven the biggest wedge in the tripartite alliance since President Mandela came to power. London’s *Financial Times* gloated July 25: “The uneasy alliance between South Africa’s ANC and the trade union movement appears to be crumbling.” The fact that the “honeymoon is over,” the *Financial*

Times said, “is probably no bad thing. The government has to make some tough choices in its economic policies, and it is unlikely to do so if it is always seeking to placate its union allies. It is too broad a movement to conduct a rigorous economic policy.”

The *Financial Times* insisted that it was Shilowa’s denunciation of the government’s economic plan as a “recipe for disaster” that was responsible for the drop of the rand. The rand had lost more than 4¢ against the dollar as of July 23, but this followed directly on the heels of a scathing London

South Africa Foundation: a tool of British policy

The South Africa Foundation was founded in 1959, during a period when the fight over dirigist economics was intense: a turning point in South Africa’s history, just as the present is. The Cape wing of the National Party—and the doctrine of apartheid—had been brought to power with British connivance in 1948, to terminate a movement toward South Africa’s industrialization associated with the name of Dr. J.H. van der Bijl.

In 1958, the Transvaal wing of the party took over, with Henrik Verwoerd as prime minister. Verwoerd had clearly started out under British control, but he began to move in league with France’s President Charles de Gaulle and West Germany’s Chancellor Konrad Adenauer. Verwoerd managed to bend apartheid to coexist with a new drive for dirigist industrialization, alarming the British. Hence, the founding of the South Africa Foundation (SAF) as a counterpole to the Verwoerd government. Verwoerd was later assassinated. From its inception, the SAF was to function as a shadow government, in which all of the power centers of the South African economy participated, directed by British interests.

The World Wildlife Fund connection

There is substantial overlap between the SAF and the South Africa Nature Foundation (SANF), the South African affiliate of the World Wildlife Fund (WWF, now the World Wide Fund for Nature), founded just two years later. A major common goal is to ensure that control of the world’s raw materials remains in the hands of a tiny handful of largely British or Anglo-Dutch multinationals.

The founding of both the SAF and SANF was supported, financially and otherwise, by Anglo American Corp. head Harry Oppenheimer and the Rembrandt to-

School of Economics report which hit the Reserve Bank's attempt to defend the rand.

Shilowa is being targeted for removal from the scene by means of threatening characterizations from the radical free-marketters. Terry Markman, a board member of the Free Market Foundation of Southern Africa, is telling people that Shilowa is "a dedicated ideological communist whom we will not be able to turn."

Similarly, the *Aida Parker Newsletter*, which often reflects Mont Pelerin Society thinking, raged in its June 1996

issue: "One man can bring the ANC government's new economic program crashing: that man is Cosatu secretary-general Sam Shilowa—a gentleman with an awesome ego. . . . His profound and implacable hostility to bankers and business is well known to investors here and overseas. Confrontational politics are his lifeblood. . . . Only weeks ago he was threatening to lay unspecified criminal charges against the banks if they raised their interest rates. This was accompanied by unbridled attacks on the South Africa Foundation and its soundly prepared 'Growth for All' document.

bacco group's chief, Anton Rupert. Rupert was later named chairman of the WWF in South Africa, and is also one of the co-founders of Prince Bernhard of the Netherlands' 1001 Club. Sir Francis de Guingand, the former head of British military intelligence who was the first head of the SAF, was also a member of Bernhard's 1001 Club. J.A. Stegmann, an SAF trustee, was a trustee of the SANF.

Oppenheimer and de Beers are in a category of their own, in terms of the British power they wield. Julian Ogilvie Thompson is currently a trustee of the SAF, as well as chairman, Anglo American Corp. of South Africa Ltd.; chairman, De Beers Consolidated Mines Ltd.; and chairman, De Beers Centenary AG. Anglo American Corp. is the largest mining firm in the world; it dominates the economy of South Africa. It constitutes, together with the two De Beers companies, the Oppenheimer empire. The Rothschilds and J.P. Morgan and Co. provided Sir Ernest Oppenheimer the financing to cartelize diamond and gold production in South Africa between 1902 and 1929. De Beers Consolidated Mines Ltd. (South Africa), and De Beers Centenary AG (Switzerland), control world diamond production. This control was established by Cecil Rhodes in 1880, and, by 1888, with Rothschild backing, the two firms controlled 90% of the world's diamond production.

Throughout its history, the SAF has been powerful, and dirty. A president of the SAF in the 1970s, Dr. Jan S. Marais, was the most prominent South African leader in the Permindex network in that decade. (Permindex was culpable in the murder of President John Kennedy, and was thrown out of France for its involvement in several assassination attempts against President Charles de Gaulle.) Marais was chairman of South Africa Metropolitan Life Assurance, founder-chairman of the Trust Bank of Africa, and a member of the board of the SANF. When Henry Kissinger visited South Africa in the mid-70s, Marais was *the* prominent non-government figure with whom Kissinger was seen regularly. Lord Derek Pritchard, another member of the 1001 Club, was the longtime head of the SAF's London office.

The SAF today

Although the South Africa Foundation initially had offices in London, Washington, Paris, and Bonn, in August 1995 the foundation "concluded a major restructuring exercise to better reflect new South African realities," according to an SAF press release. All firepower was apparently moved back to Johannesburg itself, although "the foundation has retained as consultants" the directors of its former offices abroad. "The fundamental objective of the foundation will be to enable South Africa's major corporations to formulate a coordinated view on macroeconomic and other issues and promote the interests of South Africa's private sector, both domestically and internationally. Major South African companies will be directly involved in macroeconomic and social policy deliberation."

Currently sitting on the SAF board of trustees, along with Ogilvie Thompson and J.A. Stegman, are other notables, including:

- Dr. Conrad Strauss, the current head of Standard Bank. Standard Bank was founded by Cecil Rhodes; in 1969, it merged with Britain's Chartered Bank to form Standard-Chartered PLC, one of the biggest drug-money laundering banks in the world; it is now described as "a relic of the British Empire." In 1987, the megabank divested its South African holdings, and Standard Bank is now South African owned—but "its allegiance has not changed," notes a knowledgeable South African source.

- M.H. Daling sits on all the boards of the Afrikaner insurance giant Sanlam, as well as heading up Sancorp, Sanlam's investment company. Earlier, Fred du Plessis, Sanlam's chairman, headed the SAF.

- Basil Edward Hersov, the Cambridge-educated head of the gold-mining company Anglovaal. He is also chairman of the board, First National Bank, South Africa. He was honorary president of the SAF beginning in 1979.

- M.J. Levett, the head of Old Mutual Insurance Company. Old Mutual co-signed the SAF "Growth for All" document.

- D.C. Brink, the head of Absa Bank, South Africa's largest.

“At the same time Shilowa was threatening to get workers to withdraw their funds from Old Mutual if it did not turn socialist and cut its ties with the South Africa Foundation. He is ferociously hostile to privatization.

“He is not to be taken lightly. He has repeatedly disrupted the labor market. . . . He has done much to push the rand through the floor and render investment here unattractive. . . . Dr. Mangosuthu Buthelezi [Zulu chief, Inkatha Freedom Party head, and free-marketeer] recently let Shilowa have it with both barrels. Describing him as ‘the water buffalo of South Africa, large, greedy, with no vision,’ Buthelezi said: ‘The time has come for the ordinary trade unionist to rise up and kick these political muggers out of their plush offices.’ ”

Other London players interested in breaking up the alliance, as the London *Guardian* acknowledged on July 6, are “two eccentric multi-millionaires, John Aspinall and his friend Sir James Goldsmith.” Aspinall is close to Buthelezi, and reportedly funds his Inkatha Freedom Party quite heavily. A big knob in London’s smart gaming set since the 1950s, Aspinall hopes in return to secure the majority of gambling licenses in the province of Kwa Zulu-Natal, Buthelezi’s power base. Splitting up the ANC alliance, for Aspinall, is clearly just step one. He talks about breaking up South Africa into 30 components, with the Zulus reestablishing their tribal identity in the form of a separate nation.

Within South Africa, Tony Leon (who heads the small Democratic Party, generally acknowledged to be controlled by the Anglo American Corp.) is insisting that Mandela break from this “unwieldy” alliance. National Party leader F.W. de Klerk on July 25, in his first key speech since quitting Mandela’s government of national unity, insisted that the tripartite alliance was alienating even previous ANC voters. The voters, de Klerk claimed, “share with us the anxiety and rejection of the hold the unions have over the government at the moment, almost holding them to ransom.”

One of the methods being used to accomplish the split, knowledgeable South African political sources say, is the formation of a new political party to unite the South Africa Foundation’s friends and potential friends in the ANC with the “left” wing of the National Party. “Unless the alliance is broken, the possibility is too high that the ANC-Cosatu-SACP hardliners—predominantly those who did not go into exile in Britain and other Western countries—will eventually regain dominance,” one knowledgeable Afrikaner political analyst told *EIR*. “This whole economic program, as Shilowa says, is predicated upon the claim that if the government gives all these concessions, international investors will come into South Africa in droves. The upshot is, if international investment doesn’t come, then what’s all the pain for—the privatization, the dropping of tariffs, etc. It is inevitable that this policy is going to fail.”

What is being mooted in the South African press, therefore, is a “more appropriate” alliance between the “left wing” of the National Party, led by long-time former National gov-

ernment official Pik Botha, and the ANC tripartite alliance’s “right wing.” “They have to create a new vehicle,” explained the Johannesburg analyst. “President Mandela, when he was in Germany this summer, referred to the new party, only in terms of a split in the Nats—that Pik Botha was going to lead a new party. . . . But the main purpose would be to hive off the ANC’s labor content.” He noted that although the new party certainly would have to be led by blacks, “the Anglo crowd needs a vehicle more in their mode.”

Before the Mandela takeover, the British and their South African sympathizers cultivated especially those of the ANC leadership in exile in Western countries, particularly in London, where they studied British economics, in some cases getting graduate degrees from British universities, such as the University of Sussex. The South Africa Foundation and all its tentacles targetted the ANC elite and attempted to “educate” them along the lines of their own oligarchical model. Regular meetings between the two sides began in London as early as June 1986—in London’s Masonic Building, according to Anthony Sampson’s 1987 book, *Black & Gold—Tycoons, Revolutionaries and Apartheid*. In this earlier period, Zach de Beer of the Anglo American Corp. was on record as terrified that “the baby of free-enterprise [British-style] would be thrown out with the bathwater of apartheid.” Not only was Clive Menell of the Anglo-Transvaal (“Anglovaal”) mining group involved in the early meeting in London in 1986, that same year he brought into being an extensive training program for the ANC elite in Israel, according to an exposé by the South African weekly *Mail and Guardian*.

The stakes

An economist with the National Institute for Economic Policy, Zunaid Moolla, lays out the immediate task, and the stakes. “A well-developed social and physical infrastructure (roads, railways, telecommunications, schools, clinics, technicians, etc.) lays the basis for long-term economic development and growth. Our trade, industrial, and competition policy should be geared toward developing and expanding the domestic economy, so that we start producing for 42 million inhabitants, instead of just the 8-10 million people who presently comprise the market. NIEP research shows that production for the domestic market in several industrially advanced countries generates more jobs than the market for exports. But it should also be emphasized that South Africa has so much spare capacity that production for the domestic and export market can be undertaken simultaneously. But the present policy of attracting ‘hot money’ (short-term speculative capital) has resulted in very few jobs being created relative to the amount invested, and should be seriously reexamined.”

Moolla insists that the new economic policy “is not in the least suited to accomplish any of these goals. On the contrary, it will either thwart these goals or make it impossible to achieve them within our lifetime.”

'New Thatcherite policy cannot relieve poverty'

Dr. Solomon Terblanche, for the past 30 years, has been an economics professor at Stellenbosch University, not far from Cape Town. He is described by other South African economists as one of South Africa's dirigist Afrikaner economists "of a bygone era." He was interviewed on July 31 by telephone, by L. Chamberlain.

EIR: The kind of economic policies now being pushed on the South African government are quite different from South African economic policies of an earlier period, I gather?

Terblanche: When the National Party got into power in 1948, they were very concerned about the poor white problem in Afrikaner ranks; they developed public sector parastatals; they also had a program for lifting this group that some called socialistic. But in the end of the '70s, and '80s, the Afrikaner orientation also became rather free-marketeer.

During the '80s, Mr. [P.K.] Botha, then state President, was very much influenced by the English business sector. At that time, the whole South African economy was in a kind of survival crisis due to the struggle of the ANC, etc. And all kinds of liberalization were started; also privatization, etc.

But from 1990, as you know, the period of negotiation started. Originally, when Mr. Mandela was released from jail, his whole rhetoric was rather socialistic. In his second speech, he said that nationalization is still part of the ANC's policy.

Now, during this long period of negotiations in Pretoria, the ANC leaders rather strangely were wined and dined from morning to night by the businessmen from Johannesburg. And the business people were rather pleased with the learning curve of the ANC.

When they [ANC] took over in 1994 in the Government of National Unity, they were rather moderate and realized the need for economic growth, etc. Now, in the beginning of this year, suddenly, it seemed, the honeymoon of South Africa was over. The external support was not what it was; foreign investment flowed out; the rand tumbled, and we've experienced quite an economic crisis since February.

The government appointed a commission (two of my colleagues were part of it), to formulate a new macro-economic policy. This economic policy, in a sense, features what one can call "Thatcherism." And the ANC accepted it! Realize that it cannot solve our economic problems—more than 40% of the potential labor force is unemployed; it cannot solve our terrible poverty problem: 40% of the population, mainly

blacks, live in absolute poverty.

Now, the ANC—[Deputy President Thabo] Mbeki and the new ANC Finance Minister Trevor Manuel, and Mr. Mandela—have supported it. But now the problem is, the strong black trade union movement, Cosatu, is not prepared to accept it. Part of this new macro-economic framework, as it is called, acknowledged the need for privatization of some of the parastatals. And now there is tension between the ANC government and Cosatu, and last week we had the conference of the South African Communist Party; South Africa's Communist Party is strong in Cosatu and it formally rejected the plan.

EIR: Prime Minister Mahathir Mohamad of Malaysia—who of course is very big on privatization historically—nevertheless recently insisted in a speech that the current push toward "globalism" was the "new colonialism"—that that would be the net effect.

Terblanche: I would *agree* with him. The global economy is a reality, but, in a sense, it is very bad news, especially for the smaller countries and for all developing countries of this world. In the global economy, the power is situated in the major powers. We must try to play the global economy—but we must realize it is not a friendly world; it is not a benevolent world; it is a very *hard*, relentless world, where power is the name of the problem. But we are rather in a corner; we need foreign investment.

EIR: All of this has a lot to do with the fact that the overall international economy is collapsing.

Terblanche: Yes, I know.

I wanted to mention one other aspect. There is another problem with the new global economy. There is a new emerging war between the North and the poor South. If southern countries, the so-called poor South, realize they are always on the losing side in the global economy, that can tear the whole thing apart. It is a risky business.

The major argument of Cosatu and the SACP, is that it can be disastrous to put all our eggs, so to speak, in this global economy.

The problem is, this argument is quite a polarization in South Africa between the ANC and business sector and the old National Party on the one hand, and the trade unions and SACP on the other side. It is not only an ideological argument; it is also a power struggle. Our so-called political shift is more or less completed, but now the economic struggle is going on to determine the future of the South African economy. This economic power struggle will not be completed any time soon. The debate, is, in a sense, only in its beginning. And all of this is not as simple as some people in South Africa want to believe.

EIR: What is the relationship right now between the South African government and the International Monetary Fund and World Bank?

Terblanche: I think they are rather influential here. But you see, what is also important is this bilateral commission between Vice President Gore and Deputy President Mbeki. The United States has been pushing this global economy notion on South Africa very hard.

When this macro-economic policy document was framed, people in the World Bank also played a role in it.

It is the global economy rhetoric that is getting through. We need economic growth; we are in a tight corner. But we also *desperately* need to improve this terrible unequal distribution of income. We need social stability. How to get social stability? You can't get it without doing something about poverty. I have strict reservations with the emphasis being so much on growth—let's have growth, yes, but we cannot neglect our inequality problems. We cannot neglect the problems of instability, the violence, the criminality you see. If you do neglect this, growth will not succeed! I don't think, we, in our terribly difficult condition—we have not yet attained the correct mix.

Sam Shilowa: 'Neo-liberal policies failed elsewhere'

The following is edited from the transcript of a presentation by Sam Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), on July 13 at a Labor Law Conference in South Africa.

I think it was Marx who said something to the effect of "we change the world, but not under conditions of our own choosing." We face a situation in South Africa today where we are attempting to transform our country. Yet we face various constraints, which we did not choose. Neither are they of our own making. They have been thrust upon us by history.

These include: the legacy of apartheid; the debt burden; destruction of our human resources; a deformed public sector; vast unemployment and poverty, marginalization of the majority from economic activity; massive income and social inequalities—the list goes on.

Secondly, the new world situation into which our democracy has been born. Politically, this situation has been characterized as a unipolar one in which there is no serious alternative to the power wielded by the G-7 countries, and their international financial and trade institutions. Economically, the process of globalization has trampled the sovereignty of nation-states. Capital has unprecedented mobility, aided by new technology and the new information age. The world economy has been organized into powerful trading blocs. We are told that those who don't play by the rules of the new

game, will be forever marginalized and fall by the wayside.

The question therefore arises: Is it possible to achieve equity and growth under the constraints inherited from apartheid and imposed by the new world order? . . .

The Reconstruction and Development Program (RDP), and more recently labor's Social Equity document, are an attempt to say, despite all these obstacles, we can take our destiny into our own hands. . . .

As a country, we are today in danger of digging ourselves into a trap which will almost be impossible to escape from. That is, to abandon the path of transformation which we have set ourselves, by relinquishing our national sovereignty in the sphere of economic decision-making and sacrifice them on the altar of profits.

It has become widely accepted that the implementation of the economic policy prescriptions of Thatcher, Reagan, the World Bank and the IMF [International Monetary Fund], have had devastating consequences on countries where they have been imposed. These harsh facts are acknowledged, if not by all economists, then certainly by the vast majority of people living in these countries!

Yet there is enormous pressure on South Africa, not least by "the market," to adopt precisely these policies which failed elsewhere. This neo-liberal framework has by now become familiar. It includes, wholesale privatization; slash state spending; rapid deregulation of the labor, trade, and financial markets; contractionary monetary policies; and export orientation.

While these prescriptions are ideologically driven, and applied regardless of conditions which countries are facing, we do not reject them only on ideological grounds. We rather reject this package because it would be a disaster if applied in our country.

We do not reject opening up our economy, if this is done in a way which promotes our industries. We do not reject fiscal discipline, if it is subsumed to the task of economic development, rather than the other way around, and so on.

The attempt by powerful domestic and international interests to force us to accept *laissez-faire*, unfettered capitalism, flies in the face of the entire developmental experience of the 20th century. All successful examples of reconstruction and development in Europe, America, Japan or East Asia, have entailed massive involvement by the state, the creation of domestic demand, huge investment in human development, and policies to direct investment and industrial activity. Some, if not all, even introduced today's dreaded drastic measures, such as nationalization of key sectors (South Korea), running of massive deficits (e.g., Malaysia, more than 20%) and other measures which we are now told are heresy. None have relied exclusively on the market or attempted to remove the state from leading the development process. . . .

Trade and industry policy

The active involvement of the millions of our people who have been excluded from the mainstream of the economy is

seen as a cornerstone of our new growth path. The unleashing of this untapped power of the domestic market, through infrastructural provision, the raising of peoples living standards, and the resultant cycle of demand and expansion, is one of the key underpinnings of the RDP growth strategy.

Despite this, there seems to be growing emphasis placed on a one-sided strategy of export-oriented growth. While increasing exports are important, not least to stabilize our balance of payments and to finance the technology we need, an expanded and dynamic home and regional market should be considered as the foundation for sustainable growth.

A one-sided obsession with exports will not create the jobs we need. A study by the National Institute for Economic Policy (NIEP) has established that between 1960-1996 the vast majority of production (over 80%) in the U.S.A., Europe, and Asian countries was geared toward domestic use, despite vigorous promotion of exports for many years. Further, NIEP has shown that increased production for export in a number of countries has created two to four times fewer jobs than similar increases in production for domestic consumption. . . .

Current indications that we are anxious to lift tariffs faster than our international obligations in all sectors of the economy, send the sign that we are more anxious to please the international community than to build our own industries. . . .

Another dangerous route that seems to be tempting us is that of EPZs [free enterprise zones]. Proposals for tax exemptions to attract business to economically depressed regions may on the face of it seem attractive. This is, however, a shortcut to regional industrial development which international experience shows has many hidden pitfalls. This approach: undermines the integrity of the tax base; fragments national economic policy; and is a slippery slope towards undermining of labor standards and trade union bashing in those zones. Poor regions will increasingly be trapped in a race to offer cheaper and more exploitative conditions. Problems facing these regions need to rather be addressed through other incentives. Otherwise we are going to repeat the disaster of the failed bantustan border industry experiments.

Fiscal policy

Without going into the complexities of fiscal policy, it worries us that fiscal discipline appears to becoming an end in itself, rather than a tool for development. Enormous pressure has been brought to force government to rapidly cut back its fiscal deficit, irrespective of the role which deficit financing could play in development. Our friends in government seem to have swallowed this lie, hook, line, and sinker.

This approach could have several detrimental consequences including—cutbacks in social services; cuts in public sector employment (particularly low-paid workers); limitation of public sector infrastructural investment; and greater pressure to privatize and commercialize public enterprises. Whatever the motives, this is the route that Chirac and Kohl are wanting to impose in the rush to formalize the single European Union currency.

This would seriously undermine the developmental role of the state, retard economic growth, and undermine delivery of the RDP.

Instead of going this route we believe that government should explore more creative approaches to the debt problem; introduce a pay-as-you-go system for public pensions (which could immediately reduce the deficit by half); and deal with the problem of high interest rates, which are inflating our debt repayments. We must also reject the attempt to place the public pension fund into private hands in the same way that other pension funds are run. . . .

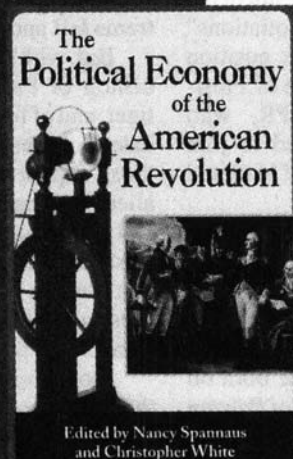
Monetary policy

The current policy of keeping interest rates high stifles growth, raises the level of debt, frustrates the housing program, and hits small business and the person in the street. The only beneficiaries appear to be the booming finance industry, financial speculators, and the “hot” short-term foreign investors. This also makes our economy particularly vulnerable to capital movements, and the danger of a Mexico-type scenario.

This is worsened by exchange-control liberalization, which both enables foreign investors to withdraw capital at will, as well as domestic business incrementally moving capital out of the country. It is hard to understand this approach, when we are facing severe balance of payments problems, and low foreign-exchange reserves.

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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Fraternité, Egalité, 'Get out of here!'

The police storming of a Paris church full of African immigrants is detonating a "hot autumn" in Chirac's face.

At 7:30 a.m. on Aug. 23, some 1,500 policemen stormed the St. Bernard church in Paris, where 200 "undocumented" African immigrants, including several hunger strikers, had sought protection against deportation, in protest against the racist immigration laws of former Interior Minister Charles Pasqua.

The assault is reminiscent of the worst racist attacks by French Algeria partisans against Algerians during that country's independence war: After smashing open the church doors with axes, police brutally made their way through the strike sympathizers sleeping outside and inside the church, clubbing resisters and arresting more than 200, whom they dragged forcibly out of the church. Many will be deported.

The conflict over these "undocumented aliens," started five months ago and has intensified as a result of the government's tough "no negotiations" stance, a purely opportunistic position aimed at appeasing the base of President Jacques Chirac's RPR, who might otherwise be tempted to join Jean Marie Le Pen's racist National Front.

At issue is the racist, arbitrary immigration laws enacted three years ago by then-Interior Minister Pasqua. Those laws overturned France's traditional *jus solis*, which conferred French citizenship to anyone born on French soil. In its place, the *loi Pasqua* allows children born in France of non-citizens to ask for and receive French citizenship, only when they reach their majority, i.e., come of legal age. The

law's ambiguities have led to such absurdities, that some children born in France of foreign parents have been allowed to remain, while their parents have been forced to leave! In addition, under the law, if a foreigner has a work permit, his family may not join him after he has established himself, but can only accompany him when he first arrives, and then only if he has secured housing for them. Nor are residence permits automatically given out to the spouses of French citizens.

The "undocumented aliens" fighting for legal residency against the right-wing RPR regime, have received support from many parties and organizations, from the centrist UDF wing of the present government majority, which used the occasion to make public its disapproval of the President's policies, to the traditional left, including the Socialists and Communists, the major trade unions, and even the extreme left and environmentalists.

But, with the exception of the archbishop of Paris, Cardinal Jean Lustiger, and of former Presidential candidate Jacques Cheminade, none of those supporting the "undocumented aliens" are raising the underlying social and economic questions. Cardinal Lustiger told *Le Figaro* of Aug. 24, that the men "from poor African countries, are hungry to be like us, and sometimes, they are simply hungry."

More broadly, the cardinal located the problem within the relationship of the rich countries toward the poor: Will the former, he asked, "try to defend themselves against something that is presented as an invasion or ag-

gression, with total disregard for moral principles that founded our civilization?" The situation, he said, was being used to manipulate fears among both the French and the immigrants. The real question is one "of the political and economic responsibility of the rich countries: How can one reasonably and generously deal with the economic difficulties of countries in extreme poverty?"

Similarly, LaRouche associate Jacques Cheminade located the solution to the immigration problem in the need to re-launch the productive economy. Once economic growth is re-established in both the North and the South, declared Cheminade, those who will migrate to other countries will do so as a matter of free choice, and not be forced to flee famine and poverty.

The storming of St. Bernard Church has gotten the expected hot autumn of social unrest off to an early start. Demonstrations have occurred nearly on a daily basis since then. The statements by Jacques Chirac and Prime Minister Alain Juppé, issued from the President's vacation home in Bregançon, rejected any essential changes in either the immigration laws or the harsh domestic austerity, and have further fueled social discontent. Farmers, teachers, bank employees, and others are already preparing strikes and demonstrations for the near term. According to a recent poll by *CSA/La Tribune*, 77% of French citizens believe that the strikes will be as strong as those of last December.

Within the right-wing government majority, many, including members of Chirac's RPR party, fear that France is heading for a major "deflationary crisis" and are calling on the government to ease up on monetary rigor before it's too late. Oblivious to all dangers, however, Chirac and Juppé remain at the *Titanic's* helm, sure that they have charted the right course.

Huge narco-police network purged

More than 700 officers have been fired to prevent a complete takeover by the drug cartels.

On Aug. 16, more than 700 officers from the Federal Judicial Police (PJF), suspected of involvement in drug-trafficking, were fired from their posts. The surprise action was prepared by a special team of 20 people working out of the Attorney General's office, with the full backing of President Ernesto Zedillo, and coordinated with the military.

Three days before the purge, the national director of the PJF, Américo Flores Nava, had been dismissed. Sources who participated in planning the operation told *Reforma* newspaper correspondent Ignacio Rodríguez Reyna, that because the PJF, the country's primary police force, was at the point of falling under total control of the drug cartels, the government's only two alternatives were to purge the PJF in one fell swoop, as they did, or to place it under military control, the latter reportedly the option toward which Zedillo had initially been leaning.

Rodríguez Reyna also reported, in his Aug. 20 article, that his sources in the Attorney General's office, which is in charge of the PJF, say the majority (some 70%) of the purged state commanders had been appointed under the reign of former PJF director Adrian Carrera, along with "all Raúl Salinas's people who had been named on the recommendation of Justo Ceja, the personal secretary of Carlos Salinas de Gortari."

This latter is extremely significant, providing yet more evidence that responsibility for the explosion of the drug trade in Mexico lies at the door of Carlos Salinas, George Bush's friend

and ally, with whom he signed the infamous North American Free Trade Agreement.

The Attorney General's office is expecting a violent reaction from the cartels, "foreseeable above all in Chiapas, Sonora, and Baja California," a source in that office warned. Sources in the Government Ministry told *Reforma* that "it is estimated that there are right now in Mexico 100 tons of cocaine ready to be shipped to the United States, and its owners are seeking to get it out as fast as possible, before it is confiscated after the purge."

The decision was taken at a time in which the country, sinking under a terrible, worsening economic crisis, is also being assaulted by narco-terrorist violence and an organized-kidnapping industry. As José Alfredo Santos Asseo, the leader of the National Chamber of Commerce, warned on Aug. 20, during anniversary celebrations in Mexico City attended by President Zedillo: "Two Mexicos are dangerously being generated in the country. One lives within the law, and another outside it; the illegal is taking on greater force than the legal."

In reporting the purge, Attorney General Antonio Lozano Gracia pointed out, that since he assumed office, he had tried to clean out the PJF, as well as the Attorney General's office itself, but until now, he had failed. We have not given up, however, he said.

Others report that since Zedillo took office, almost 6,000 policemen have been fired: 1,250 from the PJF (including this latest purge), 1,037 from the Mexico City force, and 3,500

from the Public Security Secretariat.

The PJF purge was carried out in the following way: All the officers to be fired were ordered to report to Military Base No. One, the main military base in Mexico City, where their weapons and credentials were taken from them, and drug tests were given to all, regardless of rank. The same operation was carried out in the states of Tamaulipas, Sonora, and Zacatecas. Twenty-two of the 31 state commanders were detained at Military Base No. One, some of them believed to be key drug cartel figures.

The Mexican Army is now deployed in various parts of the country. Operation "Azteca 7" is under way in Chiapas and Tabasco, in which all military posts in the Lacandon jungle (where the Zapatistas base their operations in Chiapas), and along the border with Guatemala and Belize, have been placed on alert, and military units along the Pacific Coast reinforced. The commander of the VII Military Region, headquartered in Chiapas, Gen. Mario Renan, explained that this was a temporary dissuasive action, in response to indications that there were imminent plans to send in a large shipment of drugs.

The Army is also deployed in other zones where armed movements have been detected, including Chihuahua, San Luis Potosí, Hidalgo, Puebla, Oaxaca, and Veracruz.

In Guerrero, one of the principal drug-producing states and where the self-named Popular Revolutionary Army (EPR) recently appeared, some 19,000 soldiers have been deployed. Military intelligence reports estimate that the EPR was launched by drug-traffickers. Interviewed by Televisa on Aug. 25, President Zedillo reiterated that those in the EPR "are wrong, and they are being, and will continue to be, pursued for the crimes which they are committing."

International Intelligence

Khmer Rouge may soon settle with government

The Chinese and Cambodian governments appear to be close to achieving the final demise of the Cambodian Khmer Rouge insurgents, following the death this summer of the KR's leader, the notorious butcher Pol Pot. Pol Pot's closest ally, Ieng Sary, and several leaders under his influence, appear to be close to a deal with the government. In April, Chinese Gen. Zhang Wannian visited Cambodia and announced Chinese military aid to the government. The Chinese cut off aid to the Khmer Rouge in 1992.

Co-Prime Minister Han Sen, who has had poor relations with the Chinese, dating from his collaboration with the Vietnamese who defeated the Khmer Rouge, travelled to China in July to repair relations. Ieng Sary was the primary contact between the Khmer Rouge and Beijing, having lived in Beijing before the 1976 KR takeover of Cambodia, and having planned, with Deng Xiaoping in 1979, the strategy of guerrilla warfare against the Vietnamese occupation forces. Han Sen has given indications that he will lift the outstanding death sentence against Ieng Sary, if he comes over to the government.

Gnostics launch 'year of repentance' project

A source close to World Wide Fund for Nature President Prince Philip told a journalist recently that a "year of repentance" is being launched at the Oct. 2-6 meeting of the Gorbachov Foundation in San Francisco. The idea is for people to "repent" for their "failure to live up to their responsibilities" respecting the environment, and the organizers will put forward a "new code" of appropriate behavior for the penitents. Various "major religious leaders" have contributed to a study, on how this "year of repentance" might be implemented and followed through. Prince Philip has long been the major organizer of a phony unity of religions

around environmentalism.

The chief coordinator of the Gorbachov Foundation extravaganza is Jim Garrison, a key figure, in the past, at California's pro-drug-legalization Esalen Institute. The Gorbachov Foundation is working closely with the WWF on this "human responsibilities" project.

In addition to former Soviet President Mikhail Gorbachov, last year's Gorbachov Foundation extravaganza in California was patronized by Margaret Thatcher and George Bush. This year's featured glitterati include: former Haitian dictator Jean-Bertrand Aristide; Czech President Vaclav Havel; Malaysian Prime Minister Anwar Ibrahim; "New Age" media magnate Ted Turner; and Kenyan game-keeper/anthropologist Richard Leakey.

Gelbard in Bosnia to help fight organized crime

U.S. Assistant Secretary of State Robert Gelbard, the department's top anti-drug official, spent a week in Bosnia in August with a team of high-ranking U.S. law enforcement officials to help the government fight against drug trafficking, and to help prepare security for the mid-September national elections.

Gelbard told reporters, "We are concerned about organized crime in Bosnia, as are Bosnian officials, and especially against narcotics trafficking. Eastern Europe is being swamped by a tidal wave of drugs which originate with the opium and heroin trade from Afghanistan. The old Balkan route is opening up again with connections to Turkey, Italy, many countries."

Gelbard also said he would look into charges by Capt. Ron Stubberfield, an American UN police monitor who reported that senior UN police officials were part of a drugs and contraband ring with ties to foreign "Islamic fighters." UN officials threatened to send Stubberfield home, for making his charges to the press. Gelbard said he expected "appropriate action" to be taken against any UN personnel involved

in smuggling. He also said, "We are prepared to send in a counternarcotics team of FBI and Justice officials immediately after the elections."

Italian opera-lovers boo separatist Bossi

Secessionist Northern League leader Umberto Bossi made a big mistake on Aug. 21, when he went to Verona's Arena theater to hear a performance of Giuseppe Verdi's famous patriotic opera, *Nabucco*. As soon as he and his wife were seated in the VIP section, the audience rose to a man and started to boo, shouting: "Go home!" "Pay for your ticket!" and "Viva l'Italia!"

According to the Milan daily *Corriere della Sera*, "A group of theater employees positioned themselves to see him clearly when Bossi took his seat. One of them, a southern Italian, spoke out: 'I am booing him because I am doing very, very well in Verona [which is in the north]. They love me here, and I am against secession.'" During intermission, when Bossi went to the bar to get a drink and a sandwich, a woman accosted him, shouting, "Long live free Italy, without the League!" and waved the tricolor Italian flag in his face.

The secessionist boss tried to appear impassive, but stammered out to reporters: "I just want to hear the 'Coro dei Lombardi,'" which is a chorus from a different opera.

Italy's "second national anthem" is the chorus of Hebrew slaves, "Va Pensiero," from Verdi's *Nabucco*.

Children are victims of social collapse in Russia

The free trade destruction of Russia's economy is tearing the family structure to pieces, as shown by a recently published study by Prof. Eugene Slutsky. A specialist in family and youth sociology, Slutsky's articles in *St. Petersburg Vedomosti* and *Komsomolskaya Pravda* on Aug. 22, described how 1,534 divorces are registered daily; in 1,288 cases,

the custody of the children is awarded to a parent; in 30 cases, they are sent to orphanages; in 32 cases they are taken away from the (usually alcoholic) parents by state institutions; in 237 cases, they run away from home, with very few ever returning.

In 1995, women made up 15% of convicted criminals, and there is a steep rise in alcoholism and alcohol-related psychosis among women.

In 1995, the St. Petersburg police cited 2,731 parents for child neglect, with the total rising to 4,037 instances by January 1996. For the country as a whole, 10,115 parents were cited for child neglect in 1995; officially, over 50,000 children were listed as runaways because of abuse and neglect.

In 1995, there were 55,000 babies abandoned in obstetric wards. According to the State Statistics Committee, the majority of Russian children who are raised in orphanages have living parents.

A neglected child is easily incorporated into organized crime structures, and the number of homeless children living in the streets, getting no education ranges between 25-45,000. Last year, of the 6 million youths examined by Russia's medical institutions, 94.5% were found to be suffering from various diseases.

Bush wanted to slow German reunification

According to excerpts of a new biography of the late French President François Mitterrand, George Bush was eager to slow down the reunification of Germany, once it became inevitable. The excerpts of the book by Mitterrand intimate Hubert Vedrine appeared in the Aug. 22 issue of *Le Figaro*.

The Paris daily includes transcripts, evidently from 1989, of a discussion between Bush and Mitterrand, with Bush asking: "Do you think that we Americans seemed too favorable to reunification with the statement of Vernon Walters?" Walters, then U.S. ambassador to Bonn, had said that reunification could occur in about five years. Mitterrand responds: "Walters, perhaps, did not make a

mistake, but in saying what he said, he is accelerating the process of reunification."

"Walters was wrong," Bush stressed. "We are not against German reunification, but let us remain very cautious." Bush then asked: "What did Gorbachov say to you about this subject?" to which Mitterrand replied: "Gorbachov is very firm. He cannot accept this reunification. His wish, is that he be assisted, in moderating the movement towards reunification. Gorbachov is hostile to reunification. I am not hostile, but I agree with him, that it must be slowed down."

Mexican archbishop rejects euthanasia

Celebrating mass before a group of largely elderly citizens, including his own parents, Mexico City's archbishop, Msgr. Norberto Rivera, categorically rejected the practice of euthanasia as a "monstrosity," a violation of the fundamental principle of respect for human rights.

Rivera condemned legalization of euthanasia in some industrialized nations, first as an individual right, then as a right of the state or society, where anyone deemed to be a "burden" can be eliminated. The archbishop pointed out that many of those advocating euthanasia in these countries, also degrade the figure of Christ, using it as a "marketing technique," portraying him as a "superstar," or the "first guerrilla" who "defended the rights of the weak," inciting them to rebellion. But these people "know nothing about the figure, or the far-reaching [nature] of the Son of God," Rivera said.

"You should know that the Church is in favor of life, your lives, whatever your state of health," the archbishop told his audience. He vowed that the Catholic Church would increase the number of homes able to care for the elderly, if their families are unable to do so. Mexico's elderly men and women deserve the utmost "respect and affection," Rivera said, underscoring that families are best suited to care for the elderly, but if this is impossible, then society, the church, and the state, should assume that responsibility.

INDONESIA'S three party leaders signed a statement of support for President Suharto on Aug. 20, and pledged to avoid political maneuvers against one another in the run-up to the 1997 legislative elections. Signing for the PDI party was Sujardi, who was returned to the PDI chairmanship in June. The others are Suharto's Golkar party, and the Muslim-based United Development Party.

A HAMBURG COURT sentenced neo-Nazi Gary Lauck to four years in jail, after convicting him of inciting violence, disseminating race-hatred, and promoting insurrection against the German constitutional order, through his Omaha, Nebraska-based publications. Lauck has been the main supplier for the last 20 years of propaganda to the German neo-Nazi underground.

PROVOCATEURS infiltrated a protest in Canberra, Australia on Aug. 19 of some 20,000 people organized by the Australian Council of Trade Unions to demonstrate against the Howard government's fascist policies of selling off the government communications company, and related massive budget cuts. The provocateurs, wielding crow bars, began to smash up government property, inside the Parliament House.

THE ALGERIAN FIS, the Islamic Salvation Front, condemned the massacre of 60-70 men in Batna, east of Algiers, adding, "We do not rule out involvement by certain groups inside the regime which are hostile to the Algerian people." On Aug. 17, armed assailants had stopped busses in the town east of Algiers, ordered all the men between 17 and 25 years old off, and then massacred them.

A POLISH economic adviser to the Central Bank, who is close to George Soros and Jeffrey Sachs, told *EIR* that the way to prevent social explosions throughout the "misery-ridden" former Communist countries is "by holding elections. It is important to keep having elections; this is what defuses social tensions."

IRI's friends in Russia: the anti-utopia in power

by Roman Bessonov

With this contribution from our Russian correspondent Roman Bessonov, EIR continues to expose the fraud of "Project Democracy,"¹ applied in Russia.² The cast of characters introduced in this installment, exposes the viciousness of the argument, which is axiomatic for the International Republican Institute (IRI) and kindred "Project Democracy" vehicles, that the proponents of "free market" reforms rate as the only truly "democratic" forces in Russia. Subsequent articles will explore the activity of the IRI.

The mass media story, that there was a "new victory of democracy in Russia" in the June-July 1996 elections, sounds less and less convincing. The latest events, including the resumption of bloody fighting in Chechnya, make clear that the power struggle in Russia has not stopped (nor did it, after the previous "victory of democracy," secured when Army artillery barrages forced the Parliament to capitulate to its dissolution by President Boris Yeltsin, in October 1993), but escalated. Instead of progress and development, the reforms of the Russian political and economic system that started in 1989, have led to a situation of immense social and ethnic hatred in society, and to a total disorder in governance which makes it impossible to figure out what tendency or which power clan

is going to take over, and what the next consequences will be—actually, to what is historically known as the Russian *smuta*, or Time of Troubles.³

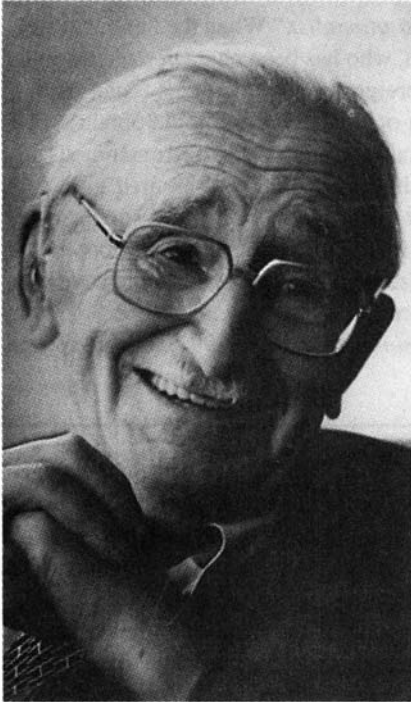
Russians appear to be deeply disappointed in political parties, and the State Duma's consensus for the confirmation of Viktor Chernomyrdin as prime minister, in which two-thirds of the Communist Party of the Russian Federation deputies joined, is evidence that not even the CPRF and its electoral bloc, which had just fielded the strong Presidential candidacy of Gennadi Zyuganov (he received 32% to Yeltsin's 35% in the first round; 41% to Yeltsin's 53% in the second), constitute a clearly defined opposition. There are no vigorous, independent parties. More and more Russian citizens of various views, beliefs, and income levels, are being driven to a conclusion that nothing except a dictatorship by one person, can help the country. As we shall see, such a political option is cultivated and admired by some of the most radical "free market" reformers.

At the same time, the whole world already knows that no significant event in Russia, at least since 1989, is prepared without well-compensated foreign assistance. Lots of advisers from Europe and the United States spend much time in Moscow at their fellow citizens' expense. It would be revealing to tally, just how much money was spent on consulting

1. *Project Democracy: The 'Parallel Government' Behind the Iran-Contra Affair*, EIR Special Report, April 1987, provides the history of how quasi-governmental organizations, authorized under the National Endowment for Democracy (NED), began to assault the institutions of the nation-state during the 1980s. Case studies are included from Ibero-America. See also, Lyndon H. LaRouche, Jr., *The Blunder in U.S. National Security Policy*, Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee, October 1995.

2. William Jones, "Bush 'Trojan Horse' Usurps U.S. Policy toward Russia," *EIR*, Aug. 9, 1996, introduced our series.

3. In Russian history, the *smuta* is a state of confusion and uncertain leadership. The great Time of Troubles was 1598-1613 (just before Thirty Years' War in Europe) beginning when Boris Godunov became czar, after Ivan IV (the Terrible) died without an heir. Russia was repeatedly invaded by Polish and Swedish armies, while Godunov's legitimacy was challenged by pretenders, the False Dmitris, each claiming to be the son of Ivan. The turmoil continued through the death of Godunov and near-capture of Moscow by the Poles, until a *Zemsky sobor*, or Council of the Lands, chose Mikhail Romanov as czar in 1613, beginning the dynasty that lasted until 1917.



(Left to right) Friedrich von Hayek, founder of the Mont Pelerin Society, and two of his disciples in Russia: Anatoly Chubais, head of Boris Yeltsin's Presidential staff, and former Prime Minister Yegor Gaidar.

work alone, for Russian political parties, by the so-called non-governmental organizations.

The U.S. contingent of advisers to Yeltsin would say: "Well, we really helped Yeltsin to win!" It would be interesting to know whether they also plan to take responsibility for the consequences of the elections themselves, which ravaged the Russian state budget—as these consequences may affect the whole world, and the United States in particular. Let's also ask them, for what purpose this heroic effort was made, considering that the "winner" seems scarcely capable of ruling the country (including the government, the military, or even the city of Moscow).

It is well known that the "heroic" crew deployed for "saving Russian democracy" was led by U.S. Republicans, who had previously been "saving democracy" in the state of California. The special image-making services to Yeltsin's campaign by George Gorton, Joe Shumate, and Richard Dresner, former campaign consultants to California Gov. Pete Wilson, were widely reported, after the fact, in the United States and (less widely) in Russia. But they had many predecessors. George Bush's people have been staying in Moscow for years, and their pupils are now in all the Russian power bodies and the putative "parties."

Has their activity really been of use for Russia, the United States, or U.S.-Russian relations? If not, who profits from this activity? And why is the Heritage Foundation crowd of the Bush era still dominating the American presence in Moscow, provoking hatred for Americans among Russians?

The history of Russia's transformation from a world industrial power into a ruined area, dominated by organized crime and destructive energies that threaten all mankind, is closely connected with the history of U.S. Republican operations in this country.

The playground

Gray-bearded Russian political analysts, sociologists and parapsychologists, high-flown conceptualists and eloquent newspaper observers, as well as their clients from the top establishment, were astonished in early May 1996, when they saw a portrait of a self-assured young guy on the margin of his intricate ideological memorandum, published on two full pages of the prestigious *Segodnya* paper. Why, this naughty person looked quite familiar. He used to arrive at various political seminars and conferences, wrapped in a bright-colored scarf and expressing demonstrative contempt for the approaches and conclusions of anybody but himself. His own views, commonly perceived as mere bombast, reduced the whole story of the "democratic revolution" in Russia to something secondary to the transformation of the Russian elites, wherein organized crime and the "informal" economy (or, "unofficial," as it is called in Russian) in general achieved a more and more decisive role. He would shock the audience, saying that under Joseph Stalin, "all the people were personally connected to the supreme power and the tasks outlined by the state leadership," while later this connection was lost, leading to the above-mentioned consequences. Still, nobody

was about to believe that the slim young Moscow intellectual of Jewish origin could be seriously promoting the idea of a new Stalin-sort of dictatorship. Moreover, he personally tried to lead the audience to another solution: that is, that the “informal economy” should be recognized and allowed to play its part in the nation’s economic life, or, as he put it, be “institutionalized.”

The real meaning of the last statement was not understood when the representatives of the Institute of the National Model of Economy, founded by the self-assured young guy, said that “actually [reformist Prime Minister] Yegor Gaidar is not a

monetarist, but an *institutionalist*.” When the famous variety singer Joseph Kobzon, who has been characterized by an Israeli paper as “the foreign minister of the Russian mafia,” openly suggested that organized crime should obtain access to official policy, liberal journalists expressed unanimous disgust. But Vitali Naishul, the young self-assured guy, who spoke aloud the very same ideas, in a more sophisticated way, was welcome at liberal seminars, despite his bombastic habits—maybe because, without him, there would have been nothing to discuss there.

Writing in *Nezavisimaya Gazeta* in 1991, Naishul spelled

Mont Pelerin pushes the criminal economy

In our latest survey of Dope, Inc., the \$521 billion per year narcotics business, *EIR* found that its greatest expansion during the past five years was into Russia and eastern Europe (see *EIR*, July 26, 1996). If the annual worldwide flow of dirty money from narcotics and other illegal sources is \$1.1 trillion, and capital flight (including all types of criminal operations) from Russia and the rest of the former Soviet Union is estimated in the \$60-100 billion range each year since 1992, that means that close to 10% of dirty money flows in the world are coming from this area, which had no regular interface with the international financial system just five years ago.

Was the criminalization of the economy an accidental outgrowth of the rough-and-tumble reform process in the former Soviet Union, or was it essential to the design of those reforms? The central role of ideologues from the Mont Pelerin Society, in plugging “neo-liberalism” into Russia, says it was deliberate.

What is the Mont Pelerin Society?

On invitation from Friedrich von Hayek, an Austrian-born professor at the London School of Economics, 38 people gathered at Mont Pelerin, near Lake Lemán in Switzerland, in 1947. Von Hayek lamented that World War II had strengthened nation-states, which he thought must be replaced with the anti-state, free-trade “liberalism” of 18th- and 19th-century Britain.

Many of those present, such as von Hayek, had the surnames of the old European oligarchical families. Among them: Otto von Hapsburg, of the recently extinguished Austro-Hungarian Empire’s ruling dynasty; Max von Thurn und Taxis, whose originally Venetian family (Torre e Tasso) had relocated to southern Germany in the 15th century; and Ludwig von Mises, leader of the anti-

Renaissance, anti-American-System “Austrian School” of economics founded by Carl Menger, a pre-war retainer for the royal houses of Hapsburg and Wittelsbach. Many of the Mont Pelerin Society founders were also members of the Pan-European Union, set up in the 1920s by Count Richard Coudenhove-Kalergi to promote a feudalistic “Europe of the regions” (small ethnic enclaves) against “Europe of the nation-states.” American followers of the Austrian School, such as Prof. Milton Friedman, were in attendance.

Von Hayek’s 1944 book, *The Road to Serfdom*, set the tone: “We shall not rebuild civilization on the large scale. It is no accident that on the whole there was more beauty and decency to be found in the life of the small peoples, and that among the large ones there was more happiness and content in proportion as they had avoided the deadly blight of centralization.” Denouncing the nation-state as “tyrannical” by definition, von Hayek called for a one-world empire: “An international authority which effectively limits the powers of the state over the individual will be one of the best safeguards of peace.”

The philosophy of this new world order, according to von Hayek, must be based on British 18th- and 19th-century liberalism: Adam Smith, David Ricardo, Jeremy Bentham, and John Stuart Mill. He didn’t say so, but each of those economists worked for the British East India Company, which ran the British Empire. The economics of Smith’s *Wealth of Nations* and its successor texts, was concocted to facilitate the looting of the colonies.

The Mont Pelerin Society set out to proselytize for a modern form of such principles, cloaking them in the wraps of “freedom.”

Count von Thurn: Crime pays

At the September 1980 meeting of the Mont Pelerin Society, held (behind closed doors, as always) in Palo Alto, California at the Hoover Institution for War, Peace and Revolution, Mont Pelerin Society founding member and longtime treasurer Count Max von Thurn spoke on “The

out his notion of how such “institutionalization” should work. Under the Soviet central planning system, he wrote, the vertical chain of economic relations was supplemented by illegal or semi-legal horizontal deals, often in the form of barter. When the perestroika reforms of the 1980s shook the vertical system to its foundations, those “informal” relations remained: “Then . . . there arose a spontaneous system, which saved the economy from ruin. . . . Life confirmed the brilliant observation of that outstanding Austrian economist, Friedrich von Hayek, who considered a spontaneous order to be primary, and to be that which organizes a subsequent organized

order. . . . The old horizontal exchange relations served as the basis for a new, intermediate type of economy—the regional barter market. Enterprises joined into regional syndicates, or pools . . . and made demands on other syndicates according to the principle: If you don’t give us what we need, you yourselves won’t get anything. For example, Arkhangelsk Province demanded food in exchange for timber and paper, while Latvia had to supply meat to Leningrad, since the latter produced spare parts for elevators. The much-criticized economic specialization of the regions . . . served as the necessary precondition for the effective functioning regional barter mar-

Underground Economy.” Here was the philosophy of the Society’s spiritual ancestor, Bernard de Mandeville, spelled out for our time. Mandeville, founder of the Hell-fire Clubs in early-18th-century England, preached “Private Vices, Public Benefits”—the notion that the personal vices, lusts, and depravity of individuals pursuing their pleasures, sum to the public good.

In his 1980 paper, von Thurn pondered how to describe his subject, considering “‘shadow,’ ‘secret,’ and ‘hidden’ economy” insufficient. “What are we to understand by the underground economy? The name suggests criminal activities such as trading in narcotics, illegal gambling, blackmail and robbery. These activities certainly form part of the underground economy,” but what about unrecorded financial transactions? “Unrecorded transactions,” according to von Thurn, “have been called ‘free’ not only because they are free of taxes but also free of government regulations and restrictions and all the paperwork required for compliance.” This is the realm of pure free enterprise. According to von Thurn, the underground economy accounts for 7.5% of the national income in Britain, 10-30% in Italy, and anywhere from 5% to 25% in the United States.

Von Thurn warned his Mont Pelerin Society colleagues that some people might object to the underground economy on moral grounds, but no matter. “The approach of the economist is (or should be) value free. How is the economy going to be affected? Will it gain or lose? This is what the economist will want to know. Costs and benefits of the ‘Underground’ are difficult to measure. This much can however be said with a great degree of certainty: More goods are produced, more services are rendered and higher incomes are earned than would otherwise be the case.”

In a section subtitled “Advantages of the Underground Economy,” von Thurn listed: “a flexible pool of labor to be used or dispensed with as business requires, unfettered by job protection regulations”; “wage rates and conditions of work . . . [that] are freely negotiable”; lack of “regulations,” so that “the holders of regular jobs find in the ‘underground’ incentives to activities that would otherwise

be frustrated by taxation”; and “the frustrating effect the underground economy has on egalitarian policies and practices.” In order to bring these “advantages” into the economy at large, von Thurn recommended the abolition or reduction of the minimum wage, to allow more employment of child labor: “Minimum wages at their present levels in many countries make the employment of unqualified juveniles in the surface economy difficult if not impossible. They have no alternative to offering their services in the underground.”

Crime in office

The “institutionalization” of the black economy took off in Russia after 1992, on a grand scale. Already in 1994, U.S. Republican congressmen of Newt Gingrich’s faction would patronizingly tell visiting Russian lawmakers that the criminal boom they were experiencing, was just a natural growth phase for any “free market” economy. Since last year, Edward Luttwak of the Georgetown Center for Strategic and International Studies, an enthusiast of such policies, has been campaigning in the *New York Review of Books* and the *Washington Post*, for the Russian mafia to get the Nobel Prize for Economics.

Mont Pelerin luminary Lord Harris of High Cross, speaking to an American researcher earlier this year, let on about the “private vices” in the realm of personal gain, indulged by some of the “lively-minded, and open-minded and liberal-minded chaps” in the Russian Mont Pelerin clique that became the Gaidar government: “There is a lot of racketeering. I know, some of my pals in Russia were in it, mainly so that they could get the privatized Aeroflot. They wanted, you know, to privatize, for their own pockets. So you had a lot of people working away in Aeroflot, to see how to knock off bits of it, I mean lose bits of it, through the books; their friends would take over part of the factories. It is extraordinary incompetence! . . . I mean, imagine losing large chunks of industry, or large stores of goods. Racketeering and the black market is endemic. . . .”

—Rachel Douglas, Richard Freeman, Michael Sharp

ket, which enabled the economy to survive.” As of 1991, wrote Naishul, the remnants of the old bureaucratic deal-making and this new regional barter, were the only functions ensuring the circulation of commodities in Russia.

Naishul forecast the barter economy’s evolution into a money economy, but most likely a dollar economy—because this sector’s questionable legal status, and uncertainty about the ruble’s value, would invite dollarization. He projected how this state of affairs might be used, as the basis for further reform. Among his proposals, for example, was to give collective farm directors (not the peasants) say-so over their territory and equipment: to sell, lease, improve, or whatever they wished. This would be far better, if seemingly unfair, than telling would-be independent farmers they could go in and start working the land of that collective farm, if the directors were opposed. This would be an example of the priority of “spontaneous processes,” which would then be sanctioned by law; according to Naishul, the precedent for such a procedure would be English common law, formed as the sum of local legal systems.

Naishul’s 1991 tract reads like a Mont Pelerin Society textbook, replete with his fawning over von Hayek. It is reminiscent of *The Other Path*, the treatise on the informal economy as the locus of “real” economic activity and freedom, written by Hernando de Soto, head of the Peru-based Institute for Liberty and Democracy, and the man George Bush once, in a speech at the United Nations, hailed as an exemplar of creative economics for the Third World.⁴ It echoes the infamous 1980 accolade to “The Underground Economy,” by longtime Mont Pelerin Society treasurer Max von Thurn (see box).

It is no surprise to find the theme of “institutionalized” criminality so thoroughly articulated by a Russian in 1991, because the Mont Pelerin Society trained its sights on the Soviet Union, and eastern Europe, nearly a decade before.

In 1983, the Centre for Research into Communist Economies (CRCE) was organized in London, out of the Institute for Economic Affairs.⁵ The IEA, headed by Lord Harris of High Cross, is the main Mont Pelerinite think-tank in Britain.

CRCE representatives began to go into eastern Europe in the mid-1980s, especially to Hungary. There, they met a young Russian economist named Anatoli Chubais, member of a loose group that included Yegor Gaidar and other future leading lights of the “reform” in Russia. There were similar contacts, also made in Hungary, of the CRCE with people from Poland and Czechoslovakia, including the future prime

ministers of those countries, Leszek Balcerowicz and Vaclav Klaus. Before long, Gaidar and other Russians were travelling to London as guests of the CRCE, or convening with students of the Mont Pelerin agenda from throughout eastern Europe, at seminars held in Hungary, Vienna, or the United States.⁶

Lord Harris, among whose published titles is *The End of Government . . . ?*, co-founded the Moscow-based International Center for Research into Economic Transformation (ICRET), in 1990.⁷ It began to collaborate closely with the similarly named (Russian) Institute for the Economy in Transition, launched under the auspices of Academician Abel Aganbegyan and subsequently headed by Yegor Gaidar and Vladimir Mau. At the end of 1991, that Russian institute nearly folded, because most of its staff entered the government of Yegor Gaidar, the first prime minister of independent Russia, chosen by President Yeltsin. From the Mont Pelerin-trained group, Gaidar became prime minister; Mau was his assistant for economic policy; Andrei Nechayev was minister of economics; Leonid Grigoryev (later at the World Bank) was chairman of the Committee on Foreign Investment; 500 Days Plan co-author V. Mashchits headed the committee for economic relations with Community of Independent States countries; Pyotr Aven was minister of foreign trade; Sergei Vasilyev was head of the government’s Center for Economic Reforms. Konstantin Kagalovsky, the first executive director of Lord Harris’s ICRET, was detailed by the Russian government to handle its negotiations with the International Monetary Fund (IMF)! Above all of them, Anatoli Chubais spread his wings as the privatization czar—officially, as chairman of the State Committee for the Management of State Property, which was actually a commissariat for eliminating state property.

Lord Harris and his collaborators were in a position analogous to that of British Foreign Office agent Bernard Pares in March 1917, who exclaimed over the Kerensky cabinet, formed after Russia’s “February Revolution,” that “it seemed like a dream. Of the twelve new ministers, seven were actually collaborators of my *Russian Review* in Liverpool. . . . To me it all seemed almost to good to be true.”⁸

6. Many of these contacts went unpublicized, but *EIR*’s source reports about them are borne out by the Aug. 23, 1991 “Diary” column in the *London Times*. The *Times* wrote, “The free market gurus and think-tanks that helped redraw the economic map of Britain during the 1980s are planning an ideological invasion of the Soviet Union, in the belief that the failed coup [of Aug. 21-22, 1991] has rendered the empire ripe for a dose of Thatcherism. Although their influence may have diminished at home, the Thatcherites believe that the events of the last few days have created the perfect new laboratory to test their ideas.” Interviewed about the series of monthly luncheons he would be hosting for “free-marketeers and Soviet economists,” Lord Harris of High Cross told the *Times*, “We criticized Gorbachov in the past for not reforming fast enough. Now the pace will be accelerated and our think-tanks can play a key role.”

7. *The International Who’s Who*, London, 1996.

8. Bernard Pares, *My Russian Memoirs* (London: Jonathan Cape Ltd., 1931), p. 413.



Moscow street vendors, April 1996. "The 'institutionalization' of the black economy, which undermines statehood, was the logical result of a transformation in official Soviet ideology in the 1970s-1980s, which started under the direct influence of the Club of Rome, the International Institute for Applied Systems Analysis, and other think-tanks, which were working not against Communism, but against human civilization."

What Jupiter is permitted, is forbidden to the bull (Russian proverb)

The latest edition of Vitali Naishul's maximum program, was slated to be published in *Segodnya* already in March 1996, but for some reason, the editors decided to wait until May. In the interim, word leaked out in *Izvestia* and other publications, that Naishul had been recruited to Gen. Aleksandr Lebed's election team, as an economic adviser. (The association may have been short-lived, since by the time he took office as Security Council secretary in June, Lebed put forward Sergei Glazyev as his preferred expert on economic policy; and, Glazyev's opposition to what he calls the "market romanticism" of the other economists of his generation, as well as his own advocacy of dirigist economic measures, are well known.⁹)

In early July, when Lebed was already head of the Security Council, *Izvestia* attacked him, and especially his chief of staff, General Krivilyov, for having dealings with Russian nationalist politicians, as well as violating the freedom of belief. Lebed's fault appeared to be that at a meeting with the newly established Union of Patriotic and National Movements (headed by a left-liberal politician, Vladimir Filin), he denounced Western sects for invading Russia during the last five years, mentioning Mormons in one breath with the apocalyptic cult of the White Brotherhood. Western mass media also expressed anxiety, over Lebed's omission of Judaism, when he listed Orthodoxy, Islam, and Buddhism, as tradi-

tional popular creeds in Russia. Lebed subsequently clarified, that he did not mean to say anything bad about Judaism, or Catholicism, but the story about Lebed's alleged anti-Semitism rippled through the mass media; it appeared to some observers, that these reports were exploited to neutralize Lebed, while Anatoli Chubais was being promoted to the post of the head of the President's staff.

At the same time, almost nobody paid attention to the fact that Naishul (whose group within Lebed's team opposed General Krivilyov), in his maximum program, mentioned only, exclusively, Orthodoxy; that Naishul quoted a reactionary Orthodox philosopher of the 19th century, Lev Tikhomirov¹⁰; that Naishul offered to revive ancient (pre-Peter I) Russian Orthodox Church institutions to replace the existing legislative and judicial power bodies; or that he wrote about the "power of ideocracy" as an ideal design for Russian statehood. Why so? Why is a bright-scarved haughty fellow regarded as a "Jupiter," who is granted some exclusive right to voice feudal concepts, unlike what would be tolerated from any Russian nationalist "bull"? Is that because he is a frequent guest at radical liberal seminars? Or because, as a Jew, he is absolutely never supposed to be called a "fascist" (the liberal press uses the term as a synonym for "Orthodox nationalist")?

10. Lev Tikhomirov was a leader of the terrorist group Narodnaya Volya (People's Will), which assassinated Emperor Alexander II in 1881. Until 1887, Tikhomirov was responsible for the organization's foreign connections, and lived in Switzerland. Then, suddenly, he issued a brochure titled "Why I Am Not a Revolutionary Any More," and became an Orthodox theologian of the "Grand Inquisitor" sort, a poet of absolute monarchy.

9. Sergei Glazyev, "The Theory of Economic Growth in a Transitional Economy," *EIR*, May 31, 1996.

In reality, you can find Russian ethnic politicians who are considered to be hard-core “cosmopolitans” (the derogatory Russian term for persons primarily committed to the interests of global institutions, above those of the nation; often used as a smear against Jews); and there are Russian Jews, who are greater patriots of Russia than any ethnic Russian. But someone may be a “globalist” or a “patriot,” either for idealistic, or for pragmatic reasons. Among the latter type, who typically change their views like handkerchiefs, there is a distinct, special type of elite figure, who “never drowns,” as we put it in Russian. They have no problem adapting to new conditions: They may speak in a Russian “slavophile” or “westernizer” language, if they consider it necessary. When “radical liberal” TV boss Bella Kurkova unperturbedly interviews “radical nationalist” Gen. Aleksandr Sterligov, sincere radical liberals and sincere nationalists alike go mad with indignation. But those two elite persons, who are never obsessed with their differences in views or ethnic origin, enjoy drinking a cup of coffee together, lazily thinking of how to fool the gullible once again.

The politicians of this type are fairly confident that they’ll never be seriously blamed by the supreme authorities for anything they say, as they themselves define the political climate. Naishul is one of them, as are the other members of that narrow circle of “conceptualists,” purveyors of the “free market” recipes from von Hayek and the Mont Pelerin Society, who, in the late 1980s, had the opportunity to shape both the economic and political strategy of the top leadership of Russia. When Jeffrey Sachs, the young Harvard Business School professor hired by the Russian government for advice, brought “shock therapy” to Russia in 1991-92, the scenario was implemented in a certain modified way, which startled even some proponents of classic neo-liberalism.

Prof. Larisa Piyasheva, a neo-liberal, was knocked out from the Moscow mayoralty, as soon as she attempted to conduct privatization according to the “classic” scheme. I talked to her soon after that, in the summer of 1992. She was furious. “Why,” she said, “I told them [the Moscow officials] that they should first denationalize the retail trade bureaucratic hierarchy, and then start privatization. But instead, Gaidar decontrolled retail prices, and only *after that* did he eliminate the old hierarchy of the so-called supply system. *It was actually managed corruption, and not a property reform!*”

A top pragmatist does not use such harsh words. He calls the process “institutionalism.”

The shift of values

The “institutionalization” of the black economy, which undermines statehood, was the logical result of a transformation in official Soviet ideology in the 1970s-1980s, which started under the direct influence of the Club of Rome, the International Institute for Applied Systems Analysis (IIASA), and other think-tanks, which were working not against Com-

munism, but against human civilization.

Beginning in late 1986, Gorbachov’s perestroika campaign was conducted under two primary slogans: more information, and more consumption. This agenda was boosted primarily by Canada-trained Politburo member Aleksandr N. Yakovlev, who promoted the ideas of “post-industrial revolution” and “information age,” as well as the notion that industry should be shifted from “production of the means of production, to production of consumer goods.” The difficulty for such schemes to succeed, even in the short term, was determined by the overriding goal of the Soviet leadership of that era: the search for margins of efficiency in the economy, to sustain an unprecedented military build-up.¹¹

Instead of positive solutions to cure the economy (which would have required, primarily, infrastructure development), the accent was on a neo-Bukharinist “new economic policy,” beginning with the ruinous campaign to encourage formation of cooperatives, in 1986. Under other management innovations, directors of plants were effectively encouraged to extract unrecorded and untaxed incomes. The programs stimulated regional elites to take bribes, while loosening criminal accountability for economic crimes. Recognizing the 1920s-vintage Bukharinite motto, “Enrich yourself!” organized crime kingpins became unofficial advisers to these industrial managers. The Hayekian “spontaneity,” so lauded by Naishul, was picking up steam.

For ordinary citizens, the dream of better consumption had not come true; instead, more and more goods were in deficit, as a larger and larger part of production escaped through the gaps between production, distribution, and retail, and more and more cash leaked out of the purview of the state and its budget.

On the heels of these missteps, came a much wider experiment with “workers’ self-management,” also known as “the Yugoslav model,” which allegedly would allow citizens of distant regions to become less dependent on the center (Moscow), and enterprises to be freer from the “dictates” of government ministries. These measures disrupted the centralized planning system for industry and infrastructure, which—with all its inefficiencies—had been the basis of Soviet industrial and social development. The increasingly heteronomic enterprise leaderships, collective and otherwise, were in no position to guide the economy anywhere.

In 1989-91, with the Soviet bloc splintering under the political pressures generated by its economic crisis, the Mont Pelerin Society-groomed economists seized an opportunity

11. *Global Showdown: the Russian Imperial War Plan for 1988*, EIR Special Report, July 1985; *Global Showdown Escalates*, EIR Special Report, September 1988. In his introduction to the latter, Lyndon LaRouche recalled his forecast in the first *Global Showdown*, that “the Soviets’ Ogarkov Plan of pre-war economic mobilization of new military potential . . . would run its course after approximately five years. I forecast that if Moscow continued to follow the mobilization policy then in progress . . . the Soviet economy would reach the threshold of a worsening physical-economic crisis about 1988-89.”

Thievery is 'just a phase,' Russians are told

In his 1993 film and book The Great Criminal Revolution, Russian parliamentarian Stanislav Govorukhin surveyed the criminality rampant in Russia after just two years of so-called reforms. These excerpts from the book were translated by Rachel Douglas.

The whole country is stealing. We've heard that phrase before somewhere. Oh yes, of course! There is not a single newspaper or government official, who has not at least twice quoted Karamzin's famous answer to the question, "What is Russia doing?"

"Stealing," was the writer's succinct reply.

Confronted with the need to justify the looting of the country on a huge scale and the impossibility of concealing it, they turn to this Russian classic for help. What are you panicking for? We've always stolen.

If Karamzin is watching us from another world, he must be cursing himself for that witticism. He armed the very people he detested when he was alive, providing them with a weighty argument. These miserable good-for-nothings have made the word he spoke in a moment of pique, into a testimonial for our time.

* * *

During the fascist invasion, when half the European part of the country was under occupation, trainloads of looted goods went to the West every day. But only that section of the country was being robbed. Today the whole place is being swept clean.

But the scribblers from the "progressive press" assure us: "So what? We've always stolen. . . ."

They also hammer into people's heads a really base thought, but one that sticks: that throughout history, start-up capital was always ill-gotten. Here they weave in Marx (his theory of primitive accumulation) and recall the American robber barons of old. Sure, there is a criminal element now. But later on. . . . When they've stolen their fill. . . .

And people believe it, though you couldn't dream up a baser idea. It's absolutely untrue! Just look at the history of enterprise in Russia. The popularizers of this idea don't even believe it. They may be scoundrels, but they're not fools.

Look around. How many high-flying rogues do you know, who don't have money in a Western bank? Who among them doesn't have real estate abroad? Which of them has not evacuated his family, his wife and children, to the West? No, their money will never return to this country and will play no part in the rebirth of Russia.

* * *

And then I hear the following: "What are you trying to scare us with the mafia for?! So there's a little shooting. . . . Chicago had it in the '20s and '30s. And look at Chicago today!"

Oh, those three-card monte dealers! You won't ever keep track of their moves.

Shall we explain to them that Moscow, Yekaterinburg, and Khabarovsk are not Chicago? Furthermore, things in Chicago were not exactly as the American movies portray them; they were a little less heavy-duty. And those mafia turf wars took place against the backdrop of normal life in society. America was suffering an economic crisis, that's all; it was not being shaken by a criminal revolution.

to advance an even more radical break in policy, jumping far ahead of the "Yugoslav model," into the "free market." Its first ideological substantiation was the notorious 500 Days Plan, originally drafted under the direction of Academician Stanislav Shatalin, a dabbler in astrology, by young economists like Grigori Yavlinsky and the intense student of Thatcherism, Boris Fyodorov. George Soros assisted this plan, paying the way of Yavlinsky, Fyodorov, and four other members of the Shatalin group, to attend the September 1990 IMF conference in Washington. Yavlinsky and Fyodorov did not make a secret of their British and U.S. connections (Yavlinsky hob-nobbed with Jeffrey Sachs, in the period when the 500 Days Plan was drafted), since at that time the Russian public was enthusiastic and trusting toward the West.

The 500 Days Plan document, enticing citizens with a swift and easy transition to prosperity, proposed the total privatization of national industry in four phases: preparation,

privatization, introduction of a market, and stabilization. The first would be a 100-day period of publicizing the plan, taking inventory, and warning economic enterprises that their subsidies were about to be terminated. During the five-month second phase, state-owned industry would be sold off through share issues and other means. In the next period, to create a "market," prices would be decontrolled. Heavy industry production would be expected to plummet. The last 100 days would bring a solution to remaining "structural problems," and the reduction of prices on consumer goods.¹² The word "freedom" was applied to everything, reducing the role of the state in economic development to zero. The authors of the 500 Days Plan exploited people's real concerns, which were significantly influenced by the excessive propaganda of con-

12. Rachel Douglas, "In Need of Economic Cure, Soviets Choke on 'Free Market' Poison," *EIR*, Nov. 2, 1990, details the 500 Days Plan.

sumerist values, as well as the newborn “democratic intelligentsia,” in whose naive imagination liberalism was a synonym for liberty.

Politically active intellectuals, mostly representing junior staff at Moscow research institutes, greeted the 500 Days Plan with great enthusiasm, for its scenario of self-government for the regions was understood as a positive alternative to the centralized system of power. At the same time, the “confederalist” agenda of the 500 Days Program corresponded well with Academician Andrei Sakharov’s views of the state system. Under significant influence from his wife, Yelena Bonner, the daughter of two Comintern functionaries repressed by Stalin, Sakharov promoted a model in which all the Soviet republics and autonomous ethnic entities within them (such as Nagorno-Karabakh in Azerbaijan, Checheno-Ingushetia and Tatarstan in Russia, Abkhazia in Georgia, etc.) would acquire the same administrative status.

The moral authority of the famous physicist, dissident, and human rights advocate Sakharov, in the hands of those people who hurried to surround him, using him most commonly as a decoration for their own image, created a lot of sincere advocates of an unbridled free market and the absolute right to political and economic self-determination. It was virtually impossible to explain to these people, as well as to their audience, that their best intentions were paving a road to war and disaster, and not to prosperity. Anybody who tried to speak of foreign geopolitical manipulation of the Bonner-Sakharov model, or about the need for dirigist economic measures, was regarded as a KGB agent or a fascist.

But while sincere, idealistic heralds of the “free market,” like Piyasheva, Selyunin, et al., were writing their consumerist utopias in *Novy Mir* and other popular magazines, the “pragmatists” such as Vitali Naishul, Pyotr Aven, and Konstantin Kagalovsky, in consultation with the London-centered Mont Pelerin apparatus, had already prepared their own outline of the future reform, which would soon be implemented by Gaidar, Fyodorov, Chubais, and Aven, among others, as members of the Russian government. Unlike many activists of the Perestroika Club and similar institutions, they knew real property relations, as well as geopolitical issues, well enough, and first-hand. They were much more informed, and much more cynical.

The Alpha people

The first writings of Naishul, describing the development of the “unofficial administrative market” since the Brezhnev period, appeared in a series of “Progress” Publishing House books with deep blue covers, which were the journalistic tribune for the “architects” of perestroika. Ironically, the first book of the series was called *There’s No Other Way* (1988), and the last one *Sinking into the Quagmire* (1991). In these books, as well as in his October 1991 publication in *Nezavisimaya Gazeta*, Naishul lauded his sometime co-author Pyotr Aven, as a fine economist who could be mentioned in the

same breath with von Hayek. “Soviet researcher P. Aven” and Nobel Prize-winning Heritage Foundation associate James Buchanan, gushed Naishul, were pioneers in understanding economies based on institutional agreements, or “the bureaucratic market.” At around that time, Aven moved from IIASA into commercial activity, founding the Alpha-Eco company and later, in January 1991, Alpha Bank. (Another one of his firms was modestly named FinPA, short for “the Finances of Pyotr Aven.”) A year later, Gaidar appointed Aven minister of foreign trade.

Both Gaidar and Aven represent nomenklatura dynasties, in which the glorious grandfather’s name was the factor providing the father with all possible privileges, whereas the father transmits to the son, not the image or example of heroism, but a feeling of his own importance, along with the “axiom” of Khrushchov, that this younger generation will live in the shining future of communism—as communism is understood by these sons, in its consumerist or “goulash” version. These young guys were sure from their early days, that their destiny was to “receive according to their needs and contribute according to their abilities,” but they have a special ability to receive, and consume, more than anybody else! And they use it, but they want more and more, in order to be on a par with the foreigners’ children, whom they see when their fathers take them abroad on business.

Before the overall privatization campaign started, Alpha-Eco had already become a prosperous trading company, engaged, from its foundation until now, in Russia-Cuba oil-for-sugar deals. Only a person from the Soviet/Russian “nobility,” could oversee such business as that.

In an autumn 1994 report by the Feliks Group, a think-tank comprised of ex-Soviet intelligence officers, Alpha-Eco was mentioned as a key structure in the drug trade in the Russian Far East, in the period when Pyotr Aven was a minister. (He resigned with Gaidar, in December 1992, right after Vice President Rutskoy spoke of having “eleven suitcases of compromising material.”) The Feliks authors don’t comment on Aven’s trade links with Cuba. But Havana was an old stomping ground for the Gaidar family, as well: According to Russian neo-conservative writer Dmitry Galkovsky, Gen. Timur Gaidar used to take his son with him to Cuba. In this connection, the recent confession of singer Joseph Kobzon about his close friendship with Timur Gaidar, looks rather symptomatic.

Spending most of their time at their father’s dacha (country house) or on his foreign postings, the grandsons were actually separated from their people, being aware at the same time that they had a kind of mission in their native country.

Unlike other Soviet citizens, the grandsons had unique access to the “real world” of the West, in which they could consume not only high-class cigarettes and drinks, but also literature that was strictly forbidden in the Soviet Union. They were the first of their generation to read the anti-utopias of Aldous Huxley and George Orwell. They were the first to

read Friedrich von Hayek. Mont Pelerin activists would later love them, for being, in the words of one, "as lively-minded, and open-minded and liberal-minded, as the people who make up the IEA in London; chaps who know about Hayek, without having to be told, [who have] read Hayek and [Milton] Friedman and the others, and are very, very bright."

Their parents were so busy with their official and unofficial business, that the sons were left alone with Huxley and von Hayek, and this loneliness, apart from their people, but with access to the "forbidden fruit," formed their psychology on the pattern of the test-tube characters in Huxley's *Brave New World*. They realized that they were *the initiated*. The name of Alpha Bank seems to have been lifted directly from Huxley, after the privileged "alpha" caste in the controlled "civilization" of *Brave New World*. And from Huxley, it is only one step to Dostoyevsky's Grand Inquisitor, or Nietzsche's superman despising God's and human laws. That is why absolute monarchy, or other forms of dictatorship unencumbered by any responsibility for the citizens' welfare, could become the social ideal, for some of them.

But the reality of Soviet life did not satisfy them. They felt humiliated when some junior customs officer checked their (*their!*) luggage; they were ashamed of their "red-skinned" passports, which stuck out like a sore thumb; they wished to be accepted as equals at the very top of the world

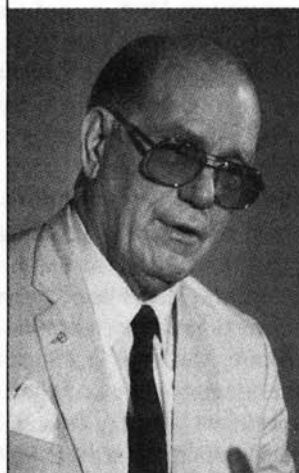
elite. This dream of getting into the world's oligarchy, or at least of being on its level, brought them together with their pals from the neighboring dachas—with the children of security generals as well as the heirs of those unofficial but powerful persons, who emerged from the Russian black economy, the "supply system."

Still, their minds were too lazy, and their way of life too luxurious, to stimulate a good education. They realized that they needed brains to achieve their goals, so the easiest thing was to hire brains.

Vitali Naishul was such a hired brain. He was a commodity in demand—not from the public, but the oligarchy. People like him were predisposed to oligarchical policies, due not to "blue blood," but to their character, their specific morality or, rather, total absence of morality.

The "democratic revolution" of the late 1980s, though coming from the top of the society, developed to such an extent that the "Alpha people" risked losing their influence on Russian policy. But they were lucky: George Bush came to power in the United States. This gave them two opportunities: firstly, the Thatcher-Bush crew selected its allies in Russia according to the same principles, and, secondly, with its assistance they were able not merely to *read* von Hayek, but to make Russia a playground for the implementation of his ideas.

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Istanbul	2400	Toronto	1700
Jakarta	0500*	Vancouver	1400
Jerusalem	2400	Vladivostok	0800*
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Chicago: battle for the soul of the Democratic Party

by William Jones

Behind all the Hollywood “glitz” at the Democratic Convention in Chicago Aug. 26-29, a fierce battle was raging for the soul of the Democratic Party. The convention itself was plagued from the beginning by a gross malfeasance. The Democratic National Committee, under its chairman, South Carolina’s “good ol’ boy” Don Fowler, had succeeded in excluding any role for Democratic Presidential candidate Lyndon LaRouche. LaRouche, who had garnered 6.4% of the vote nationwide in the recent primaries against President Clinton, was given no opportunity to speak to the convention, nor was any expression given to the considerable contingent that rallied to his candidacy.

In fact, elected delegates pledged to LaRouche had been summarily and unlawfully excluded from even taking their places at the convention by the dictatorial fiat of Fowler. Fowler’s high-handed tactics, in clear violation of the 1965 Voting Rights Act, may well have caused enough concern among elements of the Democratic Party leadership to lead him to announce his resignation as DNC chair next January.

The welfare bill

Hanging as a pall over all attempts to create a festive mood during the four long days, was the legislation just signed by President Clinton, which handed over to the states the responsibility for welfare, thereby effectively ending a 60-year mandate established by Democratic President Franklin Roosevelt.

It was LaRouche’s Presidential campaign that brought opposition to the welfare bill and related policies into sharp focus, with the candidate’s unrelenting attack on the Conservative Revolution, and particularly with his drive to impeach Republican Pennsylvania Gov. Tom Ridge (see article, p. 68). Thousands of copies of LaRouche’s pamphlet, “Impeach Governor Ridge for Nazi-Style Crimes Against Humanity,”

were distributed to participants at the convention.

Under the influence of political pollsters such as Roy Cohn’s cousin, “Dirty Dick” Morris, as well as others at the White House anxious to make the Democratic Party look more Republican, and perhaps even subject to blackmail by the Roy Cohn protégé, President Clinton signed the welfare “reform” legislation into law. After agonizing over the decision, he decided to sign the revised version of a bill that he had twice vetoed, in spite of his continued dissatisfaction with the measure. When the President signed the legislation, Morris glibly commented, “Well, the election’s over,” pretending that this was a winning strategy. As things developed in the course of the week, it was Morris himself whose job was “over.” In the midst of the convention, the story of Morris’s involvement with a \$200-an-hour hooker led to his speedy resignation on Aug. 29.

The welfare reform bill served as a catalyst to the ongoing fight in the Democratic Party. This fight was launched by Sen. Edward Kennedy (Mass.), who in January 1995 warned his fellow Democrats that the party had lost the 1994 elections, because they refused to run as Democrats. The country didn’t need two Republican parties, he said, urging a return to the principles on which the party had been based, since the era of Franklin Delano Roosevelt.

The signing of the welfare legislation threatened to reverse the Roosevelt tradition, which had meant maintaining a “safety net” during times of economic crisis, so that no American would become totally destitute. Republicans, with their “Contract with America,” have targetted such “entitlements”—welfare payments, Medicare, Medicaid, and Social Security—for deep cuts, in a futile attempt to bring down the budget deficit. As *EIR* has demonstrated, slashing essential services will only make the budget deficit worse; the only

solution is to expand the tax base, with a program of developing infrastructure, the productive forces of the physical economy, science, and technology. The President, with his veto, had been a bulwark against the Republican Congress's attempt to gouge "entitlements." On the welfare reform issue, under pressure from Morris, the President faltered.

In an attempt to alleviate the disastrous consequences of the measure, however, President Clinton unveiled, in his acceptance speech on Aug. 29, measures aimed at counteracting its devastating effects. These include a jobs program, designed to help communities move 1 million of the hardest-to-employ welfare recipients into jobs by the year 2000. Delegates were also told that the White House is committed to introducing new legislation next term, to ameliorate some of the worst features of the just-enacted welfare bill.

Invoking the tradition of Roosevelt, Kennedy

It was impossible for Fowler and other convention organizers to cover up the dissension over the welfare reform legislation. A decision was made to highlight the FDR tradition at the convention, while at the same time allowing the "New Democrats" to have their say. On the first evening it was Christopher Reeve, who had been the star of the film version of *Superman*, who gave the premier performance. Reeve, paralyzed from the neck down as the result of an equestrian accident last year, hearkened back to the Kennedy Presidency. "America has a tradition many nations probably envy: We frequently achieve the impossible," he said. "That's part of our national character. That's what got us from one coast to another. That's what got us the largest economy in the world. That's what got us to the Moon."

Reeve also referred to the FDR tradition: "President Roosevelt showed us that a man who could barely lift himself out of a wheelchair could still lift a nation out of despair. The most important principle FDR taught us, is that America does not let its needy citizens fend for themselves."

Some of the Republican "look-alikes" such as Indiana Gov. Evan Bayh, a strong supporter of welfare reform, were to have played a major role at the convention. As the convention progressed, however, they were overshadowed by a strong appeal to traditional Democratic policies. During the course of the first day, it was announced that Mario Cuomo, the former governor of New York and a representative of the traditional Democratic policies, was going to give a prime-time presentation. Cuomo was to follow Jesse Jackson, who was also given a high-profile, prime-time slot. Both Jackson and Cuomo would address concerns over welfare reform.

Jackson urged unity in the party, appealing to the voters who had been disappointed with President Clinton's decision to sign the welfare reform bill: "In your cynicism, don't walk away from this vote. If you don't vote, you're irrelevant to the process. If you don't have integrity, you are a coward. Only by engaging, engaging, engaging can you make things happen."

Jackson also decried the loss of industrial jobs in Chicago and other cities, and proposed a national infrastructure program to rebuild the cities.

Cuomo, who had been a very vocal opponent of the welfare reform measure, and had been playing a very low-key political role since he lost the New York governorship in 1994, was called to rally the troops. Cuomo said that he had been opposed to President Clinton's signing the welfare bill, and that he had told the President and the vice president and Hillary Clinton what he thought—that the risk to children was too great to justify signing it. "But the President is confident that he can avert this risk by further legislation before children are actually harmed," Cuomo said. "We should all hope and pray—we should all hope and pray that the President is right." He added that people should also work to "give the President the strength of a Democratic Congress."

The Roosevelt image was also evoked by an actor, dressed up as FDR, who had taped a video reciting from Roosevelt's speeches, which were broadcast between speeches all during the convention. At one point, the actor took to the podium, and, in the spirit of Roosevelt, commented acridly on the Republican policies of today.

The positive reception by convention delegates to the LaRouche materials that were daily distributed by organizers outside the convention hotels, as well as the rising mood of pride over the FDR tradition, served to remoralize the delegates. The resignation of Morris, as well as the demise of Don Fowler, could clear the decks for Democrats, as Cuomo advocated, to be "free once again to be Democrats, progressive, constructive Democrats."

The task will not be easy one. As many delegates recognized, there will have to be a strong voter mobilization in order to bring people to the polls. The confusion in the party caused by the "Morris factor" will not be easily remedied. The Presidential campaign, and perhaps even more, the attempt of the Democrats to retake the House, will be an uphill fight. In that fight the forces of LaRouche and his collaborators could provide the critical margin to shift the balance in the direction of a Democratic victory in November.

Documentation

The following are excerpts from several of the speeches at the Democratic Convention.

AFL-CIO President John J. Sweeney spoke on Aug. 28, the first such address by an AFL-CIO president. He was accompanied on the dais by three workers from the United Center where the convention is being held, all of them members of the union of which Sweeney was president, Service Employees International Union (SEIU). He began by saying that

they represent the millions of workers today who are “still struggling to catch up,” because of the downsizing, layoffs, and raiding of pension funds by the Republican Congress. He noted that the Republicans have denounced him and the AFL-CIO for galvanizing workers into motion, but said these policies are what galvanized them: “No wonder millions of workers are involved in politics today as never before.”

Workers aren’t interested in being in Congress themselves, Sweeney said. All workers want is “fair compensation, decent schools, safe workplaces, access to a doctor and a decent pension.” He said they don’t want unions to dictate their politics, but to “be a bigger force, independent of party or candidate,” that can “get after the corporations who force them to choose between being underpaid or unemployed.” Sweeney singled out Bridgestone/Firestone, which illegally

replaced 2,300 striking workers over two years ago, as the worst example of this. Workers want the restoration of the right to organize unions and to bargain for a better future, Sweeney said.

He called for support for President Clinton’s reelection because of his veto of Medicaid cuts, his veto of the anti-union TEAM Act, and his signing of the minimum wage increase. He made no mention of the welfare bill, which labor opposed.

Sweeney continued on what workers want: To live in a country where they don’t need three jobs to pay their gas and electric bill, to have enough free time to go to church on Sunday or take their kids to a ball game, a country where one’s lot in life is not determined by the color of one’s skin, or an accident of birth.

FDR-PAC vows to destroy ‘Contract on Americans’

FDR-PAC is the name of the new political action committee, launched on Aug. 29 by associates of Lyndon LaRouche in the Democratic Party. LaRouche, the world-renowned economist whose campaign for the Democratic Party nomination ended with the nomination of President Bill Clinton in Chicago, will serve as a leading member of the PAC’s National Advisory Board.

“The prime objective of FDR-PAC will be to defeat those modern-day proponents of Nazi economic policies, such as Gov. Tom Ridge of Pennsylvania, within the Republican Party, and wherever else they may raise their heads,” declared Nancy Spannaus, the Virginia Democrat who will serve as the PAC’s executive director.

“The need for bringing together those Democrats committed to reviving FDR’s tradition of fighting Nazi economics, and using the powers of the government to revive our economy through industry, science, and infrastructure, couldn’t be clearer. The fact that political transvestite Dick Morris was able to push President Clinton in the opposite direction, toward adopting Republican policies such as the Welfare Reform Act, demonstrates the problem we have to deal with.

“Fortunately, today, Dick Morris is out of the picture. But the policy direction itself must be addressed, and changed, so that the Democratic Party can not only take back both houses of Congress this fall, but also we can literally destroy the power of all advocates of the Contract on Americans, which Gingrich and his friends have im-

posed on the United States.

“FDR-PAC will concentrate, first and foremost, upon impeaching the individual LaRouche has identified as the ‘lead duck’ among the Gingrichites, Pennsylvania Gov. Tom Ridge. There is currently a mass mobilization going on in Pennsylvania to accomplish this task, but it is not just a matter for the residents of that state. A successful national effort to impeach Ridge is essential in order to send a message to all those who propose Nazi-like budget cuts, that they will not be tolerated.

“As in Pennsylvania, we will, of course, propose alternatives to mass murder through budget cuts. These will include both programs for actually reversing our industrial and economic decline, and taxation policies that will penalize speculation. Just as FDR had to deal with the bankruptcy of the U.S. banking system, we Democrats have to deal with the bankruptcy of the world economy—and apply the necessary American System policies to carry out bankruptcy reorganization, establish national banking, and provide trillions in credit to rebuild the economy.

“But the major job, from the start, will be the necessary negative one. The truth must be told about the fact that budget cuts like those of Governor Ridge, and the ‘Contract on Americans,’ are Nuremberg Crimes against Humanity. The purveyors of those crimes must be confronted, and, if they don’t repudiate them, be politically destroyed.

“Our work will occur in the tradition of the Defeat That Son-of-a-Bush Committee (which defeated Ollie North’s senatorial campaign), and our campaign against Newt Gingrich’s ‘Contract on America.’ It will draw upon the Democratic tradition of Franklin Delano Roosevelt and John F. Kennedy. We will seek to mobilize the traditional base of the Democratic Party—particularly labor and minorities—to accomplish what must be done within these next two months: defeat Nazi policies, once and for all.”

He concluded: "An honest labor movement raises the standard for all. A moral nation cares for its old, young, disabled and poor and leaves the rich to fend for themselves." That, he said, is what he's trying to bring about in the revitalized labor movement. He ended his speech with "God bless American workers."

Rev. Jesse Jackson: "What is our challenge tonight? Just look around this place. This publicly financed United Center is a new Chicago mountain top. To the south to Comisky Park, another mountain top. To the west, Cook County Jail. Two ball parks and a jail. In that jail, mostly youthful inmates, 80% drug positive, 90% high school dropouts, 92% functionally illiterate, 75% recidivism rate. They go back sicker and sicker.

"Between these mountains of the ball park and the jail was once Campbell's Soup and Sears and Zenith and Sunbeam and stock yards. There were jobs, and there was industry. Now there's a canyon of welfare and despair. This canyon exists in virtually every city in America.

"One-fifth of all American children will go to bed in poverty tonight. Half of all America's African-American children grew up amidst broken sidewalks, broken hearts, broken cities, and broken dreams. The number one growth industry in urban America—jails. Half of all public housing built in the last 10 years—jails. The top wealthiest 1%, wealthiest Americans, own as much as the bottom 95%; the greatest inequality since the 1920s. As corporations downsize jobs, out-source contracts, a class crisis emerges as a race problem. But the strawberry pickers in California, the chicken workers in North Carolina deserve a hearing. We must seek a new moral center. . . .

"In 1968, the tension within our party was over warfare. In 1996, it's welfare. Last week, over the objections of millions of Americans, Franklin Roosevelt's six-decade guarantee of support for women and children was abandoned. On this issue, many of us differed with the President. [National Organization for Women President] Patricia Ireland and I even picketed the White House. We're all for welfare reform, but we want jobs, and daycare and health care as the alternatives. . . .

"What shall we do? Between these two ball parks and this jail, what shall we do between the canyon and the ball parks and the jail? We shall reclaim our children. Certainly these stakes are very high in 1996. We have the burden and the obligation to win for yet unborn generations.

"What shall we do economically? We have \$6 trillion in private and public pension funds. Why can't we take 5% of that money, \$300 billion government secured, use that money to reinvest in our infrastructure and put America back to work? We did it for Poland. We made for Poland 40-year loans at three-quarters of 1%, first payment due in 10 years. If we can rebuild Poland and Europe and Japan, we can build Chicago and Atlanta and Memphis and Nashville. We can rebuild America. . . ."

'Dirty Dick' Morris is dumped by Clinton camp

by Jeffrey Steinberg

Two months after *New Federalist*, the weekly newspaper of the LaRouche political movement, ran a front-page story, demanding that President Clinton "dump Roy Cohn's 'Dirty Dick' Morris" from his re-election campaign organization, the sleazy political operator has tendered his resignation. Morris, who is a cousin of the late New York City mob lawyer, J. Edgar Hoover intimate, and all-around scoundrel Roy Cohn, ostensibly left his position as self-described "chief political strategist" for the Clinton-Gore campaign over a sex scandal, involving a \$200-an-hour hooker with whom he allegedly was having an extramarital affair and with whom he shared White House secrets. The story, on the front page of Rupert Murdoch's *New York Post* on Aug. 28, came just 12 hours before President Clinton delivered his acceptance speech to the Democratic National Convention.

In reality, the sex scandal was merely the pretext for Morris's ouster. While Morris has been disliked, and distrusted, by Clinton loyalists for a long time, the LaRouche movement's call for President Clinton to dump his Rasputin-like campaign trickster, and the detailed exposés of Morris's mole-like performance inside the Clinton camp provided by *New Federalist* and *EIR*, helped catalyze a string of events that ultimately led to his dismissal.

For the past 15 years, Dick Morris has been a behind-the-scenes operator, whose political clients have included President Clinton, as well as such Republican enemies of the President as Senators Jesse Helms (N.C.) and Trent Lott (Miss.), and Governors Tom Ridge (Pa.), William Weld (Mass.), and Pete Wilson (Calif.). In 1988, Morris worked on George Bush's Presidential campaign staff (his ties to the Bush family date back at least to 1980, when he ran Prescott Bush Jr.'s unsuccessful campaign for the U.S. Senate seat from Connecticut). Under these circumstances, it is no wonder that many Democratic Party campaign officials considered Morris a "GOP mole." Those feelings were buttressed by stories about Morris telling his GOP clients that Clinton was going to be brought down by the Whitewater special prosecutor.

Morris was able to weather these storms, and continue to exert influence over some of the President's campaign and policy decisions, until the LaRouche-led public campaign for his ouster took off. Morris had carefully avoided any publicity about his family ties to Roy Cohn, in part, by staying out of the limelight.

However, in July, Morris apparently was sufficiently

stung by the exposés of his dirty background, that he made the fatal mistake of launching his own self-promotional public relations offensive. In the three-week run-up to the Democratic National Convention, Morris put in a great deal of time planting a series of puff pieces on himself. In rapid succession, the *Wall Street Journal*, *New York Times*, *USA Today*, and the London *Sunday Telegraph* (the Hollinger Corp.'s flagship newspaper and the leading voice of the Clinton-bashers in London's Club of the Isles), all ran glowing accounts of Morris's one-man crusade to once again save Bill Clinton from the jaws of political defeat, following the 1994 Republican Party sweep of the Congress.

The welfare bill disaster

Morris's principal "contribution" to the Clinton re-election effort during this period was his heavy-handed pressure on the President to sign a Republican-authored welfare bill that Clinton found repugnant. When the President caved in to pressure from Morris and others, and announced that he would sign the measure, ending federal government protection for America's poor, the President's support within many traditional Democratic Party constituencies was shaken.

All of these developments seem to have driven Morris to make a crucial blunder. Morris gave *Time* magazine an exclusive interview, which *Time* ran as its cover story the week of the Democratic convention. Morris had apparently become so obsessed with his own situation, that he upstaged the President during that week. The First Family, and the President's other key advisers, were reportedly furious at the Morris grandstanding. The article, in addition to quotes from Morris, included some damning, previously unpublished information.

First, Morris virtually admitted that he had been behind the surfacing of the Gennifer Flowers scandal, back in February 1992, when Clinton was in the midst of his primary election campaign in New Hampshire. If, indeed, Morris played a role in that incident, it places him in bed with one of the President's most filthy political enemies, Larry Nichols, a low-level operative within the George Bush-Oliver North Nicaraguan Contra circuit, linked to the Mena, Arkansas guns-for-drugs nexus. Nichols sold the Flowers story to the media during the heat of the 1992 campaign. Later, after Clinton's election as President, Nichols issued death threats against the President, brandishing a gun at a militia rally in Colorado.

Second, for the first time in public, Morris admitted that his family was tied to Roy Cohn. Morris tried to downplay the Cohn link, placing more emphasis on Cohn's father, Bronx Democratic Party fixer Al Cohn, than on the McCarthy witch-hunter and J. Edgar Hoover's closet homosexual snitch Roy Cohn. On Aug. 6 (p. 65), *EIR* had published excerpts from an interview with Morris's father, Eugene Morris, what had first appeared in a European-based newsletter, in which the elder Morris spelled out in detail his ties to both Albert Cohn and Roy Cohn.

AFL-CIO reawakening leads toward victory

by Marianna Wertz

The great reawakening of the American labor movement, under the AFL-CIO leadership team of President John Sweeney, Secretary-Treasurer Richard Trumka, and Executive Vice President Linda Chavez-Thompson which swept into office last October, will not only be decisive in the November elections. It is also threatening to substantially affect the way the nation does business after the elections, putting concern for the well-being of the workforce back at the top of the government and corporate agenda.

The AFL-CIO itself described what it has achieved this year in a media advisory for Labor Day: "What has changed in a year in organized labor? American workers and their unions are starting to win again. . . . Contract battles that not long ago might never have been fought are being won," like the contract won by 35,000 striking Boeing workers, including improved pay and benefits and job protections. The labor movement's pivotal role in the passage of the minimum wage bill is also highlighted.

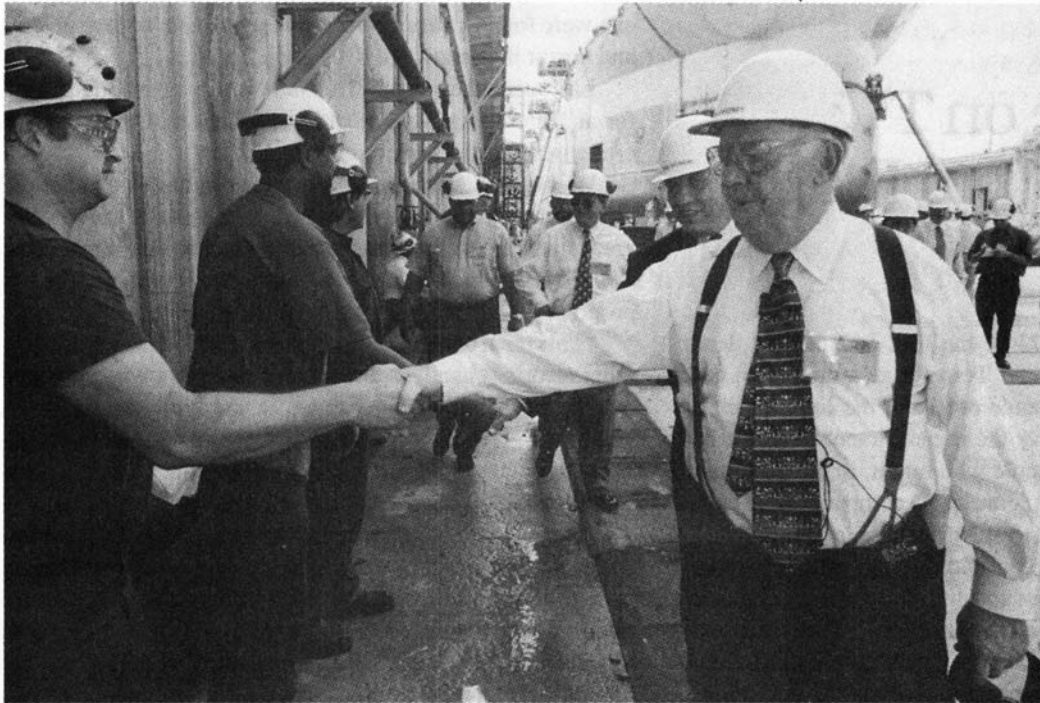
Tommy Thompson, president of Steelworkers Local 1055 in Tennessee and a leader of the crucial union battle against Bridgestone/Firestone, put the change that Sweeney's team has brought about in the labor movement in a nutshell, when he told this news service on Aug. 21, "There's life back in where it used to be just dead."

Focus is on the November elections

The immediate focus of organized labor's renewed energy is winning the November elections for the Clinton/Gore ticket and defeating as many anti-labor congressmen as possible. To achieve this, an unprecedented mobilization is under way, not only at the Democratic Convention in Chicago, but in congressional districts throughout the nation.

In Chicago, more than 800 AFL-CIO-affiliated delegates, representing 41 international unions, converged on the Democratic National Convention. If delegates from the unaffiliated National Education Association are also counted, union members constitute an unprecedented one-fourth of the convention delegates.

Labor delegates launched their convention intervention with a noon "America Needs a Raise" rally on Monday, Aug. 26, which drew an estimated 5,000 participants. AFL-CIO President Sweeney led the rally, declaring, "We're here in



AFL-CIO President John Sweeney visits Newport News Shipbuilding in Virginia on Aug. 16. Here he is shown with workers who are building five double-hulled tankers at the shipyard.

Chicago to put out the word. That ugly era has ended. Working families are back. Unions are back. We have exposed Gingrich's ugly agenda. We have stopped the raid on pension funds. We have stopped the cuts in Medicare and Medicaid."

AFL-CIO Political Director Steve Rosenthal made clear the AFL-CIO's purpose at the convention: "There's a long-term struggle that we're involved in to help determine the direction of the Democratic Party and the country as a whole. There are certain factions within this party that would like to take it in a direction that we think wouldn't serve the interests of working families," he said.

Those "factions" are precisely the elements identified by *EIR* Founding Editor Lyndon LaRouche in recent statements: Clinton adviser and "Rasputin" Dick Morris and Democratic Party Chairman Donald Fowler, who personally intervened to prevent LaRouche's elected delegates from being seated at the convention. It is Morris and Fowler who are trying to turn the Democratic Party into a "second Republican Party," as witnessed most recently in Clinton's signing of the welfare bill, vehemently opposed by organized labor.

Labor-business-government partnership

On Aug. 5, the Sweeney team announced a campaign dubbed "Labor '96, Building to Win, Building to Last." To date, the campaign has enlisted 3,000 rank-and-file unionists, with a goal of training 10,000 this year, as part of a permanent grassroots network of at least 100 activists in each congressional district.

In a recent visit to Virginia, an anti-union stronghold, Sweeney indicated the direction that organized labor will take

after November. Speaking on Aug. 16 at Newport News Shipbuilding, Sweeney saluted the building of five double-hulled tankers with money invested from union pensions. The labor-business-government partnership that made the project possible "is what the modern U.S. labor relationship should be about," Sweeney said. That same day, Sweeney told the state AFL-CIO's convention that Virginia and the rest of the South will be a top priority of union organizers in the months to come.

As part of "Labor '96," the AFL-CIO is now publishing a "Capital Strategies" digest for union leaders, to train them in "strategic investment" of pension funds. AFL-CIO Secretary-Treasurer Trumka told the June 14 Industrial Heartland Labor Investment Forum, "Too often, working people's pension funds are used to finance mindless corporate downsizing, exorbitant executive salaries, stagnant wages for the great majority of workers, and management tactics to defeat organizing campaigns or even destroy existing unions."

Instead, Trumka said, "we must invest in plants, equipment modernizing, new products, innovation, training for workers, and new work systems which democratize the workplace."

The AFL-CIO has also recently announced its commitment to stop the Heritage Foundation-led attempt to privatize Social Security. Mark Baldwin, assistant director of the AFL-CIO's Employee Benefits Department, told this news service on Aug. 16, "You've got an army providing intellectual cover for what I think is essentially a land grab on the part of financial interests. What they're putting together is a sort of network of academics . . . to justify this huge shift of financial resources."

LaRouche on TV: 'Impeach Tom Ridge!'

by EIR Staff

With the report on Aug. 21 of the first documented death caused by Pennsylvania Gov. Tom Ridge's draconian cuts in the state medical assistance program, the importance of Lyndon LaRouche's call for the impeachment of Ridge became apparent to many people who might, in the past, have thought that it was an "exaggeration" to compare Ridge to the Nazi war criminals convicted at Nuremberg.

Earlier this year, Ridge pushed through state legislation which deprived 220,000 poor and disabled citizens of medical benefits, saying that this was necessary to "balance the budget." LaRouche's Presidential campaign has circulated hundreds of thousands of copies of a pamphlet calling for Ridge's impeachment, citing studies which show that such measures will lead to the death of an estimated 3,500 people within six months.

On Aug. 12, GOP Presidential candidate Bob Dole announced that Jack Kemp would be his running mate, finishing off Ridge's hopes of getting the nomination. Ridge had reportedly been among Dole's top three choices, but the pressure from LaRouche's campaign made him too much of a political liability, GOP sources say.

The battle intensified on Aug. 24, when LaRouche, a candidate for the Democratic Presidential nomination, delivered a telecast speech on cable network WWOR-TV, in a previously suppressed program titled "Impeach Governor Tom Ridge, for Nazi-Style Crimes Against Humanity." LaRouche's half-hour TV broadcast was originally contracted to run on more than a dozen stations throughout Pennsylvania, in the first two weeks of August. But, at the last minute, corrupt officials at the Federal Communications Commission (FCC), citing the outrageous assertion of Democratic National Committee Chairman Donald Fowler that LaRouche was "not a bona fide candidate," arranged to have almost all the broadcasts cancelled. Only one Philadelphia station ran the show as scheduled.

The program shown on WWOR-TV was advertised in the *New York Times*, *Washington Post*, and *Philadelphia Inquirer*, and could be accessed by cable subscribers throughout Pennsylvania, as well as in many other states.

The telecast begins with film footage of the Nuremberg trials and the executions which followed them, as the announcer declares: "The Nuremberg trials went on for 15 months, and, bit by bit, these exponents of mass murder moved closer and closer to the hangman's noose. Twenty-

one were found guilty, and ten were executed, but the misery and horror they spawned lives after them."

LaRouche then says: "This is what we have hung people for at Nuremberg. And what we're accusing Ridge of, is a crime which differs in no sense."

How is it, LaRouche asks, that we in the United States, came to tolerate a fellow like Tom Ridge as a governor of a great state? How is it, that we have tolerated the *Contract on Americans*, which is the real name for Newt Gingrich's program?

"This man, under the pretext of balancing the budget, with other resorts at hand, set out to kill people, knowing, number one, that this *would* kill people, in mass murder. How do you like 3,500 people, is that good enough for mass murder? Would you execute a man who went out with a machine gun and killed 3,500 people? He did it.

"Not only did he *know it*, that he was doing it, but he *knew* it was a crime, because we caught him at it once, we played a part in defeating the bill he was pushing. . . . That is mass murder; and, that is what we called at Nuremberg a *crime against humanity, a capital crime against humanity.*"

First documented victim

According to a report in the *Philadelphia Inquirer* on Aug. 21, Wilzon Lescay, a 51-year-old legal immigrant from Cuba, was thrown off the public assistance rolls on July 29, as a result of Governor Ridge's policies; Lescay suffered from mental disabilities, and was under treatment for depression and schizophrenia. On Aug. 7, Lescay hanged himself from the banister of a staircase at his residence at 15th and Bainbridge Streets in South Philadelphia.

Lescay was laid off last winter, and began collecting unemployment benefits, but he continued to look for work. "He was not a lazy person at all," said Sister Angela Newman, manager of the residence for once-homeless men, where Lescay had lived since May 1993. "He wasn't just sitting around the house. He was always out looking. . . . He went out every day on interviews. This is the sad part. When he tried and tried and tried and was not getting anything. . . ."

Forty-eight hours after the *Inquirer* story hit the newsstands, Department of Public Welfare (DPW) Secretary Feather Houstoun announced that three provisions of Ridge's medical cuts, known as Act 35, were being suspended, including two changes in residency requirements and the clause denying benefits to immigrants.

Houstoun said that the State Attorney General's Office "advised DPW not to enforce these three provisions, pending its review of their constitutionality." Her Aug. 23 news release said that DPW "will contact all recipients whose benefits have been denied or discontinued." She said that retroactive payments will be made for anyone who was cut off, and that those individuals denied benefits can reapply and become eligible from the date of original application. "All other provisions of Act 35 remain in effect," however, the statement emphasized.

Bush's Contras launched U.S. crack epidemic

by Jeffrey Steinberg

During much of the 1980s, Vice President George Bush presided over the Reagan administration's secret war in Central America, under formal authority spelled out in a pair of 1981 National Security Decision Directives, NSDD 2 and 3. Under these orders, Bush headed a little-known White House unit called the Special Situation Group, and a subsidiary working group called the Crisis Pre-Planning Group. The secretary of the CPPG was the infamous "Cocaine Colonel," Oliver North. The chief operations officer for Bush's secret team was former CIA officer, and then-Bush national security aide, Donald Gregg. This apparatus ran the Nicaraguan Contra "support" operations throughout the Reagan administration, with the aid of the CIA, the Pentagon, the State Department, and other government agencies, as well as a host of private and quasi-government fronts, collectively known as the "secret, parallel government."

Now, as the result of some stellar investigative work by a team of reporters from the *San Jose Mercury*, led by Sacramento, California correspondent, Gary Webb, new evidence has been uncovered, that throughout the 1980s, Bush's Nicaraguan Contra operatives flooded the streets of Los Angeles and other American cities with cheap "crack" cocaine, fueling a spread of murderous urban gangs into every inner city in the country. In return for their indispensable role in fostering the "crack" epidemic, Bush's legions generated hundreds of millions of dollars to purchase weapons for their war against the Sandinista regime in Nicaragua—which, in turn, was involved in some of the same cocaine trafficking.

In a three-part series over Aug. 18-20, 1996, the *San Jose Mercury* exposed an incredible triangular business relationship between two of the top leaders of the Nicaraguan Democratic Force (FDN) in California—one of whom was a long-standing big-league cocaine trafficker—and a Los Angeles drug dealer, who at one point was pouring millions of dollars a day in crack cocaine into the hands of the Crips and the Bloods, two of Los Angeles' most feared street gangs.

Bush's footsoldiers

According to the *Mercury's* year-long investigation, including scores of government documents, court transcripts, and interviews, the three men who led the West Coast Contra-cocaine connection were:

- Norwin Meneses, a 48-year-old Nicaraguan, who has been in the cocaine-smuggling business, in partnership with

Colombian drug dealers, since 1972. In 1979, despite extensive knowledge of his drug-trafficking activities by U.S. authorities, Meneses was allowed to enter the country as a political refugee from the Sandinistas. He immediately set up shop in the San Francisco Bay area, smuggling thousands of kilos of cocaine into the United States over the next five years. When the FDN was founded in August 1981, as the major military wing of George Bush's secret war against the Sandinistas, Meneses was appointed FDN chief of "intelligence and security" in California, directly under Col. Enrique Bermúdez, the military head of the Contras. Meneses' real work for the Contras involved the sale of cocaine to generate cash for the FDN's weapons purchases. According to the testimony of Enrique Miranda, Meneses' emissary to the Colombian cocaine cartels, Salvadoran Air Force planes flew to Colombia to pick up cocaine shipments, and then flew the drugs into military air bases in Texas.

- Danilo Blandón, from a wealthy Managua family, with a master's degree in marketing. Blandón was recruited to work for Meneses in the West Coast FDN cocaine ring, after he fled Nicaragua in the late 1970s. He became Meneses' wholesale distributor in the Los Angeles area, and was the architect of the scheme to flood Los Angeles' South-Central ghetto, and nearby Compton, with very cheap cocaine. Blandón was indicted for cocaine trafficking in 1986, but the federal government intervened and the case was never unsealed. When he was eventually arrested for drug money laundering in 1992, the Justice Department intervened to have his sentence reduced, and to hire him as an undercover informant.

- Ricky "Freeway" Ross, a black cocaine dealer from South-Central, who became Meneses and Blandón's partner. By buying cocaine at drastically reduced prices from the two, Ross was able to introduce the drug, previously too expensive for the ghetto "market," into Los Angeles. When crack cocaine hit the streets in the mid-1980s, Ross created a near-monopoly, selling as much as \$2-4 million a day to the Crips and the Bloods, according to court records obtained by the *Mercury* investigative team.

According to some of the documents released by the *Mercury*, White House officials, including Oliver North deputy Rob Owen, were fully aware of the San Francisco-headquartered Contra cocaine connection, but made no effort to stop it until 1987, when the Congress terminated the Boland Amendment, which had forbidden the CIA from supporting the anti-Sandinista insurgency, and turned on the cash spigot. During Oliver North's unsuccessful 1994 campaign for the U.S. Senate seat from Virginia, former Drug Enforcement Administration agent Celerino Castillo, who had been based in El Salvador during the mid-1980s, provided an eyewitness account of North and Bush's drugs-for-guns operations, at Ilopango Air Base. The *Mercury* revelations corroborate Castillo's information, and shed light on one more facet of the Contra cocaine connection.

National News

Another environmental hoax bites the dust

The California Supreme Court has issued a landmark decision, concluding that cases alleging health effects from the electrical fields near power transmission lines do not belong in court, reports the Washington newsletter of the American Physical Society's Robert Park on Aug. 22. The 67-page ruling quotes from the American Physical Society's statement on Power Line Fields and Public Health, which says, "Conjectures relating cancer to power line fields have not been scientifically substantiated." The court also made use of a similar statement by the American Medical Association, and by 17 prominent scientists, who filed an *amicus* brief.

Over the past decade, court cases alleging connections between people living or playing near power lines, and cancer and other diseases, have paralyzed the ability of electric utility companies to build new transmission lines. In Florida and other states, transmission projects have been stalled for years, as utilities find they have one more environmental hoax to battle out in court.

Biologist notes rise in Nazi eugenics

An article in the August/September 1996 edition of the journal *Technology Review* warns that the United States might be headed down the same path as Nazi Germany, through the revival of the field of eugenics.

The article, by biologist Garland E. Allen of Washington University, in St. Louis, Missouri, cites Nazi textbooks for schoolchildren, comparing the costs of keeping "normal" people and the sick alive. It then reviews the way in which eugenics—which it admits was widely popular in the United States and other nations, as well as Germany, in the late 19th and early 20th centuries—turned into Nazi policy against "useless eaters" under conditions of economic hardship.

"How close are we today to embracing a

modern form of eugenics?" the author asks. "Will we in the United States someday soon re-walk those paths of trying to solve our social problems with scientific panaceas? I am sorry to say that I think the answer might be yes." Allen points to the Genome Project, the "cutback" atmosphere in society at large, and policies which lend themselves to the concept of "useless eaters."

Richardson sent on mission to Nigeria

President Clinton sent Rep. Bill Richardson (D-N.M.) to Nigeria over Aug. 18-20 as a White House envoy. Richardson has undertaken similar missions to other countries on the President's behalf, including to North Korea and Iraq. During his stay, Richardson spent two hours on Aug. 19 with head of state Gen. Sani Abacha. As *EIR* has documented, Nigeria has been a major destabilization target of the British, both because it is one of the largest countries in sub-Saharan Africa, and because of its staunch rejection of International Monetary Fund dictates.

State Department spokesman Glyn Davies said that "the Nigerian government has shown some slight signs of an interest in a dialogue with the United States, and so we thought it was important to have somebody go out." Another, unidentified, official told the press that Richardson's mission was "to explore the possibilities for starting a meaningful dialogue with Nigeria. The Nigerians claim to be serious about human rights. We're trying to see how serious they are. . . . They've taken some good first steps but there's a lot still to be done."

DOJ advocates private prison labor policy

In a new publication titled "Work in American Prisons: Joint Ventures with the Private Sector," the U.S. Department of Justice issues a blanket endorsement of private firms' opening up industry in America's booming prisons.

The 15-page pamphlet reads like a glossy promotional, encouraging companies to use prison labor because "inmates represent a readily available and dependable source of entry-level labor that is a cost-effective alternative to work forces found in Mexico, the Caribbean Basin, Southeast Asia, and the Pacific Rim countries." It quotes a business executive saying that "keeping the jobs in the country helped line workers in our other plants accept the idea of a prison-based workforce."

An example of the "dependability" of prison labor is given from Los Angeles. California Youth Authority's Ventura Training School for youthful offenders currently takes reservations for TWA Airlines. This is a "win-win" situation, the pamphlet comments. "The 1992 civil disturbances in Los Angeles [i.e., riots] highlighted the dependability of the Ventura center for TWA when the company was forced to close its Los Angeles reservations office. Over a 2-day period, 61 youthful offenders worked 718 hours processing calls from travelers who would have otherwise been lost to TWA's competitors."

Gingrich: Bomb first, ask questions later

House Speaker Newt Gingrich (R-Ga.) said on Aug. 20 that the United States should be ready to carry out military strikes against groups or nations that are suspected of planning terrorist attacks against American targets. Calling for a "doctrine of pre-emption," Gingrich said, in a speech to business leaders reported by wire services, that suspected potential terrorists should be given 24 hours to prove they are innocent, or else face military action.

Gingrich said attacks on terrorist cells could be carried out covertly by the CIA, or overtly by military means, in the style of Israel's 1981 attack on an Iraqi nuclear power plant.

"We don't wait around until after they take out the World Trade towers, with nuclear weapons next time. We go ahead and say: We have a reason to believe you're not behaving correctly. You should convince us

Briefly

FOURTEEN INMATES and two guards were injured in a 15-hour riot on Aug. 22 in a prison in Texas run by Corrections Corp. of America, the largest private prison company in the world. The prison is located about 45 miles southeast of San Angelo. This was the second such incident at a CCA facility in Texas in one month.

ATTORNEY GENERAL Janet Reno affirmed the administration's opposition to drug legalization, in response to a question from *EIR* at a press briefing on Aug. 22. "I feel very strongly that attempts to legalize it are wrong," she said. "... I think it's important that we continue enforcement efforts, combining them, when it's nonviolent first offenders, with proper opportunities, such as drug courts, to get treatment and to get off on the right foot."

TEAMSTER PRESIDENT Ron Carey, acting on recommendations of a three-man court-supervised investigative panel including former FBI Director William Webster, has placed three large Teamsters locals under trusteeship—all of them strongholds of his opponent for the union's presidency, Jimmy Hoffa, Jr. The locals are in Philadelphia, Chicago, and Houston.

THE UAW'S *Washington Report* on Aug. 2 blasted the provisions of the welfare bill that reduce payments to the elderly and disabled, make deep cuts in the food stamp program, and deny assistance to legal immigrants. "There is a serious danger that the welfare legislation could undermine good-paying jobs . . . and erode the standard of living for working men and women," the union said.

ROBERT VESCO, the U.S. fugitive and Medellín Cartel financier, was sentenced to 13 years in a Cuban jail on Aug. 26, for economic crimes and fraud. When arrested in May 1995, after years of living in Cuba in Fidel Castro's good graces, he was charged with being a foreign spy. No explanation has been offered for the change in the charges.

in the next 24 hours that we're wrong or we will take you out," he said.

"If we would be very aggressive in saying to Libya, Syria, Iran, and Sudan that we will not tolerate your supporting terrorists, we could have a big effect on the resources available to terrorists around the world."

Los Angeles seeks probe of CIA drug trafficking

The Los Angeles City Council on Aug. 23 unanimously passed a resolution, calling for U.S. Attorney General Janet Reno to investigate allegations of CIA involvement in the illegal drug trade. The resolution followed upon revelations published in the *San Jose Mercury* and other newspapers (see article, p. 69).

The resolution, introduced by Councilman Nate Holden, reads in part:

"Today it was revealed in the news media that serious and credible allegations have surfaced as to the ongoing sale of illegal street drugs to American citizens of African-American descent, with the apparent approval of the United States Government, on behalf of and to support the efforts of the Nicaragua Contra army.

"These reports further allege that as far back as the 1980s, the United States Government has allowed the sale of illegal drugs in this country to citizens of African-American descent. The reports document how drugs were funneled into the inner city to be sold to American citizens through gangs such as the Crips and Bloods in order to finance the activities of the Nicaraguan Contra army.

"These allegations, even if unproven, raise serious and very disturbing questions which further support long-standing suspicions that there is a connection between drugs in the inner city and our CIA and foreign policy activities.

"These allegations must be thoroughly investigated in order, on the one hand, to correct any damage which may have resulted if the allegations are found to be true, and on the other hand, to allay community suspicions and fears, if the allegations are

found to be without merit. . . .

"I further move that the Council of the City of Los Angeles request the United States Attorney General to immediately conduct a complete, thorough and independent investigation of serious and credible allegations as to the ongoing sale of illegal street drugs to American citizens of African-American descent, with the apparent approval, of the United States Government, on behalf of and to support the efforts of the Nicaraguan Contra army."

Economist sees return of 'Kennedy mystique'

The pro-government-intervention policies of Sen. Edward Kennedy (D-Mass.) likely represent the wave of the future for the Democratic Party, in the medium term, even if the party is not now listening to his warnings about becoming "pale carbon copies" of the Republicans, the London *Economist* commented in its issue of Aug. 24-30.

In its weekly "Lexington" column, the magazine writes that the senator "has not been doing badly recently." He scored two recent victories, with the passage of the minimum wage and health-insurance bills. Furthermore, Senator Kennedy "opposed welfare reform in the belief (which Mr. Clinton now admits he shares) that reform would hurt the poor. Unfashionably, [Kennedy] remains convinced that one of the things that politics is about, is helping disadvantaged people."

"Lexington" continues: "At the start of last year, when Mr. Clinton began his slide towards the centre at the behest of focus groups, Senator Kennedy let loose a canonade: 'If we become pale carbon copies of the opposition, and try to act like Republicans, we will lose and we will deserve to lose,' he thundered. Next week, in Chicago, the Democrats will sound as Republican as they can. . . . But in another four years, the Democrats may swing back the senator's way. For government activism, deeply discredited though it now is, could yet experience a revival."

Editorial

A proud moment for mankind

The passage of the 1965 Voting Rights Act was a moment of great optimism, not only for the black people of America, but for all mankind. True, the assassination of John F. Kennedy and the subsequent coverup, had created a mood of despair among the population; but still the United States was on track for a Moon landing within the decade.

The purposeful courage of the astronauts, and the purposeful courage of civil rights leaders such as Dr. Martin Luther King, Rev. James Bevel, and Amelia Boynton Robinson, was outstanding, a model for young and old alike. The struggle to establish a new frontier in space, and to right the wrongs of the Jim Crow system of segregation, reasserted the values upon which the American republic was established.

This was not so, in the period before the Second World War, when Jim Crow reigned in the South, and few black people were able to walk the streets of places like Selma, Alabama without fear, much less to vote. A southern black person who exercised his right to vote then, would, at the least, suffer economic harassment.

Passage of the Voting Rights Act was the culmination of a struggle which developed in Montgomery, Alabama, in December 1955, with the boycott of segregated seating in city busses. The impetus for the action was the decision by Rosa Parks on Dec. 1, not to give up her seat to a white person; but, it was Dr. Martin Luther King who led the civil rights movement which was vitalized by Mrs. Parks's action.

Rev. James Bevel, who was one of Dr. King's right-hand men, encouraged Dr. King to go to Selma, to join Mrs. Robinson (then Mrs. Boynton) and her husband, Samuel W. Boynton, in their struggle to register black voters. It was ten years later, in January 1965, that King came to Selma.

More than 2,000 men, women, and children were imprisoned in Selma and adjacent counties, for their activities in support of what later became the Voting Rights Act. The right to vote was won by the blood of the civil rights fighters, white and black, who fought to ensure that America would remain a bastion of freedom for all mankind.

On Aug. 15 of this year, the U.S. District Court in

effect abrogated the Act, by its decision to uphold the disenfranchisement of LaRouche voters in the Democratic Party—voters heavily represented among the black population. The ban against seating LaRouche delegates, perpetrated by Democratic National Committee Chairman Donald Fowler, was upheld by the U.S. Court, thereby disenfranchising the 600,000 voters who had cast their ballots for LaRouche in the Democratic primaries. The technical rhetoric of the decision was to exempt the newly promulgated party Rule 11(K) from judicial review of changes in party rules, which is specifically required by the 1965 Act.

With Fowler's ruling that Lyndon LaRouche is not a legitimate Democratic candidate, the Democratic Party of Franklin Roosevelt is more and more being transformed back into the Democratic Party of James Buchanan, which was the treasonous party of the slaveryocracy, in the days before the Civil War.

America was built upon the fight to defeat British oligarchism. That fight reached a culminating moment with the passage of the Voting Rights Act. For this hard-won gain to be demolished by the arrogance of "Jim Crow" Fowler, with support from the U.S. courts, must not be tolerated.

Now that the Republican and Democratic national conventions have come to be shaped as spectacles, rather than serious forums for the debate of important issues, most Americans begin to look at the whole of the political process with cynicism and despair. Such a mood should not be tolerated. The tradition which our greatest leaders have always represented, whether from the White House, or on the battlefields and frontiers of mankind, was one of cultural optimism and love of humanity.

Let us remember the remarks by Franklin Delano Roosevelt during his second term in office: "Governments can err, Presidents do make mistakes, but the immortal Dante tells us that Divine Justice weighs the sins of the cold-blooded and the sins of the warm-hearted in different scales. Better the occasional faults of a government that lives in the spirit of charity, than the consistent omissions of a government frozen in the ice of its own indifference."

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All programs are *The LaRouche Connection* unless otherwise noted.

ALASKA

- ANCHORAGE—ACTV Ch. 44
Wednesdays—9 p.m.

ARIZONA

- PHOENIX—Dimension Ch. 22
Wednesdays—7 p.m.
- TUCSON—Access
Mondays—5 pm (Ch. 61)
Tuesdays—1 pm (Ch. 63)

CALIFORNIA

- E. SAN FERNANDO—Ch. 25
Saturdays—8:30 p.m.
- LANC./PALMDALE—Ch. 3
Sundays—1:30 p.m.
- MARIN COUNTY—Ch. 31
Tuesdays—5 p.m.
- MODESTO—Access Ch. 5
Fridays—3 p.m.
- ORANGE COUNTY—Ch. 3
Fridays—evening
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Tuesdays—2 & 6 p.m.
- SACRAMENTO—Ch. 18
2nd & 4th Weds.—10 p.m.
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Wednesdays—4:30 p.m.
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Wednesdays—4:30 p.m.
- SAN FRANCISCO—Ch. 53
Fridays—6:30 p.m.
- SANTA ANA—Ch. 53
Tuesdays—6:30 p.m.
- STA. CLARITA/TUJUNGA
King VideoCable—Ch. 20
Wednesdays—7:30 p.m.
- W. SAN FERNANDO—Ch. 27
Wednesdays—6:30 p.m.

COLORADO

- DENVER—DCTV Ch. 57
Saturdays—1 p.m.

CONNECTICUT

- BETHEL/DANBURY/RIDGEFIELD
Comcast—Ch. 23
Wednesdays—10 p.m.
- BRANFORD—TCI Ch. 21
Weds., 10 a.m. & 7:30 p.m.
- NEWTOWN/NEW MILFORD
Charter—Ch. 21
Thursdays—9:30 p.m.

DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
Sundays—12 Noon

IDAHO

- MOSCOW—Ch. 37
(Check Readerboard)

ILLINOIS

- CHICAGO—CAN Ch. 21
Thurs., Sept. 12—10 p.m.

INDIANA

- INDIANAPOLIS—PA Ch.
American Cablevision
Mondays—5:30 p.m.
Fridays—11 p.m.
- SOUTH BEND—Ch. 31
Thursdays—10 p.m.

KENTUCKY

- LOUISVILLE—TKR Ch. 18
Wednesdays—5 p.m.

LOUISIANA

- NEW ORLEANS—Cox Ch. 8
Mondays—11 p.m.

MARYLAND

- BALTIMORE—BCAC Ch. 42
Mondays—9 p.m.
- BALTIMORE COUNTY—
Comcast Cablevision—Ch.2
2nd Tues., monthly—9 p.m.
- MONTGOMERY—MCTV Ch. 49
Weds.—1 pm; Fri.—8:30 pm
- P.G. COUNTY—Ch. 15
Thursdays—9:30 p.m.
- WEST HOWARD COUNTY—
Comcast Cablevision—Ch. 6
Daily—10:30 a.m. & 4:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
(call station for times)

MICHIGAN

- TRENTON—TCI Ch. 44
Wednesdays—2:30 p.m.

MINNESOTA

- EDEN PRAIRIE—Ch. 33
Wed.—5:30 pm; Sun.—3:30 pm
- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- MINNEAPOLIS (NW Suburbs)
Northwest Comm. TV—Ch. 33
Mon.—7 pm; Tue.—7 am & 2 pm
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Mondays—8 p.m.
- ST. PAUL (NE Suburbs)
Suburban Community—Ch. 15
Wednesdays—12 Midnight

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Sundays—5:30 a.m.

NEW YORK

- ALBANY—Ch. 18
Tuesdays—5 p.m.
- BRONX—BronxNet Ch. 70
Saturdays—6 p.m.
- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1 or Ch. 99
Wednesdays—5 p.m.
- BROOKLYN
Cablevision (BCAT)—Ch. 67
Time-Warner B/ —Ch. 34
(call station for times)
- BUFFALO—BCAM Ch. 18
Tuesdays—11 p.m.
- HUDSON VALLEY—Ch. 6
2nd Sun. monthly—1:30 p.m.
- ILION—T/W Ch. 10
Fridays—3 p.m. & 9 p.m.
- ITHACA—Pegasis—Ch. 57
Mon. & Weds.—8:05 p.m.
Saturdays—4:35 p.m.
- JOHNSTOWN—Empire Ch. 7
Tuesdays—4 p.m.
- MANHATTAN—MNN Ch. 34
Sun., Sept. 15—9 a.m.
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 25
Last Fri. monthly—4:00 p.m.
- OSSINING—Continental
Southern Westchester Ch. 19
Rockland County Ch. 26
1st & 3rd Sundays—4 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- QUEENS—QPTV Ch. 57
Wednesdays—10 p.m.
- RIVERHEAD
Peconic Bay TV—Ch. 27
Thursdays—12 Midnight
1st & 2nd Fridays—4 p.m.
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—P.A. Ch. 27
Wednesdays—5:30 p.m.
- SCHENECTADY—PA Ch. 11
Mondays—10 p.m.
- STATEN ISL.—CTV Ch. 24
Wed.—11 p.m.; Thu.—5 a.m.
Saturdays—8 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—Adelphia Ch. 3
Fridays—4 p.m.
- SYRACUSE (Suburbs)
Time-Warner Cable—Ch. 12
Saturdays—9 p.m.
- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.

- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.
- YONKERS—Ch. 37
Fridays—4 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

OREGON

- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- AUSTIN—ACTV Ch. 10 & 16
(call station for times)
- DALLAS—Access Ch. 23-B
Sun.—8 p.m.; Thurs.—9 p.m.
- EL PASO—Paragon Ch. 15
Thursdays—10:30 p.m.
- HOUSTON—Access Houston
Mondays—5 p.m.

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Tuesdays—12 Midnight
Wednesdays—12 Noon
- CHESTERFIELD COUNTY—
Comcast—Ch. 6
Tuesdays—5 p.m.
- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 pm; Sat.—10 am
- LOUDOUN COUNTY—Ch. 59
Thursdays—10:30 a.m.;
12:30 p.m.; 2:30 p.m.;
4:30 p.m.; 7:30 p.m.;
10:30 p.m.
- MANASSAS—Jones Ch. 64
Saturdays—12 Noon
- RICHMOND—Conti Ch. 38
(call station for times)
- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.
- YORKTOWN—Conti Ch. 38
Mondays—4 p.m.

WASHINGTON

- KING COUNTY—TCI Ch. 29
Thursdays—10:30 a.m.
- SNOHOMISH COUNTY
Viacom Cable—Ch. 29
(call station for times)
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—11:30 am; Weds.—6 pm
Thursdays—8:30 pm

WISCONSIN

- WAUSAU—Ch. 10
(call station for times)

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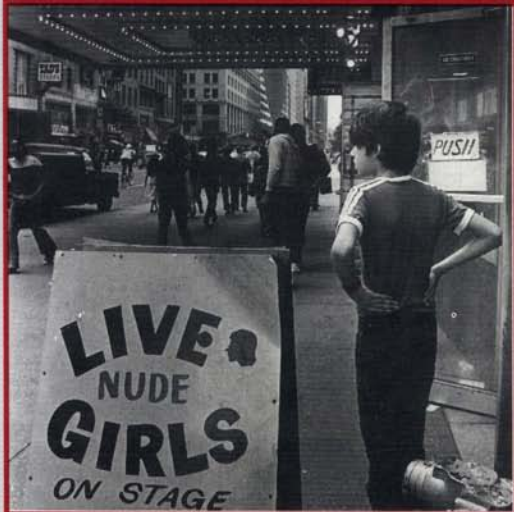
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