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An alternative to neo-liberalism
Mahathir rejects bankers' dictatorship
Congo's Kabila is sitting on a time-bomb

From Mexico to Hongkong:
LaRouche takes center stage

THE WALL STREET JOURNAL EUROPE.

FRIDAY - SATURDAY, SEPTEMBER 19 - 20, 1997

Malaysia's Mahathir Finds Strange Source For Soros Campaign

Asian Country's Media Tap U.S. Conspiracy Theorist Lyndon LaRouche Jr.

By RAPHAK PUKA And EDUARDO LACHICA
Staff Reporters

Economics makes strange bedfellows, it seems. When Malaysian Prime Minister Mahathir Mohamad recently accused financier George Soros of leading speculative attacks on Southeast Asian currencies, Malaysia's pro government press quickly cranked out articles vilifying the American billionaire.



George Soros, a centric 75-year-old American who spins elaborate conspiracy theories, has run unsuccessfully for president five times and was convicted in 1989 of conspiracy

World Wire

A Special Review
Civilización Actual. Rumbo a una Nueva era de Tinieblas"

ADALAJARA. 'Jai, 18 de septiembre. el planeta está actualmente atrapado en crisis financieras, monetaria y económica la peor en la experiencia de la civilización humana, afirmó hoy el economista estadounidense L. LaRouche, ex candidato a la presidencia en 1976.

Los Proyectos de la Nación

El México del Siglo XXI

JOSE NEME SALUM
(Primera de dos partes)

Conforme al actual curso de la política nacional, las próximas decisiones que adopte el Congreso de la Unión, y en lo inmediato la Cámara de Diputados, definirán en gran parte el México del siglo XXI.

Hill of Beans

ing Industry in Merger
Pop Player:

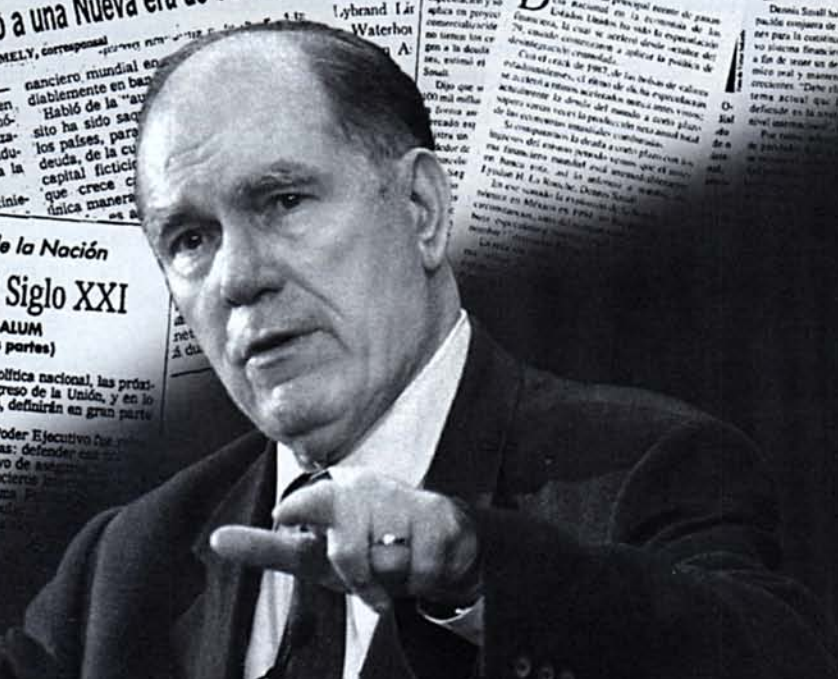
EDUARDO CHIMELY, corresponsal

El futuro que pretende el actual Poder Ejecutivo fue expuesto públicamente en los últimos días: defender con todo y a toda costa, y sobre todo, su objetivo de asegurar el cumplimiento de los compromisos financieros asumidos en el mandato popular. El objetivo del mandato popular es el desarrollo del país, el bienestar de los mexicanos, el progreso de la nación, el interés nacional.

Reinan especulador en mercados de divis

La Especulación, Principal Fuente de Ganancias en EU

El principal motor de ganancias en la economía de los Estados Unidos ha sido la especulación, la cual se ha convertido en el principal mecanismo de ganancia en la economía estadounidense, según un estudio publicado por el Congreso de Comercio Exterior.



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From the Associate Editor

The exciting events reported in this issue, concerning Lyndon LaRouche's intervention in Mexico and his role in the policy fight at the Hongkong IMF meeting, have a long history, unknown to many of our readers. Not since the Colombo, Sri Lanka summit of the Non-Aligned Nations in 1976, has there been such a demand for LaRouche's policies from the leadership of the developing sector—and such a willingness to stand up publicly and challenge the bankers' destruction of national sovereignty and economic development.

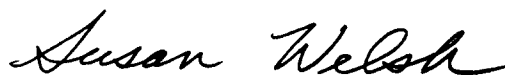
Those with a long memory, will recall that on April 24, 1975, LaRouche gave a press conference in Bonn, Germany, calling for the creation of an International Development Bank, to foster cooperation between the industrialized capitalist sector and the socialist sector, in developing the so-called Third World.

Key features of this program were incorporated in the Colombo Resolution of Aug. 16, 1976, to the extreme distress of U.S. Secretary of State Henry Kissinger. The heads of state called for "the establishment of the new world economic order, and in particular, this essential element of such a new order, a new monetary and financial system." The new order would require "a satisfactory solution to the problem of public debt" and would guarantee "the right of every country to exert its sovereignty." It would abolish "the anarchy of floating [currencies] . . . and the dominant role of international currencies in decision-making."

On Sept. 27, 1976, Guyana's Foreign Minister Frederick Wills brought the Colombo Resolution before the United Nations General Assembly, saying that the IMF monetary system "must give way to alternative structures like international development banks. . . . The time has come for a debt moratorium."

On Aug. 2, 1982, LaRouche, after meeting Mexican President José López Portillo, released a book-length program for Ibero-America, *Operation Juárez*, which created an international uproar about the likely detonation of "the debt bomb."

Today, as you will read in this issue, the LaRouche plan is back on the agenda, and it has the backing of Asian leaders representing some 2 billion people.



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“Presently, the entirety of this planet is gripped by a great financial, monetary, and economic crisis,” Lyndon LaRouche said, in a speech delivered on his behalf in Guadalajara, Mexico. “In today’s economic policy, the only important question is: Can, and will some leading governments put the old, bankrupt financial and monetary systems into government-supervised reorganization? Can, and will this be done, in time to prevent a world-wide repetition of the kind of ‘New Dark Age’ which Europe suffered during the Fourteenth Century?”

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At the IMF meeting: Soros battles LaRouche

by Richard Freeman

While the International Monetary Fund and World Bank held their annual meeting in Hongkong on Sept. 20-25, planning to further push the deadly globalization and deregulation of the world financial system, economist Lyndon LaRouche, who has a 25-year history of opposition to IMF-steered genocide and the IMF-created financial bubble, emerged publicly at the center of the policy fight against speculator George Soros and the IMF.

A signal of this was the *Wall Street Journal* article on Sept. 19 (Asian and European editions, and on the Internet), which circulated at the IMF conference, and cited LaRouche as the source of attacks on Soros. To understand “the LaRouche Effect” in Hongkong, think of LaRouche playing the role of “Old Marley’s Ghost,” appearing to tell Scrooge what ought to be done. The Soros policy was the key issue at the IMF conference, and LaRouche, by name, was identified as his accuser. What Soros and company fear, is the degree to which LaRouche is influencing the emerging attacks on the IMF by Southeast Asian nations and China.

On Sept. 19, the *Wall Street Journal Europe* ran on its front page an article that described the battle between Malaysian Prime Minister Dr. Mahathir Mohamad and British Commonwealth hit-man and global speculator George Soros, who for the past six months has been short-selling and wrecking the currencies and stock exchanges of Malaysia, Thailand, the Philippines, and Indonesia, causing them to fall 10-80%, and destroying those nations’ economies. As Mahathir labeled Soros a “criminal” and a “brigand,” the *Wall Street Journal* came to Soros’s defense.

The *Wall Street Journal* wrote that much of the information that the friends of Mahathir in Malaysia have used to skewer Soros, including certain formulations in Mahathir’s speeches, came from *EIR*, whose founder and contributing

editor is Lyndon LaRouche. Specifically cited is “The True Story of George Soros the Golem,” a Special Report which *EIR* published in April 1997. The *Journal* perhaps thought that presenting the Mahathir-LaRouche relationship would be damaging to Mahathir and a “shocking revelation.” But, few of the world’s leaders would be shocked, since it is recognized that LaRouche would put the bankrupt IMF-centered world financial system through Chapter 11 bankruptcy, and replace it with a development-vectored, fixed exchange rate-based New Bretton Woods monetary system. This represents the only sane alternative to the IMF and Soros.

The *Wall Street Journal Asia* ran the same article on its front page on Sept. 19, where it would be read by the more than 3,000 finance ministers, central bankers, bankers, economists, and journalists attending the IMF meeting. On Sept. 21, Soros travelled to Hongkong to address the meeting, to defend himself, and to call Mahathir a “vile person” (see excerpts from his speech on p. 16).

Some Italian and other European press began retailing a variant of the *Journal* story on LaRouche and Mahathir (see *Documentation*, p. 9).

Simultaneously, the IMF used its influence in Mexico to strip the physical security for a planned LaRouche visit to Mexico on Sept. 18-25. But the IMF’s thuggery only angered the influentials and ordinary citizens who attended the events against the IMF, and increased the seriousness with which they listened to LaRouche’s message (see article, p. 44).

The fact that the fight between LaRouche and the IMF, which has been ongoing for a quarter-century, would take center stage now, is lawful, under the current circumstances: The world has entered an end-game phase, as the disintegration of the biggest financial bubble in history accelerates. A financial explosion during October is likely, because of the

settlement of accounts at the end of September, plus the possibility of an interest rate hike and other processes.

Soros's destruction

Mahathir began attacking Soros in July. On July 28, the Malaysian President called speculation that destabilizes national currencies “a crime,” and, when asked whether he regarded Soros as a criminal, he responded, “Well, as much as people who produce and distribute drugs are criminals, because they destroy nations, the people who undermine the economies of poor nations [are too].”

Soros is one of the British Commonwealth's chief political assets. He is a leading financier of the drug legalization effort, having poured a million dollars into the pro-drug ballot initiatives in Arizona and California last year (see article, p. 7). The hedge funds, like Soros's Quantum Fund, many of them offshore, are a major Commonwealth weapon. They speculate by buying large amounts of stocks or currencies, using large amounts of leverage—i.e., little of their own funds—and much borrowed money from commercial banks. According to the Sept. 23 German daily *Frankfurter Allgemeine Zeitung*, David Folkerts-Landau, the director of the IMF's International Capital Markets Project, co-authored an IMF report issued in September, that reported that there is not much central banks can do to defend their currencies against hedge funds, because hedge funds have a combined financial muscle of \$100 billion, and can mobilize, through leveraged borrowing, 6 to 11 times that—that is, \$600 billion to \$1.1 trillion. Against this, most developing countries' central banks have foreign reserves in the range of \$10-30 billion, with which to defend their currencies.

The vulnerability of the four Southeast Asian “Tiger” economies of Malaysia, Indonesia, Thailand, and the Philippines, which Soros singled out for attack, is that, to a significant extent, they “globalized” their economies, a process which built up over-sized financial, stock, and real estate markets, including derivatives. These financial markets are far too large for the physical economies of the nations concerned. The hedge funds then directed surges of speculative funds into and out of these countries' markets, undermining the economies and the currencies.

Soros's Quantum Fund, using leverage ratios of 20:1, started attacking Thailand's currency, the baht, as early as February, and, by June-July, was taking short positions in (i.e., betting on the fall of) the Filipino peso, the Indonesian rupiah, and the Malaysian ringgit. With the large amount of funds he could mobilize, Soros could cause the currencies that he was betting would fall, to fall, making millions of dollars per trade. The same speculative attack was launched against these nations' stock markets.

According to the Sept. 25 German daily *Die Welt*, the speculative stock market attacks have wiped out more than \$113 billion of stock value of these four nations thus far this year, with the Thai stock market losing 50% of its value since

Jan. 1, the Malaysian stock market losing 25% of its value, and so on.

The speculative attack has devalued the currencies of these four nations by 10-30%. This immediately raised the cost of all imported goods and increased the cost of dollar-denominated debts by the same percentage. But, there are other consequences: It is forcing industrial contraction. Thailand's Siam Cement has had to write off \$1 billion in foreign exchange losses. Prior to the crisis, Proton Berhad, Malaysia's national car company, had already announced plans to cut costs by 30% over the next three years. But with the devaluation of the ringgit increasing the cost of imported parts, it will have to cut costs further, which could force it to reduce employment and production. Various infrastructure projects, including a \$5.3 billion dam in Malaysia and \$37 billion of infrastructure projects in Indonesia, will be reviewed or indefinitely postponed.

Disrupting the IMF agenda

In his Sept. 20 speech to the IMF, Mahathir said, “I know I am taking a big risk to suggest it, but I am saying that currency trading is unnecessary, unproductive and immoral. It should be stopped. It should be made illegal. We don't need currency trading. We need to buy money only when we want to finance real trade. Otherwise, we should not buy or sell currencies as we sell commodities.” Thus, the agenda of the IMF meeting was disrupted right from the start.

The IMF-World Bank had planned to push for globalization, which the IMF describes as the process by which countries “integrate into the world financial system.” In reality, this means that a country must deregulate its banking system so that it can be taken over by British Commonwealth banks, as is occurring in Ibero-America; must adopt “free trade” to destroy its manufacturing; must set up speculative derivatives, stock, and secondary real estate bubbles; and must accommodate to the international drug trade.

In remarks to the IMF board of governors on Sept. 23, IMF Managing Director Michel Camdessus chanted the mantra of globalization. With the debate over Soros's and other speculators' raids against the economies of Southeast Asia still echoing in the hall, Camdessus said, “The lesson to be drawn from recent developments is not about the risks of globalization—and still less about demonizing the markets—but rather about the importance of exercising good citizenship when tapping them.” Camdessus then brought out the whip: “Here in Asia . . . countries must give priority to the pressing business of strengthening current account positions and ensuring financial sector soundness, rather than to spurring growth prematurely.”

As for the IMF's genocidal policy of conditionalities, structural adjustment programs, and “surveillance,” which collects the debt at the expense of the survival of the populations of the Third World, Camdessus not only preached continuing the current policy, but added a new element: that na-

tions should “join . . . with their neighbors in mutual surveillance on a regional basis.”

Reality intervenes

On Sept. 22, a shaken *New York Times* warned that “the fundamental emotion that [Mahathir] expressed clearly carries an extra resonance now, far beyond his country of 21 million.” Indeed, as LaRouche pointed out in an address by telephone on Sept. 22 to a Mexican audience, “it must be recognized that the Southeast Asian nations have tended to support Mahathir against the assault of the speculators—unlike what happened in the situation of Mexico’s currency crisis of 1994-95.” The speculators attempted to attack Hongkong and its currency, the Hongkong dollar, but have failed. (Since July 1, Hongkong has been part of China.)

At the IMF meeting, Japanese Treasury Minister Hiroshi Mitsuzuka unveiled a plan to create a \$100 billion Asian monetary fund—outside IMF control—to blunt speculative attacks, such as those which hit Southeast Asian nations recently. This was backed by spokesmen for Thailand and Indonesia. IMF officialdom denounced the plan, complaining that such a fund would weaken the blackmail power of the IMF. “There was a concern that it could undermine the conditionality of the International Monetary Fund. This concern was expressed by all the big countries,” German Finance Minister Theo Waigel told the press.

The reality is that were such a fund to exist, it might not only defend against currency attacks, but could also finance industrial and infrastructural development, in the context of the Eurasian Land-Bridge. This great project is being aggressively pursued by China and other Eurasian nations. It evolved out of LaRouche’s Productive Triangle proposal of 1989, which called for construction of railroads and high-technology infrastructure corridors from the Pacific to the Atlantic. This would utilize the machine-tool-design capability of the planet, which is based primarily in Europe, Japan, and the United States, to jump-start a global economic recovery.

Only one way out of the crisis

The world can no longer sustain the cancerous financial bubble, which now totals at least \$100 trillion in derivatives outstanding in the international financial system, and which will vaporize imminently, a situation that LaRouche uniquely can handle. In a Sept. 23 radio interview with “EIR Talks,” LaRouche stated, “People should understand, there is generally now a political, as well as a financial unravelling of the international financial system, at a time when we’re coming up to the Sept. 30 point, at which the Federal Reserve System, and some others, are going to have to make a hard decision as to what they’re going to do in the face of this mounting crisis. I should explain that the cause of the crisis in Southeast Asia is partly the raiding being done by pirates such as Soros and company. But, the general situation is not peculiar to the conditions of Southeast Asia. It’s global.

“Presently, in order to maintain the financial structures—the bubble that exists presently—a certain amount of money is required in circulation. The amount of money circulating in the international system now, is falling short of what is considered an adequate margin to support these financial structures. At the same time, these pressures which tend to be inflationary, under these conditions, are impelling some central bankers to think about raising interest rates, putting in what’s called ‘fiscal austerity.’ Now, imposing fiscal austerity, under conditions of a bubble like the present, is like putting a lighted match to gasoline; who knows what’s going to happen in October.

“There’s no way out for these bankers. If they do raise interest rates, significantly, and more than one nation does it, then the whole system can blow out, or at least go through a major shock. If they don’t raise interest rates, then their credibility is called into question, which has an effect quite similar, but in a different way, to raising the interest rates. So, everybody is looking for a big shock in October. Those fears may be somewhat exaggerated, but something is going to happen, and we’re in an ongoing process, a downward spiral of disintegration of the entire world’s international monetary system.”

When Soros attacked Mahathir, and, implicitly, LaRouche, World Bank President Sir James Wolfensohn was standing by his side. Wolfensohn’s and Camdessus’s attacks publicly identify LaRouche as their main opponent, who will initiate the post-IMF era.

Documentation

The ‘LaRouche factor’ in the headlines

Wall Street Journal Europe, “Malaysia’s Mahathir Finds Strange Source for Soros Campaign; Asian Country’s Media Tap U.S. Conspiracy Theorist Lyndon LaRouche, Jr.” Sept. 19, 1997, p. 1.

The article, by Raphael Pura (Kuala Lumpur correspondent) and Eduardo Lachica (Washington, D.C.), asserts that LaRouche is the source for the attacks on George Soros by Malaysian President Mahathir. The timing of the article coincided with the most important two days of talks at the annual IMF meeting in Hongkong.

The article states that some of Mahathir’s views (“vitriol”) “apparently came from an unusual source: a publication run by Lyndon LaRouche, Jr., an eccentric 75-year-old American who spins elaborate conspiracy theories, has run unsuccessfully for President five times and was convicted in 1989 of conspiracy charges in the U.S.”

“LaRouche,” the authors say, “has alleged that Mr. Soros is a key figure in a global financial conspiracy against sovereign nation-states involving, among others, the Queen of England, international drug cartels and the Israeli secret service. Mr. Soros’ New York-based fund-management firm didn’t respond to requests for comment. Aryeh Neier, the president of Mr. Soros’ Open Society Institute, says he won’t ‘dignify’ Mr. LaRouche’s views with a formal reply.”

The article presents a sleuth-style account of how the particular item of current influence of LaRouche’s ideas, is an *EIR* Special Report dated April 1996.

The article said, “Mr. LaRouche has long been at odds with the U.S. political mainstream, which regards him as an extremist in his views about reforming the global financial system. But his theories receive a warmer reception in Malaysia, where the 60-page *EIR* report on Mr. Soros has been passed among Malaysian editors, intellectuals and politicians.

“*EIR* regularly thrashes Mr. Soros for allegedly trying to loot Asian countries. Since Southeast Asian currencies began plunging in July, the Malaysian government, too, has been hurling allegations at Mr. Soros, accusing his investment funds of pushing down the value of the ringgit—a charge Soros aides have denied. Prime Minister Mahathir has labelled Mr. Soros a ‘rogue speculator,’ an ‘anarchist’ and a ‘criminal.’ Malaysian authorities also have warned of an ‘international conspiracy against an Islamic regime.’

“In recent remarks to a gathering of Malaysian Islamic scholars, Dr. Mahathir, echoing a phrase from *EIR*, said of Mr. Soros: ‘He’s no Robin Hood. He takes from the poor and fills his own pockets.’

“It isn’t clear whether Dr. Mahathir or other senior Malaysian officials have read the *EIR* report. . . . The prime minister’s office didn’t respond to requests for comment. A spokesman for Deputy Premier Datuk Seri Anwar Ibrahim says ‘we know nothing’ about the LaRouche document. A Malaysian embassy official in Washington says that the embassy has regularly dispatched *EIR* to Kuala Lumpur.

“For his part, Mr. LaRouche welcomes what he sees as support from like-minded individuals and organizations in Malaysia and other Southeast Asian countries. ‘Two things are going on,’ he says in an interview. There’s a heightening of ‘patriotic’ feelings in those countries against speculators like Mr. Soros, and there’s also a ‘fairly strong interest in what I have to say.’ ”

Wall Street Journal Asia, and **Internet** edition, “Gaining Currency; Source in U.S. Helps the Malaysian Attacks on Soros,” Sept. 19.

The same text as the previous article, with the exception of the first line.

Corriere della Sera, Italy, Sept. 22.

The topic of the article is Prime Minister Mahathir’s criticism of speculators. The author, Stefano Cingolani, the chief

foreign policy editor, and correspondent in Hongkong for the IMF meeting, writes, “Mahathir has used in his polemics the poisons spread by a singular American hyper-reactionary, Lyndon LaRouche, who does not miss any occasion to recycle the theory of the Jewish-masonic conspiracy. This time he has accused Soros of having collaborated, although he was a Jew, with the Nazis who occupied Hungary, his country of origin. And the Malaysian press has elaborated on that.”

Cingolani adds that Malaysia’s threats “have alarmed the United States,” because of the political message to other countries in the area. “Protectionist reactions would strike a severe blow against globalization.” For this reason, Cingolani writes, U.S. Treasury Secretary Robert Rubin went so far in defending globalization, as to “justify currency speculation.”

La Repubblica, Italy, “Soros, the ‘Devil’ of the East,” Sept. 22.

The article’s topic is the “Mahathir-Soros” duel, and includes a slanderous characterization of Lyndon LaRouche. Signed by Roberto Petrini, who attended the Hongkong IMF meetings, the article states in the last paragraph: “Fanning the fire of the conspiracy theory, besides the authoritarian Southeast Asian leaders, are also strange American characters like the eccentric and little reliable Lyndon LaRouche, who spread a very poisonous biography of Soros, where he accuses Soros of having collaborated with the Hungarian Nazi regime. Soros does not care.”

Soros robs the poor, gives to the rich

by Scott Thompson

The man whom Malaysian Prime Minister Dr. Mahathir Mohamed has labeled an evil speculator and a “moron,” global money manipulator George Soros, prefers to describe himself as a modern day Robin Hood. But George has it all wrong. Through currency and derivatives speculation, and other forms of money manipulation, he has robbed from the poor to give to the rich. Among the beneficiaries of his “robbery” has been Her Majesty Queen Elizabeth II, who is said to be a principal client of Soros’s multibillion-dollar Quantum Fund N.V., and the wealthiest insider trader in the world.

The alms that Soros doles out, through his Open Society funds, usually go to carefully selected groups that oppose governments among the United States’ important allies or would-be allies. Soros has been or is now under investigation for his “philanthropic activities”—including alleged criminal activities ranging from money-laundering to espionage, to other questionable activities such as peddling drug legaliza-

tion—including in the United States, Russia, China, Italy, Belarus, Croatia, and Malaysia. Soros's Open Society Fund was recently kicked out of Belarus for money-laundering and other financial irregularities, and it was earlier kicked out of China, right after the Tiananmen Square showdown in 1989, for alleged espionage. His fund would have been thrown out of Russia, if it had not been saved by a liberal faction in the State Duma (parliament).

A cog in Eichmann's killing machine

Much has been made in the media of Lyndon H. LaRouche's claim, that Soros was no better than a Nazi. Here is Soros's own carefully crafted admission on the Adam Smith Show, produced by WNET on April 15, 1993, that he had been a small cog in Adolf Eichmann's killing machine, which was responsible for the Holocaust against 500,000 Hungarian Jews. Incredibly, Soros claims that this is the secret to his financial success later in life:

Smith: "What kind of man would go eyeball to eyeball with the Bank of England and bet his fortune that the pillar of the financial establishment would blink? A man with an unconventional view of the world, to be sure. George Soros's worldview was formed as a teenager during the Second World War, when all the usual rules of normal life were suddenly fractured."

Soros: "It really started in 1944, when Hungary was occupied by the Germans, and me being Jewish, I was in danger of my life."

Smith: (voice-over) "His father, a prominent Budapest attorney who had lived through the Russian Revolution, understood the art of survival."

Soros: "When the Germans came in, he said, 'This is a lawless occupation. The normal rules don't apply. You have to forget how you behave in normal society. This is an abnormal situation.' And he arranged for all of us to have false papers, everybody had a different arrangement. I was adopted by an official of the minister of agriculture, whose job was to take over Jewish properties, so I actually went with him and we took possession of these large estates. That was my identity. So it's a strange, very strange life. I was 14 years old at the time."

Later, in an interview for the cover story of the Sept. 2, 1997 issue of *Time* magazine, Soros glossed over his part in the Nazi occupation, but made clear that 1944 was the best year of his life.

A golem made in Britain

With this record of participating in the Holocaust, Soros skedaddled from Hungary after the war to escape retribution. And, he headed for that "bastion of democracy," the British Empire. Despite Soros's current nominal U.S. citizenship, he is emphatically not "American." Rather, he is a "golem," bearing the stamp "Made in Britain." If he were not so filthy a creature, he would be making speeches from the steps of Buckingham Palace. Calling Soros American, because he re-

sides in greater New York City, is like calling the British troops who temporarily resided in Washington, D.C. while they burned the White House during the War of 1812, "American."

Soros keeps the bulk of his money, such as the Quantum Fund N.V. employed by Queen Elizabeth II, in the Caribbean, such as the Netherlands Antilles. If you are from the United States, you cannot invest in any of Soros's funds, or even receive a prospectus. Soros has, in the past, had financial "near-death" experiences with the U.S. Securities and Exchange Commission, and, apparently, has no desire to cross swords with any U.S. financial enforcement agencies. Yet, the Club of the Isles in Europe, which has been grouped around the British monarchy since the First World War, includes many of his big investors.

When he fled to the center of the British Empire, Soros ended up at the London School of Economics, where he became a protégé of British Aristotelian Society leader Sir Karl Popper. It was from Popper's writings on *The Open Society* that Soros developed his pluralistic hatred of the American republic and of Treasury Secretary Alexander Hamilton's American System of political economy. Others helped train Soros in the depredations of the rentier-financier oligarchical British economic system, epitomized by Adam Smith's employer, the British East India Company.

In an exchange of correspondence before his death, Popper, who claimed that the authoritarianism of Reason in Plato's Academy was the origin of communism and fascism, lied to *EIR* that he had nothing to do with Soros. However, news accounts subsequent to Popper's death revealed that he was the source of at least one of Soros's grand schemes: the destruction of Russian science through Soros's International Science Foundation. Sir Karl Popper may prove in history to be a greater "Nazi" than Soros's former *capo di tutti capi*, Adolf Eichmann.

The Rothschilds and the Club of the Isles

Soros got his start in large rentier-financier deals through the intervention of the Rothschild family, which has been part of the grouping known as the Club of the Isles. The Rothschilds have surrounded the British throne, from the days of Baron Nathan Mayer Rothschild and Napoleon I. After brief polishing in British financial houses, Soros moved to the United States in 1956, where he worked for a couple of years managing the portfolio of an old Hapsburg-linked firm, which managed large holdings of European money.

With permission from the firm Arnhold and S. Bleichroeder, Inc., Soros took some of these *fondi* (old family funds) and started Quantum Fund N.V. But, he would not have been nearly as successful, had it not been for the intervention of financier George Karlweiss, who was then with Baron Edmond de Rothschild's Banque Privée. At about the same time, Karlweiss was launching the international business career of the "Detroit Kid," Robert Vesco, who, with Rothschild assistance, would soon take over the flight capital firm of Investors

Overseas Services and milk it for a fortune. Before Vesco was jailed recently in Havana, Cuba, on other charges, this fugitive from U.S. justice had become involved in narcotics trafficking in Ibero-America.

The Rothschild connection to Soros continues to be represented in various ways. For example: Nils Taube, an old crony of Soros, who is now on the board of Lord Jacob Rothschild's St. James Capital, continues to be a director of Quantum Fund, N.V.; the recently deceased Sir James Goldsmith, a cousin of the Rothschilds, sold a controlling interest (some 8.8%) in the gold-mining firm Newmont Mining, to Soros, while selling a smaller amount to Goldsmith's business sidekick, Lord Jacob Rothschild. This helped to position Soros for the British raw materials grab in precious, strategic, and base metals.

The Queen's drug pusher

By his own estimates, Soros has distributed over \$15 million in the 1990s to end the "War on Drugs," and legalize drug use. It was Soros's money that largely financed California Proposition 200 and Arizona Proposition 215, which legalized the "medical use" of Schedule I drugs, such as marijuana, on the state level. In fact, under Proposition 215, two doctors could prescribe heroin, cocaine, and crack to children, for their "curative" values. Soros has since been caught toying with high levels of funding for similar propositions that will be on the ballot in Washington State, Washington, D.C., Oregon, and elsewhere.

Soros is also targetting Ibero-America and other drug-producing regions of the world to eradicate the War on Drugs:

- One front through which Soros has tried to neutralize the War on Drugs in Colombia, Peru, and Bolivia is Human Rights Watch, especially its Americas branch. HRW/Americas is integrated with Soros's other drug legalization efforts. The current head of Soros's primary Open Society Institute, Aryeh Neier, previously served as executive director of HRW/Americas.

- In 1995, HRW set up a new Drug Program, with a \$69,000 budget for its first year, dedicated to hampering anti-drug programs around the world through allegations of "human rights violations" by anti-drug fighters. HRW announced that because "national and international counter-narcotics programs . . . by and large have escaped close human rights scrutiny, in early 1995, HRW began a multi-year effort to document and challenge human rights violations caused or exacerbated by efforts to curtail drug trafficking internationally as well as in the United States."

- In Peru, HRW works with three principal partners, two of which operate throughout the Andean region: the Andean Commission of Jurists, the Andean Council of Coca Leaf Producers, and Peru's Pro-Human Rights Association (Aprodeh). On March 13-14, 1997, the Andean Commission of Jurists sponsored an "International Meeting on Current Scientific Studies on the Effects of Coca Consumption on Humans" in Lima, where top British contacts of Dr. Ethan Nadelman,

head of Soros's own pro-dope think tank, the Lindesmith Center, spoke.

- HRW's other partner, the Andean Council of Coca Leaf Producers (CAPHC), has been organizing the poor families growing coca in Peru, Bolivia, Ecuador, and Colombia, who are currently enslaved to the drug cartels, to become a unified armed insurrectionary force. CAPHC charges that all coca eradication programs are *de facto* violations of "growers rights." The CAPHC coordinates with the Colombian Communist Party's Revolutionary Armed Forces (FARC), that is the narco-terrorist group controlling significant sections of Colombia's drug traffic. On April 18, 1995, the Bolivian government raided a meeting of CAPHC's directors and advisers, arresting 24 participants on charges of sedition; the meeting had been to strategize for spreading CAPHC's violent campaign against coca eradication into Peru. HRW and Aprodeh have defended members of CAPHC who have been arrested.

- In Myanmar (formerly Burma), Soros has funded pro-"democracy" efforts for almost ten years, largely through his Human Rights Watch-Asia. The Open Society Institute's Burma Project is directed by Maureen Aung-Thwin, who also sits on the board of HRW-Asia. She was hired in late 1993 by the Open Society Institute as a consultant to map out an "open society" campaign for Myanmar. Aung-Thwin is the daughter of a minister in the cabinet of 1950s-era Prime Minister U Nu, who was ousted from power in 1962 by Gen. Ne Win.

She reports that in 1994, its first year of operation, the Burma Project awarded \$1.2 million in grants and scholarships. In 1996, that figure rose to \$1,843,153. Not included are recipients of the more than \$27 million in "Chair's Grants" and "Presidential Grants" given in 1996, the single largest component of the OSI's funding. The Burma Project helped set up the Burma Donors Forum, which coordinates funders of programs targetting Myanmar. The Burma Donors Secretariat chooses those targets, stressing the ethnicity of Myanmar's 140-odd "races."

Activities directly funded by the Burma Project include: the Democratic Voice of Burma, a Burmese-language radio station broadcasting from Norway into Myanmar; a bimonthly magazine, *Burma Debate*, edited by Mary Pack, a board member of Refugees International; educational grants to place Burmese student activists in universities in Australia, Britain, Canada, India, the Philippines, Thailand, and the United States, where they have played a key role in setting up Burma Action Groups and Burma Information committees on campus, in support of economic boycott campaigns and lobby groups pressing for sanctions; an internship program for Burmese students in the United States, including tasking them to offices of members of the U.S. House of Representatives and Senate, private foundations, human rights and labor organizations, and NGOs; and M.A. fellowship programs for Burmese students in U.S. and European universities, including, since 1991, a fellowship at Soros's pet project, the Central European University, in Budapest, Hungary.

The challenges and opportunities we face

by Dr. Mahathir Bin Mohamad

The following is the prepared text of the speech given by Malaysian Prime Minister Dr. Mahathir Bin Mohamad at the annual meeting of the World Bank in Hongkong, China, on Sept. 20. Subheads have been added.

When I was invited to speak at this World Bank and IMF gathering more than three months ago, things were going very smoothly indeed for Asia, in particular East Asia—the part which the naive thought it was logical and easy to bring together in an economic caucus, the East Asia Economic Caucus.

East Asian countries were at peace, within and without. Even the fracas in Cambodia had not happened. The certainty was that the nations of Southeast Asia and Northeast Asia would be growing economically and would gradually become economic powerhouses for the rest of the world.

There was much talk then of Asian dragons and tigers, and of course the East Asian miracles. We were quite flattered. We thought they were admiring our strength and our skills.

We had forgotten the experience of Japan and Korea. When these two countries seemed about to catch up with the developed world, things began to happen to them. The yen was yanked up in order to reduce the competitiveness of Japanese goods, while Korea was designated an NIC, a Newly Industrializing Country, which must be stopped in its tracks.

We had even forgotten the lesson of Mexico, whose economy was suddenly blighted, when foreign funds were suddenly withdrawn. Mexico was forced to borrow \$20 billion in order to tide over and restore its fractured economy. Someone made a packet from this loan.

And, of course, we in Malaysia had laughed at the suggestion that our country would follow the fate of Mexico. How could that happen, when our economy was so sound? We had practically no foreign debts. Our growth was high, our inflation low. Politically we were stable and socially harmonious. We had put in place, tried and tested strategies for a continuous 30-year growth plan.

We dismissed the rumor that Malaysia would go the way of Mexico. And indeed it did not. We did not realize how close we were to a manipulated economic crisis. We blithely sailed on. And we were convinced that Mexico, Korea, or Japan and their fates were irrelevant as far as we were concerned. We felt totally insulated against events in other countries.

But now we know better. We know why it was suggested

that Malaysia would go the way of Mexico. We know now that even as Mexico's economic crash was manipulated and made to crash, the economies of other developing countries too can be suddenly manipulated and forced to bow to the great fund managers who have now come to be the people to decide who should prosper and who shouldn't.

I did not know all these, when I accepted the invitation to speak, to speak of our hopes and aspirations, of sharing our prosperity with others. I had wanted to speak about prosperity-neighbor policies, about win-win-win strategies, about the multitude of opportunities in Asia for everyone.

Prosper-thy-neighbor policies

In case you are wondering about what is meant by prosperity-neighbor, I would like to explain again that it simply means, if you help your neighbor to prosper, you will prosper along with it. When countries are prosperous, they become more stable and their people need not emigrate to your country. Instead, their prosperity provides you with a market for your goods, with opportunities to invest and to enrich yourself even as you create jobs and wealth for them.

Poor neighbors are a source of problems for everyone, for themselves and for you. Their problems tend to spill over your borders and undermine your peace and prosperity.

When Japan invested in Malaysia, it created jobs and wealth for us and enabled us to industrialize rapidly. Japan, of course, gained directly from its investments, but more than that, we have become one of Japan's best markets.

Clearly, Japan has prospered by helping us to prosper. This is what is meant by "prosper-thy-neighbor," as opposed to "beggar-thy-neighbor." Everyone gains from "prosper-thy-neighbor" policies, while only one side gains from "beggar-thy-neighbor" mindsets.

Malaysia is a developing country, but we expend a lot of money in helping others. I will not elaborate on what we have done, but we really do, in the spirit of prospering-thy-neighbor.

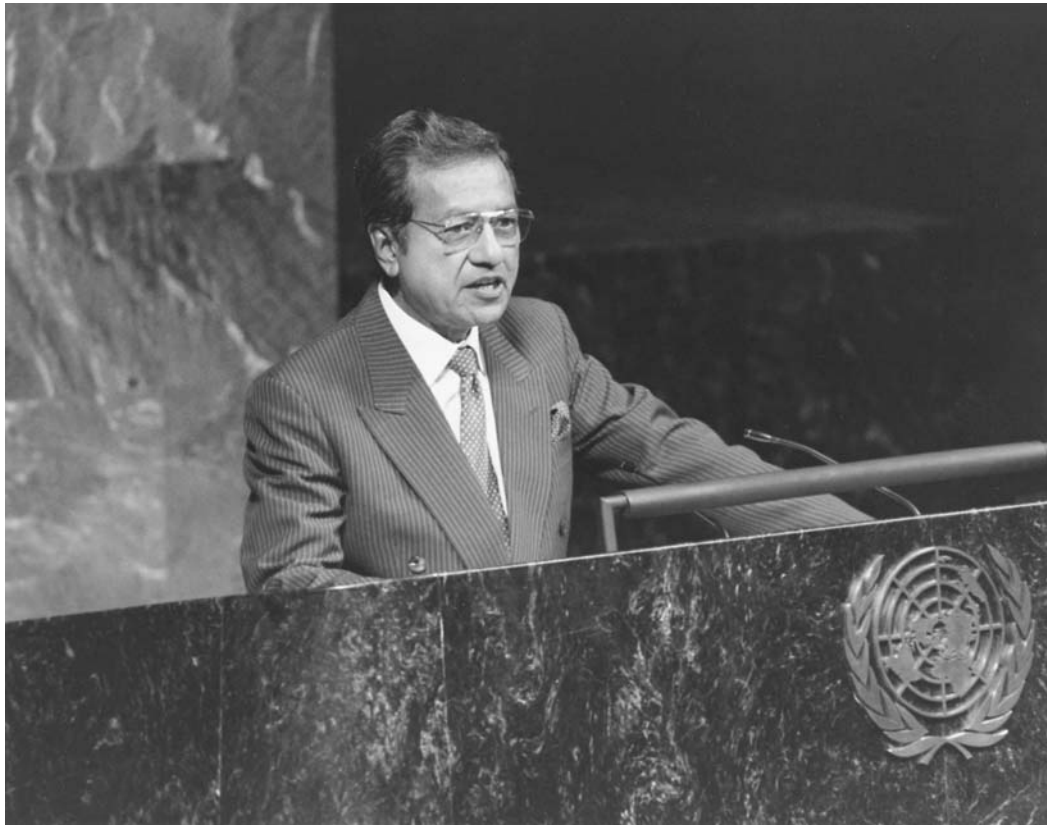
The old mindset can be summarized by the term zero sum game. You win, if others lose; you prosper at the expense of others' impoverishment.

Malaysia had prospered, because we believed in being open when others seemed paranoid about foreigners and were ultra-nationalists, wanting to keep their country's economy to themselves. But in Southeast Asia ultra-nationalism very quickly gave way to pragmatic open economies.

ASEAN, and for that matter the whole of East Asia, seems to subscribe to the prosper-thy-neighbor philosophy. Now, South Asia seems to be picking it up, together with countries in Africa. Imagine how wonderful the world would be if we all help each other to prosper, something that really is entirely possible.

Financial warfare by the ultra-rich

But it would seem that the old beggar-thy-neighbor instinct is still around, is still the guiding principle of a group



Dr. Mahathir at the United Nations in 1991. "Society must be protected from unscrupulous profiteers," he said at the IMF meeting in Hongkong. "I know I am taking a big risk to suggest it, but I am saying that currency trading is unnecessary, unproductive and immoral. It should be stopped. It should be made illegal. We don't need currency trading. We need to buy money only when we want to finance real trade. Otherwise, we should not buy or sell currencies as we sell commodities."

of ultra-rich people. For them, wealth must come from impoverishing others, from taking what others have in order to enrich themselves. Their weapon is their wealth, against the poverty of others.

For almost half a century, the countries of East Asia have toiled day and night, to better the lot of their people. When Malaysia became independent in 1957, the per-capita income of its 5 million people was \$350. By June 1997, after 40 long, hard years of toil and sweat, the per-capita income of its 20 million people was almost \$5,000. After June, you know what happened.

All along, we had tried to comply with the wishes of the rich and the mighty. We have opened up our markets, including our share and capital markets. On the other hand, most foreign companies operating in our country, do not allow local participation. They are not open, but we have not complained. Their profits accrue to their shareholders in their home country. They pay practically no tax.

We were told that we must allow our money to be traded outside our country. We were told to permit short selling, even to let trading in borrowed shares to be legalized. We must allow for speculation. We did all that we were told to do. But we were told we have not done enough. We were told to slow down our growth. We were told that it could not be sustained, that it would be bad for us, that we would overheat. In particular, we should not venture into big projects, the so-called mega projects, even if only to provide

the necessary infrastructure that we were told we needed. And of course, we were told that if we don't provide the infrastructure, then we will not be able to grow. Quite confusing, really.

But Malaysia and its Southeast Asian neighbors continued to grow, to prosper. Disobedient, recalcitrant and at times impudent, these upstarts, Malaysia in particular, had the temerity to aim higher than the developed countries, the powerful, the movers and shakers of the world.

I don't know about the average men in the street, but quite a few people who are in the media and in control of the big money seem to want to see these Southeast Asian countries, and in particular Malaysia, stop trying to catch up with their superiors and to know their place. If they don't, then they will just have to be made to do so, and these people have the means and the wherewithal to force their will on these upstarts.

There may be no conspiracy as such, but it is quite obvious that a few at least, media as well as fund managers, have their own agenda, which they are determined to carry out.

Unscrupulous profiteers

We have always welcomed foreign investments, including speculation. They can come in to buy shares and to get out if they wish to, for whatever reason. But when the big funds use their massive weight in order to move the shares up and down at will, and make huge profits by their manipulations, then it is too much to expect us to welcome them, espe-

cially when their profit results in massive losses for ourselves—in the classic zero sum game theory.

International trading makes currency exchange necessary. Otherwise we may have to resort to barter. Buying and selling currency to finance trade is fine. But out of this evolved pure trade in currency as a commodity.

We are told that the trade in currency is actually 20 times bigger than real trade in goods and services. Other than profits and losses to the traders involved, there really are no tangible benefits for the world from this huge trade. No substantial jobs are created, nor products or services enjoyed by the average people. The whole trading is secretive and a bit shady, as huge sums are apparently moved about from banks to banks. No real money is involved, only figures. One billion Malaysian ringgits would need a big truck to move from place to place. Obviously this is physically impossible, if the Great Train Robbery is not to be repeated hundreds of times over.

The traders apparently make billions with each transaction. But when the funds at their disposal is huge and they are in a position to influence the values of the currencies with their investments and divestments, then the currency markets become cash cows to them. They cannot fail to make a profit, whichever way the index goes.

Unfortunately, their profits come from impoverishing others, including very poor countries and poor people. South-east Asian countries have now become their target, simply because we have the money, but not enough to defend ourselves.

In the case of Malaysia, the ringgit is devalued by 20%. What this means is that we, every one of us, including the government, have lost 20% of the purchasing power of whatever money we have. The poor have become poorer and there are now more poor people in Malaysia. The rich have become poorer too, but we will not waste any sympathy on them, of course.

But the currency traders have become rich, very, very rich, through making other people poorer. These are billionaires who do not really need any more money. Even the people who invest in the funds they operate are rich. We are told that the average return is about 35% per annum.

And we are told that we are not worldly if we do not appreciate the workings of the international financial market. Great countries tell us that we must accept being impoverished, because that is what international finance is all about. Obviously, we are not sophisticated enough to accept losing money so that the manipulators become richer.

We are also warned that these are powerful people. If we make a noise or we act in any way to frustrate them, they would be annoyed. And when they are annoyed, they can destroy us altogether, they can reduce us to basket cases. We have to accept that they are around, that they will always be around, and that there really is nothing we can do about it. They will determine whether we prosper or we don't.

Once upon a time, the U.S. allowed monopolies. Then Rockefeller cornered the oil industry in America and de-

stroyed the small players and squeezed the consumers. The U.S. government decided that this was not right and outlawed monopolies through the Anti-Trust Laws.

A few decades back, some enterprising people hit on the idea of acquiring controlling interest in companies and then stripping their assets. The shell left by them was incapable of giving any return to the small shareholders. Thousands of people lost money.

Again the government stepped in and required anyone acquiring more than a certain percentage of shares to make an offer for the rest. That way, the small shareholders were able to dispose of their shares at the offered price. They were relieved of the possibility of owning shares in useless companies.

To prevent other abuses, anyone buying more than 5% of the shares has to declare.

When insiders made use of inside information to sell or buy their own shares, it was regarded as unfair advantage and was made illegal.

I mention all these, because society must be protected from unscrupulous profiteers. I know I am taking a big risk to suggest it, but I am saying that currency trading is unnecessary, unproductive and immoral. It should be stopped. It should be made illegal. We don't need currency trading. We need to buy money only when we want to finance real trade. Otherwise, we should not buy or sell currencies as we sell commodities.

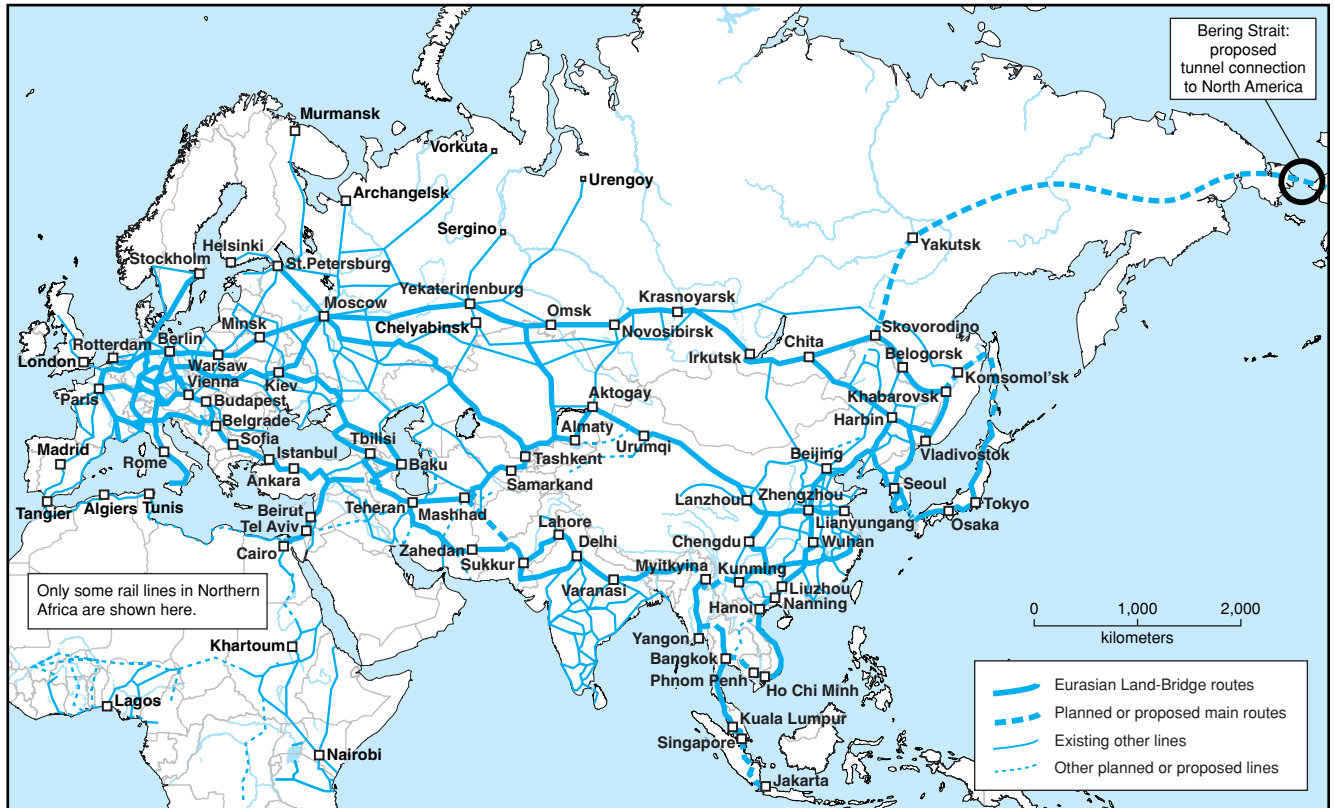
We cannot go back to Bretton Woods and the fixed exchange rates, although we should be honest enough to admit that fixed exchange rates did not hold up the economic recovery of the world in the post-World War period. It was wrong only because it did not really reflect the economic performance of the nations concerned. Sovereign nations were allowed to devalue at will. But the float resulted in nations losing their sovereign rights. Currency traders emerged who made killings, tracking the snake, etc. But they were relatively small players. They were not the movers and shakers who ruled the market. They were mere speculators.

No one, I think, would want to return to the fixed exchange rates. But if anarchy is abhorred by good citizens everywhere, there is no reason why we should not abhor anarchy in the world financial system. A certain degree of uncertainty is fine, but an absolutely uncertain financial world is no good for anyone, except of course for those who deliberately create the uncertainty. But then, these people know for certain what they are going to do and could take cover or take advantage. For them, there is no uncertainty. They are dealing in absolute certainty and they cannot possibly lose. If insider trading is unfair, outsiders who know exactly what is going to happen and then trade, can it be said to be fair?

If trade is to grow, then currency values must be linked to the economic performance of the countries concerned. There are enough indices which can help indicate the value of the currencies, and the rates of exchange. A country that is doing reasonably well at a certain exchange rate should be allowed to maintain the rate. If the country is doing badly, devaluation

FIGURE 1

Eurasia: main routes and selected secondary routes of the Eurasian Land-Bridge



Dr. Mahathir gives an enthusiastic endorsement of the Eurasian Land-Bridge project. "We like to think big," he says. "We even have great ideas for bringing wealth to other developing countries. We proposed the development of the Mekong Valley, beginning with the railway from Singapore to Kunming, because we know that transportation will stimulate economic development. It is a big project, but small projects make little impact on the economy. We want to link up with the railways of China, Central Asia, and on to Europe."

can help the country, by making their costs lower and their products more competitive. On the other hand, if the country is too competitive, it is safe to assume that the currency is undervalued. Since many factors are involved, many rates are possible. Traders can then take the risk and trade in the currency, if they must.

This way, there will not be a fixed rate, but the range of fluctuation will not be too wide. There will be enough uncertainty for genuine traders, but there will not be violent swings as to cause financial crisis for the country concerned. Trade would not be too disrupted and would in fact be enhanced, increasing the wealth for everyone. It would be a win-win situation.

Malaysia's role toward the developing sector

The countries of Southeast Asia have prospered because, by and large, they have managed their economy better than most other developing countries. Their prosperity has contributed to the prosperity of their trading partners. In fact, they have contributed to the economy of many developing coun-

tries by their willingness to serve as models for other developing countries.

In Malaysia, we have always believed that we are better able to convince other developing countries, and in particular ex-communist countries wanting to liberalize, of the benefits of a market economy. When these countries look at Europe or North America, they would feel that the free market economy is beyond their capacity to manage. Europe had taken over two centuries to achieve what they have achieved. These developing countries always feel put off by the complexity and the time required. The centrally planned socialist system had always seemed easier. But as we all know, socialism and communism have failed. Their economic system did not work. The ex-socialist countries need to adopt at least a part of the evidently successful free market system.

When they see that a country like Malaysia, a former colony of Britain, 40 years ago very much like them, fairly successfully managing a market economy, they feel more confident that they can do the same. Some of the other countries of Southeast Asia are also attractive and convincing mod-

els for them. A number of these countries are willing to open their books and even to train personnel from developing countries in economic development and management.

We did not spend as much money as the rich, aid-giving countries; we did not lend money, but we believe that we are more effective in helping many developing countries in Southeast Asia, Africa, Central Asia, and the South Pacific to make the transition from the centrally planned command economy to the free market economy.

Additionally, the Southeast Asian countries learnt about administrative measures and development strategies by observing each other. We adopt what seems right and discard what fails to work. It is no coincidence that we have prospered together. We are each other's models.

Given half a chance, the countries of Southeast Asia can become the systems and strategies engine of growth for a lot of countries in Asia and indeed in other parts of the developing world.

What would happen to the rest of the world, if these developing countries become developed? If it is a zero sum beggar-thy-neighbor world, then we can assume that the presently developed world would become poorer, weaker, and ready for colonization by the New Emerging Developed World. If this is to be the end result, then the developed countries should prevent others from ever developing. North-east and Southeast Asia must be impoverished and rendered perpetually unstable. And of course, the Indian subcontinent, which seems likely to be the next growth region, must be undermined. Under no circumstances must the 1.2 billion people of South Asia, together with the 2 billion increasingly wealthy people of the East Asian region, be allowed to become developed.

To the yellow peril of yesteryear will be added the brown peril. The Europeans will be overwhelmed. Genghis Khan will ride again, and so on and so forth.

But the zero sum game theory is an invention of the pessimists, the xenophobic, the "clash of civilization" people. Whether it will come about or not, depends very much on our present attitudes and what we do now. The attempt to deprive Japan of the raw materials for its industries resulted in Japan launching the Pacific war.

But supposing we all espoused the prosper-thy-neighbor policy, supposing we see in the prosperity of others opportunities for enriching ourselves, then we need not be so afraid of the growing wealth and technological advancements of the developing countries of the world.

I repeat, when Japan invested in manufacturing in Malaysia, we became not only prosperous, but also one of Japan's biggest markets. Today the trade balance is hugely in favor of Japan. And, of course, Japan reaped huge profits from its investments in Malaysia.

Foreign Direct Investments have helped Malaysia, per capita, to increase by almost 1,000% over a period of 30 years.

Better still, we have now acquired the capacity to manufacture and export our own branded goods.

Clearly this was no zero sum game. This was a win-win formula. By helping us, Japan and the others helped themselves. They have not lost one little bit. Even the rest of the world benefitted, because we helped to reduce cost and make goods available to poor people everywhere, particularly in the poor countries. And, of course, Malaysia is not a market for Japan alone. With our wealth and our ever-growing needs, we have become a good market for all kinds of products from all the other developed countries. In other words, Malaysia's prosperity has helped to prosper the developed countries everywhere.

It is the same with all the Southeast Asian countries. We have helped to prosper very many countries, including the rich countries of the North. The trade figures will bear testimony to this.

There are many developing countries which are still very poor. They contribute almost nothing to the wealth of the rich. They need financial support continuously. They are unstable. They have incessant civil wars, famines, and disasters of every kind. Tourists run the danger of being killed in these countries. Huge sums have to be expended on peacekeeping in these countries.

Prosperous countries, on the other hand, are more likely to be peaceful and less of a burden to the rest of the world. A prosper-thy-neighbor policy would therefore give a better return than a beggar-thy-neighbor policy.

There is, therefore, no need to fear the prosperity of the developing countries. They are not going to be a threat to the prosperous. There is no profit in trying to contain them, to undermine them, to prevent them from talking to each other or to their richer neighbors. They cannot be a threat, because they will be too busy competing among themselves to gang up against the developed countries. Asians, in particular, are more ethnically different than Europeans. They can never work together. The clash of civilization will not take place.

There will not be a totally peaceful world of course. There will be local wars. Arms can still be manufactured and sold profitably to these people. But by and large, a generally better developed and prosperous world would be better than one which is divided into the very rich and the very poor.

Despite our bitterness over the attempts to push us back by a decade through forced devaluation of our currency, through the rape of our share market, we in Southeast Asia and in Asia are still keen to receive investments from Europe and America. There has been a lot of talk about our scaring away foreign (meaning Western) capital. But you should also appreciate that we of Southeast Asia, at least, are now very scared about foreign capital. We thought they were helping to prosper us. We conducted roadshows to encourage them to invest in our share and financial markets. We will continue to do so. But we will have to be more circumspect. We still

believe there are sincere investors out there. But there are also quite a few rogues who can cause an avalanche, forcing others to run for cover.

How Malaysia developed itself

We still believe in prospering Asia in order to prosper everyone. The media and the great financial experts may know how or what a country should do, but then, if anything fails, they are not going to be voted out of office. We are, and we do claim to know a few things about developing our countries. Malaysia has become one of the so-called tiger economies, not by listening to the media or the great financial wizards. We have in fact developed ourselves by actually doing the opposite of what the wizards told us we should do. And we think, outrageously and impudently, that the same formula can help develop other countries as well.

We were a commodity producer with only two commodities to sell. Without any skills in the manufacturing industry, we decided to industrialize. And we did. We were told that affirmative action to correct the socio-economic imbalance is not fair and will not work. Our New Economic Policy worked and created a fairer society with no race riots. Similarly we were told that the majority Malays would oppress the minorities. Instead Malays, Chinese, Indians, Iban, Kadazan and 30 other tribes work harmoniously together.

We were told that a developing country should not aspire to go into the automobile industry. We did, and we have succeeded.

Privatization was a newfangled thing when, in 1982, we launched our privatization program. Many developed countries failed in their privatization. We have privatized more than 400 government departments, companies, and functions. We have succeeded and we are still going on.

Japan Incorporated was condemned. We made Malaysia Incorporated our creed, and it has helped our country to grow and prosper faster than most other countries.

I will not bore you with tales of our rejection of the conventional, including raising our interest rates in order to protect our ringgit. As you know, we went the other way.

Infrastructure: 'We like to think big'

One of the unconventional things we did was to go big. Our 830-km North-South Highway, our six-kilometer wharf at the new West Port, our Penang Bridge, the Kuala Lumpur Telecommunication Tower, the Petronas Twin Towers, and many, many more big projects we have completed, have all contributed to our growth and our wealth. They are not monuments, but basic infrastructure.

We are building the biggest airport in Asia for Kuala Lumpur, because of sheer need. Our present airport, built 33 years ago, was for 400,000 passengers. It now handles 16 million and has no room for expansion.

All over the world, governments find difficulty in locating

new and necessary airports. It would be stupid to build a new airport to handle 1 million more. We will never find another site when the need arises for a bigger airport. If you must build a new airport, build it big enough at least for the next 30 years, if not 100 years. But we were told that we should not build a mega-airport. Why? Because you think it would undermine our economy, in which you have invested. You do not want our economy to go under, and you will lose your money. But please give us some credit for knowing something about managing our country.

We like to think big. We even have great ideas for bringing wealth to other developing countries. We proposed the development of the Mekong Valley, beginning with the railway from Singapore to Kunming, because we know that transportation will stimulate economic development. It is a big project, but small projects make little impact on the economy.

We want to link up with the railways of China, Central Asia, and on to Europe. Central Asia is landlocked, and cannot develop because of it. You build VLCC to transport oil and bulk cargo for yourselves. Why cannot an ultra-wide gauge railway with trains of two kilometers be built, to move goods in and out of the Central Asian Republics? They can then prosper and the world will have another big market.

We have other big ideas to prosper our neighbors, to prosper everyone, the developed countries included.

But we are not going to be allowed to do this, because you don't like us to have big ideas. It is not proper. It is impudent for us to try, or to even say we are going to do it. If we even say that when we have the money we will carry on with our big projects, you will make sure we won't have the money by forcing the devaluation of our currency.

Beggar-your-neighbor, this is the mindset of some people. They will not help. Worse still, they will block, obstruct, and undermine.

The West has nothing to fear from us

Asia is full of great opportunities, not just for Asians but for everyone. Given half a chance, we can prosper. We cannot all be as big economically as Japan, but we will not be excruciatingly poor. If the countries of Europe and of North America can be almost uniformly prosperous, we don't see why we cannot be allowed to be a little prosperous.

We will not act in concert against the rest of the world. We are not ethnically related as are the Europeans. We come in various colors and shades, practicing different religions, speaking different tongues, and with very different cultures. We will always disagree with each other, possibly fight against one another, leaving us little time to confront others from Europe. You have nothing to fear from the prosperity and well-being of the Asians. You have everything to gain, for our prosperity will contribute to your prosperity and the prosperity of the rest of the world. So think of Asian opportunities and seize them.

Soros to Mahathir: I am not a moron

From the prepared text of the speech by George Soros at the IMF-World Bank meeting in Hongkong, Sept. 21.

Let me start with the obvious. We do live in a global economy. But it is characterized not only by the free movement of goods and services but, above all, by the free movement of ideas and of capital. This applies both to direct investments and to financial transactions. Both have been gaining in importance ever since the end of the Second World War; but the globalization of financial markets, in particular, has accelerated in recent years, until it reached a point where movements in exchange rates, interest rates and stock prices in various countries are intimately interconnected. In this respect, the character of the financial markets has changed out of all recognition during the 40 years that I have been involved in them. So in talking about the global economy, it may be more appropriate to speak about the global capitalist system.

There can be no doubt that global integration has brought tremendous benefits. . . .

But global capitalism is not without its problems. I shall devote most of my speech to these problems, because they are not well understood, and we need to understand them better if we want the system to survive. . . .

Financial markets are inherently unstable and international financial markets even more so. International capital flows are notorious for their boom-bust pattern. During the boom period, capital flows from the center to the periphery; but when confidence is shaken, it has a tendency to return where it came from. During the 40 years I have spent in international financial markets, I have seen many ebbs and flows and booms and busts. I fully recognize that international capital markets have become much more institutional in character and demonstrate much greater resilience, but I cannot believe that the present boom will not be followed by a bust until history has proven me wrong.

This risk of a breakdown is greatly increased by the fact that our theoretical understanding of how financial markets operate is fundamentally flawed. Economic theory has been built on the concept of equilibrium, and in my view, that concept is quite inappropriate. In my view there is no such thing as equilibrium in financial markets because market participants are trying to discount a future which is itself shaped by market expectations. This renders the outcome

indeterminate and it is only by accident that the actual course of events will correspond to the prevailing expectations. . . . I am told that economic theory itself has gone a long way towards recognizing and studying disequilibrium situations. Nevertheless, the laissez-faire idea that markets should be left to their own devices remains very influential. I consider it a dangerous idea. The instability of financial markets can cause serious economic and social dislocations. The question poses itself: What should be done to preserve the stability of the financial system? Dr. Mahathir's suggestion yesterday to ban currency trading is so inappropriate that it does not deserve serious consideration. Interfering with the convertibility of capital at a moment like this is a recipe for disaster. Dr. Mahathir is a menace to his own country.

But the recent turmoil in Asian markets raises some thorny issues about currency pegs, asset bubbles, inadequate banking supervision, and the lack of financial information, which cannot be ignored. Markets cannot be left to correct their own mistakes, because they are liable to overreact and to behave in an indiscriminate fashion. For instance, it is a grave mistake not to discriminate between Malaysia and Indonesia. . . .

Since the end of the Second World War, the state has played an increasing role in maintaining economic stability, ensuring equality of opportunity and providing a social safety net, particularly in the highly industrialized countries of Europe and America. But the capacity of the state to look after the welfare of its citizens has been severely impaired by the globalization of the capitalist system, which allows capital to escape taxation much more easily than labor. Capital will tend to avoid countries where employment is heavily taxed or heavily protected, leading to a rise in unemployment. That is what has happened in Continental Europe. I am not defending the antiquated social security systems on the continent of Europe, which are badly in need of reform; but I am expressing concern about the reduction in welfare services both in Europe and in America. . . .

If social services are cut too far while instability is on the rise, it may well engender popular resentment and lead to a new wave of protectionism both in the United States and in Europe, especially if and when the current boom is followed by a bust of some severity. This could lead to a breakdown in the global capitalist system, just as it did in the 1930s. . . .

I should like to stress one particular aspect of the open society which is of critical importance at the present moment: the freedom of information.

For example, I have been subjected to all kinds of false and vile accusations by Dr. Mahathir. He is using me as a scapegoat to cover up his own failure. He is playing to a domestic audience and he couldn't get away with it if he and his ideas were subject to the discipline of independent media inside Malaysia. The freedom of information is indispensable in Asia as in the rest of the world.

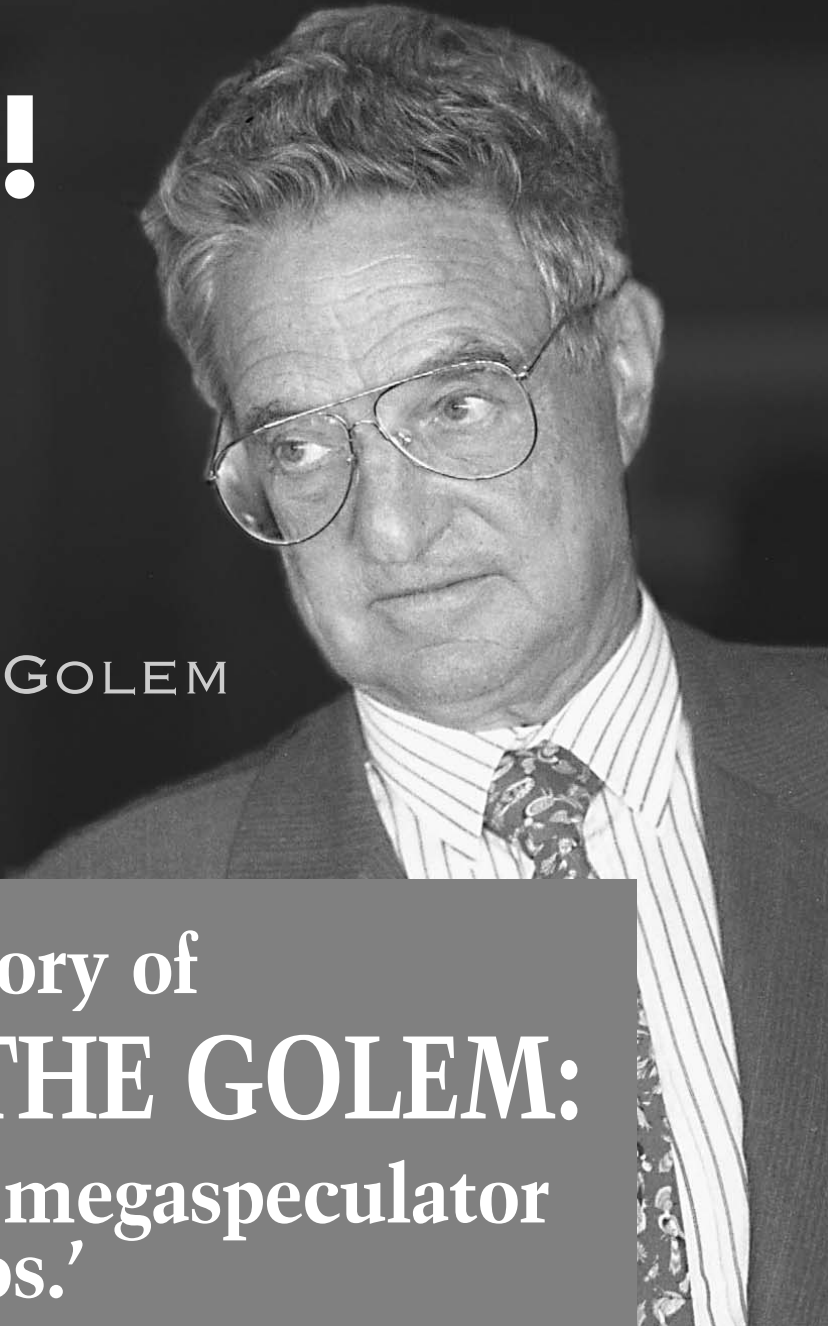
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Economics takes center stage in Manila

by Our Manila Correspondents

The Filipino peso is sinking fast, 30% since July 11, when it collapsed 10% in a single day. The stock market is close behind, down 35% since the beginning of the year. Rumors of a bank crisis cause sporadic panic, and minor bank runs. Government has its hands full quelling speculation. Several bombings have hit Metro Manila, the center of this nation of 70 million people, and more than 40 bomb threats unnerve its citizens. In the midst of this, some 600,000 people massed in Manila, and 400,000 more in the provinces on Sept. 21, for a protest demonstration-cum-commemoration of the 25th anniversary of the imposition of martial law by President Ferdinand Marcos in 1972.

Cardinal Jaime Sin of the Catholic Church, the only institution powerful enough to rival the government, called for the million-strong prayer rally to demonstrate opposition to attempts by President Fidel V. Ramos to institute constitutional or “charter change”—called “ChaCha” in Manila. Former President Corazon C. Aquino joined Sin and led the broad-based coalition of forces, including shades of the communist left and military right, in the run-up to the Sept. 21 rally. Daily noise barrages, including people honking car horns and beating pots and pans, marked the 6 p.m. Angelus.

Ramos’s regime used psychological warfare tactics to scare participants away from the rally—from raising the communist bogeyman, to spreading rumors of violence and bloodshed reminiscent of the 1971 Plaza Miranda Bombing (in which two grenades exploded at a rally of Marcos’s foes, decimating the leadership of the political opposition). This has not dampened the growing mood of disenchantment and activism among Filipinos, who joined the protest—men, women, and Catholic schoolchildren.

On the eve of the rally on Sept. 20, following an event in General Santos City, Mindanao, Ramos yielded to his opponents, giving his strongest pledge yet that he will not seek a second term, and urged that any “ChaCha” change occur only after the May 1998 elections. But what underlies the mass mobilization against “ChaCha” will not subside so easily. The immediate issue is the lifting of term limits for elected officials, set by the 1987 Constitution: one six-year term for the President, two consecutive six-year terms for senators, and three consecutive three-year terms for congressmen and local officials. Even the ultra-establishment Makati Business Club rallied against the prospective change.

Those out to stop Ramos are doing so for varying reasons.

Cardinal Sin is relentless in his accusation that Ramos intends to be another Marcos; the left intends to exploit political instability; Cory Aquino and her former cabinet members see a new opportunity to slide back into power by denouncing the evil and immoral designs of Ramos. All eight “presidentiables,” or would-be candidates for President, have found common ground in preventing the emergence of another “dictator,” despite the fact that all, without exception, have lauded Ramos for his successful implementation of International Monetary Fund (IMF)-dictated economic reforms.

Opposition from Katapat

Katapat, a cross-sectoral association of 32 organizations, representing producers and consumers, in trade, manufacturing, agriculture, and retail and social services, is among the few organizations which oppose the continuation of Ramos’s tenure and ChaCha because it means continuation of the destructive economic program of the IMF and World Bank. Katapat is the only organization that has consistently challenged rosy Presidential pronouncements on economic performance, and has warned repeatedly of underlying financial vulnerabilities, which, since July 11, have been forced to the fore in the general consciousness (see *EIR*, Aug. 8, 1997, p. 63.)

The situation today has vindicated Katapat, as the economy reels and government finance managers look for bailouts from the international financial institutions, while the IMF presses its package of trade, tax, and budget reforms. The Philippines is already the most “liberalized” economy in Southeast Asia, having “polevaulted” ahead of its neighbors. Eleven domestic production sectors are now endangered species, clamoring for government to put the brakes on import tariff reductions, which have been implemented faster than in other Association of Southeast Asian Nations members. Economic Planning Secretary Cielito Habito instead announced the reduction will continue regardless of the current crisis.

Jitters over the banking system are fueled by reports of heavy exposure of Philippine banks to dollar-denominated loans lent to unproductive projects. Deutsche Morgan Grenfeld (DMG) issued a report in early September saying that such loans amount to \$12 billion, a little more than the entire foreign exchange reserves of the Bangko Sentral ng Pilipinas (BSP, the central bank), and much of this is in real estate, where the pressure on borrowers is heating up. The BSP may denounce DMG’s gloomy forecast, but the implications, in light of the volatility of currency markets, has not escaped local observers.

A debate is raging whether to tax foreign currency deposits. One side fears the exodus of dollar investors; the other believes a tax will only discourage “hot money” portfolio investment, which has created regional currency turmoil. Critics of the current policy of no tax on dollar deposits point out that peso depositors, mostly small and medium-sized depositors, are taxed, which raises the issue of equity and justice, in a situation where big speculators continue to enjoy

tax-free status.

Oil price hikes loom again just two months after the last increases, despite declining Singapore Posted Price and world market trends, a situation most people blame on the recent deregulation of the oil industry. Another hike will spark an inflationary wave that will be triggered by transport fare increases, which the jeepney (bus) drivers' organization, Piston, has announced it will demand, if oil prices go up. During the last increases, jeepney drivers conducted a strike that crippled 50% of Metro Manila and 90% of provincial transport. Prices of basic commodities are poised to follow transport fares skyward.

Congressman Dante Tinga, architect of the oil deregulation bill and free trader, has proposed a separate dollar rate for the oil companies to forestall price hikes. What will the IMF say to this variation on currency controls through prioritization and allocation of dollars?

Worsening economic troubles ahead

In agriculture, the El Niño hitting during the last quarter of the year and extending to May 1998, is expected to be worse than ever before. The government is preparing to import up to 1 million tons of rice in anticipation of major production shortfalls. While crises mount domestically, the country faces the bleak prospect of declining remittances from overseas contract workers, which is the government's biggest source of foreign exchange earnings. The confluence of all these events, compounded by the politically unstable situation in the southernmost island of Mindanao, casts a dark shadow over the Ramos administration—its days may be numbered.

The most popular question in *kapihan* (pundits' coffee-shop caucuses), is how low the peso can go. At this writing, the peso is hovering at 33-34 to the dollar. The most sensible answer, is to shave off one or two units from the Thai baht rate, or 36 pesos to a dollar, in the next few months, as recent patterns show.

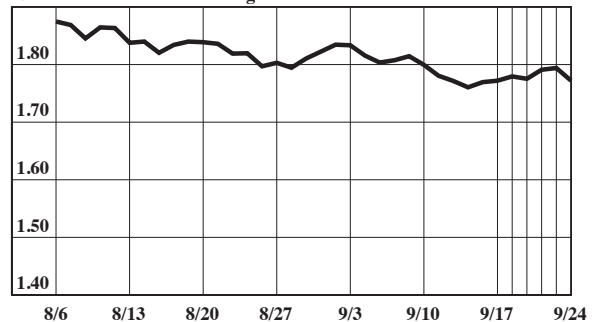
Meanwhile, business pages in the Philippines carried the response of IMF Regional Director for Asia and Pacific Kunio Saito, to growing criticism of IMF failures that have resulted in the most recent currency turbulence. Saito said, "I think the IMF is the only organization the region has at the moment and our hope is that the IMF can do a better job."

Hope springs eternal, but the record of the IMF is dismal, and this naked truth shows unequivocally in its record here through the Marcos, Aquino, and Ramos regimes—liberalization, privatization, and deregulation, to the detriment and eventual collapse of national economies. To this region, declining productivity worldwide, and ballooning financial aggregates, are evidence of this failure. A financial crisis is about to erupt globally, because of IMF policies. For this reason, the IMF cannot be the "only" international multilateral financial institution for world financial management. The nations of the world, especially the Third World, should take the necessary steps to create a new one.

Currency Rates

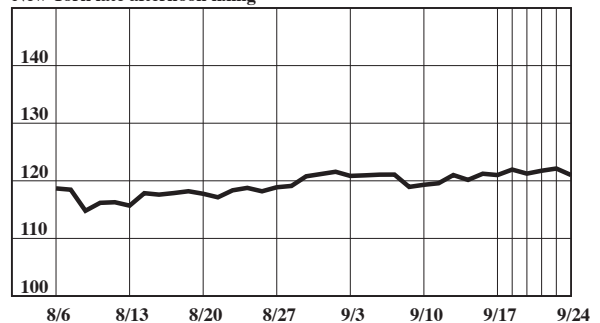
The dollar in deutschemarks

New York late afternoon fixing



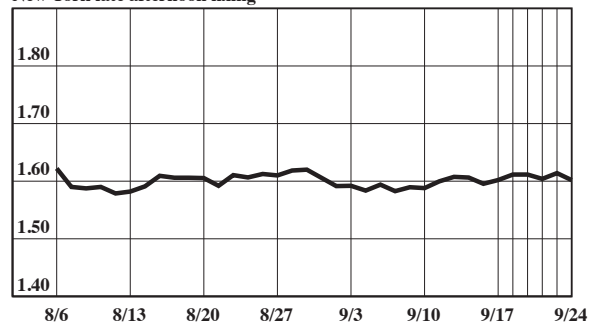
The dollar in yen

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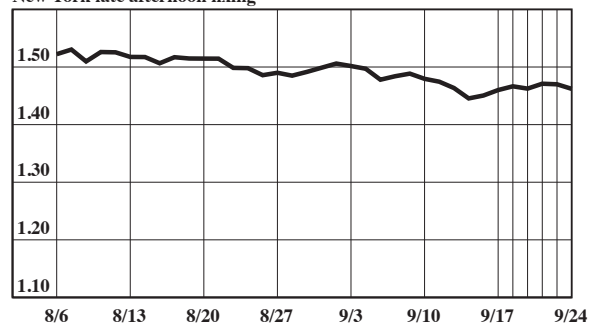
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The dollar in Swiss francs

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Monetarists demand more austerity— because of too much money

by Ulf Sandmark

In Norway's national elections on Sept. 14-15, a popular revolt among the Norwegian electorate against the government's austerity policies created a situation that will lead to the resignation of the socialist government by Oct. 13. During the 1990s, all the Scandinavian countries have been put through a senseless austerity regime. But Norway, in contrast to the other Scandinavian countries, has not been in an economic depression. Despite that, the Labor government has been implementing a similar austerity policy, with cuts in social benefits, schools, and the public sector.

The monetarist paradox is, that the Norwegian government has a huge budget surplus because of its oil income, but it is using that as a reason to impose harsher austerity. The oil income had, up to 1995, been used in the state budget. As of 1996, the oil surplus began to be put into a fund for investments in international financial markets.

These monetarist schemes became the main topic of the election debate, particularly how and when to use the surplus. In April 1990, the parliament decided to set up a "petroleum fund" for the profits from the state ownership of the oil companies. The initial deposits were made in 1996. In April 1997, this fund reached 5% of Gross National Product, or 48 billion Norwegian crowns. In 2001, it is expected to reach 30% of GNP, or 414 billion crowns, and in 2010 it will be 1,000 billion crowns (about \$140 billion). The main idea behind this "oil fund," as the Norwegians call it, is to make the income from the oil more identifiable and to be able to separate it from the normal state budget. The oil bonanza is seen as short-term national wealth or patrimony, and discussions are intense about how to save the wealth in the best way for the future.

The Labor government, which, after Gro Harlem Brundtland's resignation in October 1996, is now led by Prime Minister Torbjorn Jagland, decided to totally separate the oil fund from the Norwegian economy. True to their longtime support for oligarchical policies, they decided to throw the oil money into international financial markets, so far mostly in U.S. government bonds. But beginning next year, half the oil fund is earmarked for buying up financial paper on foreign stock markets, helping to prop up the speculative bubble. At the same time, the government has been pursuing a domestic austerity policy.

A 'danger' to the economy

How could these decisions be defended? With monetarism, of course. The monetarists painted the oil money as the biggest danger to the Norwegian economy. If the money were used in Norway, they argued, this would push up the demand for workers. This would push up wages and, therefore, inflation and interest rates. The ruling Labor party (Arbeiderpartiet, DNA) adopted this argument, and throughout the entire election campaign declared war against higher interest rates. Interest rate hikes would bankrupt indebted homeowners and stop investments, they said, and they demanded that the money be locked up in a bank account.

The monetarist "experts" argue that the danger with higher interest rates would be the attraction of international financial flows to invest in Norway, which would make the Norwegian crown too strong. The overvalued currency would make it hard for Norwegian industry to export its products. The oil economy could therefore destroy the land-based part of the Norwegian economy.

The responsible "long-term" policy, according to these monetarists, is to create this enormous oil fund as a passive pension fund for the future. Any "short-term" expenditure on consumption or infrastructure would destroy the plan to build up the fund. The Norwegian example shows that, with a monetarist analysis, too much income could be bad. In either case—government deficit or surplus—the only accepted monetarist solution seems to be, that the money should not go to the population or to real investment, but should be put into the financial markets. The Labor government tried to patch up this monetarist rule with an enormous propaganda campaign about saving money for the children, pointing to the insecurity of the oil income and the final depletion of the oil reserves. Meanwhile, enormous new oil and gas fields have been discovered in the North Atlantic Ocean.

Jens Stoltenberg, finance minister and son of the pro-British UN-mediator in Bosnia Torvald Stoltenberg, has been in charge of sending the oil money to the speculators. To attract votes, he tried to portray the "responsible" policy of the DNA as the main defender of the unemployed—who, in fact, have been abandoned. Inflationary salary increases would make Norwegian exports less competitive and make

it more difficult for the unemployed to get jobs, the Labor government warned.

The election outcome

While the Socialist International shoots itself in the foot, Norwegians are turning to populists. The outcome of the national elections has certainly thrown Norway into a political spin. The main result is that the center parties will run the country, but they will be under pressure from two sides. One side is the populist Carl I. Hagen, and the other side, is the no less populist nomenklatura within the Socialist International. The DNA minority government will resign, after an election strategy which was rather peculiar, to say the least. Prime Minister Jagland declared a month before the election that, if the DNA did not receive 36.9% of the vote, which was their result in the the last election, the government would resign. Labor made a strong last-minute surge and got 35.3%, but this was not enough. Jagland has to resign.

The second biggest party, with 15% of the vote, is one of the winners in the election: the Progress Party (FrP), under the leadership of Carl Hagen. The FrP more than doubled its vote; at one point during the election campaign, it was getting about 25% in the polls. It was then that Jagland launched his tactic to scare the voters back to Labor by presenting his ultimatum, and starting a big campaign against the allegedly racist right-wing threat from the FrP. He thereby tied his political fate to one-tenth of a percent, because if the result had been 37.0%, it would have been seen as political cleverness, whereas it would have been seen as stupid if the result had been 36.8% or thereabouts.

Prime Minister Jagland's decision to attack Hagen with a racial slur, in an attempt to contain the popular revolt, didn't work. Hagen continued to attack the government's austerity policy, particularly the austerity in the public health system. Hagen also demanded that some of the oil money be used for schools, hospitals, and the elderly. He adopted the slogan to increase retirement pay for the poorest pensioners, with a monthly stipend of 1,000 crowns (\$140). This demand became dominant among all parties. Even the staunchly monetarist conservative party, Høyre, was forced to consider it.

The scare tactics from Labor, the left, and the media, to cast Hagen as a hater of minorities and immigrants, and even comparing him to Jean Le Pen in France, backfired. It is certainly true that Hagen is running partly on an anti-immigrant platform, and that his party houses a gaggle of immigrant-haters. Hagen himself has in the past made nasty remarks about various immigrant communities. But, to regard Hagen as a pure and simple racist, misses the point. He is more complex than that, and during this election he emerged as a rather skillful and experienced politician, who captures popular discontent over the unfair practices of the government bureaucracy. Even though Hagen is a dedicated libertarian, this did not stop him from making a frontal attack on the government for its austerity policy, and he even demanded some infrastructure development. This transformed the whole

debate in Norway.

These interventions into the economic debate, however, offer no real solutions. In the bind of the monetarist paradox, Hagen's solution is for Norway to consume its way out of the crisis, by increasing the population's purchasing power. This was the very argument the Labor government used against him and the center parties. According to the DNA, the lesson from the 1980s was that Norway spent its oil surplus on consumption, and therefore got an economic and banking crisis with increased unemployment and inflation. As a populist, Hagen has no answer to that.

Solving the monetarist paradox

But, there is a real solution to the monetarist paradox. The profits from the oil sector can definitely be used for development in Norway without creating the catastrophic effects the monetarists speak about. A program for infrastructure development would lower the costs for industry and other production, thereby offsetting rises in wages. The oil fund can be used as long as there is idle capacity available in the economy. First, of course, there are the unemployed in Norway, still officially at 3%, who can be put to work. Second, there are capacities abroad that can be used without any adverse effects on the monetary balance inside Norway. The oil income is already in dollars, and could be used for imports that could put cost-saving equipment into place.

Infrastructure projects are already under construction,

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- that the American Revolution was fought against British "free trade" economics?
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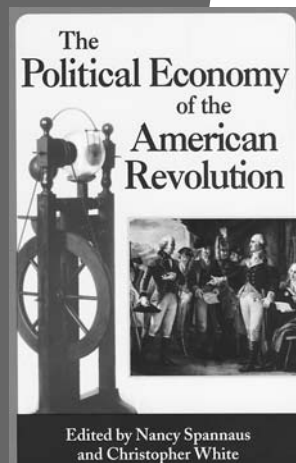
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such as the improvement of the road network, and a high-speed rail line to Gardemøn, the new Oslo international airport. Road construction could be expanded, especially along the rough coastline, where there are plans for more road and tunnel projects. At the old Oslo airport, Fornebu, a new high-technology center is under discussion. The long-awaited gas pipeline system, which would open up the use of the enormous gas fields in the North Atlantic, should also be a priority. After the collapse of the Oslo local train transit system in August, because of cuts in maintenance, a fully automated public mass transit system should be in order.

The real gift to the children of Norway would be to put into place a fully modern rail transport system, magnetically levitated rail, which is so well suited for the mountainous Norwegian terrain. With these investments, the profits from the North Sea, where workers toil under dangerous conditions, would be saved for the future in the only safe way, in the form of higher productive capacities of Norwegian labor-power.

An international solution needed

The monetarist scare scenarios can be peddled because Norway also has deregulated its financial markets. The speculators can create runs on the crown and influence interest rates. Norway is also in the hands of oil speculators. An international financial crash would not only be the end for the oil fund, but

also for the oil income. Norwegians, therefore, are highly vulnerable to the financial crisis, as long as the probable new government, a Christian-Center-Liberal coalition, is not moving for an international solution. One such move would be to support the call for U.S. President Bill Clinton to assemble a New Bretton Woods Conference.

An attack against the speculative international financial system from the Norwegian side is not entirely impossible. One challenge to monetarist thinking is the reactivation of the old Center Party proposal to impose a turnover tax on the trade at the Oslo stock exchange. This was supported during the election by the man who, it is believed, will be the new prime minister, Kjell Bondevik of the Christian People's Party.

The purpose of the tax is to curb speculation, and it reflects some of the lessons from the mid-1980s, when Norway went through a severe banking and financial crisis.

Another result in the election, which shows that a large part of the electorate was voting in protest, is the fact that Steinar Bastesen was elected, and will be the only maverick in the parliament. Bastesen was running under the banner of a newly formed party, the Coast Party, in the far north. In some precincts, he received up to 38% of the vote. Bastesen is one the leading fighters against Greenpeace, both in Norway and internationally. He has been defending Norway's right to hunt whales, and through that, has become a nightmare for the environmentalists.

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Buenos Aires	1900	Pittsburgh	1700
Buffalo	1700	Prague	2300
Cairo	2400	Rangoon	0430*
Calcutta	0330*	Richmond	1700
Caracas	1800	Rio de Janeiro	1900
Casablanca	2200	Rome	2300
Chattanooga	1700	St. Louis	1600
Chicago	1600	St. Petersburg	0100*
Copenhagen	2300	San Francisco	1400
Denver	1500	Santiago	1700
Detroit	1700	Sarajevo	2300
Dublin	2200	Seattle	1400
Gdansk	2300	Seoul	0700*
Guadalajara	1600	Shanghai	0600*
Havana	1700	Singapore	0530*
Helsinki	2400	Stockholm	2300
Ho Chi Minh City	0600*	Sydney	0800*
Honolulu	1200	Teheran	0130*
Hong Kong	0600*	Tel Aviv	2400
Houston	1600	Tokyo	0700*
Istanbul	2400	Toronto	1700
Jakarta	0500*	Vancouver	1400
Jerusalem	2400	Vladivostok	0800*
Johannesburg	2400	Venice	2300
Karachi	0300*	Warsaw	2300
Kennebunkport	1700	Washington	1700
Kiev	2400	Wellington	1000*
Khartoum	2400	Wiesbaden	2300
Lagos	2300	Winnipeg	1700
Lima	1700	Yokohama	0700*
Lincoln	1600	Yorktown	1700
Lisbon	2300		* Mondays

Shuttle-Mir program is under threat from Congress

by Marsha Freeman

From the beginning of the Shuttle-Mir joint program in 1992, there has been a chorus of critics who have tried to stop that cooperative effort. Cold warriors, mostly in the Republican Party, thought it were best to let the “Soviet” space program collapse, along with the economy, the military, and the rest of Russian society.

Bipartisan budget cutters were aghast that the Clinton administration was proposing to spend about \$100 million per year from NASA’s diminishing budget on a joint Russian program, even though this money was to gain valuable experience on the Mir, rather than later on the International Space Station (ISS), on which NASA will spend more than \$13 billion.

And then, there are those in Congress who just do not think that the manned space program, is worth the money. Period.

But Congress, which tries, with varying degrees of success, to control its own constant urge to micro-manage the high-visibility and highly popular space program, sank to new depths on Sept. 18, during the House Committee on Science hearing on the safety of the Mir space station.

While one would assume that a committee chairman calls a hearing to learn from expert witnesses the answers to questions of import for the nation, it was clear from his opening statement, that Chairman James Sensenbrenner (R-Wisc.) had decided what he thought about the safety of Mir, before the hearing had even begun.

“What will it take for Russia to decide that Mir has passed its prime or the United States to determine that it’s not safe? Does someone have to be killed before NASA and the Russian Space Agency wake up?” Sensenbrenner railed. “Mir has reached the end of safe operations,” he stated, before anyone from NASA had given their evaluation. The rest of the hearing was orchestrated to try to prove Sensenbrenner’s statement.

A more reasoned approach was taken by ranking minority Committee member, Rep. George Brown (D-Calif.), who said in his opening statement: “I do not believe that it is appropriate for us as Members of Congress to insert ourselves into the conduct of that [Mir safety] review process. Members of this committee are not in a position to credibly evaluate astronaut debriefings, fragments of engineering analyses, and so forth—as pressworthy as some of the anecdotes that have surfaced may appear to be. We cannot be NASA’s safety engineers, and we should not pretend to be otherwise.”

NASA astronaut and Shuttle/Mir program manager Frank Culbertson was constantly interrupted during his attempt to answer questions about recent Mir accidents and equipment failures, posed by the members of the committee. When Rep. Nick Lampson (D-Tex.), whose district includes NASA’s Johnson Space Center, asked that astronaut and Mir crew member Shannon Lucid, who was in the room, be allowed to clarify statements that it was reported she had made during post-flight debriefings, Chairman Sensenbrenner, to the amazement of many in the room, denied the request.

If the chairman of the committee had been at all interested in finding out how NASA conducts safety reviews before it sends an astronaut to the Mir, and why NASA believes it is within its safety requirements to send astronaut David Wolf to the Mir on the Space Shuttle on Sept. 25 for a four-month stay, he could have allowed Captain Culbertson enough time (without interruption) to actually explain this to the committee.

Also, if the purpose of the hearing had been to actually learn enough to make any judgments about the safety of Mir, the committee would have waited to hold the hearing, until the independent safety review, *that the committee itself had requested*, were completed. The head of that review, retired general and astronaut Tom Stafford, was in Russia while the hearing was taking place, doing the safety review mandated by the Congress.

Representative Brown stated in his opening remarks: “As the chairman is aware, I asked that the hearing be delayed a week until General Stafford and his team had returned from Russia so that the committee could have the benefit of his evaluation. I regret that the chairman has decided to proceed with the hearing in General Stafford’s absence, because I believe that our ability to carry out our oversight responsibility at today’s hearing has been weakened.”

Rather than hear from the astronauts who have been on Mir, and the managers who are responsible for determining the level of risk and safety for astronauts aboard the Mir, the committee preferred to rely on exaggerated press reports, and the NASA Inspector General.

Rumors and innuendos

On April 16, following the February fire aboard Mir, an amendment to H.R. 1275, the Civilian Space Authorization Act, passed the committee. It included a provision which read:

“The NASA shall not place another United States astronaut on board the Mir Space Station, without the Space Shuttle attached to Mir, until the Administrator certifies to Congress that the Mir Space Station meets or exceeds United States safety standards. Such certification shall be based on an independent review of the safety of the Mir Space Station.” The House passed the bill on April 23.

General Stafford, who has been conducting an independent safety review for Administrator Dan Goldin before each Space Shuttle mission to Mir, appointed a special “Red Team” from among the committee members, in view of the recent series of incidents aboard Mir. The Stafford Committee report will be provided to the NASA Administrator before a decision is made to launch the Shuttle, and David Wolf, to the Mir.

On July 11, Sensenbrenner and Brown sent a letter to lawyer Roberta Gross, the NASA Inspector General, requesting that she collect and provide to the committee source documents and working-level materials related to “the suitability of Russia’s Mir space station for habitation by U.S. astronauts, and research productivity and cost effectiveness of continued NASA involvement in the Mir space station program.”

At the Sept. 18 hearing, Gross summarized some of the “findings” in her interim report, which detailed all of the familiar problems aboard Mir over the past two years. Asked by Rep. Bud Cramer (D-Ala.) whether he had been surprised by any of Gross’s findings, Culbertson said, “There were no issues in there or safety concerns that were a surprise to me at all, because we had dealt with these things in the course of the program.” He continued, “A lot of them are what I would call ‘ancient history.’ They happened in 1995 or 1996. We dealt with them immediately . . . we’ve corrected all of these.”

Most offensive to some members of the committee were “concerns” Gross says were expressed to her, in confidence, by current and former NASA employees, who questioned the adequacy of the risk and safety assessment process. The concerns Gross listed included “the chilling impact on free discussion and criticism caused by the pivotal role of the Johnson Space Center (JSC) for the human space program, [and] the lack of independence of the Stafford team due to its perceived ties to the JSC Center Director.”

This slap in the face to one of this nation’s most highly respected and senior astronauts, and commander of the Apollo/Soyuz mission in 1975, was not taken lightly. In a five-minute point of personal privilege at the end of the hearing, Representative Hall said such accusations, which “smear” General Stafford’s reputation, had been made by people who would not be named, and that the “NASA Inspector General is repeating anonymous charges against General Stafford, and he’s not even here to answer them. I think this kind of investigation is disgraceful.”

Chairman Sensenbrenner lamely responded that he had assured Brown that there would be further hearings, which would include Stafford, and also the Mir astronauts.

When it is worth the risk

Marcia Smith, from the Science Policy Research Division of the Congressional Research Service, presented a balanced and thoughtful view of the situation. On the one hand, she reported that she believed that “NASA seems already to have achieved most of the objectives set out for the Shuttle-Mir program,” and she was not, therefore, convinced that two more long-duration flights by NASA astronauts were critical, or would accomplish that much more.

Referring to the fire and the Progress collision, Smith said, “Those emergencies, as undesirable as they were, may have had a positive aspect in terms of demonstrating how the space crews work together in an emergency, how the space and ground crews interact under tense circumstances, and intensified interaction between Russian and American personnel.”

On the other hand, Smith was critical of the way the media have treated the actual situation on Mir. “It should be borne in mind . . . that the picture may not be as bleak as what is being portrayed in the media,” she said. “While Mir is experiencing more anomalies than in the past, as would be expected with an aging system, the cosmonauts have extensive experience in space station repairs. Mir is Russia’s seventh successful space station since 1971.”

“I have studied the Russian space station program for 22 years. After seeing them salvage situations that appeared unsalvageable time and time again, it is difficult not to be impressed by the versatility, ingenuity, resourcefulness, and determination of cosmonaut crews.”

“So it is not a matter of rejecting concerns about Mir’s safety,” she said, “but more a matter of keeping the newspaper headlines in perspective. As long as a Soyuz spacecraft is available for emergency return, aging systems alone would not seem to pose immediately life-threatening risks. . . . Despite the many media reports of Mir’s imminent demise, the space station continues to function in the hands of its patient, competent crew.”

Smith also addressed the question of the ultimate risk, the death of astronauts in space, by placing it in perspective. “The ten Americans and four Russians who have died as a result of spaceflights indelibly underscore the risks experienced whenever humans venture into space. Despite these risks, the United States and Russia have conducted human spaceflight programs since 1961.

“Twenty-three other countries have accepted invitations to send representatives into space on American or Russian missions. Clearly many governments and their citizens are willing to accept certain levels of risk in order to achieve a particular end . . . the astronauts and cosmonauts who fly into space accept those risks as well.”

During the hearing, Rep. Zoe Lofgren (D-Calif.) said that she appreciated the “bravery of the American astronauts and Russian cosmonauts.” She observed that “being a congressman doesn’t require that kind of bravery.”

Nepal-Bangladesh transit — a new chapter

The opening of a new facility through India indicates the emergence of good economic and political sense in the region.

In August, Nepal and Bangladesh signed a transit agreement which will give land-locked Nepal access to the Mangla port for transshipment to Nepal and provide Nepal with access to the sea. The agreement, which assures Nepal transit through India, has finally opened up the possibility of linking up the nations of the subcontinent through trade routes.

This development, which, unfortunately, took 50 years to materialize, is in line with the requirements for building the Eurasian Land-Bridge and the Trans-Asian Highway — two infrastructure projects now under discussion in India. What is important to note is that despite internal political uncertainties which have blurred the vision of the South Asian nations, the importance of linking up the trade routes is very much on the agenda.

From strictly an infrastructure standpoint, the transit agreement between Nepal and Bangladesh is not a major achievement. The distance of the transit corridor, from Panitanki on the Nepal-India border, to Phulbari on the India-Bangladesh border, is only about 45 kilometers. To begin with, trucks in sealed containers will traverse this route.

But behind this rather un-spectacular achievement lies the all-important political will, lack of which had kept the South Asian nations in a constant state of diplomatic conflict. Observers claim that the kudos for opening this route belongs to Indian Prime Minister Inder K. Gujral, who, while visiting Kathmandu last June, had assured the Nepali authorities about opening this route.

Beside the trade flow, which is now of limited volume, the opening of the trade route ensures a whole set of positive developments for the future. The reason why the present trade between Nepal and Bangladesh is only \$20 million or so annually, is because of the poor infrastructure of both countries, Bangladesh in particular. The potential for a large volume of trade is very much there, and that means that both nations must get their heads together to improve their transportation networks to utilize and enhance the trade potential.

Second, due to misunderstandings that dominated the relationship among the South Asian nations for decades, every worsening of diplomatic relations between India and its neighbors provided fresh opportunities to bands of anti-social elements and insurgents to seek shelter in the bordering intransigent countries. This is a major problem in India's northeast, where a number of tribal-based secessionist-terrorist movements have exploited the cool, and sometimes hostile, diplomatic relations between India and Nepal, Bangladesh, and Myanmar.

Things began to change only this year, when New Delhi came to an agreement with Bangladesh for sharing the water of the Ganges River. Dhaka responded promptly by declaring that the anti-India militant groups, consisting of Assamese, Nagas, and other tribals, will be pushed across the border back into India. Subsequent reports indicate that Dhaka is keeping its promise.

A similar phenomenon was also observed along the India-Myanmar

border. Nagas live on both sides of the border, and many of them have taken up arms with the purpose of carving out a Greater Nagaland from India and Myanmar, against the wishes of both the countries. These secessionists, under pressure from the Indian Army, used to cross the border and move into the safe haven in Myanmar, well beyond the reach of the Yangon authorities. These Nagas also deal with drugs and weapons, posing a serious threat to the adjacent provinces of India.

Once India-Myanmar relations began to improve, the Yangon authorities, who are under a great deal of economic pressure from the West for their alleged violation of human rights of Myanmar citizens, welcomed the Indian gesture and began pushing back the warring Nagas from Myanmar soil. This act has been widely welcomed by authorities in New Delhi.

During his visit to Kathmandu, Indian Prime Minister Gujral was also assured by Nepali authorities that Kathmandu will not allow anti-India activities to take place in Nepal. At the same time, they also reminded the Indian prime minister that Kathmandu would like to settle with India a few issues which have nettled relations between the two countries over the years.

The issue that is in the forefront of people's minds in the government of Nepal, is a review of the Treaty of Peace and Friendship signed in 1950 by the two countries. The treaty, which gives heartburn to the majority of Nepalis and is the cause of the core of anti-India sentiments in Nepal, has little validity now, considering the vast political changes that have taken place internationally. Moreover, the treaty is primarily centered around India's own security concerns, while paying little attention to Nepal's needs.

Business Briefs

Finance

Brits upgrade Singapore for colonial war in Asia

Although Singapore took a hit in the recent financial turmoil in Southeast Asia, its role as the primary British banking center after the loss of Hongkong is being reinforced. Prime Minister Goh Chok Tong differentiated himself from his Association of Southeast Asian Nations neighbors on Aug. 29, by insisting that “you can’t fight the market.” Instead, for example, Gerald Corrigan, former head of the New York Federal Reserve and now managing director of Goldman Sachs, is being brought in to head a review panel to “look at the present policy of internationalization of the Singapore dollar covering the banking sector, the stock exchange, and also the derivatives market,” according to the Singapore *Business Times*.

Singapore’s Finance Minister Richard Hu said, “Corrigan is familiar with new technologies and new instruments being developed in the U.S. as well as the regulatory requirements to safeguard their use.”

China

Steel production target to double by 2010

China’s Vice Minister of the Ministry of Metallurgical Industry Dr. Weng Yuqing announced at a two-day Australia-China business forum, which began on Sept. 8 in Beijing, that China wants to double its annual production of iron and steel in its electric arc furnaces, from 20 million tons to 40 million, by the year 2010, the *Australian* reported. If China did so, it would become the world’s largest steel producer. Weng said that he expects China to increase its iron ore imports from Australia by 8 million tons, to 30 million tons a year, to meet its target.

Australia already supplies 50% of China’s iron ore imports. To help meet these goals, Weng and Shanghai Mayor Xu Kuangdi laid out a program to cooperate with Australian companies to fast-track the production of direct reduced iron.

Australian Deputy Prime Minister and Trade Minister Tim Fischer and Chinese State Councillor and Minister for Science and Technology Song Jian opened the forum, entitled “Into China’s Future,” which was attended by about 300 Australian and Chinese business and government representatives. Both countries are looking at the economic benefits to both countries, especially because China’s domestic market for manufactures is worth \$120 billion a year. It was reported that much of the focus was on food and food processing, financial services, transport, telecommunications, and information technology. Australia-China bilateral trade is currently \$8 billion per year.

Nuclear Energy

Russia plans to build floating power plant

Russian officials announced on Sept. 10 that they will be building the world’s first floating nuclear power plant, which will be anchored in the Arctic Ocean, the *Washington Times* reported. The plant will use a nuclear reactor from one of Russia’s deactivated submarines, and provide energy for heat and desalination, as well as electric power. The plant will provide 50 megawatts of electricity.

This region, near the Bering Strait and 500 miles from Alaska, is very isolated, and has had problems receiving coal used in a 40-year-old power plant. The nuclear plant will replace the coal-generated energy. A spokesman for Greenpeace said he had not heard about the project, but that Greenpeace would oppose it, “on principle.”

Nuclear energy specialists in the United States have promoted the use of floating plants for more than two decades. For developed countries, they present flexible siting arrangements, and a way of circumventing the sabotage by the environmentalists to building new plants. Specific projects for floating plants have been designed for New Jersey and California, and at one time Westinghouse was prepared to build a manufacturing plant to produce them in Florida, plans for which fell by the wayside after the environmentalist political onslaught helped destroy the market for nuclear plants in the

late 1970s.

For developing countries, floating plants do not require the time-consuming and costly preparation of a site on land, and would allow the quick deployment of power plants to produce electricity. Japan has expressed interest in developing such a capability in the past.

South Africa

Mandela steps back from British economic policy

South Africa’s President Nelson Mandela, speaking on the opening day of the Congress of South African Trade Unions (Cosatu) annual congress on Sept. 16, acknowledged that the government had not consulted its allies in drawing up its Growth, Employment, and Redistribution (GEAR) macro-economic strategy, and was prepared to revise the policy if it were found to be inappropriate, SAPA wire service reported. GEAR is modelled largely on a draft by the British-created South Africa Foundation, and is a disaster for the economy.

“Like any policy, it is not cast in stone,” Mandela said. “I confess even the ANC [African National Congress] learnt of GEAR far too late—when it was almost complete.” Mandela said the government had forgotten to adequately consult the constituency that put it in power. “There is nothing more dangerous than that,” he said. While the GEAR strategy was regarded as an important one for the Mandela government, if the ANC’s alliance partners are unhappy with it, their views have to be taken into consideration, he said.

Cosatu President John Gomomo called GEAR “the reverse gear of our society,” in his speech to the congress. He said that the ANC and its tripartite alliance partners failed to jointly develop strategies aimed at transforming South Africa. “We have failed to agree on what the opportunities, possibilities, and constraints are in the current situation. This, in turn, has led to unnecessary tensions within the alliance.” Gomomo called for redefining the role of activists and the masses during the present phase of the struggle for economic liberation. Parliamentari-

ans should spend time with their constituencies, sharing information and developing strategies to raise the concerns of the masses in Parliament, he said.

Middle East

World Bank collapses Palestinian economy

The World Bank's policy of blocking infrastructure building in the Palestinian territories is forcing the economy to the threshold of collapse, *Al-Quds* reported. Palestinian Deputy Minister for Planning and International Cooperation Dr. Anis Alqaq asserted on Sept. 17 that the financial situation of the Palestinian Authority has reached the "red line," including because donor nations have declined to fulfill their commitments, and the Israeli measures targetting the Palestinian economy.

Alqaq said that the PA's financial deficit has increased from \$50 million, to \$130 million. He urged the donor nations to "concentrate on direct grants to finance vital infrastructure projects in the territories," and emphasized that basic "infrastructure projects for power generation, water management, industrial zones, the Gaza seaport and airport, the Beth Lehem 2000 infrastructure project, water treatment and sewage, building infrastructure for schools and hospitals, are still stalled." He said that these projects "represent the basis for the Palestinian institutional structure and national economy."

Britain

Pension privatizations cheat over 2 million

New revelations are showing that the private pension scheme fraud in Britain is turning out to be "much bigger in volume than previously thought," the Swiss daily *Neue Zürcher Zeitung* reported on Sept. 20. Headlined "Escalation of British Pension Crisis," the article presents new estimates, which were to be released in late September by British

Deputy Finance Minister Helen Liddell, bringing the number of cheated persons up toward about 2 million.

All these persons had signed private pension contracts during 1988 to 1994 with altogether 41 different British insurance companies, whereby the former pension security of these persons was cancelled. This was being promoted by the government of former Prime Minister Margaret Thatcher, and had been made possible by the Thatcher deregulation of pensions systems. According to the new estimates, the barrage of lawsuits against the insurance companies could involve compensation payments totaling £4 billion.

Africa

Regional economic and political grouping forms

Foreign ministers or envoys of nine African nations have agreed on a draft pact for formation of a new regional economic and political group. In a statement at the end of a three-day meeting in the Libyan city of Benghazi, the representatives of Nigeria, Sudan, Egypt, Libya, Niger, Chad, Mali, Burkina Faso, and Tunisia said they would submit the pact to their heads of state, JANA news agency reported. A summit of the countries' leaders is expected to be held before the end of the year.

"The initiative was to establish an economic and social complementarity between the peoples of the region, and reinforce the human and economic capabilities . . . enabling these peoples to establish solidarity, security, and stability in the region," read a statement released after the meeting.

The meeting followed a summit on Aug. 15 in Tripoli attended by heads of state of Libya, Chad, Burkina Faso, Niger, and Mali. Nigeria's President Sani Abacha missed that summit because of illness, but Foreign Affairs Minister Tom Ikimi attended instead.

In August, Libyan leader Muammar Qaddafi said that his country is ready to open its ports to landlocked African countries, such as Niger and Chad, to give them access to the Mediterranean. For this, he proposed building roads throughout the Sahara Desert.

ITALY'S three main trade union confederations organized rallies against free trade and for national unity and jobs, on Sept. 20. Up to 1 million participants attended in Milan, and up to 80,000 filled Venice's St. Mark's Square. "I've never seen such a massive demonstration," said Venice Mayor Massimo Cacciari.

TANZANIA has declared a food emergency in the wake of widespread crop failure due to drought, and has imposed a ban on food exports out of the country. President Benjamin Mkapa said that Tanzania's immediate food requirement was 916,000 tons.

THAILAND'S publishing industry has been hard hit by the financial blowout, with two English-language papers, three Thai-language financial papers, and several magazines falling by the wayside this year, including *Asia Times* and the *Thailand Times*. Even the anglophile Nation Multimedia Group, which publishes the second-largest English daily, has slashed bonuses, cut salaries 10-20%, and ended medical and fringe benefits.

RABOBANK Australia, a subsidiary of the Dutch food cartel conglomerate, has taken over the rural finance business of Wrightson Ltd., New Zealand's biggest farm services group, expanding its control of New Zealand's rural sector finance to 12%.

THE MESSINA Bridge project, which will connect the Italian mainland with Sicily by road and rail, is expected to get the go-ahead from the government in early October, and be presented to a group of investors in Washington later in the month.

RESEARCHERS at the Chemical Industry Institute of Toxicology have shown that liver cells which process toxins, vary by species in regard to an absorbed dose; mice absorbed 10 times more of a chemical than did humans, and rats about 4 times as much. This means that environmental studies that used animals to determine toxic doses in humans, are wrong.

An alternative to neo-liberalism: the LaRouche-Riemann method

by Lyndon H. LaRouche, Jr.

The following speech was delivered on Mr. LaRouche's behalf in Guadalajara, Mexico on Sept. 18, at the Second "Conquering Frontiers" Congress on Foreign Trade, held at the Guadalajara campus of the Technological Institute of Advanced Studies of Monterrey. See article, p. 44, for more on Mr. LaRouche's intervention in Mexico.

Presently, the entirety of this planet is gripped by a great financial, monetary, and economic crisis. This represents the worst such crisis in the experience of modern European civilization since the so-called "New Dark Age" of the Fourteenth Century. That was the period during which half the parishes of Europe vanished, as economic collapse brought the level of Europe's population down to half of the level of a hundred years earlier. In today's economic policy, the only important question is: Can, and will some leading governments put the old, bankrupt financial and monetary systems into government-supervised reorganization? Can, and will this be done, in time to prevent a world-wide repetition of the kind of "New Dark Age" which Europe suffered during the Fourteenth Century?

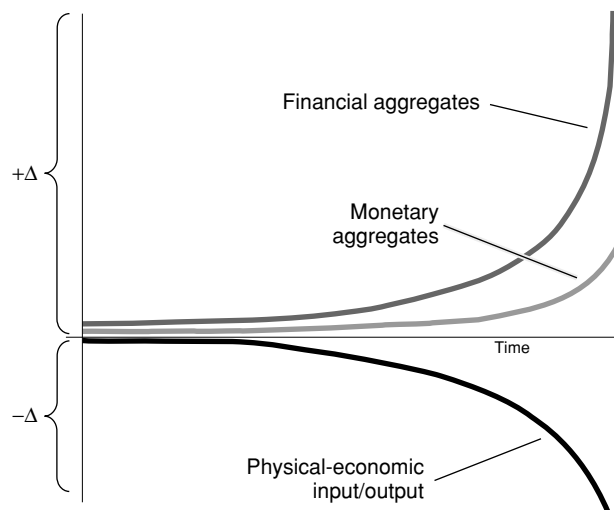
Figure 1 describes the crucial relations which have been leading up to the present crisis over the course of the recent thirty years. In this figure, I focus upon the cause of the present crisis: the interrelations among three changing values. First, the top-most of the three curves, represents the financial aggregates of the combined economies operating under the regulation of the International Monetary Fund (IMF). The second represents the turnover of monetary aggregates, upon which the growth of the total financial aggregates depends. The third represents the physical-economy upon which the emission of monetary aggregates depends.

This figure is simplified, to eliminate everything but the

two most significant facts concerning the causes of the present world-wide crisis. Fact number one, is the relationship among these three magnitudes, not their money-prices as such. Examine two ratios. Focus attention, first, on the ratio of financial turnover to the turnover of money; then, compare this ratio with a second ratio, the turnover of money, compared with the physical-economic magnitudes flowing out of current production. The second fact, is the rate of changes in these two ratios. For the long term, such as the past three decades, the fact of overriding importance, is not the exact value of these ratios, but, the directions in which the ratios are changing. In other words, the important thing, is not exactly when a crisis

FIGURE 1

A typical collapse function





A machine-tool factory in Queretaro, Mexico. "Given a commitment to high rates of investment in technological progress," LaRouche says, "the rate of progress will be determined by the rate at which new discoveries are being developed. This rate of progress is limited by the size of the ratio of people employed in research and development, including the machine-tool sector, relative to the total employed labor-force; the lower that ratio, the lower the potential growth of productivity."

will hit, but whether the direction of changes among these ratios, is bringing the world to the edge of what we term, in physics, a "boundary state," into what has been termed by some economists, earlier in this century, as a "general breakdown crisis."

Let us review these ratios. This time, consider the same curves in reverse order, beginning with the lowest, physical-economic magnitudes. This time, we define these magnitudes more precisely.

What should be understood by the term, "physical-economic magnitudes"? Essentially, this term signifies market-basket contents, per capita of total labor-force, per household, and per square kilometer of relevant surface-area. No money-prices are referenced; we merely compare one market-basket, physically, with another. There are three general types of market-baskets to be considered.

First, we have market-baskets represented by the costs of maintaining and bettering improvements in basic economic infrastructure, such as transportation, power generation and distribution, water management, sanitation, and the special infrastructure required for urban-industrial modes of life. The contents of this and other types of market-baskets, are defined either as goods which have been produced, or as goods, including gifts of nature, which must be replaced: to maintain the economy of the future on no lower level of productive output per capita and per square kilometer of area, as measured in market-baskets, than today's.

Second, similarly, we have production market-baskets,

representing the goods needed to maintain current or better levels of physical output of agriculture, mining, manufacturing, and so on. Once again, we count as necessary contents of those market-baskets, items which must be produced in the future, to maintain the economy of tomorrow on no lower level of physical output per capita, as measured in market-baskets, than today's.

Finally, we have household goods. These are measured in terms of the level of future replacements which will be required to sustain current or improved productivity of labor into the next generation and beyond. Again, these measurements are made by comparison of market-baskets.

Each of these three types of market-baskets contains two general types of contents. First, the obvious physical objects, including physical improvements, and the maintenance of those improvements. Second, a very limited roster of services; these are set apart from services in general, by the fact that they are indispensable for maintaining and improving the productive powers of labor: education, health-care, and science services. These do not include tourism, popular entertainment, or so-called personal services generally. All other costs, such as sales and administration, are considered as being, relatively, either merely fictional or even wasteful.

All market-baskets are measured as per capita of total labor-force and per square kilometer of relevant surface area. Household market-baskets are also compared as per household and per capita of labor-force.

Our objective in choosing those measurements of physi-

cal-economic magnitudes, is, first of all, to compare the total inputs with the total outputs of an economy in these terms. Our object is, to determine the levels of inputs which must be supplied to maintain a specified level of output of the same types of products. In other words, we must examine the economic turnover of a national economy, or region of that economy, in terms of a physical function, without considering money-prices.

For example. Measure the input and output of a national economy in terms of the list of contents of all varieties of market-baskets, measuring these market-baskets by the yardstick of per capita of total labor-force, and per capita of relevant surface area. Does the national output exceed the national input, both as measured in these terms? This supplies a physical-functional notion of the apparent, national profitability of the economy considered as a whole.

To estimate the profitability of a national economy, in physical terms, begin by thinking in the following steps. Think of measuring the total input and output of a national economy, solely in terms of per-capita and per-square-kilometer comparisons of market-baskets. Think of comparing the actual input to the total economy, as measured in market-baskets, without using money-prices. Think of measuring the profitability of a national economy, taken as an undivided unit, as the margin of output in excess of the total input.

Now, think of the difference between the apparent profitability and the real profitability. The apparent profitability would be the ratio of actual outputs to actual inputs. Now, introduce a concept from elementary thermodynamics: think of the term "energy of the system." That term signifies the work we must supply to the entire physical system to ensure that the system does not fall to a lower state at some time in the future. Think of the "energy of the system" of a physical economy, as the necessary inputs, as measured in market-baskets, ought to have been, to maintain some designated ratio of inputs over outputs. Thus, if we deduct this required "energy of the system" from the total output, we have the true profitability of the national economy, the ratio of "free energy" to "energy of the system," as distinct from what is merely the apparent profitability.

What, then, is the effect upon this profitability, of increasing the content of some parts of some market-baskets? Conversely, what might be the adverse effect of reducing the content of some of these market-baskets, if we measure such effects in terms of lost productivity suffered in the present, or the next generation? That, if we lower the rate of investment in infrastructure, in wages, and so on, we reduce the inputs to the economy. This may increase the apparent profitability in the short-term, but will collapse the productivity of the economy in the longer-term. This latter practice, the characteristic trend in practice in the world economy as a whole, during the recent thirty years, is the source of the presently ongoing collapse of the world's financial and monetary systems today.

Look again at Figure 1. The left-hand side of the figure corresponds to the U.S. economy in 1966. The lower of the three curves, references physical-economic output as we have just described those measurements. By assigning current money-prices to the costs of the goods, in the three kinds of market-baskets, we can compare market-baskets with turnover of money, and turnover of money with prices of financial turnover.

Since 1970, the real net physical-economic output of the U.S. economy, including deterioration of basic economic infrastructure, has collapsed at an average rate in excess of two percent, each and every year, up to the present time. The only sources of apparent net physical profitability in the entrepreneurial sectors of the economy, have been cannibalizing of either past U.S. domestic investment in infrastructure, production, and labor-force, or looting foreign countries, such as those of Central and South America, through aid of foreign-exchange and related manipulations made possible by the 1971-1972 shift to a "floating exchange-rate" monetary system.

Now, turn to the second of the three curves. Although the real net physical-economic productivity of the U.S. economy has been negative, throughout the past twenty-five years, the long-term trend in monetary aggregates, has been upward. The domestic growth in money-supply, has come chiefly from purely fictitious capital, from monetizing, as nominal capital, marginally increased rates of indebtedness by various branches of the U.S. Federal, state, and local government, and indebtedness of businesses and households. This growing indebtedness on account of fictitious capital, feeds upon the shrinking real physical-economy in the manner of a parasite.

Turn to the third curve. Over the recent twenty-five years, since 1971, the principal source of domestic profit in the U.S. economy has been from financial speculation. This trend has accelerated since October 1979, when a policy known as "controlled disintegration of the U.S. economy" was introduced to Federal Reserve System practice by then-Chairman Paul Volcker. Since the U.S. stock-market crash of October 1987, the rate of such speculation has accelerated, like the Seventeenth-Century tulip bubble in the Netherlands, or the early Eighteenth-Century, "John Law" financial bubbles in Britain and France, to levels beyond anything seen in earlier history.

Presently, the world's short-term debt is now more than several times the total annual net output of all of the world's economies combined. In other words, matching short-term debt with income for the same period, the world's financial system as a whole is now hopelessly bankrupt.

Thus, to maintain the system described by the relationship among these three curves, the general pattern, since the August 1971 collapse of the old Bretton Woods monetary agreements, has been increasingly savage austerity. The purpose of this austerity, has been to loot the physical economies of nations, in order to maintain the debt-spiral upon which the



A scene in Mexicali, Mexico. Under the banner of "free trade," Mexican living standards have been slashed. "When the liberal economists, such as the neo-feudalist Mont Pelerin Society, or the Wharton School, speak of 'freedom,' they are speaking of the freedom of the financial parasite from the control of its host, and victim, the modern nation-state economy."

fictitious capital values of a cancerously expanded financial speculation has depended. This pattern of the past quarter-century, is otherwise known as the expression or an unchecked orgy of what is called either monetarism, or the economic liberalism of Britain's right-wing Mont Pelerin Society. This doctrine is sometimes known as the dogma of that Society's Professor Milton Friedman and the Wharton School, or, more recently, known as "Thatcherism."

The functional interrelations among these three curves, so described, may be regarded as the dominant characteristic of the world's economy over the course of the recent thirty-odd years. Under these conditions, beginning the U.S. stock-market collapse of October 1987, the present mode of world economy entered its end-phase. This is shown in the figure as the region of the top curve in which the total magnitude of financial assets skyrockets upward at ever-steeper rates. This is the end-phase of the world system, which France's Nobel Prize-winner Maurice Allais characterized as a "*Casino Mondiale*," a shift away from investment in production and trade, into domination by the wildest forms of speculation.

In this gambler's system, which has dominated the world's economy during the past ten years, a general financial collapse could be postponed only under two temporary conditions. First, that the ratio of "financial leverage," the ratio of financial assets to monetary inflows into financial markets, zoomed ever-higher. Hence, the artificially low Federal Reserve interest-rates of the recent years under Alan Greenspan,

without which the financial markets would have been blown out, by what is called "reversed financial leverage," years ago. Second, to keep the bubble from imploding in a chain-reaction of reversed financial leverage, the flood of money into speculation had to be increased geometrically. At the point these conditions could not continue to be met, a chain-reaction collapse of the financial system was inevitable. Under present stretched conditions, such a chain-reaction collapse threatens to bring down the entire monetary system, in addition to financial markets.

We have, thus, reached the end-point of the process portrayed by Figure 1. This is the point at which, hyperbolic ratios among the three curves, define a critical region of absolute discontinuity. We have entered the self-generated "boundary layer" of the process which has been in progress, world-wide during the past thirty-odd years.

Understand what is meant by the boundary layer, by comparing the present international financial system to the famous maelstrom whirlpool, which sometimes forms in the straits separating Denmark from Norway and Sweden. The American writer Edgar Allan Poe, dedicated one of his stories to this subject. What happens to a ship which finds itself suddenly trapped in this maelstrom? That whirlpool has similarities to the way in which the present boundary-layer affects the financial and monetary processes trapped within the present condition of international markets: until the maelstrom ends, no movement through it is possible; ships trapped within it,

are doomed; people who cling to those ships, are also doomed.

Thus, thirty years after the mid-1960s downshift in the economic policies of the U.S. and other leading nations, we have reached the point, that, either, we scrap the economic liberalism which has dominated international markets increasingly during the past thirty years, or economic liberalism will be the death of civilization throughout this planet. Only if several leading nations, led by President William Jefferson Clinton, act to put the old, sick financial and monetary system into bankruptcy-reorganization, and launch a new monetary and financial system, could the world avoid a general collapse of civilization, into a "New Dark Age:" a collapse of civilization like that which accompanied the collapse of the Lombard banking system, during the middle of the Fourteenth Century.

We have reached the point that the world system of the past thirty years can not be saved. The only important question is: How can the nations be saved from the presently ongoing collapse of the present international system? The question is: What is the alternative to the British system of economic liberalism, the system which U.S. President Franklin Roosevelt held in contempt, as "British Eighteenth-Century methods!"

The 'American System' alternative

The only way in which such a collapse of civilization could be prevented, would be the adoption of the kind of anti-liberal economic system, upon which the Federal constitutional republic of the United States was founded. Decades before the U.S. War of Independence, through the influence of Gottfried Leibniz upon a leading circle of North American patriots centered around Benjamin Franklin, a new model of economy came into being, a constitutional form of economy which the first Treasury Secretary of the United States, Alexander Hamilton, named "The American System of political-economy."

This "American System" was associated with such world-famous names in political-economy, as Mathew Carey, U.S. Speaker of the House of Representatives Henry Clay, the German-American economist Friedrich List, Henry C. Carey, and the President Abraham Lincoln under whose initiatives the U.S.A. emerged as the leading, and, technologically, most advanced economy of the world, during the 1860s and 1870s. This is the U.S. economic model directly copied by Germany, beginning 1876. It is the model which was followed by the great nation-builders of Russia, such as D.I. Mendeleyev and Count Sergei Witte. It is the U.S. model directly copied by Japan, beginning the late 1860s. It is the model adopted by China's Dr. Sun Yat-sen.

Either the world dumps liberalism in economy, to return to the American System, or there is no chance for avoiding a general collapse into a New Dark Age, a New Dark Age which would destroy every existing nation on this planet during the course of the coming forty to fifty years ahead of us now.

It is on that system that I now focus our attention.

What we mean by 'physical economy'

During the early Eighteenth Century, a fight erupted against those, in both the United Kingdom and North America, who followed the empiricist doctrine of England's Thomas Hobbes and John Locke, by those, like Benjamin Franklin and most of the other leading founders of the U.S.A., such as Alexander Hamilton, who chose Leibniz, against Hobbes and Locke, as their guide in principles of natural law and economics. Leibniz's principle of "life, liberty, and the pursuit of happiness," became the U.S. principle of law embedded in the U.S. 1776 Declaration of Independence and the Preamble of the 1789 U.S. Federal Constitution. Since that time, this anti-Locke principle, introduced from Leibniz, has been the policy of the leading U.S. patriots, while the pro-British doctrine of Locke's and Adam Smith's followers, "Life, Liberty, and Property," has been the doctrine characteristic of such perennial "Tory" traitors to the U.S.A., as the British East India Company's partners, New England opium-traffickers, the Manhattan bankers in the tradition of Jeremy Bentham's agent Aaron Burr, and the treasonous, southern slave-owners and filibusters of the Caribbean region, who formed the British-sponsored Confederate States of America.

Over the years 1671-1716, Leibniz had founded what became the first, and only, scientific school in economy, a branch of physical science known as "physical economy." Leibniz's principles of economic science, not only informed the design of the U.S. Federal Constitution. Treasury Secretary Hamilton's reports to the U.S. Congress on public credit, a national bank, and manufactures, represent the standpoint of Leibniz, in opposition to the liberal doctrines of the British East India Company's Adam Smith and Jeremy Bentham. These economic principles were then reintroduced to Europe from the U.S.A., first by the German-American economist Friedrich List, and, later, by the world's leading economist of the middle Nineteenth Century, Henry C. Carey.

Later, in the course of my 1948-1952 project for refuting the positivist dogmas of two acolytes of Bertrand Russell, Norbert Wiener's so-called "information theory," and the "systems analysis" of John von Neumann, I developed a series of original discoveries of physical principle, theories for which I later found a mathematical basis in the work of the great Bernhard Riemann. My own work in physical economy, when added to the foundations supplied by Leibniz and the empirical experience of the American System, represent the current state of the art in that field.

This brings us to the main topic of today's presentation: a summary of the two crucial lessons from my work in that branch of science. First, I shall summarize the evidence in support of the principle upon which the science of physical economy is based. After that, I shall show how this principle is expressed by the most successful phases of modern economies in the tradition of Treasury Secretary Hamilton's "American System," by the so-called "science-driver" models of economy, like that used by U.S. President Franklin

Roosevelt's war-time mobilization, and by the U.S. space-program of the 1960s. This is the only alternative available to today, the alternative to which all those nations which will survive will now turn.

Man is not a primate

All forms of human culture which are shown to have been morally fit to survive, are based upon the principle of practice which places men and women absolutely apart from, and above all species of animals, including the so-called "higher apes." This is the principle, often overlooked by economists such as Adam Smith, Karl Marx, John von Neumann, and the Wharton School, upon which even the mere possibility of net economic growth depends absolutely.

Turn your attention to **Table 1**. Here we compare the population-densities achievable by chimpanzees and gorillas, with the generally accepted academic estimates for the growth of human populations and population-densities. I have some differences with some of these figures. For example, I object to the use of "Homo Erectus," on the basis of the fact that we know, from the excellent design and workmanship of throwing spears dating from over a half-millions years ago, in what is now Germany, that the intellectual type of modern mankind was already flourishing then. Nonetheless, despite differences with some of the data which the academic consensus has supplied to our table, the figures supplied, by that consensus among sources, are accurate enough for the point we draw from such estimates.

That point is this. Compare man physiologically with any and all among what are called the great apes: chimpanzees, gorillas, orangutans, gibbons. Compare man also with the baboon. Hear what the biologists say about the comparison of the genetic material of man and the chimpanzee. If we limited ourselves to those comparisons, we would estimate the potential relative population-density of the human species as being nearly that of those great apes who are better equipped for gathering food and defending themselves, than human beings are. Yet, we see the increase of the world's human population to the order of hundreds of millions, beginning the Hellenistic period of Mediterranean civilization, and, from several hundreds of millions at the beginning of Europe's Fifteenth Century, to reach a world population of over one billions during the Nineteenth Century, and over five billions today. Not only was the potential size of the population increased, to more than 1,000 times the size of the total world population of great apes of all varieties; the life-expectancy of the individual, was also increased.

The question is: How? What is the difference between men and great apes, which enables mankind to act, by will, to increase the potential population-size and life-expectancy of the human species? To locate the answer, turn to **Figure 2**. Here, we shall discover the principle which is responsible for the vast superiority of the performance of Alexander Hamilton's "American System of political-economy" over every

other form of economic policy which has ever existed, including its vast superiority over the failed, liberal economic doctrine of Adam Smith and his followers.

Until the middle of Europe's Fifteenth Century, in every known form of culture, over ninety-five percent of the total population lived in a condition of "human cattle:" as slaves, as serfs, as the victims of the Aztec human sacrifices, or even like wild baboons. Like cattle, the ninety-five percent, were herded, and often culled, by the privileged few, and their lackeys, who ruled over them.

There were a few bright, Promethean lights in the prevailing darkness of these pre-Fifteenth-Century millennia. There were a few, like Solon of Athens and Plato, who conceived a form of state in which all men enjoyed justice. Christianity, which adopted Plato's contributions, was the first belief which demanded that each and every person be regarded as *Genesis* 1:26-28 stipulates, as each, man and woman, made in the image of the Creator of this universe, a mankind intended to exert dominion over all things in this universe.

However, it was more than 1,500 years after the birth of Christ, that the first modern nation-state appeared, around King Louis XI's 1451-1483 reconstruction of France, and, in 1492, a similar effort, around Queen Isabella in Spain, and, in the same general period, among those circles we associate with Erasmus, in the England of Henry VII.

These happy, Fifteenth-Century developments began a still-ongoing struggle against the feudal relics of landed aristocracy and usurious financial nobility. This was a struggle to bring education to all the young, a struggle for fostering of technological progress in all aspects of life. The case of Leonardo da Vinci demonstrates the result: the rate of scientific discovery and technological progress unleashed in Fifteenth-Century Europe, with the accompanying participation of an increasing percentile of the population in this progress, had the effect of unleashing from within more and more of the individual members of society, that creative-mental power which sets the human species absolutely apart from, and above all inferior forms of life.

Read Figure 2, together with Figure 1, in the following way:

Define the human species as that form of hominid which demonstrates the capacity for that kind of individual creative mental life, the which began to flourish during Europe's Fifteenth Century. The conclusion based upon known evidence is, that the human species, so defined, has existed on this planet for not less than one millions years, and probably as long as two millions years. I referred a moment ago, to the recent discovery, from a stratum which has been buried for about 600,000 years, in a deep site in a cave in Germany's Hartz Mountains, of a human site featuring well-crafted, well-balanced throwing spears of a type still commonplace in Europe's so-called "Paleolithic" sites into less than 50,000 years ago. Such craftsmanship is typical of the mental abilities of modern human types.

TABLE 1

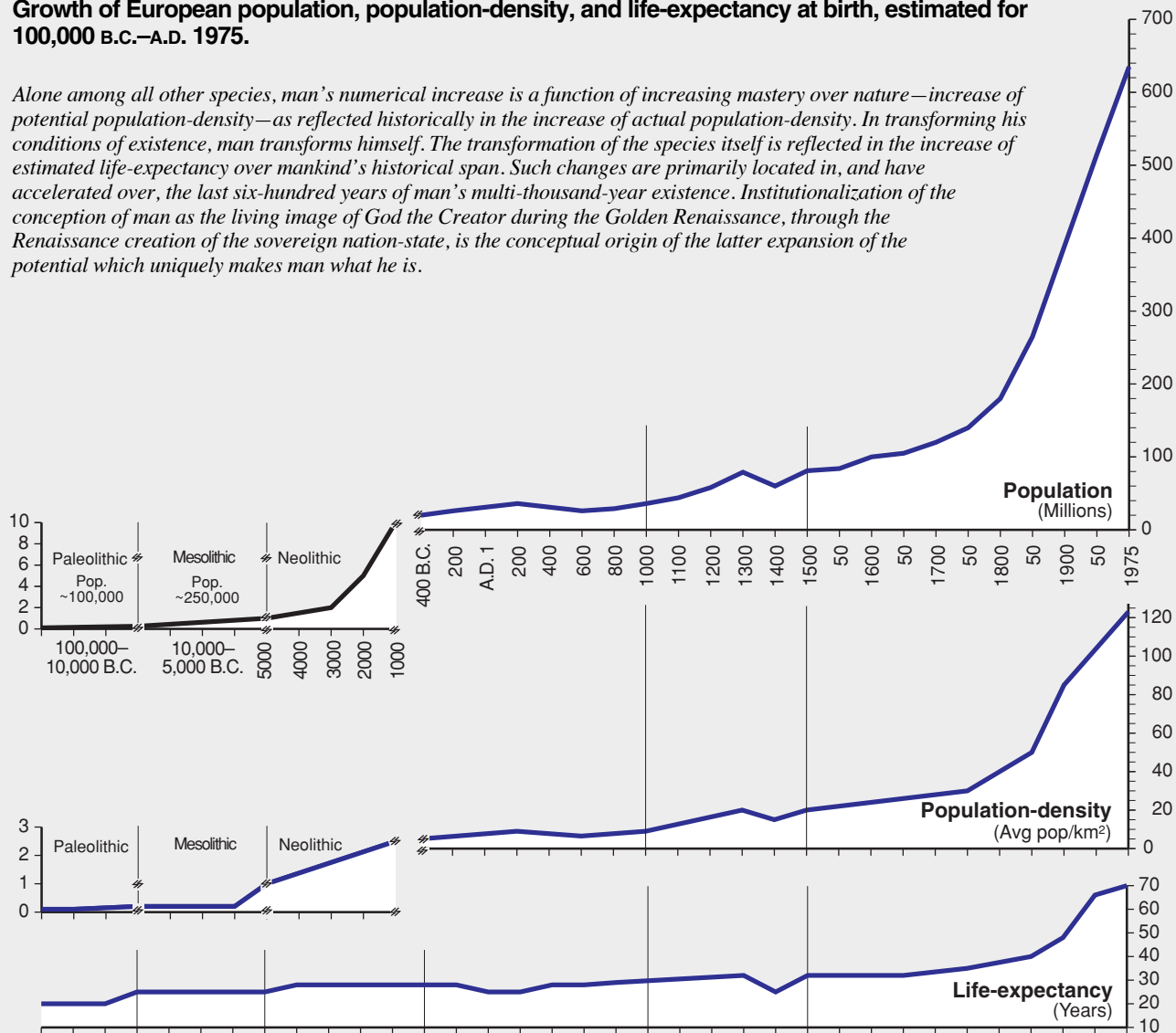
Development of human population, from recent research estimates

	Life expectancy at birth (years)	Population density (per km ²)	Comments	World population (millions)
Primate Comparison				
Gorilla		1/km ²		.07
Chimpanzee		3–4/km ²		1+
Man				
Australopithecines B.C. 4,000,000–1,000,000	14–15	1/10 km ²	68% die by age 14	.07–1
Homo Erectus B.C. 900,000–400,000	14–15			1.7
Paleolithic (hunter-gatherers) B.C. 100,000–15,000	18–20+	1/10 km ²	55% die by age 14; average age 23	
Mesolithic (proto-agricultural) B.C. 15,000–5,000	20–27			4
Neolithic , B.C. 10,000–3,000	25	1/km ²	"Agricultural revolution"	10
Bronze Age B.C. 3,000–1,000	28	10/km ²	50% die by age 14 Village dry-farming, Baluchistan, 5,000 B.C.: 9.61/km ² Development of cities: Sumer, 2000 B.C.: 19.16/km ² Early Bronze Age: Aegean, 3,000 B.C.: 7.5–13.8/km ² Late Bronze Age: Aegean, 1,000 B.C.: 12.4–31.3/km ² Shang Dynasty China, 1000 B.C.: 5/km ²	50
Iron Age , B.C. 1,000–	28			50
Mediterranean Classical Period B.C. 500–A.D. 500	25–28	15+/km ²	Classical Greece, Peloponnese: 35/km ² Roman Empire: Greece: 11/km ² Italy: 24/km ² Asia: 30/km ² Egypt: 179/km ² * Han Dynasty China, B.C. 200–A.D. 200: 19.27/km ² Shanxi: 28/km ² Shaanxi: 24/km ² Henan: 97/km ² * Shandong: 118/km ² * * Irrigated river-valley intensive agriculture	100–190
European Medieval Period A.D. 800–1300	30+	20+/km ²	40% die by age 14 Italy, 1200: 24/km ² Italy, 1340: 34/km ² Tuscany, 1340: 85/km ² Brabant, 1374: 35/km ²	220–360
Europe, 17th Century	32–36		Italy, 1650: 37/km ² France, 1650: 38/km ² Belgium, 1650: 50/km ²	545
Europe, 18th Century	34–38	30+/km ²	"Industrial Revolution" Italy, 1750: 50/km ² France, 1750: 44/km ² Belgium, 1750: 108/km ²	720
Massachusetts, 1840 United Kingdom, 1861 Guatemala, 1893 European Russia, 1896 Czechoslovakia, 1900 Japan, 1899 United States, 1900 Sweden, 1903 France, 1946 India, 1950 Sweden, 1960	24 32 41	41 43 40 44 48 53 62 73	90+/km ² Life expectancies: "Industrialized," right; "Pre-industrialized," left	1,200 2,500
1970 United States West Germany Japan China India Belgium	59 48	71 70 73 180/km ² 183/km ² 333/km ²	1975 26/km ² 248/km ² 297/km ² 180/km ² 183/km ² 333/km ²	3,900

FIGURE 2

Growth of European population, population-density, and life-expectancy at birth, estimated for 100,000 B.C.—A.D. 1975.

Alone among all other species, man's numerical increase is a function of increasing mastery over nature—increase of potential population-density—as reflected historically in the increase of actual population-density. In transforming his conditions of existence, man transforms himself. The transformation of the species itself is reflected in the increase of estimated life-expectancy over mankind's historical span. Such changes are primarily located in, and have accelerated over, the last six-hundred years of man's multi-thousand-year existence. Institutionalization of the conception of man as the living image of God the Creator during the Golden Renaissance, through the Renaissance creation of the sovereign nation-state, is the conceptual origin of the latter expansion of the potential which uniquely makes man what he is.



All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History*; for life-expectancy, various studies in historical demography.

Note breaks and changes in scales.

In looking back to evidence dating from earlier than six to eight thousand years ago, we must take into account the fact, that the northern hemisphere has been in an Ice Age for about two millions years. Over long periods, the northern part of the North America and Eurasia land-area are buried under build-up of a massive glacier, while the ocean-levels fall to between 200 and 400 feet below what they are today. Be-tweentimes, there are shorter periods, such as the period between 17,000 and 4,000 B.C., during which the glaciers are melting, or since A.D. 1,000, when the climate is becoming

cooler, on the way to covering much of the area with glacier, once again. As a result, most of human culture prior to about 12,000 years ago, remains unknown to us: lost under glaciers, or buried in the seas hundreds of feet below present ocean levels. What we do know of details of how pre-historical human minds worked in some cultures, dates from solar astro-nomical calendars whose internal evidence dates them to Cen-tral Asia about 8,000 years ago. Most of what we know as ancient history, dates from a revival of earlier and new civili-zations in Asia and the Mediterranean region during the mil-

lennium before the birth of Christ. Look at the data shown in Figure 2 with those facts in view.

Note briefly, at the left side of the chart, the column labelled “Neolithic.” Actually the Hittites, who, we are told, spoke a dialect of ancient Greek, and who were one of the three “world-powers” of the Mediterranean region during the period 1600-1400 B.C., were an iron culture, among other cultures using copper and bronze. Now, focus upon the main part of the figure, beginning 400 B.C. Observe that there is a rise of culture during the period of spread of Classical Greek culture, and, then, a long period of stagnation and decline in Europe, a decline caused by the ruinous policies of the Roman and Byzantine empires, both of which were in a state of moral decay from their foundation. There is a revival of growth of European culture from the period of Charlemagne until the emergence of Venice’s role as an imperial maritime and financial power throughout Europe, after the death of Friedrich II, and the resulting “New Dark Age” of the middle of the Fourteenth Century.

Yet, throughout that mixed history of slight advances and temporary collapses, the overall tendency in the human condition, is a persisting, long wave of improvements, from early man, up into Europe’s Fifteenth Century. Then, came the Golden Renaissance. Since then, potential relative population-densities have advanced at an accelerating rate, while life-expectancies have progressed—until the downshift in economic and cultural policy, since 1966.

This benefit was not limited to western Europe and the Americas; despite the evils of Portuguese, Dutch, and British slave-trade, the British opium-trade, and Dutch, British, French, and Belgian imperialisms, the net impact of the institution of the modern nation-state upon the world at large has been positive. From the accession of France’s Louis XI, in 1461, until the introduction of policies based upon “post-industrial” utopianisms, which began approximately 1966, throughout most of the world, the well-being of the individual improved, as the cultural impact of those reforms introduced into Europe under the influence of Europe’s mid-Fifteenth-Century “Golden Renaissance,” increased, world-wide.

The economic impact of the reforms introduced by the Fifteenth-Century introduction of the modern form of sovereign nation-state, is centered in four topical areas: 1) education; 2) promotion of scientific and technological progress in all areas of production and physical distribution; 3) a new quality of commitment, by government, to foster those general improvements in basic economic infrastructure which are needed to establish a favorable climate for scientific and technological progress; 4) a new conception of the nation-state itself. The economic significance of the modern sovereign nation-state republic, is located in the relationship between the first two areas, education and scientific progress. This brings us to the area in which my own discoveries in economic science, the so-called LaRouche-Riemann Method in physical-economy, are located.

What is education?

Now, we have come to what students would identify as the “hard part” of my report to you today. This is the crucial area of my presentation, in which I will be upsetting the notion of economics you have gathered from most textbooks and related writings on that subject-matter. After that, the rest of what I have to report to you, is the “easy part,” by comparison. However, this “hard part” should not, and could not be skipped; it is the principle upon which a competent sort of scientific approach to economics depends absolutely. Every university student today, as a candidate to become part of the future leading elite of nations, must understand these crucial principles; had your predecessors known these principles, the world would not be in the mess it is in today.

The genesis of the work leading to my 1951-1952 discoveries, was my reading of an advance copy of Norbert Wiener’s *Cybernetics*, in early 1948. It was Wiener’s pseudo-scientific attempt to degrade human ideas to the level of statistical information theory, which provoked my commitment to refute him in the same way I had constructed a defense of Leibniz’s *Monadology* against Immanuel Kant’s *Critique of Pure Reason*, approximately a decade earlier.

For this purpose, I focussed upon the derivation of new families of technologies from the experimentally validated discovery of a new physical principle. In this way, I focussed upon the same problem I had addressed earlier, in refuting Kant’s fallacious argument; I narrowed the definition of “information” to the scope of what Plato had defined as the “idea:” a validatable discovery of a new natural principle. By showing that such ideas were beyond the scope of Wiener’s statistical methods, I demonstrated that “information theory,” insofar as it is misapplied, as attempts to describe human mental behavior, is a hoax.

However, it was necessary to show that the same argument made for scientific ideas, was also relevant in the domain of ideas associated with Classical art-forms, such as tragedy, poetry, music, and plastic arts. I must correlate the meaning of ideas as they occur in scientific discovery, with the same quality of ideas, as they occur in the domain of Classical art-forms. For this side of my argument, I focussed upon the function of what is strictly defined as metaphor within poetry, tragedy, and the Classical musical settings of poetry. For the latter purpose, I concentrated upon the span from Wolfgang Mozart through Johannes Brahms’ Opus 121. I was able to show, that the kinds of ideas which represent validatable discovery of physical principles, are the same species of ideas we associate with provable solution to a metaphor in poetry, tragedy, Classical musical composition, or in the great paintings of a Leonardo da Vinci and Raphael Sanzio.

I was also able to show, why it is, that the actual process of generation of such discoveries can not be represented explicitly within the terms internal to any medium of communication, such as a mathematics. For example, as any university student should know, from study of original scientific discov-

eries of validated principle: from written text, diagrams, and oral discussion, we can define the kind of scientific paradox whose solution is the new discovery. Once the student has reenacted the mental act of successful discovery of the principle which solves that paradox, the student can report the result. An experiment can be designed, to test the principle which the student claims to have rediscovered. If that experiment is successful, its results can be applied in many ways. However, there is one step in that set of connections, the which can not be expressed within the confines of any medium of communication: the mental act of discovery which occurs, is hidden from even the possibility of direct observation by others, within the sovereign cognitive processes of the individual, both the original discoverer, and the student whose mind has experienced the reenactment of that process of discovery of the principle which solves a crucial paradox.

The same is true in Classical art. The term “Classical” is rightly used, when it refers to the principle underlying those developments in the philosophy, science, and art of Classical Greece, the which are based upon the notion of Reason, as Plato defines Reason. In this sense, “Classical” is opposed to “Romantic,” since the Romantics, following Immanuel Kant, insisted that there is no connection between art and the notion of Reason we associate with validatable discoveries of physical principle. In the case of so-called “post-Modernist” art, the very idea of truthfulness is discarded, in favor of rabid irrationalism. Where, in science, all discoveries of principle occur as solutions for crucial ontological paradoxes, in Classical art, the place of ontological paradox is taken by metaphor.

The two departments of knowledge, science and Classical art, are distinct but inseparably interconnected. Science deals with the intellectual comprehension of mankind’s interrelationship with nature. Classical art deals with human social relations, as these relations are to be seen from the vantage-point of ideas, as Plato defines ideas. The two are united in two ways. Social relations are to be understood as the internal characteristic of societies from the standpoint of mankind’s interrelationship with nature. More immediately, the connection between art and science is passion. The passion which we associated with successfully sustained concentration, in producing a validatable solution for a paradox in science, is the same passion expressed by the resolution of a metaphor, in Classical poetry, tragedy, music, or painting. This is the passion which Plato and also the Apostle Paul identified by the Greek word *agapē*, the passion which is distinct from, and often opposed to, the passion identified by the Greek term *eros*. The chief social function of Classical art is to educate the passions, including the quality of passion needed to energize the successful concentration which leads to a validatable discovery of principle in science.

In a good modern education, the student does not learn about past discoveries in science and art: the student reexperiences those discoveries. In studying the history of Classical Greece, for example, the Homeric epics take the student into



A Guatemalan refugee child, and father, in Chiapas, Mexico. “Education is the foremost feature of any economy designed for human beings. It must be an equal opportunity for education of all young persons, so that all might have the right to partake, in the way I have described this process of education, of the heritage of essential ideas passed down to us from all mankind earlier.”

the mind of the population from which the genesis of European civilization sprang. The student re-creates an important aspect of the ancient Greek mind in his, or her own mind today. The student observes, as the ancient Greek mind did, the quarrels among the pagan gods of Olympus, and how these quarrelling gods intervened into the quarrels and destinies among mortal men and women. In the later Greek tragedies, such as those of Aeschylus, the student sees the ancient Greek mind working to liberate itself from the grip of those pagan gods, as Aeschylus’ *Prometheus Bound* expresses this. In Plato, we meet the foundations of the modern European scientific and Classical-artistic mind, as they are being produced in a population which has lived through the mental conditions associated with the hearer of the Homeric epics and the Classical tragedies.

In a good education, we do not read opinions about his-

tory; we re-experience it within those same cognitive processes of the individual human mind through which we reenact original scientific discoveries. In science, this takes the form of reexperiencing each among what we regard as the most relevant original discoveries of physical principle, as these discoveries were made, by actual, individual men and women, within the time and social setting in which those individuals lived and worked. The combination of this approach to education in art, history, and historically situated scientific discovery, is what is generally termed a Classical humanist education, such as that practiced by the celebrated Brothers of the Common Life, proposed by Friedrich Schiller, introduced to Germany by Schiller's friend Wilhelm von Humboldt, and brought into secondary education in the United States by Benjamin Franklin's great-grandson Alexander Dallas Bache.

Once we look at education in those terms, we have satisfied the prerequisites for taking up the subject of economic science.

This view of mankind's history and pre-history, shows us that we are the beneficiaries of the development of ideas discovered by ancestors as far distant as tens of thousands of years before us, ideas which we must learn afresh by reenacting the experience of the original discovery within our own individual minds. We see, that our generation must add to that store of validatable discoveries of scientific and artistic discoveries, as countless earlier generations, reaching back perhaps a millions or more years, have enriched us. We find within the individual reenactment of such discoveries by a student today, the absolute difference between a human being and an ape.

This is the principle of the individual human mind which sets every person absolutely apart from, and above all inferior species. This is the principle which demonstrates that there are no biological races, or biological nationalities among human beings: all are equally endowed with this same cognitive principle, differing only as it is developed in each branch of culture, each nation, each personality. My discovery was to have shown that this principle, viewed in this way, is the fundamental principle of economic science.

Thus, education is the foremost feature of any economy designed for human beings. It must be an equal opportunity for education of all young persons, so that all might have the right to partake, in the way I have described this process of education, of the heritage of essential ideas passed down to us from all mankind earlier. The purpose of society is the development of the potential of each and every human individual. No man must be educated to be a slave, a serf, or other lower moral condition. To that purpose, all other purposes of government, and all law, must be subordinated.

Government is indispensable, because some agency must assume responsibility for the welfare and educational opportunities, for all of the people, and for the rational and coherent improvement of all of the territory, as for the common defense of those institutions against criminals, feudal reactionaries,

usurers, and foreign powers. The fragility of the mortal individual life, the limited responsibilities and capabilities of individual entrepreneurs, require that some durable institution be constituted, committed to these principles and purposes. Only in this way can the individual person be assured these natural rights, and the good provided by the living, safely delivered to the posterity yet to be born.

Out of such concerns, the Golden Renaissance crafted those conceptions of sovereign nation-state and national economy, from which we have derived every benefit which civilization has afforded mankind, during the five centuries since that time. If we were to allow the neo-feudal reactionaries behind today's supranational institutions to nullify the institution of the sovereign nation-state, we should all land in a Hell like that of Europe's Fourteenth-Century "New Dark Age" within the short- to medium-term.

The science-driver economy

During the last sixty years of the Nineteenth Century, Hamilton's "American System of political-economy" was well known, world-wide. For more than two decades, beginning with President Abraham Lincoln's administration, the U.S. economy was the most powerful, and technologically most advanced in the world. That success was based upon the American System, as taught by Hamilton, by Benjamin Franklin's political heir Mathew Carey, by the most powerful man in the Congress during his time, Henry Clay, by Clay's ally, former President John Quincy Adams, by the work of Friedrich List, and, most of all, the world-wide influence of Mathew Carey's famous son, Henry C. Carey.

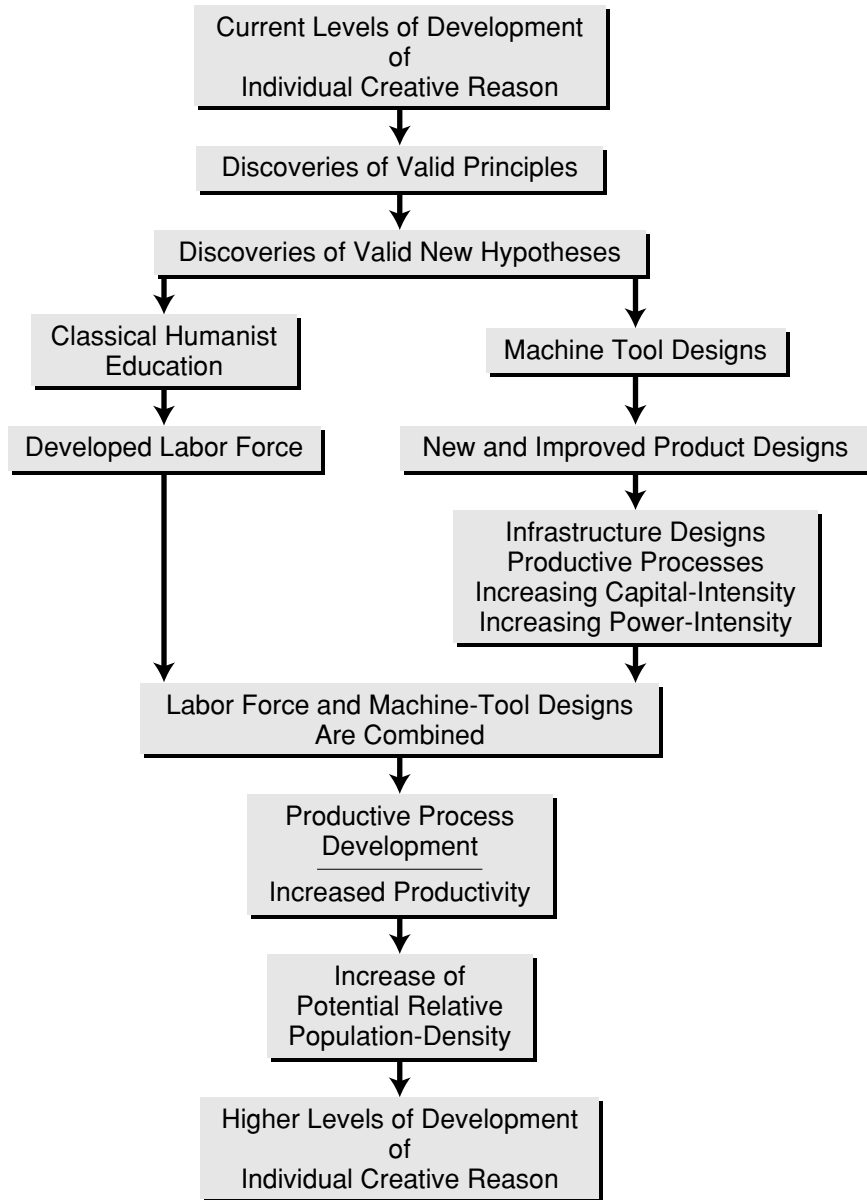
The rise of Germany to become the leading economy of the continent of Europe, was based directly on the American model and its successes. It was Carey who personally shaped Japan's rise to become a modern industrial power. The industrial development of Russia, under Tsar Alexander II and Count Sergei Witte, was based directly upon the American System model. The American System was known and taught in leading nations of Asia, and throughout the Americas. Everywhere it was used, the results were vastly superior to that of economies influenced by British economic liberalism.

During the Twentieth Century, for purely political reasons, the American System fell out of customary peace-time use, even in the United States. It was used only, either when actual war or the threat of war forced a general economic mobilization, or, was briefly, successfully revived in some degree, by President John F. Kennedy's space program. Yet, today, most professional economists and university students know nothing, or almost nothing about this American System.

Since we are considering that American System in the form my discoveries provide improved understanding of the reasons for its vast superiority over any rival, let us focus our attention on the kernel of the difference between the American System and the vastly inferior performance of the so-called British, or liberal economic doctrines. Turn now to **Figure 3: The Machine-Tool Principle**, or what is known otherwise as

FIGURE 3

How the Machine-Tool Principle is situated



the “science-driver” model of economy. Quickly consider the main historical highlights of how this came into being, and then trace through the steps represented by this figure, step by step.

The beginning of this model of economy dates from the year A.D. 1440, when the famous Nicolaus of Cusa published his book, which founded modern experimental science. Cusa’s principles were adopted by Luca Pacioli and Pacioli’s student and collaborator, Leonardo da Vinci. Johannes Kepler, in the introduction to his *Harmony of the Worlds*, credits Cusa, Pacioli, and Leonardo, as the principal sources

on which he relied for his scientific method. The scientific and technological discoveries of Leonardo, by themselves, amount to a general scientific and technological revolution.

The next major development along these lines, occurred in France, the organized science-driver program designed and directed by Minister Jean-Baptiste Colbert. This was the program which included the famous Christiaan Huyghens and, during the years 1672-1676, the Gottfried Leibniz who developed the original calculus, and also founded economic science, in Paris, while working with Colbert’s science-driver program.

The next major development occurred between the years 1792-1814, under the leadership of the French scientist famous as “the organizer of victory” against the combined force of the invading allied armies of France’s enemies, Lazare Carnot and his former teacher and collaborator Gaspard Monge. Both Carnot and Monge, like the majority of France’s Ecole Polytechnique, were followers of Leibniz in physical economy, and in issues of science generally. Carnot is of outstanding, original importance in science and in economics, in his pioneering the design and application of the modern machine-tool-design principle. Most of the branches of Nineteenth-Century developments in science, were introduced under the leadership of Carnot and Monge, in France, during the period 1794-1814, after which, beginning approximately 1826, world leadership in science quickly passed to Carnot’s and Monge’s collaborators and admirers in the Germany of Carl Gauss and Alexander von Humboldt.

The next major development in the history of the science-driver model of economy, was that begun under U.S. President Abraham Lincoln. The basis for this was the American System, as U.S. founders such as Benjamin Franklin and Alexander Hamilton had defined the principles of the American System. Later, beginning 1814, French military professionals and engineers earlier associated with Monge’s 1794-1814 Ecole Polytechnique, assisted the United States in developing West Point Military Academy under Commandant Sylvanus Thayer as the leading center of science and engineering in the Americas. A famous 1825 graduate of that West Point, who graduated at the top of his class,



Hydrology research in Mexico City. "This science-driver model is the normal form of a healthy modern, peacetime agro-industrial economy."

Benjamin Franklin's great-grandson Alexander Dallas Bache, became the direct liaison between the U.S. science community and Carl Gauss and Alexander von Humboldt in Germany. Meanwhile, during the 1830s, the German-American economist Friedrich List, returned from his collaboration with Philadelphia's Mathew Carey, to introduce the American System to Germany, and to organize the famous Customs Union, which became the first step toward the industrialized Germany which emerged, later, from 1876 onward.

When the U.S. went into Civil War, to defeat the British monarchy's puppet, the slave-owners' Confederacy, Lincoln carried the American System into action for his war-mobilization. Already, at the close of the Civil War, the United States had become the world's leading industrial power, the world's most powerful land army, with a naval power ready to be expanded, as was President Lincoln's intention, into defeating the British navy once and for all. It was in the United States, during the period 1861-1876, that the modern ma-

chine-tool principle of economy was fully established in the form which continued to be followed in all leading economies of the world throughout the Twentieth Century, until the "post-industrial" downturn introduced to the U.S. government in 1966.

One more leading historical fact must be noted. Since the 1901 assassination of U.S. President William McKinley, and McKinley's replacement by such admirers of the defeated slave-owners' Confederacy, as Mexico's enemies Teddy Roosevelt and Woodrow Wilson, during the entirety of the Twentieth Century, neither the United States, nor any nation of Europe has enjoyed an actual national profit except under conditions of preparing for war, conducting war, or as a spill-over from a space-program run like a war mobilization.

In the U.S. case, at the end of World War I, the Wilson administration plunged the U.S. economy into a deep depression. The same thing occurred under President Truman, during the years 1946-1948. Only the mobilization for potential nuclear and other war against the Soviet Union, prompted the Truman administration, in late 1948 and early 1949, to reverse the most extreme features of its ruinous monetarist policy, and launch an industrial re-expansion. Virtually all of the leading additions to technology during the 1970s and 1980s, were spill-overs of technologies developed under that U.S. aerospace "crash program" which the U.S. began to bring toward a halt in 1966.

Now, under the influence of the anti-technology, "post-industrial" utopianism which has been introduced over the recent thirty years, the world's current, short-term financial obligations, including so-called "off balance sheet" accounts, especially in the form of pure casino gambling called "derivatives," have risen to an unpayable amount, several times the combined Gross Domestic Product of all nations of the world. Today, with a qualified exception for the case of China, the world's financial and monetary system is hopelessly bankrupt, and rumbling like a volcano, ready to explode into a new series of collapses which will represent, inevitably, the most devastating financial collapse in history.

It is time for the world to return to the American system, as Figure 3 outlines it here. It will not be necessary to plan a war to bring back this science-driver model of economy. For reasons I shall now indicate, this science-driver model is the normal form of a healthy modern, peacetime agro-industrial economy.

Start at the top of the chart, and work our way down.

At any time, the accumulated discoveries of experimentally verified principle, in science, Classical art-forms, language, and studies of history, represent the basis for the potential level of productivity, and wealth, which can be reached by the population of that nation. Each of these principles is one whose original discovery can be reenacted in the mind of a student, in the same way a scientific principle's discovery is reenacted and supplied with experimental validation in a well-developed secondary and university educational pro-

gram. This accumulation of knowledge can be thought of as representing an expandable manifold in the sense of Bernhard Riemann's 1854 habilitation dissertation. To the degree to which that knowledge is being maintained within the population of a nation, that knowledge represents what I have identified on this chart as "Current Levels of Development of Individual Creative Reason."

The nation, and the world may add to those "Current Levels," additional, new, validated discoveries of principle, by the same experimental-scientific method which has succeeded in the past: through the stimulation of the developed cognitive powers of the individual human mind. These added discoveries lead to, not only new principles, new dimensions of a Riemannian manifold; in the effort to integrate these new discoveries with former knowledge, we develop, and also validate, new ways of looking at both nature and society. This, I have designated as "Discoveries of Valid New Hypotheses," using the term "hypothesis" in the way it was originally defined by Plato, and as "hypothesis" is used by Riemann.

This process represents the store of knowledge being supplied to the nation's educational system. Thus, I have included all the elements I have just defined, including a nation's educational system, within the area of the dotted line on this chart. Call this area, the educational-science system. This is the system which produces the nation's developed labor-force.

Now turn to the right-hand column in this chart; we come now to the matter of machine-tool designs.

Now, imagine that we believe we have solved a crucial scientific paradox. We believe, that we have discovered a new principle of nature. We must test that discovery. For this purpose, we must design an experiment. We must show that this principle, which we think we have discovered, actually operates in a number of places, in nature, where we should expect it to operate, if it is valid. Let us suppose we think we have proven that discovery experimentally. Often, we must make a new experimental design, based upon the problems which the previous experiments have forced to our attention. Imagine that we improve the design of the experiment several times over, in this way. Ultimately, if our discovery is valid, and if we work very well, we will end up with a refined design for the experimental demonstration of that principle. The principle is now ready to be taken out the laboratory, and put to work.

The next step, is to present this refined design of experiment to those engaged in producing designs for machine-tools, and also designs for new kinds of other products. Call this the "machine-tool design" sector of the machine-tool industry. Think of mechanical machine-tool designs, but also think of chemical and other processes which have the same function in production as the conventional machine tool. The result of any discovery of principle, when treated in this way, is a large family of new, improved products and improved techniques of production.

Now, combine the improved machine-tool designs with

the educated labor-force. The labor-force educated in the way we have outlined, will readily learn the principle embedded in these new machine-tool designs. That labor-force's understanding of these principles will enable us to succeed in production using the new product-designs and techniques.

Thus, we must consider two general factors determining the overall growth of national productivity under these conditions. First, we are limited by the percentile of the labor-force which has the quality of educational development matching the new technologies. Second, the rate at which qualified labor can increase its productivity through technological progress, is limited by the rate at which investment in such progress is flowing into not only agriculture and manufacturing, but also improvements in such basic economic infrastructure as land management, water management, power supplies, transportation, and the special needs of the urban environment.

Given a commitment to high rates of investment in technological progress, the rate of progress will be determined by the rate at which new discoveries are being developed. This rate of progress is limited by the size of the ratio of people employed in research and development, including the machine-tool sector, relative to the total employed labor-force; the lower that ratio, the lower the potential growth of productivity. Similarly, the higher the percentile of the labor-force left unemployed, or employed in the general service, clerical, and popular entertainment sectors, the lower the rate of productivity. This rate of progress is also limited by the structure of social life in the family household and in the population generally.

This describes the essential features of the science-driver model of modern economy.

This brings us back to the definition of the fundamental difference between human beings and great apes. Focus upon the structure of life within the family household, and the population generally. Define these structures from the standpoint of the model we have just outlined.

First, the quality of education. Is the education of a textbook form, or a Classical humanist form? The science-driver model requires, that general education at all levels, be based upon the Classical-humanist form of the student's reliving the mental act of the original discovery of principle, whether in science, or in art, or in study of history and pre-history.

The cheaper methods of education are those which Friedrich Schiller condemned as designed for what he termed, in German, the *Brotgelehrte*, a term which I think is best translated as referring to education designed for people training to sing to earn their supper, not for the benefit of the music. It is important that students be motivated by a passion for finding truth, instead of material rewards for replying to questions with the approved textbook answer. This passion for truth is cultivated by the student's actually reliving the mental experience of the original discovery of principle. Teachers must be

educated and otherwise qualified to use those methods of pedagogy in designing lesson-plans. Class sizes must not be so large, as to prevent the individual student's participation in the process within the classroom.

Second, the number of years devoted to education, and the percentiles of the student-age population who are enabled to remain in studies to complete such programs at each successively higher level.

Third, the rate of discovery occurring in the programs in the overlap of universities with research programs and institutions.

Fourth, the ratio of production of qualified professionals in science, Classical art-forms, language, and history, to total labor-force.

Fifth (and, also first), the cognitive quality of life in the family household, both for pre-school-age children, and during school and university years. The family household should be seen as a most important part of the total educational process. The exchange of ideas about matters of principle, about discoveries, in the family social setting, fosters achievement within the formal educational programs. Similarly, the quality of leisure activities outside the home, has a similar effect upon the potential productivity of the population.

When these considerations are taken into account, it is clear that any healthy form of modern economy is "dirigistic," in the sense that term is applied to the tradition of France's Jean-Baptiste Colbert. In fact, a "free trade" system, such as that of the British East India Company's Adam Smith, Jeremy Bentham, or the contemporary liberal economists, is also "dirigistic," if in the opposing direction.

The governing principle of any economy modelled upon the American System, is, as Treasury Secretary Hamilton wrote: to foster the increase of the (physical-economic) productive powers of labor through fostering the development of basic economic infrastructure and investment in scientific and technological progress in the production and physical distribution of goods. The design of the system of public credit, national currency, and national banking, in Hamilton's famous three reports to the Congress, is to shape the financial and monetary processes of the national economy to foster such increase in the productive powers of labor. Thus, credit, money, and banking must be controlled to the degree necessary to direct the financial and monetary processes into serving the national interest of fostering the increase of the productive powers of labor.

The French Physiocrats' *laissez-faire* dogma was just as dirigist as the Colbert whose memory these Physiocrats hated. Colbert's purpose, like Hamilton's, was to foster increase of the productive powers of labor through scientific and technological progress in infrastructure, agriculture, and manufactures; the Physiocrats', who represented the feudal tradition of the Fronde, was to weaken the national economy's development, in favor of the hereditary power of the system of serfdom under the feudal land-owning aristocracy. Adam

Smith, who copied most of his economic theory from the previous work of Physiocrats such as Quesnay and Turgot, differed from the Physiocrats on one crucial point: Smith, as a hired agent of Lord Shelburne's British East India Company and Barings bank, represented a different variety of feudal interest, that of the Venetian-style financier-oligarchy which ruled the Netherlands and England. Smith and other liberal economists have always designed the system of credit, money, and banking just as dirigistically as Colbert and Hamilton, but for the opposite purpose: to serve the private interests of the financier oligarchy to the disadvantage of the modern nation-state republic and its citizens.

When the liberal economists, such as the neo-feudalist Mont Pelerin Society, or the Wharton School, speak of "freedom," they are speaking of the freedom of the financial parasite from the control of its host, and victim, the modern nation-state economy. We opponents of both forms of feudalism, of both landed aristocracy and financier oligarchy, design the laws to defend the interest of the freedom of all of the individual citizens, present and future, against oppression by both relics of feudalism. The strike of the U.S. Teamsters' union against the looting of employees by the ultra-conservative present ownership and management of United Parcel Service, is one more example of this continuing struggle of patriots of the nation-states to free the citizens from the parasitical practices of such relics of feudalism.

In conclusion, I summarize the kernel of my own personal contribution to Leibniz's science of physical economy.

Science: Man studies himself

According to the false, but influential teachings of the so-called hesychasts, such as Aristotle and the Stoics, knowledge is achieved by contemplating the universe. So, they, who call themselves "the observers," insist, by definition, that they are a strange, non-existent species, standing upon a non-existent platform outside the universe. This is sometimes called oriental mysticism; it is also known among non-religious, secular mystics, by the awesome name of "scientific objectivity." A study of physical economy requires us to reject such aberrant, if popular notions of "contemplation" and "objectivity," as worse than useless. On the presumption that people in the real world might disregard the opinions of those who insist that they themselves do not exist: Look at man, as I have described the pre-history and history of the human species' relationship to the universe as a whole.

Through discoveries of principle, a power unique to the human individual, mankind has accomplished what no animal species could do. We have increased our species' power, per capita, over the universe. We, as a species, thus change our relationship to the universe, and also change the totality of relations within the universe. Thus, when we prove a discovered principle to be efficient in this way, we find that the universe submits to our will, and on our behalf, as if it were designed to be our servant. But, it obeys us only when our

commands are based upon principles which we discover to be efficient. Thus, when we observe any part of the universe, we are observing ourselves: the so-called “objective observer” is a contradiction in terms.

This is not a hit-or-miss process.

The location of our ability to make such validatable discoveries is known, and is unique. It is the sovereign cognitive powers of the individual personality. That agency, within the individual, is the distinction which sets mankind apart from, and above the animals; that agency, whose existence is denied by the empiricists and Immanuel Kant, is the only agency through which human knowledge is acquired, the only agency through which mankind’s per-capita power in the universe is increased.

This agency is, contrary to Kant, an intelligible existence. This is demonstrated, for example, by the replicatable nature of the reenactment of valid original discoveries, as by students in a Classical-humanist form of educational program. The rules by which success is achieved, are well-known among those familiar with the repeated successes of such reenactments. If we follow those known rules, we can be pressured of net success. There is nothing inherently random in this process.

When we examine more closely the problem of technological attrition in physical-economy, we recognize, that without the continuing intervention of this creative cognitive process, in discovering new principles and developing their application, all economies would be inherently entropic in physical-economic terms; a sustainable physical-economic profit for national economies would be impossible.

Once we take into account the physical-economic notions of “energy of the system” and “free energy,” there could never have been net growth, or sustainable profitability in any physical-economic process, but for a source of anti-entropy in the working of the internal processes of the economy. There is but one source of such anti-entropy: the creative productivity unique to the sovereign cognitive processes of the individual personality. It is the development and realization of that cognitive potential, which is the determining variable in national economy’s performance.

The efficient feature of the human individual’s, and the human species’ relationship to the universe at large is located solely in the development and realization of those sovereign cognitive potentials of the individual personality. Thus, in any scientific study of the universe, our ability to know that universe relies upon the same principles of individual cognition which are the sole active feature of man’s power to change the ordering of relations within the physical universe at large. In studying the universe, the power of individual cognition is studying its own action in an entirely self-reflexive way.

This shows us, that science is nothing other than discovering, through aid of experimental validation, those methods of thinking which have shown their anti-entropic

expression in terms of man’s increase of his per-capita power in the universe. Thus, what we discover, by means of this critical insight into the relative successes and failures of our cognitive processes, is a reflection of the universe’s “pre-designed” proneness to submit itself to the will of human creative cognition.

At that instant, we can not escape the thought, that what we are forced to recognize in this way, is what ought to be understood as the message of *Genesis* 1:26-28: man and woman, made in the image of the Creator, and equipped in that way, to exert dominion within the totality of this universal creation.

Where mere animals know one another only through sentient biological relations in current time, we human beings are enabled to know those moments of creative discovery of principle which occurred in the minds of original discoverers deceased centuries, or even millennia before we were born. The most intimate thoughts we may share with our contemporaries, are shared as we share the thoughts of discoverers long deceased, by re-creating the mental experience of discovery, each within our own sovereign cognitive processes. The most profound, the most meaningful and efficient social relations among human beings are defined in terms of such ideas. We live, thus, within the realm of the simultaneity of eternity, the simultaneity of the efficiency and replicability of those ideas which occur as genuine, valid discoveries of principle.

The efficient society, the efficient economy, is one which orders its affairs according to this principle. The good society, is one which provides its newborn future citizen the opportunity to become a personality within the simultaneity of eternity. The fundamental law ruling each and all nations and their relations with one another, ought to become the recognition of this principle, the principle that the true, self-governing purpose of any good society is a development of the individual personality consistent with this conception of the efficient place of the human individual within such a simultaneity of a universal eternity.

Unless we change our ways, to take at least a significant step of change in that direction, I can assure you, that within no more than a few years, most of this planet will have collapsed into a new planetary dark age, perhaps of two or more generations’ duration. Thus, I think, from studying the evidence of dead cultures and fallen once-mighty empires, does the universe purge itself of those forms of culture which lack the moral fitness to survive. Democracy is clearly misguided on this point. The issue is not whether the rightness of ideas to survive depends upon their popularity. The issue is, that if such popular opinion fails to respond to the right choice of ideas, then, it were likely, that the culture which produces such popular opinion will, at its moments of most dangerous crisis, soon cease to pollute the universe. We have come to a time, when that is the only sane way in which to situate our deliberations.

The 'LaRouche Effect' takes Mexico by storm

by Valerie Rush

Lyndon LaRouche's one-worldist enemies are undoubtedly kicking themselves for their panicked mishandling of his planned visit to Mexico, on Sept. 18-25. The flood of protests at the trip's forced cancellation, the near-daily coverage of LaRouche's views in the press (see *Documentation*), and the unprecedented interest in his economic policy proposals, all confirm that the "LaRouche Effect" has taken hold in Mexico.

The renowned U.S. statesman and economist had been invited to give a series of conferences in Mexico's three largest cities that week, but was forced to cancel his visit when enemies inside the government, linked to former Mexican President Carlos Salinas and his U.S. partner in crime, George Bush, first tried to deny him a visa, and, failing that, managed to cancel the federal security supervision of his trip that had already been informally agreed upon. They did this despite supportive actions that had been taken on LaRouche's behalf by the Office of the Presidency of Mexico. As LaRouche pointed out, "Since I have a lot of enemies loose in the drug world, in that part of the world and elsewhere, that just nullified the trip."

However, the conferences went ahead, with minimal modifications, involving either presentations in LaRouche's name by his representative Dennis Small, or live telephone hook-ups with LaRouche himself. Over the course of the week, over 1,000 people attended the LaRouche events—about 700 of them university students. In one instance after another, attendance at the events was at the level of original expectations, with many asking why LaRouche's ideas strike such fear into his enemies that they would risk exposure to sabotage them. LaRouche's answer was simple: "The International Monetary Fund has a virtual dictatorship over Mexico."

That dictatorship is, however, crumbling at the edges, as is the global financial and monetary system it represents.

LaRouche's policy alternative, which so terrifies his enemies, offers sanity in the midst of spreading financial chaos, and, most importantly, a rallying point for the IMF's many victims—in Mexico and around the world. LaRouche's Mexican friends announced that they were immediately launching a campaign to bring LaRouche to Mexico shortly, with the necessary security guarantees. A letter-writing campaign has been launched, urging President Zedillo to take action to ensure this.

Fight for a New Bretton Woods

As LaRouche summed it up in his Sept. 22 Mexico City address, "Under no circumstances is it possible, that the present international financial and monetary system can live out much longer than the few months ahead. The IMF system is absolutely doomed; nothing can save it. Unless we eliminate this system and replace it with an appropriate system, the whole world will go into chaos. Unless the United States, especially its President, takes certain actions in the immediate period ahead, the entire world will inevitably go into a new dark age for several generations to come.

"What I'm proposing is that the United States government at the present, and other nations, join to create what may be called a New Bretton Woods agreement, which would use as its model the successful phase of the Bretton Woods agreement up until 1959: a gold reserve fixed-parity system, all kinds of protectionist measures to protect the development of economies, regulation of foreign exchange . . . in order to facilitate long-term agreements on trade and loans in the international market. The important thing is that this arrangement must write off most of the unpayable speculative debt, which has been built up over the past 30 years."

LaRouche repeated that the United States and its President

are key to convoking this New Bretton Woods, but that they cannot act alone. "In this situation, the republics of Mexico and of Brazil, as the two largest republics of Ibero-America, are of crucial importance to the United States." Asked how a developing sector country like Mexico can contribute to the fight, LaRouche stated, "We are now in a condition where a revolution must be made, to win back sovereignty for nation-states. We must make the revolution to bring back sovereignty, and then we can have a rational approach to policy."

Even as LaRouche was urging Mexicans to defeat the IMF's dictatorship and restore national sovereignty, the leading agent of the international financial elites in Mexico, Finance Minister Guillermo Ortiz, was at that institution's annual meeting in Hongkong to advise the government of Thailand on how to bend still lower to the IMF. Said Ortiz, "It's important not to try to minimize the state of affairs. [Mexican President Ernesto] Zedillo was very quick in telling the people . . . that strong measures would be needed to redress the situation."

Those "strong measures," taken in 1995 and 1996, delivered over to the international financial elites whatever remnants of national banking still existed in Mexico, and along with them the last vestiges of Mexican national sovereignty.

'Conspiring' against usury

LaRouche drew hundreds of students to his university forums in the cities of Guadalajara and Monterrey, and hundreds more — including businessmen, students, priests, politicians, and journalists — to the event in Mexico City. (See *Feature*, p. 28, for the text of his speech in Guadalajara.) Several private seminars drew high-level figures from various of Mexico's political parties, where the question of the day was, how can Mexicans defend themselves from the depredations of the IMF? LaRouche said that Mexicans must fight a "rear-guard battle," that will enable them to survive the present period, but that the international changes so desperately needed will require a coalition of nations — a "conspiracy," if you will — in which Mexico will need to play a role.

In his Mexico City address, LaRouche reviewed the history of his own collaboration with Mexico, dating back to his 1982 meeting with then-President José López Portillo, in the midst of the global debt blowout: "It was my knowledge at the time, that the New York and British crowd aimed to destroy Mexico, beginning no later than September 1982. In the context of our joint resistance against the Malvinas aggression by the British, discussions among various nations, including Mexican elites, were conducted, with a view to finding an alternative to this threat to Mexico and other countries. In that context, I wrote a paper called 'Operation Juárez,' which was a title I chose to emphasize Lincoln's opposition to the British and French invasion and occupation of Mexico. And that we had to do the same again.

"I must say, we tried. President López Portillo of Mexico, with initial support from the President of Brazil and the Presi-

dent of the junta of Argentina, were committed to supporting certain measures to be taken by Mexico to defend itself. Terrible threats were made against all of these countries, especially by Henry Kissinger, who was the message-carrier. Under these pressures, the President of Brazil, and then the Argentine junta, abandoned the President of Mexico.

"But it was a true crisis, a precedent for what is happening right now. For a period of about two hours, in the midst of the Mexico debt crisis, the entire world financial system was on the edge of an explosion. The fear that struck the international financial circles was beyond belief. And then, of course, as we all know, in October of that year, Mexico was isolated, and then crushed. And all the great dreams and patriotic ambitions of Mexican patriots from 1982, have been slowly destroyed inch by inch, and sometimes yard by yard, over the intervening years."

And yet, argues LaRouche, the very nature of the current crisis in international finance means that the opportunity to forge a rational alternative to the usury-based system of the IMF has never been greater. LaRouche reminded one questioner that "up to the middle of July of 1794, the dictatorship in France of Robespierre and Saint-Just, was cutting off everybody's heads. It believed up until the last moment that it was invincible. Then it lost its head. That is the situation of the world today." Therefore, concluded LaRouche, "although

'We are planning the liberation of Mexico'

Lyndon LaRouche made the following comments in a discussion by telephone with participants at an EIR conference in Mexico City on Sept. 22:

To do something like what I'm proposing, is like declaring war; it's like World War III or World War IV, against the British Commonwealth and what it represents. And what you, of course, do, in these circumstances, is wait for the moment of action. But you must prepare your forces for the moment of action. Just like the Schlieffen Plan that was devised for Germany.

What we are doing today in Mexico City, with me sitting in the United States, is discussing a plan of action, back to war, whose included objective is the liberation of Mexico from occupation forces. And I'm very optimistic, because there is no alternative to being optimistic. Since we can win, we must mobilize our passions to ensure that we do. Not merely our passions, of course, but also our intellect. We can win, and we must win.

Mexico is in much worse condition today than it was in 1982, because of the nature of history, Mexico is much more important, strategically and globally, than it was in 1982. I wish that the patriots of Mexico would understand this, and not just Mexico's enemies."

A fight for the future

LaRouche's intervention into Mexico comes at a crucial juncture, in which leading national institutions—the Presidency, the Armed Forces, the ruling PRI party—are being targeted for destruction. Jacobin forces committed to dismantling the nation-state itself and selling off its assets to the highest bidder, are parading through the streets of Mexico and on the floor of Congress. And while these forces have not succeeded in recruiting a majority of Mexicans to their side, they have helped to sow a certain cultural pessimism within the population.

Said LaRouche, in his Mexico City address: "The thing which worries me most in Mexico, is the loss of confidence in the future among the Mexican people. If the Mexican people have confidence in the future, if they think that wrong policies can be changed, that it is possible for the sovereign government of Mexico to make decisions and make things better, then we have the forces which are ready to fight and which can win. . . . My concern right now, is to help Mexicans recover their sense of confidence in what they can do in their future. The most dangerous thing is if a country has given up the will to fight, before the war is actually joined."

That the will to fight is by no means lost in Mexico, is indicated by the scores of letters to President Zedillo, and the hundreds of signatures that have been gathered for telegrams of protest over the sabotage of LaRouche's visit. As one trade unionist told LaRouche during a Guadalajara telephone conference, "If you are serious about coming to Mexico, we are going to get you here. We will do it."

Documentation

Mexico's media cover LaRouche

The following are excerpts from Mexican press coverage of Lyndon LaRouche's recent presentations, by proxy, in that country.

Excelsior, by Eduardo Chimely. Sept. 19. Headline: "Civilization Today Headed For New Dark Age"; "Bankrupt Financial Order Is Maintained through Austerity, says L. LaRouche":

"Guadalajara, Jalisco, Sept. 18—The entire planet is today trapped in a huge financial, monetary and economic crisis, the worst in the history of human civilization, U.S. economist and former U.S. Presidential candidate from 1976 Lyndon LaRouche stated today.

"He compared the current crisis with that of the Fourteenth Century 'dark age,' whose economic collapse reduced the population of Europe by half.

"LaRouche could not be physically present at the Second Congress on Foreign Trade, organized by the Guadalajara campus of the Technological Institute of Advanced Studies of Monterrey, 'because he was not granted adequate security,' it is reported, and he thus sent his personal representative Dennis Small, who read LaRouche's 18-page speech.

"Through his envoy, LaRouche stressed to the 500 in attendance: 'The important thing is not to know exactly when a crisis will hit, but whether the direction of changes among these ratios, is bringing the world to the edge of what we term, in physics, a "boundary state," into what has been termed by some economists . . . a "general breakdown crisis."'

"In his speech, 'An Alternative to Neo-Liberalism,' LaRouche indicated that the world's short-term debt is now more than several times the total annual net output of all of the world's economies combined.

"'This means,' he said, 'that the world's financial system as a whole is now hopelessly bankrupt.'

"He spoke of 'savagely austerity, whose purpose has been to loot the physical economies of nations, in order to maintain the debt-spiral upon which the fictitious capital values of a cancerously expanded financial speculation has depended.' He said that 'the only way in which such a collapse of civilization could be prevented, would be the adoption of the kind of anti-liberal economic system upon which . . . the United States was founded, and Germany and Japan reconstructed.'

"He explained that, 'During the Twentieth Century, for purely political reasons, the American System fell out of customary peace-time use, even in the United States, and was used only . . . in time of war.' Finally, he forecast: 'Unless we change our ways, most of our planet will collapse into a new planetary dark age, perhaps of two or more generations' duration.'

El Occidental, Guadalajara, Sept. 19. Headline: "Speculation, Main Source of U.S. Profits":

The article cites LaRouche's Guadalajara presentation, delivered by Dennis Small, on the dramatic international growth of speculation, and quotes LaRouche's assertion that the 1994 collapse of the Mexican economy was the result, "not of circumstances, but of the rupture of an international speculative bubble known as 'financial derivatives.'"

The article reviews LaRouche's elaboration of so-called "bankers' arithmetic": "In 1980, the official foreign debt of

Ibero-America was \$259 billion. Over the next 16 years, through 1996, different countries paid \$488 billion in interest payments alone, and in the end, their debt had risen to \$657 billion.”

Ocho Columnas, by Ivonee Aguirre, Sept. 19. Headline: “II Congress on Foreign Trade: Speculators Reign on Exchange Markets”:

“99.8% of world currency trading today is speculative, and only 0.2% is applied to investment projects and marketing. According to economist Dennis Small, the credits that make up the foreign debt of countries have the same fate.

“He said that approximately \$100 trillion a year is moved on the speculative market, a figure that grows annually by 59%. Interviewed following his presentation to the Second Congress on Foreign Trade, Small stated that the international financial system is held together with safety pins and will soon collapse. . . . He said Mexico is not exempt from this, since it is vulnerable, as are the majority of Third World countries. . . . The value of the physical economy continues to collapse, and the ratio between the monetary and financial aspect, which is growing out of control, and the physical aspect which is not growing adequately, bodes ill for the future, he stressed.

“The main cause of this cancer, threatening all the world economies, he said, is the inadequate channeling of credit, since instead of allocating it to its proper purpose, which is development, production, or investment projects, it is directed into speculative activities.

“Small spoke of the joint participation of all nations in forming a new international financial system, to have real economic development and maintain growing populations. ‘The current system, which only defends cancerous usury on an international level, should be eliminated,’ he said.

“What is needed, he warned, are fixed and stable parities, and that credit be oriented toward productive activity. National banks belonging to the state of each country should also be established, to channel credit to great international reconstruction projects that can encourage technology, and scientific research and development.

“The economist said that for the world to move in that direction, there are two countries that play a decisive role: the United States and China. One because it is the most powerful economy in the world, and the other because it is where the majority of humanity lives.

“If these factors are not taken into account, said Small, the consequence could soon be the disappearance of some economies and of world banking.”

Excélsior, by Eduardo Chimely, Sept. 20. Headline: “Growing Speculative Wave on the Markets: D. Small; Collapse of International Financial System a Fact”:

“Guadalajara, Jalisco, Sept. 19—The world foreign debt and the growing wave of speculation on the financial markets



Mexico’s President José López Portillo, who undertook measures to defend the nation against the International Monetary Fund shortly after meeting with Lyndon LaRouche in 1982. Although these efforts were defeated then, “because of the nature of history, Mexico is much more important, strategically and globally, than it was in 1982. I wish that the patriots of Mexico would understand this, and not just Mexico’s enemies,” said LaRouche.

will sooner or later cause the collapse of the international monetary system, stated U.S. economist Dennis Small today. As a result of usurious practices, Latin America ‘has paid two and three times its foreign debt, only in interest,’ since the International Monetary Fund (IMF) acts as a financial police to assure those payments, he said.

“Small explained that Lyndon LaRouche sent him to this city as his representative, to participate in the Second Congress on Foreign Trade. . . . LaRouche couldn’t come, since ‘conditions of security and protection for him did not exist.’ Some day he will come and will explain to Mexicans the links between former President Carlos Salinas and the IMF, the latter described as a ‘world financial cancer,’ he added.

“The economist, accompanied by Ibero-American Solidarity Organization [sic, Movement] president Marivilia Carrasco, noted that U.S. President George Bush, an intimate friend of Salinas de Gortari, fabricated charges against LaRouche for having clearly elaborated the IMF’s criminal operations. . . .”

El Financiero, Sept. 22. Advertisement:

“Lyndon LaRouche in Mexico.

“A Telephone Conference: Toward a New Bretton Woods. An Alternative to Neo-Liberalism. The presentations Lyndon LaRouche was to have personally given in Mexico City, Guadalajara, and Monterrey, will be given via telephone. LaRouche suspended his visit to Mexico because elements of the Government Ministry refused him the necessary support for his physical security. LaRouche, author of the LaRouche-Riemann model, a new method for the development of the physical economy as an alternative to the disaster of neo-liberalism, is also author of a proposal for the bankruptcy reorganization of the current financial and monetary system, and for the founding of a new one that would prohibit usury and would establish new policies for the development of nations. This is most urgent in view of the ongoing disintegration of the IMF system.

“His proposal for a New Bretton Woods is supported by thousands of personalities throughout the world, who have signed an Open Letter to United States President William Clinton. Leading among these are the former Presidents José López Portillo of Mexico, João Baptista Figueredo of Brazil, and Godfrey Binaisa of Uganda.”

Excélsior, by José Neme Salum, Part I. Sept. 22. Headline: “Mexico of the 21st Century”:

In his widely read weekly column, Neme argues that the Congress and Executive of Mexico must reject the IMF’s demand for “a second wave of reforms,” because such “reforms” would mean that there is “no escape from the new feudal order.” Instead, Mexicans of all walks of life are now fighting for a return to scientific and technological development, as the centerpiece of national culture, and as the right of every Mexican. This is what Mexico needs, says Neme, not the “racist” Zapatistas and the crowd associated with corrupt former President Carlos Salinas, who seek with their “Hitlerian mentality” to declare by law that some Mexicans, such as Indians, “are different, some other species or sub-species.”

Neme defines LaRouche as an ally in the battle to free Mexico from the dictatorship of the IMF, and cites his Guadalajara speech, where LaRouche says:

“We must make Mexico as powerful economically, per capita and in the living conditions of its inhabitants, as the United States.” Neme notes that LaRouche was unable to be physically present in Mexico because of “the servility of the authorities to the interests of the IMF and the drug trade, and to the usurious international oligarchy which controls both.”

Writes Neme, “It is understandable that those dedicated to justifying and facilitating the looting and sacrifice of Mexicans to ‘meet their international financial commitments,’ would panic at the presence in this country of someone who supports the idea” of making Mexico as economi-

cally powerful as the United States.

Neme quotes at length from LaRouche’s Guadalajara speech on the need to rebuild the economy, based on low-interest credit directed to productive activity and infrastructure development projects.

Neme concludes citing LaRouche’s definition of the enemy:

“LaRouche stressed that when liberal economists—like those of the neo-feudal Mont Pelerin Society or of the Wharton School—speak of ‘freedom,’ they refer to freedom of the financial parasites to be beyond the control of their host and victim: the economy of the modern nation-state. Says LaRouche, ‘We, who oppose the two forms of feudalism, both the landed aristocracy and the financial oligarchy, design laws to defend the freedoms of all individual citizens, present and future, against the oppression of both relics of feudalism.’ ”

Internet fraud alert!

This is to alert our readers, who may also visit the Internet, that, on or about Sept. 19, 1997, an article appeared on certain electronic news groups, which purported to be by authors associated with *EIR*, under the title “Martin Zweig’s Middle East Connections.” This article is *in no way* associated with *Executive Intelligence Review*, or any of the organizations or publications associated with the international political movement of Lyndon H. LaRouche, Jr.

The putative authors of this article have no connection whatsoever with *EIR*, being, in fact, unknown to *EIR*. The article itself in no way, either in spirit or in substance, reflects the political, investigative, or editorial outlook of *EIR* or its sister publications. This is criminal fraud of the most sinister type. The authors of this hoax and fraud will be pursued and prosecuted with every legal means available.

So far, *EIR*’s efforts to track this down have gotten little response, although one attempt to trace the article led to a site located on the Isle of Man, an offshore haven which advertises itself as a “self-governing territory of the [British] Crown.”

If any of you, our readers, have any information regarding this article, or others suspiciously similar to it, please contact *EIR* at one of the following:

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Or call (703) 777-9451.

Or write: *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

Congo's dictator Laurent Kabila is sitting on a time-bomb

by Linda de Hoyos

As of Sept. 26, the United Nations investigating team into the massacres of Rwandan and Burundian refugees in eastern Zaire over the months of October 1996 through May 17, 1997, has been sitting in Kinshasa for more than a month, unable to proceed with its work. While the United Nations, led by Secretary General Kofi Annan and U.S. Ambassador to the UN Bill Richardson, has bent over backwards to organize a team acceptable to the Democratic Republic of Congo President Laurent Kabila, the investigation is now snagged on the team's insistence that it visit the western port city of Mbandaka, where Rwandan refugees were reportedly slaughtered on May 14; the Kabila government says the team must restrict its work to eastern Zaire.

UN Secretary General Kofi Annan has so far not granted the UN team authorization to leave Congo, but time is running out. The United States, now followed by Belgium and other members of the European Community which had earlier declared their desire to aid the Kabila government, has made any aid to the Congo government contingent on the UN investigating team's unhampered ability to carry out its work.

There are good reasons for patience, however, for those who want to avert renewed war in Congo.

The London *Times* of Sept. 21, already assuming that any UN probe will be called off, threatened that unless Kabila is given aid, willy-nilly of the UN investigating team, the country will disintegrate. "The dilemma facing the West is whether to turn a blind eye to the murder of refugees and give aid to Kabila, or stick to principles it did not show when for decades it gave uncritical support to Mobutu, who was propped up as a bastion against communism. Denying such aid could intensify popular discontent and even bring military rebellion, leading to the destabilization of the heart of Africa."

In reality, the London *Times* is covering up the major determining factor in the situation: The Democratic Republic of Congo is an occupied country. There are today in Congo up to 15,000 foreign troops from Uganda, Rwanda, and Burundi, with another 1,000 from Eritrea, which constitute an army of occupation. These troops are deployed as follows: 5,000 in the mineral-rich southeastern province of Shaba; 5,000 in Kinshasa; and the rest in Kisangani and in the eastern provinces of Kivu.

The London-organized combine of Ugandan-Rwandan-Burundian troops that brought Laurent Kabila to power, does

not intend to leave. Thus, Kabila, who was brought in by Ugandan dictator Yoweri Museveni in November 1996 to serve as the nominal head of the Alliance of Democratic Forces for the Liberation of Zaire, finds himself between a rock and a hard place.

The London-sponsored foreign force carried out the majority of massacres of the Rwandan and Burundian Hutu refugees, as Rwandan Defense Minister and Vice President Paul Kagame admitted to the *Washington Post's* John Pomfret on July 9. Kagame declared that the first goal of the Rwandan invasion of Zaire was "to dismantle the camps." The massacre of the refugees was an integral part of the invaders' military plan. Up to 500,000 refugees, out of a total of 1.4 million in Zaire in October 1996, have been killed by the Rwandan-Ugandan forces; it is estimated that 85% of the highly publicized Rwandan Hutu militias have been killed.

Now, Kabila is saddled with this invasion force, which constitutes the major pressure to prevent any UN investigation.

On the other side, Kabila faces the Congolese people, who may have hated the late President Mobutu Sese Seko, but are becoming increasingly angry at the prospect that they traded Mobutu only to be ruled by a foreign Tutsi minority. Not only the Congolese general population, but the anti-Mobutu opposition parties, and numbers of Congolese within the Kabila cabinet, are demanding that Kabila rid Congo of the foreign troops.

On Sept. 7, Kabila travelled to the Rwandan capital of Kigali to meet Defense Minister Kagame and request the withdrawal of Rwandan troops from Congo. The reply was immediate. The governor of the Rwandan province of Ruhengeri called for tighter security along the border with Congo, and the Rwandan military was amassed along the border at Gisenyi-Goma.

Despite the total destruction of Congo's national sovereignty and Kabila's proven impotence to send the foreign troops back home, the international community is pretending that Kabila has control over his government and country. Not one peep has been uttered so far from any governments, to the effect that the foreign occupation force must leave Congo. To the contrary, the Tutsi force is regarded by London and other oligarchical centers as the trusted mercenary protectors of the British Commonwealth mining companies that fol-

lowed in the wake of the Rwandan-Ugandan-Kabila march across Zaire.

Atrocities continue

Meanwhile, the Congolese people continue to suffer the horrors of an undeclared war inside their country.

Within Congo, all political activity has been banned. According to the Sept. 18 *Christian Science Monitor*, more than 60 former ministers, bank directors, and businessmen have been arrested by the Kabila government and confined without charge in various unsanitary and degraded locations in Kinshasa. In addition, the opposition Union for Democracy and Social Progress (UDPS) charged on Sept. 9 that its leader Joseph Olengakoy was also arrested without charge in Kinshasa.

A campaign of annihilation has been taking place against the elite Presidential Guard (DSP) of ousted President Mobutu. Although members of the 15,000-strong guard have scattered to Congo-Brazzaville, Gabon, Chad, and other countries, up to 10,000 of the elite troops are incarcerated in Kitona military encampment in western Congo. According to the *London Times*—and corroborated by Congolese sources—10 to 12 DSP soldiers are dying daily from hunger and disease. “The soldiers . . . were sent to the camp ostensibly to be retrained for integration into a new Congolese army. Instead, according to well-informed sources who have debriefed one or two escapees, they are being subjected to a slow and painful process of extermination by being fed a small can of uncooked rice and beans every four days.” “Yes, they are being slowly killed,” a Congolese source told *EIR*.

International agencies have no access to the undetermined other “rehabilitation” camps scattered throughout the country.

Terror against refugees also continues. As reported on Sept. 8 by Refugees International, “In a pre-dawn raid on Sept. 4, ADFL soliders surrounded a [refugee] transit center in Kisangani. The soldiers blocked international aid workers access to the facility and, after sealing off the route from the transit center to the airport, forcibly expelled refugees. The transit center housed 336 Rwandans and 353 Burundians. . . . The refugees were flown to the Rwandan capital of Kigali, from where initial reports indicate that the Rwandan refugees will be returned to their communes of origin. Such returns undoubtedly put many of these individuals at risk. . . . [Refugee International] believes that repatriation to Burundi is, at this time, inappropriate.” Seventy-one of the repatriated Rwandans were detained in Kigali.

The action was defended by Congo Foreign Minister Bizima Karaha, widely believed to be a Rwandan Tutsi, who claimed that “these refugees have been used by different people for different purposes. We have very strong reports that they are being trained to be used against us.”

The forced expulsion of the refugees set off howls of protest from the United Nations High Commission for Refugees, although the UNHCR uttered no such protest when Kabila et al. militarily stormed the Mugungu refugee camp on

Nov. 15, 1996, forcing 500,000 to return to Rwanda at gunpoint. The UNHCR took further action by suspending all its operations in Congo, with other aid organizations expected to follow suit. But such action is not expected to assist the few refugees who remain alive inside Congo.

Facing civil war

The departure of a thwarted UN investigating team from Kinshasa, signalling Kabila’s complete capture by his foreign military supporters, could well be the signal for a general

London’s concentration camps in East Africa

There are more than 1 million human beings today in East Africa who are being incarcerated in what could only be termed “Nazi concentration camps,” where hundreds are dying daily of disease and starvation. The enforcers of this policy are the British-backed warlord force organized around Ugandan President Yoweri Museveni.

- Uganda, 200,000 people: In northern Uganda, the government has followed a policy of forcing the local Acholi residents, victims of the war between the Museveni regime and the Lord’s Resistance Army, into so-called “protective villages.” According to the United Nations, the herded peasants have no means of subsistence in these camps, and death rates have increased. Protests by Acholi leaders against this policy have gone unheeded.

- Rwanda, 100,000+ people: The Rwandan dictatorship of Paul Kagame has incarcerated at least 100,000 people in so-called prisons, which are so crowded that prisoners have no room on the ground to sleep, with dozens dying daily. The figure of 100,000 is extremely conservative; the prisoners are held on charges of being “genocidalists.” Only one witness is required to force an individual’s arrest and indefinite incarceration.

- Burundi, 800,000 people: Beginning last November, the Burundi military dictatorship instituted a policy of mass herding of Burundi’s rural Hutu population into so-called protected villages. This spring, thousands died in the camps of the biggest outbreak of typhoid since World War II, according to the World Health Organization.

- Congo, 10,000+: The remnants of Mobutu’s Presidential Guard are reportedly being slowly starved to death in a military encampment in Kitoma. It is unknown how many Zaireans are incarcerated in so-called “re-education camps” in Kabila’s Zaire.

uprising throughout Congo against the Rwandan-Ugandan occupying force, beginning a new civil war that would likely last far longer than the seven-month campaign of Kabila et al. against Mobutu.

In the east, there is rising resentment against the Rwandan Tutsi army, because the Tutsis have been installed in the local administration and are resettling on farmland. "We are not racists," stated Heri Njila, spokesman in Brussels for the National Resistance and Liberation Council of eastern Zaire. "We accept that Rwandans live in Kivu, just as we accepted that before when we welcomed Tutsi, then Hutu refugees. But we reject the occupation of Kivu by the Rwandan Army."

There is now escalating warfare against the Rwandan-Ugandan forces in eastern Zaire. According to a report of the Zairean Association for Human Rights, nearly 2,000 people have been killed in fighting between the RPA and locals near Goma since July, with more than 50 villages burned down. In the first week of September, Congolese forces took over the town of Bunyakiri, 80 kilometers north of Bukavu, and there were further attacks on the towns of Sake and Minova. On Sept. 4-5, armed forces attacked the airport at Bukavu, killing its military commander, who was

an officer in the Rwandan Patriotic Army.

In the second week of September, more than 100 people were killed in new fighting in the Masisi region of Congo.

Kagame has reacted by sending more Rwandan Tutsi troops into eastern Congo—a region which the Rwandan Tutsi elite considers its own. According to the Groot-Bijgaarden De Standard of Sept. 24, thousands of fresh Rwandan troops have arrived in Kivu, including 3,000 troops to guard the Kavumu airport.

The tensions are spreading to Shaba province to the south, according to late reports, and to Kinshasa on Sept. 21, where resentment of Kabila's 51st Battalion, dominated by Rwandan Tutsis, is on the rise.

So far, the former soldiers of the Zairean regular army—who for the most part did not resist the invaders' march across Zaire—have remained out of the fray. However, sources project, that if Kabila is not soon able to permit the UN investigating team to do its job, and not soon able to organize a broader coalition government with Congolese political parties, Congo-Zaire will devolve into full-scale war, with participation of the Zairean Army. The consequences of that war for Congo-Zaire and for countries around it, are incalculable.

Children describe mass murder of refugees

The United Nations Children's Emergency Fund is finding that abandoned children of Rwandan Hutu refugees are critical witnesses of the crimes perpetrated against the refugees by the Rwandan Patriotic Army and Laurent Kabila's Alliance of Democratic Forces for the Liberation of Congo-Zaire (AFDL). According to a report in the Aug. 8 issue of *La Libre Belgique*, the children confirm the stories of massacres that have been steadily seeping out of eastern Zaire since November 1996.

The Belgian paper reports: "The 12-year-old boy B., a refugee in the [Rwandan Hutu] Biaro camp south of Kisangani, explained that 'when the people had crammed together, they opened fire on them. There was one soldier who gestured to us to get out of there. They were Kabila's men. We heard them talking Kinyarwanda.' B. went so far as to compare this to the Rwandan genocide of 1994: 'In Rwanda it was worse because I saw machetes. . . . You can be killed by a rifle shot without knowing it, without seeing it. But you can see a machete coming to get you, and that's scary.' Another girl thought Zaire was worse. 'It was worse in the camps, because in Rwanda the killing was done very quickly. Here the Zaireans cut people down with machetes, and they died very slowly.'"

It is interesting that both these Hutu refugees indicate that they and their families were victims of the slaughter in 1994 in Rwanda, giving the lie to the claim that only Tutsis were killed in Rwanda in 1994.

"The massacres did not just take place in the refugee camps," *La Libre Belgique* continues. "The AFDL men caught up with the refugees as they fled or in the forests. F., 17, said: 'In Lubutu the refugees had congregated on a bridge. Everyone wanted to escape, but it was narrow. The troops took advantage of this bottleneck to open fire on us.' Another witness, J., 14 years old, said: 'The soldiers fired on us in the forest, three days after we had left the camps. The others who were with me were all killed. I was wounded, but the soldiers thought I was dead too. That was after 52 kilometers. I spent the night alone and then made for the main road.' Another witness spoke of the massacre in Mbandaka, which certain Hutu refugees had reached after a West-East crossing of the former Zaire. C. tells how 'on the way, we ate raw manioc. Wherever the refugees went they were attacked. Even in Mbandaka. We entered there on 13 May at around 1100 [hours]. We found them [Kabila's troops] waiting for us. They were waiting to finish us off. That same day at least 500 people were killed. The refugees who tried to get into the boat to flee to Congo were caught unawares by the troops who threw them one by one into the river.'"

The Kabila government has denied the Mbandaka killings and denied the United Nations investigating team access to the site.

Israeli-Palestinian tensions rise as Netanyahu undermines peace efforts

by Hussein Nadeem

Israeli Prime Minister Benjamin Netanyahu's non-stop "security" hysteria has forced the Middle East peace process into a deadlock, and driven the region to the brink of war. The latest accusations by Netanyahu and his government spokesmen, that the Palestinian Authority is responsible for the continued terrorist bombings against Israeli citizens, because it allegedly allows Islamic terrorist groups to be active in areas that are under PA control, have been completely discredited, even by the Israeli Security Service. On Sept. 23, the Israeli press reported that "the General Security Service positively identified four of the five suicide bombers who blew themselves up in Jerusalem's marketplace on July 30 and at a pedestrian mall on Sept. 4, killing 20 and wounding hundreds. The four were all residents of Azira Shamalya, a village near Nablus. . . . Azira Shamalya, with a population of 7,000, is in Area B, which is under Israeli security control."

Nonetheless, Israeli officials hurried to claim that those who had "planned the bombings and assisted the terrorists" reside in Area A, which is under Palestinian control. National Infrastructure Minister Ariel Sharon, who gained infamy for the 1980s slaughter at Lebanon's Sabra and Shatila refugee camps, hypocritically declared, "If the successful investigation [of the suicide bombings] proves anything, it is how we must never again rely on the cooperation of the Palestinian Authority to bestow security upon us. Had the PA done its part, the perpetrators in question would have been behind bars long ago and many innocent lives would have been spared."

Barrage of disinformation

Palestinian representatives rebuffed the allegations: Ahmed Tibi, an adviser to PA President Arafat, accused Netanyahu of spreading disinformation: "Anyone who says the attackers came from inside the Palestinian Authority areas is misleading the public and not saying the truth," Tibi said. "Within days it will be shown that these suicide bombers came from outside the territory of the Palestinian Authority, under the nose of Mr. Netanyahu himself. He has the responsibility, and any attempt to put the responsibility on the broad shoulders of Mr. Arafat is conspicuous and totally rejected."

Later the same day, Mahmoud Abbas, an aide to Arafat, blamed Israel for purposefully misleading the Palestinians themselves. Abbas claimed that statements by the PA declaring that the terrorists came from abroad stemmed from infor-

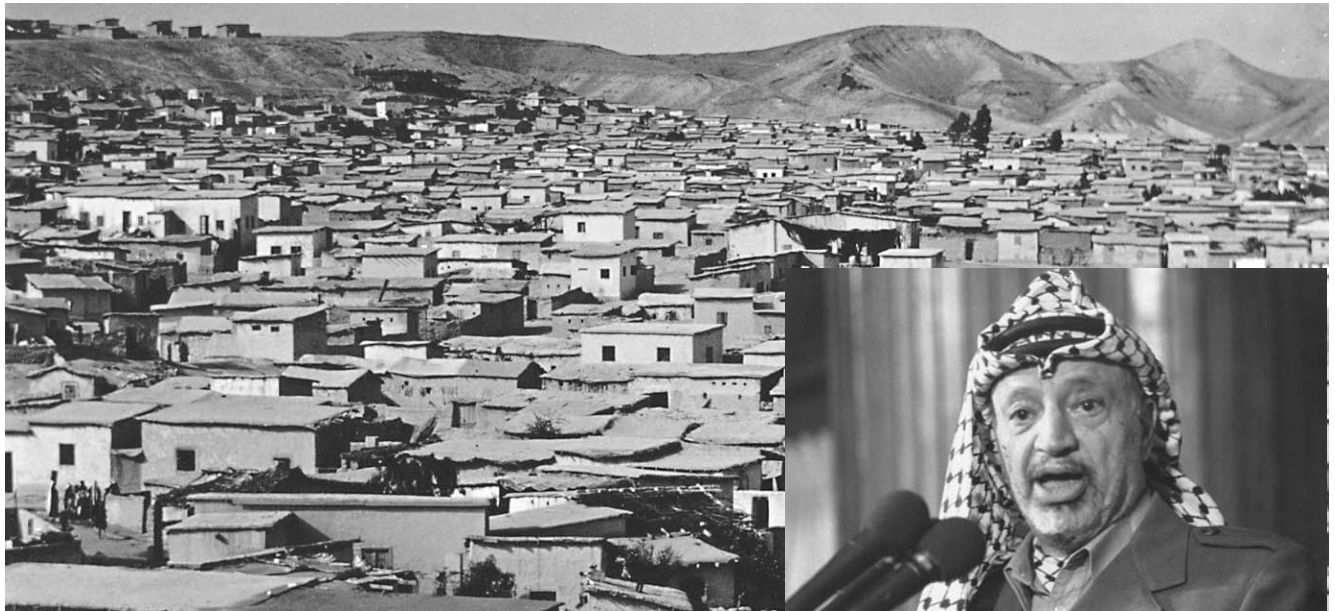
mation the Palestinians had been given by U.S. and Israeli officials. He also stressed the fact that Azira Shamalya is in Area B, i.e., under Israeli security control. PA Jerusalem representative Faisal Hussein bolstered Abbas's charges that it was Israel, not the PA, which first said the bombers came from abroad.

The fact that the Israeli General Security Services had floated reports claiming that the suicide bombers came from Britain revealed a long-standing internal dispute over Britain's responsibility in harboring terrorist groups that openly raise funds for, finance, and plan terrorist operations in the Middle East. *EIR* has had a leading role in exposing the British policy of providing safe-haven to "Muslim" terrorist groups, about which Israel, Egypt, France, India, Pakistan, and, most recently Bahrain, have bitterly complained. When the issue became an open secret, Ami Ayalon, the head of Shin Bet, Israel's internal security service Shin Bet, flew to London to meet with British MI5 officials. At the time of Ayalon's visit, on Sept. 17, London's *Daily Telegraph* reported that the Israeli police were "working on the basis that the attackers received financial aid and training from abroad," and that they "may have flown to Israel after acquiring British passports." The *Telegraph* added that Israeli police were "investigating reports that the attack was planned by Arab extremists based in London."

Showing which species in the British political zoo he belongs to, Netanyahu immediately denounced the reports of the British origin of the terrorist acts, and hysterically accused the Palestinian Authority of encouraging Islamic terrorism, repeating that the suicide bombers came from the Palestinian territories.

Forebodings of war

As Netanyahu's intentions of tearing up the Oslo Accords between Israel and the Palestinians have become clearer to all parties in the region, warnings have started to emerge from within the Israeli military establishment of the danger that war is about to erupt between Israel and the Arabs. Senior Israeli Army officers and military experts recently stressed that Netanyahu's policy against the Palestinians is undoubtedly leading towards war. The Israeli public was alerted by a startling news conference called by one senior Army officer to announce that the Army is making preparations to confront guerrilla warfare in the Palestinian territories. Following this,



The village of Jericho in the Palestinian Authority. PA President Yasser Arafat (inset) denies that the suicide bombers come from the Palestinian territories, and even Israeli intelligence admits that they entered Israel from overseas.

the Israeli press interviewed several Israeli officers and experts, all of whom indicated that the region is heading toward war in some form or another.

Maj. Gen. Oren Shahor, the Israeli government coordinator for the territories, who resigned in August in disgust over Netanyahu's antics and joined the Labor Party, told the *Jerusalem Post* that he believes that guerrilla warfare is the least of the dangers confronting Israel. "Guerrilla warfare could be an intermediary stage. It might involve armed bands attacking the Army or settlers with gunfire and Molotov cocktails. But the bigger danger," he said, "is a violent popular uprising." Such an uprising may escalate into the use of weapons by the Palestinian Police—similar to what happened after the opening of the archeological tunnel beneath the Al Aqsa mosque holy site in the Old City of Jerusalem last year. "The Palestinians have tens of thousands of weapons," he warned. "A general uprising is more dangerous than guerrilla warfare, and putting it down would be a very difficult matter—not just because of the question of Israel's image, but because of the technical problem of dealing with it."

Shahor also said that the surrounding Arab countries, particularly Syria, are unlikely to remain indifferent to a Palestinian uprising. "I don't say they will attack, but they would heat up Lebanon by encouraging Hezbollah; and they could change their army deployment to increase tension. They've done it before," Shahor said. Syrian divisions close to the front are now capable of launching an attack on the Golan Heights directly from their camps, without any telltale forward deployment, he claimed. "But I don't think they will attempt to fire missiles. They know what Israel's reaction would be," he added. His remarks indicate a broader aware-

ness of the danger that Lyndon LaRouche warned of in a Sept. 16 radio interview with the "EIR Talks" international broadcast: "If Netanyahu does not go, then Israel is on a course toward war, a war, if it unfolds, Israel can not survive without use of nuclear weapons. . . . Either the Israelis get rid of Netanyahu, or there is going to be no peace in the Middle East. In fact, there's going to be Hell."

Maj. Gen. Yehoshua Saguy (Reserves), former chief of Israel's military intelligence, added his own warnings, telling the *Post*, "I just don't know what will happen, but I don't think it will be a guerrilla war." He continued, "This isn't the terrain for a classic guerrilla war. There aren't forests, and I don't see tunnels being dug, like in Vietnam. What I can see is a stepped-up Intifada with weapons and grenades and Molotov cocktails."

The *Post* also cited the warnings of military historian Prof. Martin van Creveld of Hebrew University, that "the likelier option, he says, is terrorism." He believes it unlikely that the Syrians will go to war, but, "the very worst thing would be a small-scale attempt on the Golan," he said. "To fight Israel without having nuclear weapons would be madness, and they can't delude themselves anymore that Israel doesn't have nuclear weapons."

Whether a full-scale war breaks out, or an Intifada, Netanyahu is certainly leading the region to chaos. Following the latest provocation staged by Israeli settlers who occupied Palestinian houses in Ras el-Amud in occupied East Jerusalem—with the support of Netanyahu, Ariel Sharon, and Agriculture Minister Rafal Eitan, these warnings have become more than speculation or prophecy: They are part of the reality that Netanyahu refuses to recognize.

New evidence that Diana was murdered

by Jeffrey Steinberg

A British attorney who was in Paris the night of the car crash that took the life of Princess Diana, has come forward with further evidence that the incident was a case of murder—the drunk driving “accident” still being peddled by French authorities. The eyewitness account by Gary Hunter was published in the London *Sunday Times* on Sept. 21.

Hunter was in his hotel room, which was less than 100 yards away from the Alma tunnel, in which the crash occurred. Hunter told the *Sunday Times*, “I was watching television when I heard the crash at exactly 12:25 a.m. There was an almighty crash followed by the sound of skidding, then another crash. My initial thought was that there had been a head-on collision. I went to the window and saw people running toward the tunnel.” Seconds later, Hunter saw a car speeding out of the tunnel. “I heard a screeching of tires. I saw a small dark car turning the corner at the top of the road. I would say it was racing at 60-70 mph.”

He told the *Sunday Times*, “My own feeling is that these were people in a hurry not to be there. I am confident that car was getting off the scene. It was obvious they were getting away from something and that they were in a hurry. It looked quite sinister. I can’t recall the type of car but it was a small dark vehicle. It could have been a Fiat Uno or a Renault.” Hunter said that the dark car was being shadowed by a second vehicle—a white Mercedes.

Hunter told his story to both the al-Fayed family and the Paris police. It corroborated details already provided by at least four other witnesses, who have asked to remain anonymous. All four reported having seen a car and a motorcycle trying to box in the Mercedes 280-S carrying Princess Diana, Dodi al-Fayed, bodyguard Trevor Rees-Jones, and driver Henri Paul, just seconds before the crash.

Where is the Fiat Uno?

Even before the *Sunday Times* reported Hunter’s account of the fleeing cars, the French police had admitted that they had found evidence at the scene of the crash, indicating that at least one other car was involved in the incident. However, police forensic experts are saying that it may take months before the analysis of paint scratches found on the right side of the Mercedes can be completed. The fact that the police were forced to admit that they were looking for a dark blue Fiat Uno, which fled the scene of the crash, represented a

major blow to the already-unraveling cover-up by the French authorities, which *EIR* described in detail last week.

The French efforts to paint the incident as a tragic case of drunk driving by Ritz Hotel deputy security chief Henri Paul, suffered yet another setback on Sept. 23, when the London *Guardian* published a detailed account of the first debriefing of the one crash survivor, Trevor Rees-Jones. According to the *Guardian*, Rees-Jones has not lost his short-term memory. He gave a fairly detailed account of the events leading up to the fatal crash. He confirmed reports by other members of the hotel staff and security entourage, that Paul was not drunk on the night of Aug. 31, when he reported for work at the Ritz. He did not drink while he was at the hotel.

Rees-Jones reportedly told the investigative magistrates that the Mercedes carrying Princess Diana and Dodi al-Fayed was being followed from the hotel by two motorcycles, and at least one car, a white car. Police have also admitted that they obtained several photographs of the car carrying the Princess, that were taken seconds before the crash—by paparazzi photographers.

Taken as a whole, these eyewitness accounts, photographs, and preliminary statements by Rees-Jones, strongly suggest that the incident in the tunnel was a case of murder.

While French authorities still claim that three separate blood tests of the driver, Paul, showed high levels of alcohol and the presence of two powerful prescription drugs in his blood, contradictory evidence also raises serious questions about the authenticity of these purported test results. Forty-eight hours before his death, Paul had gone through a comprehensive annual physical. No signs of a drinking problem were found. Moreover, while French police have selectively briefed attorneys for the al-Fayed family on evidence gathered in the investigation of the crash, they have, as of this writing, not given copies of the blood tests. The sole source of information has been leaked stories in the French press, attributed to the Paris police and magistrates directing the investigation.

The French government and the Paris police have every reason to be engaging in a cover-up of the crime.

The French government already bears a great deal of responsibility for the death of Princess Diana. As a member of the British royal family, already under heavy attack for her active role in the drive to either bring down or radically reform the House of Windsor, Princess Diana should have been afforded the highest level of security by the French authorities. Just four days before her death, Princess Diana had given an interview to *Le Monde*, reiterating her BBC interview, where she stated that Prince Charles was unqualified to be king, and asserting that she would play a prominent role in the education of her sons, the heir to the throne, Prince William, and his younger brother, Harry. Those fighting words infuriated many people around Buckingham Palace.

Alarm grows over North Korea famine

UN organizations and the German Red Cross are expressing increasing alarm over the worsening North Korean famine, in which 5-10 million people are known to be at immediate risk. On Sept. 13, UN Food and Agriculture Organization (FAO) Director-General Jacques Diouf said that there should be "very serious alarm" at the starvation. Unicef Deputy Director for Emergency Operations Peter McDermott said that thousands of children have already died, and many more are at risk from diarrhea and pneumonia.

In a joint statement, the FAO World Food Program and Unicef warned that the famine has now become a longer-term problem as well. "Guarded optimism expressed earlier for some recovery in food production this year, is now replaced by very serious alarm at food security prospects for the coming months and year ahead," the agencies said, pointing out that the 1997 fall crop has suffered heavy losses after the 1997 drought and the recent storm surges following Typhoon Winnie—all on top of two years' record floods in 1995-96, which covered 30% of the country's farmland with silt.

"These catastrophic events will undoubtedly have serious, long-reaching repercussions in the country's already grave food supply situation," the agencies said.

Diouf said on Sept. 18, after a three-day visit to North Korea, "We have estimated the deficit in grains at 1.9 million tons" over the next year. "The situation is very difficult. We expect that 700 [thousand tons] should be provided through commercial means, but there would still be a deficit of 1.2 million tons of grains, which would require international assistance," he said. "We have seen areas of the west coast which have been devastated by storm surges. There are fields of rice that have been completely destroyed by salty water. We have also visited other parts that have been affected by drought."

McDermott said that infectious diseases caused by malnutrition and poor sanitation resulting from general economic breakdown, have now appeared widely, and are being spread by the food relief efforts themselves. "There is enormous cause for concern. . . . Providing food to famine-hit areas has historically not been sufficient to treat the problem," he said. "There is a real danger that we might undermine the effectiveness of food aid by not providing the limited resources needed to improve health care and purify the water supply. . . . I have to be very frank. At the beginning we underestimated the problems with the health service. . . . Wherever food aid is distributed, staff must be able to stop communicable diseases."

'Famine worst since World War II'

"According to estimates by the Red Cross and other international aid organizations we are dealing with the world's worst hunger catastrophe since the end of the Second World War," the German Red Cross said in a statement on Sept. 16. Red Cross spokesman Susanne Anger, who had returned from two weeks in North Korea, said that some 10,000 children were dying of starvation every month.

"An entire people are starving as the result of several natural disasters and a precarious economic situation," Anger said. She said the alarming estimate by World Vision that at least half a million of North Korea's population of 22 million had starved to death in the famine, could not be ruled out. "The mortality rate for children under seven has risen to 40%," she said. "About 800,000 children are chronically undernourished and have severe developmental damage. Nine- or 10-year-olds look like three or four-year-olds."

Anger said 90% of North Korea's industry had ground to a halt because of a lack of fuel and electricity, roads were empty of cars, and people were working with their bare hands in the fields rather than using tractors.

On Sept. 16, World Vision, a UN non-governmental organization, said the death toll from famine may already be more than a half-million. "At least half a million people have died, probably closer to 1 to 2 million," World Vision Vice President Andrew Natsios told CNN. World Vision said it based its estimate on surveys taken in July on the Chinese side of the Korean border.

A North Korean official told *EIR* on the same day that the World Vision report was "misleading." "We do not know exactly the motive for this report," the official said, "but certainly" it would be "very damaging" to North Korea if such a thing were being covered up. "Please tell the American people that the famine crisis is very severe in our country, and hundreds of people have died, but there has been no such [mass death] . . . so far." The spokesman renewed North Korea's call for food aid, saying that without "large" assistance, there would be an enormous threat of famine deaths soon.

Meanwhile, the "talks about talks" between North and South Korea, the United States, and China broke down in New York on Sept. 19 over the refusal of the U.S. to meet North Korean requests for large-scale famine food aid. A briefing that was to be given to the U.S. Senate Foreign Relations Committee by the North Korean delegation was cancelled when the delegation left the United States.

The official Pyongyang KCNA news agency quoted a North Korean Foreign Ministry spokesman as saying: "We intended that if the U.S. clearly promised food supply to the D.P.R.K., we would regard it as goodwill of the U.S. and show flexibility in the debate on the agenda of the 'four-way talks.'" The spokesman charged that by refusing to grant large-scale food aid, the U.S. was "using food as a weapon" in the talks. The United States has rejected directly linking assistance and negotiations.

U.S. puts on pressure for Sudan peace

by Linda de Hoyos

The government of Sudan and the Sudanese Peoples Liberation Army (SPLA), which have been at war since 1983, signed a joint communiqué on Sept. 22 announcing the commencement of negotiations between the two parties to take place in Nairobi, Kenya, beginning on Oct. 28. It is the first time in three years that the Sudan government and the SPLA headed by John Garang will meet face to face.

The talks will take place under the auspices of the Inter-Governmental Authority on Development (IGAD), which is comprised of the countries Ethiopia, Uganda, Eritrea, Kenya, Sudan, and Somalia. The communiqué specified that each side will send a lead negotiator with a team of not more than six people. In addition, each government of IGAD will have a Presidential envoy present at the negotiations.

The agreement was forged under pressure from the United States, which has been urging Garang, who has been backed by London through Uganda, to come to the peace table ever since the Sudan government signed a peace accord with six groups from the south that had been at war against Khartoum. The April 21 accords, which established a Southern States Coordinating Council, included provisions for freedom of religion; a federalist system giving greater autonomy to the states; distribution of national resources that would address the large disparity between development in the north and extreme poverty in the south, not to mention the ravages of the 14-year war on the south; and a pledge that, in four years, the south could hold a referendum on whether to remain part of Sudan or secede.

Can the war-mongers be kept at bay?

The Sept. 22 announcement of peace talks should put a brake on the war-mongering exhibited in Washington, D.C. on Sept. 16-17 at the U.S. Institute for Peace, led by Roger Winter of the U.S. Committee on Refugees, Ted Dagne of the Congressional Research Service, and John Prendergast of the U.S. National Security Council, among others. With Prendergast cheerleading, Dagne and Winter demanded an open war policy to “eliminate” the Khartoum government—with full knowledge, as Winter put it, that this would cause a “humanitarian catastrophe.”

In late September, Caroline Cox, a deputy speaker of the British House of Lords, testified before the U.S. Congress in her other hat, as leader of Christian Solidarity International, to heighten the din for war.

London’s demands are being supported by the government of Israeli Prime Minister Benjamin Netanyahu, according to sources, which wants an “Iraq II” against Sudan.

Also demanding war against Sudan are former officials of the State Department from the administration of Sir George Bush.

Such a war would bring cataclysm to East Africa, as Lyndon LaRouche stated in last week’s *EIR*, “Sudan: Target of New Rice War.” As there is no national institution to replace the Khartoum government, the country would be thrown into civil war, as Dagne happily predicted in October 1995. The destruction of Sudan would further bring about the decimation of Egypt, the toppling of Kenya, and promise chaos for Uganda. Placed in the context of the unreconciled Somalia, increased tensions in Ethiopia, and the strong possibility of full-scale civil war in Zaire-Congo, a U.S.-backed war against Sudan would bring about the unstoppable destruction of the African continent at the hands of the British marcher-lord force organized around Ugandan dictator Yoweri Museveni, Rwanda’s Paul Kagame, and Congo’s Laurent Kabila.

In the eyes of the world, it is the United States that would be held to account for this catastrophe—as London has always planned.

Conversely, the talks between Sudan and Garang could be the beginning of a process of stabilization in East Africa, including into Uganda. But only the Clinton administration has the power to enforce a peace process against the many British-sponsored provocations that will undoubtedly be hurled in the way. The return of U.S. diplomats to Khartoum, after an 18-month hiatus, will aid Washington in enforcing the peace.

The people of the region are war-weary, having suffered for the duration of nearly a generation terrible famine, disease, and killing. In Sudan, the war is believed to have resulted in the deaths of 1 million people; in northern Uganda, the 11-year mirror-war between the Lord’s Resistance Army and the Museveni regime, has resulted in the death of 300,000 people, or nearly half the northern Acholi population of the war districts of Kitgum and Gulu.

There is motivation and momentum for peace. On Sept. 20, the Sudan People’s Liberation Movement (SPLM-United) faction of the SPLA signed the April 21 accord with the Sudan government in a ceremony in Fashoda. The accord was mediated by His Majesty, Reth Dowango Ak Padiet, the Reth of the Shuluk group. The SPLM-United also signed an accord with Dr. Riak Machar, the head of the south’s Coordination Council.

And in another sign that the war may be coming to an end, Manut Bol, the famous millionaire basketball player in the United States who has been a long-standing supporter of Garang, first went to Kampala on Sept. 7, and then met Machar in Nairobi on Sept. 8, to declare his support for the peace process “as epitomized by the Sudan Peace Agreement of April 21, 1997.” Manut Bol joined Machar’s United Democratic Salvation Front.

A 'virtual' Social Democracy

The release of the party's new platform, plus the Hamburg election defeat, show that the SPD is out of touch with reality.

Two spectacular developments of the last two weeks of September show the dilemma in which the opposition Social Democrats (SPD) are caught.

First, on Sept. 16, the national party executive passed a new policy platform to serve as the "programmatic" basis of the 1998 national election campaign. Under the title "Innovations for Germany," the new platform, which was worked out under the auspices of the SPD's economic policy spokesman, Gerhard Schroeder, promises an alternative to the unemployment and collapse of industrial output, which has been caused by the fiscal austerity of the governing coalition of Christian and Free Democrats (CDU, FDP).

The promise made by the SPD is an empty one, however, and that is important in respect to Schroeder, who, after all, wants to become the SPD's top candidate and challenger to incumbent Chancellor Helmut Kohl (CDU).

The Schroeder platform is no alternative at all; it is only a variant of the government's balanced budget policy, and many analysts evaluate it as, at best, something that could serve as a basis for a Grand Coalition between the SPD and the CDU. The platform suggests that the SPD, which has received a great deal of support from among the leading industrial managers of Germany (who are giving up on the present German government), wants to pose as the "better CDU," the "major partner" in a potential Grand Coalition.

The central section of the platform has received applause from the three leading industrial and entrepreneurial

associations of Germany, the BDI, BDA, and DIHT. It calls for a massive expansion of the service sector and low-income jobs. This is to proceed on the condition, however, that the state subsidize tax breaks for firms that create such lower-qualified, lower-paid jobs. The state is also supposed to enforce measures to make social welfare recipients accept such jobs. This is clearly copied from British Prime Minister Tony Blair's "welfare to work" project. The money for the project is to be raised through taxes related to the environment and consumption.

Immediately after the SPD executive voted for the platform, warnings emerged from inside the party organization, that this policy, a continuation of the party's years-long alienation from the interests of labor and the productive middle class, would cost the party many voters.

The second development that exposed the SPD's increasing problems with the voters, was the disaster of the Sept. 21 elections for state parliament in the city-state of Hamburg. There, the SPD, which has governed the city-state for some time, fell 4.24% below the result of the last vote in 1993; the opposition CDU improved by 5.6%.

Hardly had the votes been counted in Hamburg, than the same SPD that had previously proclaimed this vote a test-run for the national elections of September 1998, now tried to play down the results as merely reflecting "local factors." The fact is that many voters could not find their own interests reflected in the SPD during the election campaign.

Another such "local factor," was the ridiculous attempt of the SPD to present itself as the little brother of Tony Blair's "new Labour" party of Britain. This started in July, when the SPD presented one of its main campaign posters with the slogan, written in English, "Law and order is a Labour issue—Tony Blair, new Labour, London." This had been borrowed straight from Blair's own election campaign in Britain, which led him to victory over a decomposed Tory government, on May 1.

As Anglophile as many Hamburg citizens have been, traditionally, such blatant "Blairism" did not convince them to give the majority to the SPD, on Sept. 21.

Now, the decision-making bodies of the SPD are going from one emergency crisis meeting to the next, trying to work out a new strategy to win votes. The best thing for the party and for Germany, would be for the SPD to drop the Blairism and begin a discussion about a real alternative to the present government. This should include a clear position in favor of industrial production, and against financial speculation; a clear preference for public sector infrastructure development and the respective creation of several hundred thousand jobs. In view of the nearly 5 million jobless in Germany, the SPD should adopt the slogan, "Production and jobs are a labor issue," and it should call for an in-depth reform of the financial system. The SPD should do what it did for a very short period earlier this year, before Blair took power in London, namely, to discuss the idea of a new Bretton Woods agreement.

Granted, the degeneration of the SPD into a "virtual" Social Democracy has gone quite far; but, after the shock of the Hamburg vote, some SPD members may be angry enough to change something.

International Intelligence

Reformer named to head Canadian Armed Forces

Lt. Gen. Maurice Baril, a hard-nosed reformer, was tapped to head up Canada's military, it was announced on Sept. 17. Baril earned his reputation during his two years in charge of the Canadian Land Forces. He was posted to the UN as military adviser to Secretary General Boutros Boutros-Ghali, from June 1992 to July 1995.

Baril stunned Canadians, when he convened a news conference in July 1996 to announce that 34 Canadian soldiers had been implicated in misconduct at the Bakovici mental hospital during their tour with the UN Protection Forces in Bosnia. Baril put the blame squarely on the shoulders of the Army's leaders and promised a purge to eliminate "rogue elements." In January, Baril called another news conference to make public the results of the Bakovici investigations. Without releasing the names, Baril stated bluntly that 47 soldiers—some of whom he characterized as having acted like "savages"—would face career review boards. "I'm not running a boy scout organization. I'm running an Army that is trying to go and make war . . . in some pretty difficult places in the world," Baril said.

Colombia enacts limp extradition law

After a great deal of back and forth, the Colombian Senate lifted a six-year ban on extradition of Colombians wanted for crimes abroad, but stripped the bill of a clause that would have applied it retroactively, to such drug lords as the Cali Cartel's Rodríguez Orejuela brothers, who are currently doing some brief prison time in Colombia. The bill, reported *El Espectador* of Sept. 17, also excludes from extradition anyone charged with a "political crime," which gives the leaders of the FARC and ELN narco-terrorists precisely the protection they have demanded as a conditionality for participating in "peace talks" with the regime of narco-President Er-

nesto Samper. Thus, the paymasters, and footsoldiers, of the Samper Pizano Presidency, are safe.

The U.S. State Department issued a sharp condemnation of the Colombian vote, with spokesman James Rubin declaring, "We are extremely troubled, and stunned, frankly, by this vote which stripped the retroactivity from pending extradition legislation. . . . This is a stunning development from our perspective. What you're doing here, is, you're letting some of the worst criminals off scot-free, and that's not acceptable." In Colombia, Liberal Party Congressman Luis Guillermo Giraldo pointed out that with the approved text of the legislation, Colombia could become a sanctuary for foreign criminals.

Full lifting of the ban on extradition was demanded as the price for U.S. certification of Colombia next March. The State Department is now urging that the lower house of the Colombian Congress work to reinstate retroactivity, while there is yet time.

Rokhlin founds military defense movement

Gen. Lev Rokhlin addressed 2,000 delegates on Sept. 20 as he launched his "Movement in Support of the Army, Defense Industry and Military Science," in Moscow. Rokhlin called for President Boris Yeltsin to step down. "We are deeply convinced that the President should step down now and not in 2000," said Rokhlin to loud applause. "Six years of his rule showed that he is only capable of making promises, and his activity resulted in destruction and not creation. One of our main tasks is to unite the people in peaceful and constitutional protest actions in order to force Yeltsin to step down." Among those attending the congress were Communist leader Gennady Zyuganov, and the former head of the President's personal security, Aleksandr Korzhakov.

Gen. Aleksandr Lebed was in Japan, but issued a statement on Sept. 18, saying that his Dignity and Motherland political grouping was willing to "cooperate closely" with

Rokhlin's movement. "We are ready to offer Rokhlin's movement the existing network of Dignity and Motherland to implement joint decisions. The problem of the armed forces and of the country's defense capability has realistically become a national tragedy."

In June, Rokhlin attacked Yeltsin for allowing the International Monetary Fund to dictate cuts in the Russian military.

New sabotage effort vs. Pakistan-Iran relations

In a new attempt to sabotage relations between Iran and Pakistan, three unidentified gunmen ambushed five Iranian civil aviation trainees and their Pakistani driver in Rawalpindi, Pakistan on the morning of Sept. 17, killing all six. According to the police, three assailants, one of them wearing a mask, opened fire on the vehicle carrying the five Iranian technicians and engineers. The Iranians, who were attached to the Ministry of Defense, were undergoing technical training, at a base in Rawalpindi and at Pakistan's Aeronautical Complex, Kamra.

The attempts to create tension between Iran and Pakistan have always been masked as sectarian violence between Sunni and Shia Muslims who are sympathetic to Iran. This terrorist operation reveals that these acts are performed at distinct, high levels of intelligence and military operations.

Queen's man in P.N.G. denies coup involvement

Queen Elizabeth's personal representative in Papua New Guinea, Governor General Sir Wiwa Korowi, issued a frantic press statement denying his involvement in the recent coup which overthrew the government of Sir Julius Chan, earlier this year. Chan had put up resistance to the World Bank, and to raw materials resource grabs that were running under cover of an insurgency in the P.N.G. province of Bougainville. Korowi founded the pentecostal/evangelical movement, "Brukim Skru" (pidgin for "Bended Knee"),

PRINCE PHILIP'S World Wide Fund for Nature (WWF) has managed to block a British network from airing a documentary that includes an exposé of the WWF's "Operation Lock," which deployed units from Britain's elite Special Air Services, ostensibly to save rhinos from poaching. £1 million disappeared, and the SAS unit was accused of trading in illegal wildlife products and killing African "poachers."

SAM SHILOWA, the secretary general of the Confederation of South African Trade Unions, issued a report urging that Cosatu remain in the African National Congress alliance, despite the ANC's embrace of the disastrous Growth, Employment, and Redistribution program.

HAROLD JAMES, Pennsylvania state representative and head of the state Legislative Black Caucus, held high-level meetings in Rome, Italy over Sept. 10-11, including meeting his Italian colleagues in the House of Representatives and Senate. The meetings, arranged by the Schiller Institute, focused on his introduction of a bill in Pennsylvania to tax derivatives transactions, and on his ideas for stabilizing and developing Africa. James had just completed a similarly successful visit to Germany.

YITZHAK RABIN'S widow Leah Rabin publicly blocked an attempt by Prime Minister Benjamin Netanyahu to lay a wreath at the spot where her husband was assassinated on Nov. 4, 1995. "There is no reason for such a public relations trick, for this fraud, this hypocrisy," she told the press, in denying permission for the ceremony. Rabin has previously accused Netanyahu of stirring the incitement campaign against her husband that led to his murder.

THE NIGERIAN MILITARY has launched an investigation into the Sept. 19 explosion of a bomb in Lagos, which injured a large number of people attending a Catholic charismatic society convention at the Trade Fair complex.

which played a crucial role in mobilizing the street mobs to overthrow Chan. The leader of the military insurgency against Chan, Gen. Jerry Singirok, was also a member.

A document recently leaked from P.N.G.'s National Intelligence Organization (NIO) said of Brukim Skru: "It is a legitimate speculation that all this could be a deliberate plot perpetrated by politically minded Christians, riding the wave of anti-corruption sentiments and using . . . possibly Singirok himself, as a means to further their political ambitions via unconstitutional method or plan."

Korowi could only bluster incoherently: "Unfortunately, NIO was carrying out its character assassination on me personally, the Government House and that of the christian [sic] community throughout Papua New Guinea who participated in the 'Operation Brukim Skru' prayer program. . . . People who are challenging christians are challenging God. God is watching you for every step you are taking, every word you speak, every curse word you swear, every motive you invent for evil habits, and every accusations [sic] and mockery you imply upon God's children. You cannot keep on going like this, fighting against God, for a fight you will never win."

Suspicious fire burns Crédit Lyonnais records

A fire that destroyed some of the most sensitive records of France's bankrupt state bank, Crédit Lyonnais on Aug. 19 in Le Havre, has been determined to have been arson. Two publications, *Le Point* and *Marianne*, an investigative journal, stated in September that the fire was set to destroy extremely sensitive corruption evidence against everyone, across the political spectrum, who had high-level responsibilities at the bank, which Paris has now had to bail out three times. Among the 3 million boxes, wrote *Le Point*, several contained evidence of great interest to the investigating magistrates in Paris. Among them were the records of IBSA, the bank of Jean Maxime Leveque, who is the

former president of Crédit Lyonnais, and currently serving a prison term. Some 5,000 other boxes contained the records of the CDR company, which was set up to sell the Crédit's dubious assets, in order to restore "confidence" in the bank.

In an article titled "Who Wants the Crédit Lyonnais Records to Disappear?" *Marianne* noted, "In addition to the fact that another fire had started at the CDR central offices in Paris, the police were surprised to find out when they searched the apartment of IBSA's lawyer last May, that the records [of matters under investigation] had just been stolen! Yet another accident?" *Marianne* did not mention that another fire destroyed a large part of Crédit Lyonnais' central offices in Paris some months ago.

Uganda's 'Monitor' covers Ogwal in U.S.

The Sept. 17 issue of the Ugandan newspaper *The Monitor* covered the mid-September speech of Cecilia Ogwal to the Black Caucus Convention, in an article entitled, "Ogwal Slams U.S. Media, Museveni." "Outspoken Ugandan People's Congress 'Iron Lady' Cecilia Ogwal, now two weeks in Washington, lashed out at Western media for portraying 'Museveni as fat and healthy' instead of giving coverage to the Uganda people wallowing in poverty. 'It pains me to see our Uganda people wallowing in poverty and exchange their children for pieces of cassava, when the Western press is portraying Museveni as a fat, healthy looking herdsman with a sea of hybrid cattle, as he was covered in a recent issue of *Time* magazine,' she said.

"These comments were part of Ogwal's address to the Black Caucus Convention in Washington, D.C., Sept. 10. . . . According to a release by UPC strongmen Ben Wacha and Patrick Mwonda . . . Ogwal's presentation was focused on Uganda under 'Democracy, African Reality.' The release alleged that Edith Ssempala, Uganda's Ambassador to the U.S., chickened out of the convention 'when she learned of Ogwal's presence, and worse still, as participant in the debate.' "

AFL-CIO convention launches organizing drive

by Marianna Wertz

Vowing to take back the U.S. Congress in 1998 for a pro-labor agenda, the AFL-CIO met in Pittsburgh, Pennsylvania on Sept. 22-25 in its 22nd Constitutional Convention, the first since John Sweeney assumed the presidency of the labor federation. The convention was organized under the theme "We Have a Voice, Let's Make It Heard!" Considering the high-level speakers who addressed the 1,000 delegates—from President Bill Clinton and Vice President Al Gore to Labor Secretary Alexis Herman and the Democratic leaders of both houses of Congress—it's clear that the Democrats are hoping that the reenergized labor movement under Sweeney's leadership can do just that.

However, from the convention's start to end, Sweeney and the other labor leaders emphatically rejected the old role of the labor movement as the trusted allies of the Democratic Party, who could be taken for granted even as the politicians sold out the fundamental rights of working people. In their 23 months in office, Sweeney and his fellow officers, Rich Trumka (secretary-treasurer) and Linda Chavez-Thompson (executive vice president), have grasped the difficulties involved in rebuilding the labor movement, have sized up their friends and enemies alike, and are preparing an offensive to create an independent political force in America with the power—in numbers—to win substantive improvements in the living standards of working people and their families.

The seriousness of this effort was perhaps best reflected in the response from delegates and international guests to a team of LaRouche movement organizers, who flooded the convention with literature. Nearly 100 union leaders from the United States and around the world signed the Open Letter to President Clinton, calling for the exoneration of LaRouche (see box). Many of these signers had either been

reading the LaRouche movement's literature over the years, or knew of LaRouche's fight for economic justice against the same enemies the labor movement is now taking on.

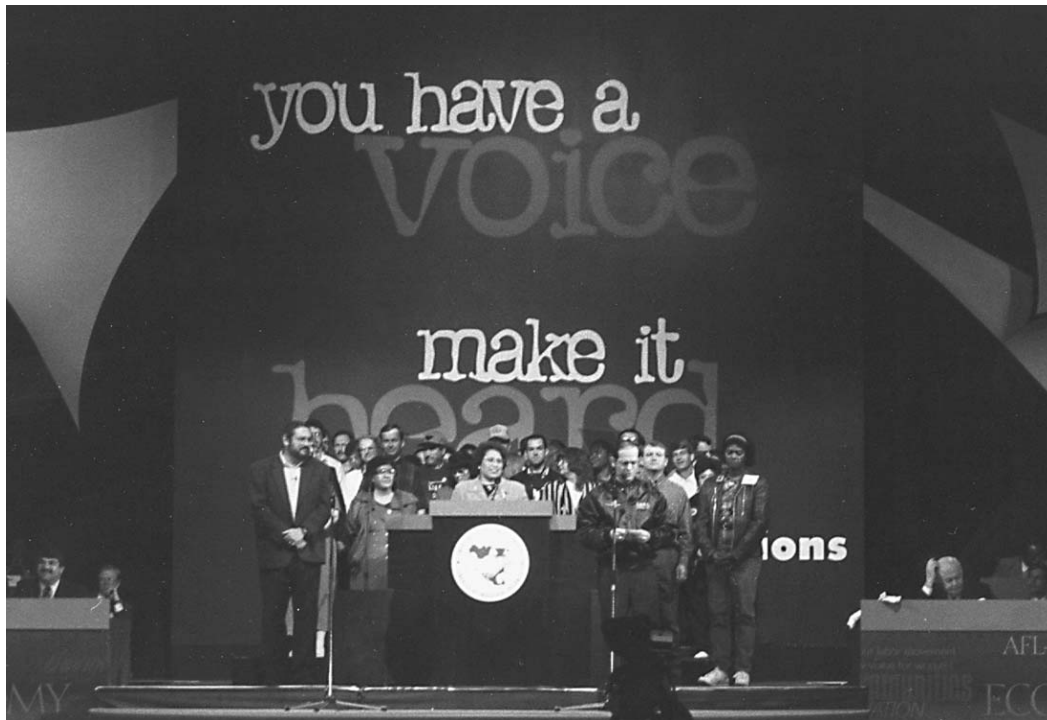
Organizing is 'everything'

The convention was preceded on Sept. 20 with an Organizing Conference addressed by Vice President Gore, and concluded with a mass march through downtown Pittsburgh, to underscore the commitment to organizing as its main theme. There were four "strategic topics," as Secretary-Treasurer Trumka told the delegates: "Building a Movement of American Workers," "Making Government Work for America's Workers," "A New Voice for Workers in the Global Economy," and "A New Voice for Workers in the Community."

The conference opened with a call for a commitment to organizing a much larger percentage of the workforce into unions, as the key to winning fundamental rights for America's workers. Organized labor's share of the workforce has plummeted in the past two decades, from approximately 30% to below 15% today.

President Sweeney stated in his keynote address: "Everything we do is connected to organizing. . . . We have to continue to . . . find ways to organize on a bigger scale and at a faster pace, because the employers we are confronting are raising the stakes by spending millions of new dollars to deny workers their legal right to organize, and because our enemies in the political arena are doing everything they can to choke off our new movement before it has a chance to live and breathe."

The AFL-CIO and its affiliates have had approximately 2,000 organizing victories since the new leadership took



AFL-CIO Executive Vice President Linda Chavez-Thompson introduces over 100 young activists who helped organize trade unions this year.

office 23 months ago. But, with the loss of jobs to union-busting, the North American Free Trade Agreement (NAFTA), and other causes, there has been a net gain of only 54,000 union members in the past two years.

Before Sweeney's keynote, a lineup of some 100 young union organizers presented dramatic testimony on their battles to bring unions into their places of work. The scandal that in America, a nation which prides itself on its commitment to freedom, there is no guaranteed right to organize in union, became painfully clear, as story after story was told of beatings, harassment, and firings for those who tried to organize.

In his keynote, Sweeney pointed to the young organizers who had joined him on the stage, and told the crowd, "The real heroes of our new movement are the thousands of workers . . . who decided to put their jobs on the line and their lives on hold to help their co-workers win the dignity, rights, and respect that come only with a union contract."

Sweeney reviewed the numerous organizing initiatives undertaken over the past 23 months, saying: "We've created a new culture of organizing and begun devoting substantial new resources to organizing. We've developed an exciting new program that is helping local unions across the country change in order to organize. We're training more young people through our organizing institute and we're helping our unions take on entire industries and geographic areas."

He pointed specifically to the Strawberry Workers Campaign in California, which is "helping 20,000 workers in California reap a harvest of human dignity"; to the joint Farmworkers and Teamsters campaign to organize 15,000

fruit pickers and warehouse workers in the apple industry; and to the 15-union campaign of the Building and Construction Trades Department of the AFL-CIO in Las Vegas, aimed at organizing 40,000 unrepresented workers.

Elect a pro-labor Congress

Calling on organized labor to help elect a pro-labor Congress in 1998, and to hold political parties and elected officials to account, Sweeney said: "We cannot continue to decline in membership and expect our local unions to survive. We cannot bargain good contracts or pass decent legislation or have a voice in our communities without growing stronger.

"And to grow stronger, we have to find *new ways* to connect everything we do to organizing, and the place to start is by stopping something we've been doing far too long—we must stop giving money to political parties who won't give unions the respect we deserve, and we must stop supporting political candidates who won't support working families!"

He proposed a "litmus test" for every political candidate, with three questions: 1) Will you vote to support the right of workers to organize to improve their lives? 2) Will you take a stand against employers who violate our laws and interfere with a worker's free choice to join a union? 3) When a worker is fired for union organizing, will you stand with us, will you march with us, will you go to jail with us?

In addition, Sweeney noted that nearly 40% of union members are not registered to vote. If you project that into

union households and family members, he continued, “that’s as many as 16 million potential voters who are unregistered today—more than enough to put working families back in control of their lives and their future.”

Sweeney also launched a drive to recruit 2,000 union-member candidates by the year 2000. Indeed, recruitment stations were established for potential candidates in the “Union City” booths established in the convention center.

Reviving ‘the American Dream’

A major aspect of the debate was the economic policy changes required to revive “the American Dream.” The resolution on “The American Economy” states, “While the American Dream is alive and well in the hearts and minds of Americans, its reality has begun to languish in the American economy. The last 20 years have seen a steady erosion of the family wage, an erosion that has been particularly concentrated among those already earning lower-than-average wages. The average unemployment rate has increased, and there has been a wide increase in economic insecurity.”

To reverse this, the convention passed several important resolutions. One calls for a national commitment to full employment, urging that the Federal Reserve adhere to its full-employment mandate, and calling its current “single-minded pursuit of price stability with zero inflation” a

“deeply misguided goal.”

Other resolutions call for a return to the “policy agenda of Roosevelt”; for increased investment in infrastructure for America’s cities; increased spending on health care, education, job training, public safety, and environmental programs; an end to privatization; and a living minimum wage for all, including welfare recipients.

In her speech to the convention and subsequent press conference, Labor Secretary Herman pledged to fight for full labor rights for welfare recipients forced to work under the new welfare laws. She also affirmed her support for the right of these workfare workers to organize into unions. “I was a union member,” she said, “and it made a unique difference in my life.”

No to ‘free trade’

The most emotional issue of the convention was the legislation which the Clinton administration is attempting to push through Congress, to expand NAFTA globally, putting it on a “fast track,” which would give Clinton the ability to negotiate a trade treaty without Congress being able to amend it. The AFL-CIO is adamantly opposed to this legislation, as it has opposed NAFTA from the start. Fast track opponents Sen. Minority Leader Tom Daschle (S.D.) and House Minority Leader Dick Gephardt (Mo.) were showcased before Clinton

Labor leaders who signed for LaRouche’s exoneration

Leroy Trotman, president, International Confederation of Free Trade Unions; general secretary, Barbados Workers Union

Bob White, president, Canadian Labour Congress, Ottawa

Stephen Benedict, national director, International Department, Canadian Labour Congress, Ottawa

Michel Lajeunesse, Canadian director, Ontario Public Service Employees Union, Montreal

William A. Attley, general secretary, Irish Congress of Trade Unions, Dublin

Alexander Sergueev, president, The All-Russian Confederation of Labor; member of the Advisory Council to the President of Russia, Moscow

Leonid Solomin, president, Confederated Trade Unions of Kazakhstan, Almaty

Evelin Toth, international coordinator, Union of Autonomous Trade Unions of Croatia, Zagreb

Dr. Konstantin Trenchev, president, Confederation of Labor “Podkrepa” (“Support”), Sofia, Bulgaria

Demitris Kittenis, deputy general secretary, Cyprus Workers Confederation, Nicosia

Kertist Augustin, general secretary, Caribbean Congress of Labour, Roseau, Dominica

José M. Torres, president, UNITE! (Union of Needletrades, Industrial and Textile Employees), San Juan, Puerto Rico

Sumi Haru, vice president, National Council AFL-CIO, Los Angeles, California

Carl Huber, international executive vice president, United Food and Commercial Workers, Baltimore, Maryland

Alan B. Hughes, president, Arkansas State AFL-CIO; president, Paperworkers International Union, Little Rock, Arkansas

Clarence J. Monin, international president, Brotherhood of Locomotive Engineers, Avon Lake, Ohio

Susan C. Pisha, international vice-president, Communication Workers of America, Littleton, Colorado

Thomas Short, international president, International Association of Theatrical and Stage Employees, Cleveland, Ohio



AFL-CIO President John Sweeney and his wife, at the conference in Pittsburgh. Said Sweeney: "We cannot continue to decline in membership and expect our local unions to survive. We cannot bargain good contracts or pass decent legislation or have a voice in our communities without growing stronger."

addressed the convention, and were given standing ovations for their opposition to the proposed agreement.

Gephardt presented a slide show which he had made on a recent trip to Juárez, Mexico, showing the unbelievable poverty just south of our border. He concluded with a picture of a small Mexican girl, dirty and hungry. "If this child were American," he said, "we'd say this is a scandal. Well, this is a scandal. It's a million people, and it's on our border."

Addressing the issue most forcefully was Bob White, president of the Canadian Labour Congress, who was one of the signers on the Open Letter to President Clinton calling for LaRouche's exoneration.

NAFTA, said White, is "totally unacceptable to us." It has created "immense wealth" for some, which is "increasingly obscene," while Canada has suffered from an official unemployment rate of 9% since NAFTA began, as well as increased poverty and social dislocation. The "competitive model" has had disastrous effects, White said, while the Structural Adjustment Policies of the International Monetary Fund and the World Bank have eroded public services and living standards. The "dogma of privatization and free trade" is a "recipe for human rights violations," he said, to thunderous applause.

White stressed that the Gingrichite program in the United States and Canada is a "throwback to the 1930s." "We must never accept the idea that markets determine our destiny," he said, noting that governments interfere in markets every day, on behalf of the banks and the multinational institutions. "Just look at what they did in Mexico and Thailand," raising \$50 billion between the governments and the banks, to bail

out the banks whose losses were caused by speculators. He seconded Sweeney's earlier call for a global trade union movement, to counter the multinationals.

When President Clinton addressed the convention on Wednesday morning, the reception was decidedly cooler than it had been for Daschle or Gephardt. Clinton did everything he could to try to convince the delegates not to punish Democratic members of Congress who vote for the NAFTA fast track. "They have fought for you and for all working people, and they deserve our support," Clinton said. "If they were to lose their positions because they stood up for what they believed was right for America's future, who would replace them, and how much harder would it be to get the necessary votes in Congress to back the President when he stands by you against the majority?"

Sweeney issued a reply, making clear that Clinton hadn't succeeded: "We heard an eloquent expression of one point of view. We have an eloquent point of view as well—working families' point of view—and we need to express it loudly and clearly this afternoon.

"When we take up the trade resolution, we want the world to know how strongly we oppose NAFTA expansion and fast track. . . . We believe America should use our tremendous power in the world economy to lead a race to the top—not the bottom—and negotiate fair trade policies that protect the environment and workers' and human rights.

"Nothing else is acceptable. Nothing else does justice to the hard-working men and women who make this country work—and nothing else will work for working families when they go to the polls to vote next year!"

Harwood wins mayoral primary in Charlotte

On Sept. 23, LaRouche Democrat Jim Harwood won the Democratic mayoral primary in Charlotte, North Carolina. With a low 6.4% turnout citywide, Harwood polled 3,675 votes, or 60%, to 2,454 for his opponent, Leonard Harris. Harwood will face one-term Republican incumbent Pat McCrory (who easily won the Republican primary) in the general election.

Harwood, in his initial campaign statement in August, said that it was his intention to “use the office of mayor to rally forces within the Democratic Party to actively revive and support those economic initiatives that are best expressed today in the person of Lyndon H. LaRouche and in keeping with the tradition of Franklin Delano Roosevelt and John F. Kennedy.”

In the primary, Harwood distinguished himself by refusing to go along with various “privatization,” entertainment-oriented, low-wage schemes being peddled by the other candidates, which would sink, not save, what is left of Charlotte’s economy. He aggressively attacked the derivatives-driven financial bubble being inflated by Charlotte-based Nations-Bank and First Union Bank, and counterposed a plan to tax financial speculation. Harwood’s proposal would yield at least \$500 million per year for the state’s economy, funds that could be channelled into sorely needed infrastructure projects, including a system of magnetically levitated (mag-lev) trains running throughout the Southeast of the United States.

Although no LaRouche candidate has run in Charlotte since 1973, LaRouche has a strong presence in North Carolina. Nearly 50 elected officials in the state have signed the Open Letter to President Clinton calling for LaRouche’s exoneration, including several dozen current and former state legislators and numerous municipal elected officials. In the 1996 Democratic primary, LaRouche received almost 41,000 votes, outpolling all candidates save Bill Clinton and Bob Dole, including Republican candidate Pat Buchanan, in what was considered to be Buchanan’s stronghold.

Harwood received favorable press coverage, including a rundown in the *Charlotte Observer’s* profile of mayoral candidates. Asked to name “one original idea you would take to City Hall,” Harwood wrote: “It is certainly not original, but almost forgotten, and that is that we should base our policies around the idea that man is created in the image of God, and that each life is sacred on that account.”



*LaRouche
Democrat
Jim Harwood*

In a statement released after his victory, Harwood said:

“During the coming two years, the world financial and monetary system will continue a process of accelerated disintegration, as forecast by American statesman and economist Lyndon H. LaRouche. Dramatic shifts and changes are going to occur during this period, requiring proper leadership in order to navigate our nation and city through the storm.

“As mayor of Charlotte, my goal is to unite forces within the Democratic Party, labor, the civil rights movement, and other concerned citizens to call for and implement the economic proposals set forth by Mr. LaRouche. Adopting these economic proposals will not reverse the ongoing collapse in the monetary and financial markets, but return the economy to prosperity and increase the standard of living for all of our citizens.

“I will urge the state legislature to adopt a ‘transaction tax’ on the sale or transfer of financial securities such as stocks, options, bonds, etc. This would have the effect of drying up the excesses in the financial markets and also provide needed and substantial revenues for the state of North Carolina.

“This additional revenue will be used to create tens of thousands of well-paying jobs in industry and infrastructure, such as building schools, hospitals, transportation, infrastructure, etc.

“The change represents a positive alternative to the low-wage, low-benefit, dead-end jobs that are now called an ‘economic recovery.’

“As mayor, I would launch a crash program to rebuild our education and health care. I would work closely with my Congressional and Legislative representatives to ensure that these urgent measures are passed.

“We are in need of a Franklin Delano Roosevelt-styled economic recovery. To achieve such measures, it will require the mobilization of the Democratic Party, the civil rights movement, labor, and concerned educated citizens.

“Now is the time for each of us to act.”

Reno gives in, opens probe of President

by Edward Spannaus

Under threat of impeachment from Congressional Republicans, and guided by the corrupt permanent bureaucracy inside the Department of Justice, Attorney General Janet Reno has opened an initial investigation into fundraising by President Clinton, which could ultimately result in the appointment of a second special prosecutor against him. According to the *New York Times*, Reno took this step on the recommendation of the Justice Department task force that is already investigating Democratic National Committee fundraising and allegations of Chinese influence-buying.

The pretext for the new investigation of Clinton is the bogus issue of whether the President made fundraising calls from the Oval Office. The specific statute being cited has *no* application to what the President may have been doing—making fundraising calls to contributors outside the government. But, as one former Justice Department official observed, Reno had already “painted herself into a corner” by making a distinction between “hard money” and “soft money” in the question of Vice President Al Gore’s solicitations. Whether Reno did this out of incompetence, or on the malicious advice of her career prosecutors like Mark Richard, remains to be seen.

In any event, Reno has now opened up another avenue of assault on a President who is already besieged on many fronts.

Asked about this in a Sept. 23 radio interview with “EIR Talks,” Lyndon LaRouche said, “I don’t know what’s wrong with Janet Reno. I know there’s something very wrong with her. I have direct evidence of this.”

LaRouche said that Reno, “who was supposed to be a tough prosecutor, has turned out to be one of the most gutless wonders I’ve ever seen.” Although she came in, presumably as a tough prosecutor, “the Jack Keeneys, and the Mark Richards, and the others—the old apparatus that runs the Criminal Division of the Justice Department—just took her over, and later made her their patsy, right from Day One, as the Waco case shows, and the other cases.”

“She has been unable to do anything she was supposed to do as Attorney General,” LaRouche charged. “She’s simply a patsy for these guys.”

The DOJ task force

Reno is being guided, in the campaign fundraising flap, by the special task force she created last November. This task

force operates under the control of Mark Richard, a 30-year Justice Department career prosecutor who is personally responsible for such outrages as the frameup of Cleveland autoworker John Demjanjuk, who was almost executed in Israel as a Nazi war criminal, based upon false evidence knowingly provided by the Office of Special Investigations, a Justice Department unit created by Richard and operating under his personal control.

On Sept. 16, it was reported that this task force, already consisting of 90 attorneys, FBI investigators, and others, was being expanded to add 40 more lawyers, FBI agents, and others. Although Reno made some changes in the leadership of the task force itself, it continues to operate under the overall supervision of Mark Richard and Lee Radek, the chief of the Public Integrity Section within the Criminal Division.

Reno targets Clinton

Then on Sept. 20, the Justice Department announced that it had opened a formal inquiry into whether President Clinton had illegally solicited campaign contributions in telephone calls from the White House last year. “The Justice Department is reviewing whether allegations that the President illegally solicited campaign contributions on federal property should warrant a preliminary investigation under the Independent Counsel Act,” a statement said.

This is the same process that Reno has also recently initiated against Gore and against Hazel O’Leary, former secretary of energy. Independent counsels were previously appointed to investigate the late Commerce Secretary Ron Brown, former Agriculture Secretary Mike Espy, and former Housing Secretary Henry Cisneros.

The law being cited against Clinton and Gore was passed in 1883 as part of civil service reform; its purpose was to protect government workers from shakedowns by their bosses. No one has ever been prosecuted under the law for making outside solicitations, and in fact the Justice Department has always refused to prosecute anyone for doing so.

But what Reno previously did, when the issue of Gore’s phone calls came up, was to say that the law didn’t apply because the money raised was “soft money” and not “hard money,” which is regulated under Federal election law. It was a fallacious distinction, which had no bearing on the law in question, but when allegations surfaced that Gore, and then also that Clinton, had solicited “hard money” over the telephone from their offices, Reno had boxed herself in—or, more likely, she allowed herself to be boxed in on the advice given by Mark Richard’s task force.

Thus, while it is highly improbable that either Clinton or Gore could be prosecuted under this law, the danger is that an independent counsel, once appointed, can go off in just about any direction he or she wants—further weakening a Chief Executive who is already under attack from enemies both foreign and domestic.

Lindy Boggs ready to take up Vatican post

by Nina Ogden

Former U.S. Rep. Lindy Boggs (D-La.), whose nomination by President William Clinton to the post of ambassador to the Vatican is expected to be confirmed quickly by the U.S. Senate, will be the first American woman to serve as ambassador to the Holy See. Firsts are not unusual for the former congresswoman.

When the plane carrying her husband, House Majority Leader Hale Boggs, disappeared over Alaska in October 1972, Mrs. Boggs succeeded him, becoming the first woman to serve in the U.S. House of Representatives from Louisiana. She went on to serve nine terms as the U.S. Representative from her state's 2nd Congressional District. She was the first woman to chair a major political convention, when she served as chairperson of the Democratic National Convention in 1976. She was the first woman to serve as a Regent of the Smithsonian Institution. These are only a few of the items on

Congresswoman Boggs's long list of "firsts."

Corinne (Lindy) Claiborne Boggs was born and raised in Pointe Coupee Parish, Louisiana. She attended a one-room grade school briefly, but was mainly tutored at home. There she began reading the Shakespeare plays in her family library, when her honorary Aunt Rowena paid her 25¢ for every book she read. She continued her education at St. Joseph's Academy in New Roads, Louisiana, graduating, as valedictorian, from the high school two months after her 15th birthday. She went on to graduate from Sophie Newcomb College at Tulane University. When she was in Congress, a reporter asked her what preparation she had received for political life. She replied that she had received perfect training for serving on the House Appropriations Committee, because she had been taught by the nuns that she was doing people a favor when she gave them the opportunity to contribute to a good cause.

Nine Congressional terms

Mrs. Boggs's assignments in her nine Congressional terms included the House Appropriations Committee and the Banking and Currency Committee. A subcommittee assignment on Energy and Water Development, as well as other scientific and technological matters within the purview of the Appropriations Committee, led her to develop a keen interest in scientific research and development. The 1988 dedication of the Lindy Claiborne Boggs Center for Energy and Biotechnology of Tulane University, where the former congresswoman also served as special counsel to the president, is an indication of her scientific interests. Lock and Dam Number One on the Red River Waterway, and the Lindy Claiborne Boggs Challenger Space Station and Mission Control Learning Center in Baton Rouge, Louisiana, are dedicated to her, as well.

Mrs. Boggs has long been a champion of the mission of the social encyclicals of the Catholic Church. In her Sept. 23 statement to the U.S. Senate on her nomination, she emphasized: "I have experienced service to refugees and to the ill, especially those in the new worldwide outbreak of leprosy, the poor and the hungry all over the world, with a special emphasis on the elderly and the displaced here in the United States."

Since the death of Princess Diana, Mrs. Boggs has spoken of some of that service in the charitable duties she shared with the Princess, raising funds for new medical protocols and equipment in the fight against cancer. She has spoken of her admiration, not only for Diana's ability to raise millions of dollars for these crucial needs, but also her ability to comfort the sick and dying, and her true interest in breakthroughs in medical science.

Lindy Boggs's children are the late Barbara Sigmund, former mayor of Princeton, New Jersey; Thomas Hale Boggs, a Washington, D.C. lawyer and lobbyist; and Cokie Roberts, journalist and commentator for National Public Radio and ABC News. Her son William died in infancy. She is the grand-

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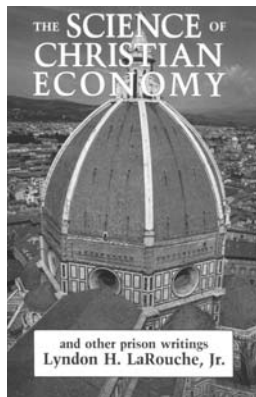
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President and Mrs. Clinton visit with Pope John Paul II at the residence of Archbishop McCarrick at Sacred Heart Cathedral. The President has nominated Lindy Boggs (above) to become the next U.S. ambassador to the Vatican.

mother of eight and the great-grandmother of six. Her dedication to her family as well as her service in Congress on the Select Committee on Youth and Families, where she chaired the Crisis Intervention Task Force, has also led to her efforts to protect children's health and education internationally.

'A distinguished choice'

Bishop Anthony M. Pilla, president of the National Conference of Catholic Bishops, hailed President Clinton's nomination of Lindy Boggs as U.S. ambassador to the Holy See: "Mrs. Boggs is a well-informed and articulate person, known for her generosity of spirit and deeply committed to the service of others, especially those in need. She is a distinguished choice. Our prayers and well wishes will be with her as she begins her new assignment."

Lindy Boggs ended her statement before the Senate confirmation hearing on Sept. 23, saying: "Among the 168 countries represented at the Holy See are several which consider ambassadorial assignment there as the pinnacle of diplomatic service. Consequently, the American ambassador has access to some of the most seasoned diplomats in the world.

"My entire adult life, Mr. Chairman, has been engaged in service through the institution of Congress. I look forward to this new and exciting opportunity to further expressions of those goals."

Many of those who have known Lindy Boggs throughout

her years of service are echoing Bishop Pilla's evaluation that she is a "distinguished choice" for the Vatican post. Her interests in those things which the Pope is also devoted to—such as experiments in the natural sciences, dedication to children, both the unborn and those who are living precariously, and love of justice and peace—will make her welcome in the Vatican as well as the U.S. Embassy. John Paul, no doubt, will also welcome her experiences with, and love for, his friend Mother Teresa. Before Hale Boggs boarded the plane on his fatal flight over Alaska in 1972, the Majority Leader told his wife that he had just read a book by an extraordinary nun, who would appear at their parish church that evening, and encouraged her to attend Mother Teresa's talk in his absence. Mother Teresa had already left the Washington area when the news came of the missing airplane. She immediately called Mrs. Boggs and comforted her throughout the ordeal of the fruitless search and then through her bereavement.

We look forward to the indomitable Lindy Boggs's new assignment. We also look forward to the end of what can perhaps be called the "ageism" of the baby-boomer generation of journalists: Since the Honorable Corinne C. "Lindy" Boggs is one of the liveliest great-grandmothers on at least two continents, her example should immediately end the, heretofore endless, speculation that John Paul II is too old to continue to serve as Pope.

China Policy Act faces rough road

On Sept. 17, the Senate Foreign Relations Committee held a hearing on the China Policy Act, sponsored by Spencer Abraham (R-Mich.), only six days after the bill was introduced. Committee Chairman Jesse Helms (R-N.C.) is giving the bill maximum exposure before the state visit to Washington of China's President Jiang Zemin at the end of October.

However, Abraham and co-sponsors face strong opposition, and are unlikely to get the bill passed before Jiang arrives. No less than seven members of the committee, four Republicans and three Democrats, spoke out strongly against the bill. Only Russ Feingold (D-Wisc.) and Sam Brownback (R-Kan.), who are co-sponsors, joined Helms in supporting the measure.

All of the senators opposed said, in one form or another, that the objectives of the bill with respect to human rights, arms proliferation, and so forth, are worthy objectives, but that the means the bill chooses to achieve them would have the opposite effect. Joseph Biden (D-Del.) noted that the visa restriction provision, if it were in effect now, might prevent President Jiang and other high-ranking Chinese officials with whom the United States must be in contact, from visiting the United States, and thus "run the risk of reducing our influence and isolating China."

East Asia and the Pacific Subcommittee Chairman Bill Thomas (R-Wyo.) said that the sanctions in the bill "would only serve to back the Chinese in the corner from which any reaction is going to be hostile."

Diane Feinstein (D-Calif.), in the most impassioned speech of the hearing, warned that, if the bill were implemented, it would confirm the "paranoid" view among Chinese military

hard-liners that U.S. policy "is really intended to keep China weak and divided."

Others, such as Rod Grams (R-Minn.) and John Kerry (D-Mass.), pointed to the progress that has been made in China in recent years in all areas, and expressed fear that if the bill were to become law, it would destroy all of that progress.

Republicans target Federal judiciary

On Sept. 16, Senate Minority Leader Tom Daschle (D-S.D.) and Patrick Leahy (Vt.), the ranking Democrat on the Senate Judiciary Committee, blamed the failure of the Senate to confirm judicial nominations on a concerted campaign by the GOP to "intimidate" the Federal bench, as a means of curbing so-called "judicial activism." Daschle said, "The Republicans are holding up judgeships, causing extraordinary delay of justice in many parts of the country because we don't have judges, in order to intimidate the judiciary." Leahy added, "We have three separate and co-equal branches of the government. Nothing in the Constitution says that we are to intimidate the judiciary. We are to advise and consent on their nominations, but not to intimidate them."

In remarks on the Senate floor on Sept. 19, Leahy said, "We have heard demands that Congress destroy the orderly process of appellate review and instead, assume the role of a super-court and legislatively review and veto decisions on a case-by-case basis as it may suit Congress's passing political whim and fancy."

In the Sept. 14 *Washington Post*, House Majority Whip Tom Delay (R-Tex.) was quoted saying, "The judges

need to be intimidated. They need to uphold the Constitution," and if they don't behave, "we're going to go after them in a big way." In the article, Senate Judiciary Committee Chairman Orrin Hatch (R-Utah) was quoted saying, "If you want to blame somebody for the slowness of approving judges . . . blame Clinton and Carter appointees who have been ignoring the law and are true examples of activist judging."

Senate Majority Leader Trent Lott (R-Miss.), when asked to respond to Leahy's charges, said, "I don't know anything of that nature, but it sounds like a good idea to me." He said that the most unpopular people in America are "Federal judges that try to run our schools, try to run our lives, try to make the laws instead of interpret laws."

At the end of August, this year the Senate has confirmed 15 judges, with 61 nominations pending. Previous Congresses routinely confirmed over 120 judges every two years.

Ethics process to undergo House reform

The House voted 258-154 on Sept. 18 to adopt a new set of rules for handling ethics complaints against members of Congress. The resolution was the result of a bipartisan task force co-chaired by Bob Livingston (R-La.) and Ben Cardin (D-Md.). The task force was established in the wake of the scandal around House Speaker Newt Gingrich (R-Ga.), that came to a head with the January vote that imposed a fine of \$300,000.

The resolution makes substantial changes to House rules relating to the filing and handling of ethics complaints. It toughens the standards for

filing a complaint, including prohibiting a non-member of Congress from filing a complaint based solely on newspaper reports, and requires that any outsider filing a complaint against a member have personal knowledge of violations of House ethics rules. The House also added two amendments, one that requires that complaints filed by non-members be sponsored by a member, and another that requires a majority vote of the investigative subcommittee to expand the scope of an investigation.

The House also voted to apply the new rules to all complaints filed during the 105th Congress, when there was a moratorium in effect on the activities of the ethics committee. Left unclear, however, is whether two complaints filed during 1996, against Majority Whip Tom Delay (R-Tex.) and Transportation and Infrastructure Committee Chairman Bud Shuster (R-Pa.), will be handled under the new rules. Both complaints were filed by the Congressional Accountability Project, a watchdog group associated with Ralph Nader. Under the new rules, neither complaint could be filed.

Campaign finance reform agreement blocked

On Sept. 19, an attempt by Senate Majority Leader Trent Lott (R-Miss.) to seek agreement on bringing the McCain-Feingold campaign finance reform bill to the floor before the end of the session, exploded the tensions that have been building on the issue since the end of the August recess. Minority Leader Tom Daschle (D-S.D.) angrily objected, calling it "an ultimatum," because he had not seen it before Lott brought it to the floor. "It is an affront to me personally," he said, "and it begs

the question about how sincere this offer really is." He accused Lott of having no intention of bring the bill to the floor until the last day of the session, the date of which has not yet been agreed upon, when the subject actually requires about a week of debate.

Lott responded, "It would not be my intent to do it right at the end of the session," but said he didn't have a date in mind. He argued that it was necessary to get through the Appropriations bills, the fast track legislation, and the transportation bill, before taking up campaign finance reform. "We want to do it in a time when it can be fully debated," he said, and to "see if it can be done without another government gag on free speech." He said that if his request was a "sneak attack, there hasn't been such a well-covered sneak attack since Pearl Harbor."

Daschle called Lott a "smooth sell," and said his request "plays into the hands of the opponents of campaign finance reform," led by Mitch McConnell (R-Ky.). Daschle vowed that the McCain-Feingold bill will come to the floor either the "easy way," by scheduling that makes sense, or "the hard way," the same way the minimum wage and the disaster assistance bills were passed.

White House begins push to sell 'fast track'

On Sept. 16, the Clinton administration sent up to Capitol Hill proposed legislation dubbed the "Export Expansion and Reciprocal Trade Agreements Act of 1997," intended to give the administration fast track negotiating authority to expand the North American Free Trade Agreement (NAFTA) and other free trade agreements. The lobbying effort began with

a meeting between President Clinton and the House Democratic Caucus that afternoon, concurrent with a meeting of U.S. Trade Representative Charlene Barshefsky, Commerce Secretary William Daley, and Treasury Secretary Robert Rubin with the Senate Democratic Caucus.

Democrats, led by Minority Leader Richard Gephardt (D-Mo.) and Minority Whip David Bonior (D-Mich.) in the House, and Byron Dorgan (D-N.D.) in the Senate, have been organizing against the proposal for some time. Bonior told a meeting of the American League of Lobbyists on Sept. 16 that any trade agreement must protect workers' rights and the environment, both of which NAFTA, the last free trade agreement negotiated under fast track, has failed to do.

A number of Republicans voiced opposition on the issues of labor and the environment, at a Sept. 17 Senate Finance Committee meeting, but for the opposite reasons. Phil Gramm (R-Tex.) declared that he was for giving President Clinton fast track authority, but that he "would rather the United States sit on the sideline than to see us destroy the world trading process by injecting into it labor and environmental conditions that disrupt trade and that will reduce the volume of trade in the world." Gramm was echoed by Connie Mack (R-Fla.) and Trent Lott (R-Miss.).

Despite this opposition, Dan Tarullo, President Clinton's adviser on international economic policy, expressed optimism that there is enough bipartisan support for the bill to pass "expeditiously." Senate Minority Leader Tom Daschle (D-S.D.), after meeting with Clinton, said that although some issues were still under negotiation, "the administration has come a long way" on issues of concern to Congressional Democrats.

National News

'Senator Sleaze' takes aim at Brookhaven lab

New York Republicans Sen. Alfonse D'Amato and Rep. Michael Forbes are attempting to shut down the Brookhaven National Laboratory's High Flux Beam Reactor at the Long Island facility. Laboratory scientists and other employees have rallied to foil this operation, which kow-tows to the anti-nuclear hysterics among D'Amato and Forbes's well-heeled constituents. The duo announced their "unalterable" opposition to the reactor at a Sept. 2 press conference, and have introduced bills to decommission the reactor, under the guise of protecting local drinking water from alleged nuclear contamination. Two days later, 500 scientists and other workers, including union leaders, from the lab held a lunchtime rally in front of Forbes's office, demanding that he and D'Amato act on the basis of "science fact and not science fiction."

The research reactor produces nuclear isotopes for medical use and other research. The impetus for D'Amato's green grandstanding was that a trace of tritium was found in the aquifer. However, regulatory agencies including the Environmental Protection Agency and the Suffolk County Water Authority, have affirmed that there is no health threat. One scientist told protesting Brookhaven workers that if D'Amato and Forbes were so worried about such trivial amounts of radioactivity, they would close the local beach, because of the naturally occurring radioactive thorium in the sand.

Resistance 'pledge' spreads vs. workfare

Close to 80 non-profit groups, churches, and synagogues in New York City have signed the "WEP Pledge of Resistance," saying they "morally oppose and reject the existence and continuation of the WEP (Work Experience Program) in its current form," and "will not be party to the city administration's efforts to expand the workfare pro-

gram." They base their opposition on the Universal Declaration of Human Rights, which guarantees that freedom from poverty is a basic human right. So-called "workfare" or "welfare reform" programs throughout the country seek to replace unionized workers with welfare recipients, who receive no more than their "benefits."

The pledge continues, "Instead, we will make every effort to end workfare and fight for the creation of living wage jobs for all who need them. Additionally, we will fight for the availability of a four-year college education for all, regardless of their economic circumstances. We believe that government is responsible for promoting job creation and, if necessary, for developing public works programs to employ hundreds of thousands of the poor and unemployed across the nation."

On Sept. 19, former United Autoworkers Public Relations Director Rev. Peter Laarman told the weekly newspaper *New Federalist* that "the real story of this program is that it's a displacement program, where people on welfare are being made to do work that was done in the past by some 23,000 regular city workers, no longer on the city payroll. It's destroyed those jobs and these people aren't going to get jobs from the city or anywhere else. They're going to be left high and dry when their time limits run out."

Jewish leaders back U.S. hard line on Netanyahu

The Clinton administration does not need to fear a backlash from Jewish voters from its taking a more assertive role in the Middle East peace process, several American Jewish leaders have been telling the administration, according to the *Washington Post* of Sept. 19. Many U.S. Jewish leaders were enthusiastic when Secretary of State Madeleine Albright demanded that Israel stop "provocative" unilateral actions that jeopardize the peace process, and have asked the administration to take a harder line against the Netanyahu government. Theodore Mann, a former chairman of the Conference of Presidents of Major American Jewish Or-

ganizations, told the *Post*'s Caryle Murphy that he was happy with Albright's stance on her recent trip to the Mideast, which was not only to pressure Palestinian President Yasser Arafat on security cooperation, "but to emphasize as well that there isn't going to be a peace process with unilateral actions by Netanyahu."

J.J. Goldberg, author of *Jewish Power*, said, "What we're seeing is a much greater willingness by mainstream Jews and Jewish groups to distance themselves from Israeli policy." These groups "are becoming more willing to encourage American pressure, because there's widespread anger at the Likud . . . over the perception that it's undermining the peace process."

Ze'ev Schiff, writing in the Israeli daily *Ha'aretz* recently, noted the "fears among U.S. Jews that Netanyahu is leading the peace process into a cul-de-sac."

Ammerman lashes out at LaRouche, Chaitkin

Pentecostalist Rev. Jim Ammerman, who was exposed as a religious front within the U.S. military and among the militia movement for Britain's "invisible empire," in our Aug. 22 issue, lashed out at Lyndon LaRouche and investigative reporter Anton Chaitkin, during a Labor Day meeting at a hotel in Bozeman, Montana.

Ammerman began by asking whether his listeners had seen the *EIR* report on him by Chaitkin. A half-dozen people raised their hands. Ammerman proceeded to attack LaRouche, using the media ID format that he is a "perennial candidate," and falsely asserting that LaRouche had been sent to prison for income tax fraud. Given the hatred among these layers for the Internal Revenue Service, that line of attack was not very well received. Ammerman then warned that the LaRouche report had been circulated to 50 officers in the Pentagon (the actual number is much greater).

However, the tables were turned on the former Army colonel, during his presentation, after he had repeatedly mentioned "my friend the general." An audience member challenged whether he was referring to Gen.

SIR CASPAR WEINBERGER accused the Clinton administration of “appeasing” North Korea by encouraging four-party talks among the United States, China, and North and South Korea.

VIRGINIA Gov. George Allen turned down a request to hand Mexican death row inmate Mario Murphy over to them to serve out his sentence in Mexico, rather than carry out the execution in Virginia. A stickler for law and order, Allen had Murphy executed on Sept. 19, despite the fact that Virginia violated Murphy’s right under the Vienna Convention, as a Mexican national, to speak to a Mexican consul, when he was arrested.

WILLIAM WELD, the former Massachusetts governor (R), who was spurned as nominee to become ambassador to Mexico because he is soft on drugs (and softer on drug-money laundering), put to rest rumors that he might replace Janet Reno as Attorney General. “I plan to make a long-term investment in the private sector,” Weld told the Sept. 18 *Boston Globe*.

WHITEWATER prosecutor Kenneth Starr got a \$163,000 raise from his law firm last year. In addition to his \$87,385 salary as Whitewater independent counsel, Starr was paid \$1.2 million—\$163,000 more than in 1995—by his Chicago-based firm, Kirkland & Ellis. Starr also received \$25,000 for teaching law at New York University, according to financial disclosure statements he filed with the Office of Government Ethics.

GUN- AND DRUG-RUNNER Oliver North is vigorously campaigning for the Republican gubernatorial ticket of Jim Gilmore in Virginia. North appeared at the Brandermill Country Club Sept. 11 on behalf of the Republican candidate to replace Gilmore as Attorney General, Mark L. Earley. The ticket is expected to be a bellwether for Conservative Revolution candidates in the 1998 elections.

Ralph E. Haines (whom *EIR* had exposed as the godfather of Ammerman’s Full Gospel Chaplaincy within the Armed Forces). Ammerman admitted that, yes, it was indeed Haines. And was he aware that this Haines was the author of the infamous “Operation Garden Plot”? Yes, Ammerman admitted, Haines was the man. And are you aware, the questioner asked, that Operation Garden Plot was a scheme to enslave our country, put us under military rule, and destroy our national sovereignty? Ammerman spat out that he was aware of that, too.

EIR continues to receive indications that its exposé is being circulated throughout the “Patriot movement.”

Greenpeace facing extinction in U.S.

“Greenpeace in Biggest Ever U.S. Retrenchment,” headlined the *New York Times* on Sept. 16. All ten branch offices are being closed, leaving only a Washington, D.C., office. Door-to-door campaigning, which had made Greenpeace the “Avon lady” of environmentalism, will stop. Out of 400 staff members, 335 are being laid off—mostly canvassers.

Due to plummeting membership, and a deficit of \$2.6 million over the first six months of 1997, the Executive Board cut the group’s U.S. budget from \$29 to \$21 million, and decided to narrow its focus to “global warming” and “danger to forests,” de-emphasizing toxic waste and fishing issues. U.S. donations have fallen from \$45 million to \$25 million per year.

Ray’s request for trial in M.L. King case denied

The latest request by James Earl Ray for a trial in the assassination of Martin Luther King was denied by Tennessee State Judge Cheryl Blackburn of Davidson County Criminal Court. Ray, who is extremely ill with liver disease, pleaded guilty to the murder—under threat of death sentence—in

1968, but soon thereafter attempted to withdraw his plea and secure a trial. Since then he has insisted that he was a patsy in a much larger conspiracy, which a trial would prove.

In his latest motion to be granted a trial, Ray sought to use the fact that the judge who accepted Ray’s guilty plea died before Ray made the request to withdraw the plea. According to the law, only the judge who took the plea could consider the withdrawal of it, and therefore Ray should have been freed and given a trial, said Ray’s attorneys.

Ray’s terminal liver condition continues to worsen, and his attorneys say he may have only another 3-4 months to live. The rejection of this latest request creates a further obstacle to his obtaining a liver transplant, which is his only hope for survival.

Carville: Whitewater is a ‘giant hoax’

James Carville blasted the immorality of the Whitewater scandalizing against President and Mrs. Clinton, at a News Maker Forum at Washington’s National Press Club on Sept. 22, referring to the politically motivated investigations as “the biggest hoax in American history.”

“Does ethics in politics matter? Sure it matters, scandals matter; the problem is, you have to show people a scandal. It started out with the great Whitewater scandal, and it was all pontificating, editorialists, Independent Counsel, it was all rock solid . . . five years and \$50 million into it: zip, zero, nothing! It was the greatest political dirty trick in American history,” he said. If Republican ideas “are so good,” he continued, “why don’t they run on ’em; and quit running with the Pendleton Act, impeaching the Attorney General with all this gobbledygook they’re talking about. . . . People are tired of the criminalization of political differences in this country.”

Carville was no less gentle with the media: “I think the media should be held accountable. Someone should be accountable for these 50,000 stories. . . . We have to know how this giant hoax, how this political dirty trick was spawned on the American people, and what can we do to see that it doesn’t happen again.”

Editorial

High stakes at the U.S.-China summit

Stanley Roth, the U.S. Assistant Secretary of State for East Asia and the Pacific, told the Senate Foreign Relations Committee on Sept. 17 that, were the United States to impose sanctions on China, as advocated by certain Republicans' "China Policy Act," "we could end up punishing ourselves."

Roth has hit the nail on the head, and the reasons why, are of the utmost strategic importance.

The summit meeting at the end of October between Presidents Bill Clinton and Jiang Zemin is the key strategic issue, apart from the financial crisis, which is defining the world situation today. As Lyndon LaRouche has emphasized over the past year, there are three major powers arrayed against the evil new British Empire: the United States, Russia, and China. Russia, although still a thermonuclear military power, is weak and lacks effective policy direction. That leaves the future of mankind in the hands of the United States and China—and that means, specifically, in the hands of their Presidents.

The so-called agenda items that are being discussed on the eve of the summit, are of no great importance. The question is, whether the United States and China will enter into principled cooperation, to deal with problems in Asia and the world. U.S. administration spokesmen are downplaying any expectations of substantive breakthroughs, but that is irrelevant. This is no time for ouija boards or crystal balls, but for political action to make sure that the necessary goals are achieved. Many are the times that statesmen have kicked over the political chessboard, rising above the expectations of their subordinates to strike out on a daring new course.

Today, the future of the world depends upon it. We require a new set of economic and financial relations on this planet. The present monetary system is bankrupt, and the physical economy of most of the world's nations is in much worse shape than it was during the Depression of the 1930s. If you look at the speculative bubble created by financial derivatives, you find that the nominal value of derivative debt outstanding inter-

nationally is the equivalent of about \$100 trillion! Outside the central bank of China, every central banking system of the world is hopelessly bankrupt at this time.

We need to liquidate the present system, and put into place a new monetary system. The United States and China must join with other nations, to create what may be called a New Bretton Woods agreement, which would use as its model the successful phase of the Bretton Woods agreement up until 1959: a gold reserve fixed parity system, with protectionist measures to protect the development of economies; regulation of foreign exchange, in order to facilitate long-term agreements on trade and loans in the international market. This arrangement must write off most of the unpayable speculative debt, which has been built up over the past 30 years. Further, we must foster the development of national banks in each country, to replace the bankrupt central banking systems. Governments will cooperate in providing credit, especially for international and national infrastructure development projects, to lay the foundation for economic growth.

By applying what LaRouche has called the Machine-Tool Principle, we shall achieve the high-technology growth of the economies of the world's nation-states. Where there is now poverty and despair, we shall foster education, science, and Classical culture.

The speech by Malaysia's Prime Minister Dr. Mahathir at the World Bank/IMF meeting in Hongkong, published in full in this issue, shows that there is an enormous constituency for such a program, among the populous nations of Asia. "We like to think big," Mahathir said. "We want to link up with the railways of China, Central Asia, and on to Europe."

China's magnificent project for the Eurasian Land-Bridge provides exactly the sort of Great Project that we require, to put the world back on a course of optimism and economic development. Many smaller powers have joined in, to the extent they can. But full U.S. support for this endeavor would not only put Americans to work at productive jobs: It would be a death-blow to the British Empire.

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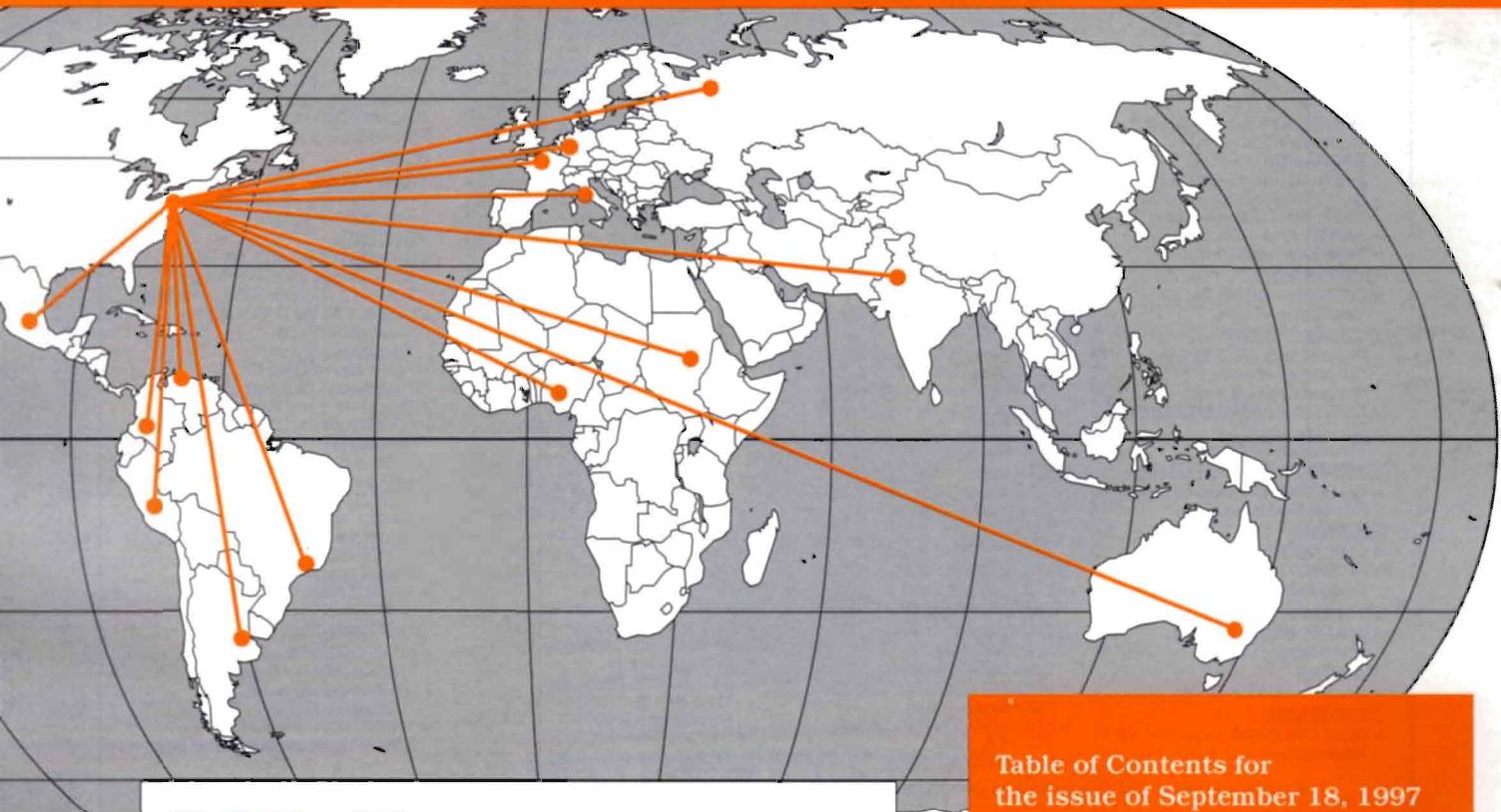
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