

EIR

Executive Intelligence Review

October 17, 1997 Vol. 24 No. 42

\$10.00

Bankers' rule makes Washington a death camp
Netanyahu caught deploying assassins
Mahathir ups the ante against speculators

**Moles try to wreck
U.S.A.-China summit**



In 1945, the world looked with horror at the genocide by Britain's marcher-lord Hitler, and cried out,

"Never again!"

On April 4, 1997, the world stood by, as Britain's marcher-lord Yoweri Museveni proclaimed,

"My mission is to see that Eritrea, Ethiopia, Sudan, Uganda, Kenya, Tanzania, Rwanda, Burundi, and Zaire become federal states under one nation. . . . As Hitler did to bring together Germany, we should also do it here. Hitler was a smart guy, but I think he went a bit too far by wanting to conquer the whole world."

Dachau, Germany, 1945



EIR SPECIAL REPORTS

Kisangani, Zaire, 1997



NEVER AGAIN! London's genocide against Africans

INCLUDING

**How the British Raw Materials
Cartel put Kabila into power**

Order number EIR 97-002 \$100

Peace through Development in Africa's Great Lakes Region

Proceedings of a seminar in
Walluf, Germany

Including remarks by Lyndon H. LaRouche, Jr. and
former President of Uganda Godfrey L. Binaisa

Order number EIR 97-003 \$100

EIR News Service

P.O. Box 17390 Washington, D.C. 20041-0390

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: *Melvin Klenetsky, Lyndon H. LaRouche, Jr., Antony Papert, Gerald Rose, Dennis Small, Edward Spannaus, Nancy Spannaus, Jeffrey Steinberg, Webster Tarpley, William Wertz*

Associate Editor: *Susan Welsh*

Managing Editors: *John Sigerson, Ronald Kokinda*

Science Editor: *Marjorie Mazel Hecht*

Special Projects: *Mark Burdman*

Book Editor: *Katherine Notley*

Advertising Director: *Marsha Freeman*

Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Asia and Africa: *Linda de Hoyos*

Counterintelligence: *Jeffrey Steinberg, Paul Goldstein*

Economics: *Marcia Merry Baker, William Engdahl*

History: *Anton Chaitkin*

Ibero-America: *Robyn Quijano, Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

Rachel Douglas, Konstantin George

United States: *Kathleen Klenetsky*

INTERNATIONAL BUREAUS:

Bogotá: *José Restrepo*

Bonn: *George Gregory, Rainer Apel*

Buenos Aires: *Gerardo Terán*

Caracas: *David Ramonet*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Mexico City: *Hugo López Ochoa*

Milan: *Leonardo Servadio*

New Delhi: *Susan Mitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451. World Wide Web site: <http://www.larouchepub.com> e-mail: eirns@larouchepub.com

European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Otto von Guericke Ring 3, D-65205 Wiesbaden, Federal Republic of Germany Tel: (6122) 9160. Homepage: <http://www.eirma.com> E-mail: eirma@eirma.com Executive Directors: Anno Hellenbroich, Michael Liebig

In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

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

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

Copyright © 1997 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Periodicals postage paid at Washington D.C., and at an additional mailing offices. Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

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

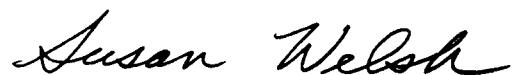
From the Associate Editor

The countdown is on, to the historic summit between Presidents Bill Clinton and Jiang Zemin, at the end of October. The strategic priority of our time is to forge a U.S.A.-China alliance, to finish off the British oligarchy. When the tottering, bankrupt financial system finally blows out, the United States and China, the world's most powerful countries, will have to put into place a new international monetary system; they will have to move together into the 21st century, implementing the Eurasian Land-Bridge project for infrastructure development.

The LaRouche political movement is mobilizing worldwide to ensure that the summit is a success. Lyndon and Helga LaRouche are leading the fight against the “moles” in Congress, the Pentagon, and in various nooks and crannies of the Executive branch, who are trying to sabotage the Clinton-Jiang summit. In this issue, we feature an article by Lyndon LaRouche on who these saboteurs are; we also present a first report on Helga Zepp LaRouche's recent visit to Beijing, including an interview that she—“the Silk Road Lady”—gave to the *People's Daily*, China's most important newspaper.

See also the *Economics* section, for more on the aftermath of the Hongkong meeting of the International Monetary Fund and World Bank. Malaysian Prime Minister Mahathir left Hongkong for a tour of Ibero-America, where he continued to pound away at the financial speculators who are ruining the economies of Southeast Asia, overnight. In an obvious jab at speculator/“philanthropist” George Soros, Mahathir declared: “A few dollars for charity is not enough to compensate for the destruction of the economies of not just a few people or a country, but whole regions.”

Our *Investigation* is an in-depth report on the state of the nation's capital, under the rule of the Financial Control Board. This package grew out of citizens' hearings conducted in Washington, D.C. on Aug. 27, organized by the Schiller Institute and other community groups. Our report includes a dossier on the precedent set in New York City in 1975, known as Big MAC, in which the bankers took over the reins of government, gutting services and throwing people onto the street, as they have now done in the District of Columbia.



EIR Contents

Interviews

49 Dr. Ray Terry

Dr. Terry is a Public Health Analyst in the Washington, D.C. Health Department.

53 Jonathan Smith

The executive director of the D.C. Prisoners' Legal Services Project reports on the fate of the D.C. prisoners transferred to the private Corrections Corporation of America prison in Youngstown, Ohio.

56 Dr. Andres Taylor

An English teacher at the University of the District of Columbia, Dr. Taylor describes the gutting of the university's programs and staff, under recent austerity programs.

Departments

37 Australia Dossier

Travel expenses scandal rocks government.

72 Editorial

"Global warming" is a British hoax.

Photo and graphics credits:

Cover, Alan Yue. Pages 21, 31, 59 (Rohatyn), EIRNS/Stuart Lewis. Page 36, EIRNS. Page 59 (Beame), EIRNS/Carlos de Hoyos.

Investigation

40 Bankers' dictatorship makes Washington a death camp

The deliberate destruction of Washington, D.C. is the product of a set of false assumptions about economic policy, which are shared by groups otherwise bitterly opposed to each other. Dennis Speed reports.

44 What's at stake, in the battle to save the nation's capital

Anton Chaitkin addresses a citizens' hearing on "Nazi economics" in Washington, D.C.

44 How Washington was built

47 Blueprint for Nazi economics in the District of Columbia

Testimony of Dr. Abdul Alim Muhammad, MD, to the citizens' hearing.

49 The downsizing of health care in D.C.

An interview with Dr. Ray Terry.

51 Privatized prisons: a travesty of justice

53 An eyewitness report from CCA-Youngstown

An interview with Jonathan Smith.

56 Funds for higher education cut in half

An interview with Dr. Andres Taylor.

58 Big MAC: How a bankers' dictatorship was imposed on New York City

Economics

4 Behind 'emerging market,' depression grips Russia

While the virtual reality of "emerging markets," which are dominated by pure speculation, paints a rosy picture, Russia is losing population faster than in World War II.

6 Currency Rates

7 Malaysia's Mahathir gaining global support in fight against Soros

Documentation: From the prime minister's press conference in Argentina, and press controversy over the fight between him and George Soros.

10 Pakistan's Aziz hits 'footloose capital'

11 Mahathir takes fight versus speculators to Ibero-America

The text of Dr. Mahathir's speech in Santiago, Chile.

16 Congressional hearing defends speculation in derivatives

Fed Chairman Alan Greenspan and the top U.S. derivatives trading banks are desperately opposed to reporting of derivatives on-balance sheet.

18 Business Briefs

Feature



20 Moles try to wreck U.S.A.-China summit

“The British monarchy is waging economic and diplomatic warfare, aimed at isolating and crushing the United States, and the strategic planners at the Defense Department do not appear to be paying attention to their duty to plan the strategic defense of our republic,” writes Lyndon LaRouche.

25 Shaping the 21st Century for the betterment of mankind

27 Schiller Institute’s Zepp LaRouche returns to Beijing

Mrs. Zepp LaRouche was interviewed by *People’s Daily*, during a week-long visit to Beijing in September.

International

30 Israel’s Netanyahu caught deploying assassins

It has been shown once again, that the British and Israeli right-wing fundamentalists are the major purveyors of terrorist operations worldwide. Will Netanyahu be ousted before he starts another Mideast war?

32 British royals launch Commonwealth imperial offensive

Hoping to reverse their mounting political losses, the British royals are shifting the empire’s functions increasingly under the banner of the Commonwealth.

35 In Memoriam: Gertrude Pitzinger: Lieder singer’s soul speaks out from song

38 International Intelligence

National

64 Anglophiles try to derail Clinton’s China policy

A nest of British agents in and around Congress are trying to disrupt the historic U.S.-China summit in October, between Presidents Clinton and Jiang Zemin.

66 Clinton rejects Brits on greenhouse cuts

The British want the United States to agree to a 15% cut in “greenhouse gases” emissions at the Environmental Summit in December in Kyoto, Japan, which would be economic disaster. And, the demand is based on the fraud of global warming.

67 Reno clears President on Chinagate, for now

By forcing the issue, what Republicans got was a detailed refutation of the most serious charges which have been levelled by the news media against President Clinton in the course of the campaign fundraising controversy.

68 Congressional Closeup

70 National News

Behind 'emerging market,' depression grips Russia

by Rachel Douglas

AvtoVAZ, the largest car manufacturer in Russia, could be forced into bankruptcy by mid-October, First Deputy Premier Boris Nemtsov warned on Oct. 1. The firm owes the equivalent of \$1.3 billion in back taxes and other debts to the state, and it reported losses of nearly half a billion dollars last year. AvtoVAZ stock, meanwhile, is one of the success stories of the young Russian stock market. During the past 12 months, the price of a share in AvtoVAZ rose ten times over, from \$1.60, to \$16.00.

In cameo, AvtoVAZ reveals the clash, in Russia as around the world, between the reality of a physical economic disaster, and the virtual reality of "emerging markets" dominated by pure speculation. The Moscow stock exchange rose 150% last year, and another 150% this year, but the International Monetary Fund (IMF) *World Economic Outlook*, issued on Sept. 17, reports that half of all the privatized, formerly state-owned firms in Russia are operating in the red, and says one out of four of them should be declared bankrupt.

Especially since last summer, when mega-speculator George Soros declared his excitement about Russia as an investment opportunity and sank nearly \$1 billion into the takeover of its communications network, Svyazinvest, financial press and wire services in the West have been full of lurid quotations from monetarist shysters, eager to hit the jackpot in Russia. A Broadgate survey, reported by RFE/RL Newline in August, concluded that "the vast majority of major American investors still believes Russia has the best market outlook of all former communist countries," rating as "the premier vehicle for post-communist investment." Russia is "the world's best performing emerging market," opines the *Financial Times* of London. "Russia is hot," says an Oct. 5 *New York Times* report on the "stock-buying fever" in Russia; but,

"most of the trading is between offshore hedge funds," with virtually no real investment into the firms.

Foreign investment in Russia during the first nine months of 1997 was triple the previous year's, and the best is yet to come, according to First Deputy Premier Anatoli Chubais, the Mont Pelerin Society-trained overlord of "free market reforms" in Russia. Chubais attended the Hongkong IMF-World Bank meeting in September, full of pride that he had just secured Russia's membership in the Paris Club of creditor nations, which would now become "Russia's agent," as he put it, in the collection of Soviet-era debts from Third World countries. Upon his return to Moscow, Chubais finalized a 25-year debt rescheduling deal with the London Club of commercial creditors, affecting \$32 billion of Russia's own ex-Soviet debt. "Leaders of the biggest banks in the world recognized the irreversibility of our reforms," Chubais boasted, "and the prestige of Russia in the international community," which will lead to an influx of funds. The anchorman on NTV's nightly news exclaimed that "probably for the first time in history, such a great number of billionaires has come to the Kremlin—the people who represent maybe most of the world's money."

Do the Russian monetarists see clouds on the horizon? Do they sense the growing revolt of Asian countries, against the speculators and the institutions of the doomed world monetary system? Or, is George Soros, now touring the former Soviet Union to mark the tenth anniversary of his activity in that part of the world, entirely on home territory?

In Hongkong, the man from "the world's best performing emerging market" appeared to be not totally unaware of the storm raging around the global financial system. Chubais told Russian journalists there, Interfax reported on Sept. 23, that

the surge of foreign money into Russia's markets could lead to "new phenomena on the Russian currency market," and that his government "will have to consider many things in a different light, to avoid the threat of a crisis."

Physical breakdown

In reality, the crisis is already at hand. An end-September conference of Russian and European demographers, in Moscow, updated the simplest yardstick of the economic disaster in post-Soviet Russia: The country's population is now shrinking by 1,300 persons per day.

State Duma (parliament) Committee on Intelligence Chairman Viktor Ilyukhin presented the same record, in a more politically charged way. He addressed President Boris Yeltsin in an Oct. 2 open letter, titled "Realize the Horror, and Repent!" He said, "Think about the fact that during the Civil War and foreign intervention (1918-20), the population of Russia fell by 2.8 million people. During the years of your so-called reforms, without any declaration of war, the loss of population has been almost 4 million Russians. Is that not too high a price, for pseudo-democratic reforms?"

The Red Cross said on Oct. 6 in Geneva, that an anticipated severe winter threatens 1 million of the poorest people in Russia, Ukraine, Belarus, and Moldova, with death from cold and starvation. Russia has its largest grain crop in years, in the field, but losses of up to one-half the grain will occur, due to the unavailability of equipment and fuel, and unrepaired infrastructure.

Cash wage arrears (but not benefits and expense reimbursements) were paid to military personnel by September, but remain months behind to other state-sector employees. In the third quarter, non-payment of wages by privatized companies also jumped, according to Russian trade union officials. Tax revenues being far short, the government is scrambling to sell assets. While in Hongkong, Chubais said that Russia would try to raise another \$2 billion from privatization auctions—as much again as was secured so far in 1997, including by the sale of 38% of Norilsk Nickel, the world's largest producer of nickel and platinum, and the first 25% of Svyazinvest—by the end of this year! The projection evidently presumes the sale of another 25% of Svyazinvest, and the Rosneft oil company.

Political showdowns

Economic policy is at the heart of the showdown between President Yeltsin and the State Duma, which reaches a high point during the first half of October. On Oct. 3, the anniversary of the bloodshed at Ostankino TV studio, the day before the burning of the previous parliament, the Supreme Soviet, on Oct. 4, 1993, Yeltsin used his weekly radio address to denounce the Duma. Citing the 1993 precedent explicitly, he raised the threat of dissolving this Duma. Yeltsin attacked the parliament for passing a Land Code, which forbids the sale of agricultural land; for rejecting the government's social (cuts)

bills; for failing to pass laws against corruption; and for interfering in foreign policy.

As the 1998 budget and the Tax Code come up for debate, Yeltsin said, "Judging by the mood of the Duma, we are in for yet another spiral of confrontation between the Duma and the executive branch. . . . Today is the anniversary of the October events of 1993. Then the confrontation of the deputies and the executive branch of power led to bloodshed. I had long hesitated—should I speak, on this day, precisely about the Duma? Ultimately, I decided—I should. . . . The President's and people's patience is not infinite. . . . It is too expensive a pleasure for the people to pay for your irresponsibility. It is high time the deputies understood this."

Opposition leader Gennadi Zyuganov denounced the speech as "blackmail." Yabloko party leader Grigori Yavlinsky called it an attempt at intimidation. Premier Viktor Chernomyrdin maintained that the government is open to collaborating with the Duma. Both of those parties, constituting large blocs in the Duma, moved toward support of a no-confidence vote in the government.

At issue is a 1998 budget draft that, for all Chubais's talk about 2% Gross Domestic Product growth and 3% industrial growth next year, strikes another blow at key institutions of Russia. Sergei Glazyev, the noted economist who quit Yeltsin's cabinet to protest his September-October 1993 abolition of the Constitution and assault on Parliament, pointed to its key elements, in a critique published on Oct. 8 in *Pravda*: "a near-doubling of utilities fees, without any anticipated increase in real incomes; a reduction of spending on education to 0.61% of GDP (as against the level of 10%, required by law); a reduction of spending on science to 2.87% of budget spending (as against the level of 4%, set by law); . . . assistance to only 80 firms, while almost half of our more than 20,000 major and medium-sized companies in the productive sector are loss-making."

Yeltsin has spoken recently about increasing the role of the state in regulation of the economy, Glazyev said, "but the government continues the line of refusing its obligations to society, respecting the state of the economy and the social sphere." The only sacrosanct budget line is debt service, which now accounts for over one-fourth of all federal spending. "In its essential functions, the Russian government is not an institution of a democratic country with a market economy. It is a colonial administration, chiefly concerned with extracting taxes and selling state property, in the interest of creditors, for whose enrichment, by means of exorbitant interest rates on state loans and the virtually free appropriation of state property, the entire machinery of the state is working."

What kind of resistance?

Under Russia's December 1993 Constitution, designed to keep future parliaments out of the executive branch's hair, the Duma's passage of two no-confidence votes against the government within any three months, allows President Yelt-

sin to dissolve . . . the Duma! Thus, there is some basis for Yeltsin's wave of the hand, when he says the Duma will not stand in the way of his government's actions. During 1997, the Chubais-Nemtsov economic team implemented a budget curtailment that the Duma had refused to pass.

Overlapping the Duma, however, is an array of protest and resistance movements in Russia, of varying and difficult-to-estimate strength at the moment, but capable of becoming a weighty factor, in the setting of international motion against the financial oligarchy or, in the alternative, during a worldwide plunge into chaos.

There is the new movement to defend the military, officially founded in September by Gen. Lev Rokhlin, chairman of the Duma's Committee on Defense. Most serving officers in the Russian Armed Forces have been careful not to associate themselves with Rokhlin, in the open, but close observers of the officer corps remark that this could change, on the say-so of a handful of top commanders. Rokhlin's movement has called for Yeltsin and the government to resign.

There are the trade unions, whose official leadership has toyed with various plans for a "hot autumn" of protests, yet to materialize. On Oct. 2, RIA-Novosti reported Independent Russian Trade Unions Federation official Andrei Isayev's report, that unions in 13 areas and sectors of industry "are insisting on an indefinite strike." The IRTUF would decide on a nationwide protest action by the end of October, he said.

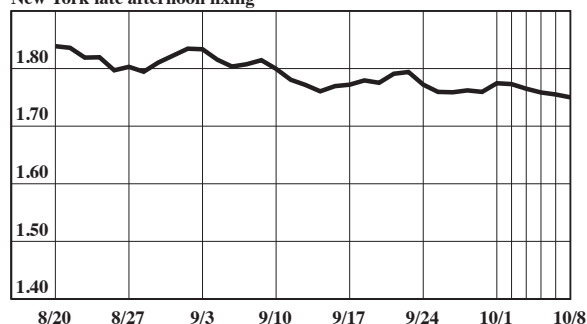
On Sept. 29, there was an effort to consolidate a bloc of 32 opposition political parties, most of which have acted disparately, or at cross-purposes, until now. Nikolai Ryzhkov (the former Soviet prime minister, now head of the People's Power group in the State Duma) chaired the conference, to plan protest actions for the weeks ahead. Present were Communist Party of the Russian Federation leader Zyuganov; Rokhlin, with his Movement in Support of the Army; Duma Deputy Speaker Sergei Baburin, who leads the Russian All-People's Union; and Viktor Anpilov of the communist Workers' Russia group. Russian TV and wires played up the presence of the latter, known as a radical communist, but failed to mention what *Kommersant-daily* did the next day, that the meeting also drew the Congress of Russian Communities (KRO) with its chairman Dmitri Rogozin, Derzhava (State Power) Movement (formerly Aleksandr Rutskoy's) with Viktor Kobelev, Spiritual Heritage with Aleksei Podberyozkin, a section of the Democratic Party of Russia with Sergei Glazyev, the Party of People's Self-Management with Svyatoslav Fyodorov, and Yuri Petrov's Alliance of Realists ("which previously supported Yeltsin," as *Kommersant* noted).

Lastly, there are many influentials in Russian scientific and foreign policy institutions, who will be closely attuned to the worldwide resistance against monetarism which reverberated at the Hongkong IMF-World Bank meeting, and who are capable of realizing that Anatoli Chubais's patrons in London and like quarters, have no clothes.

Currency Rates

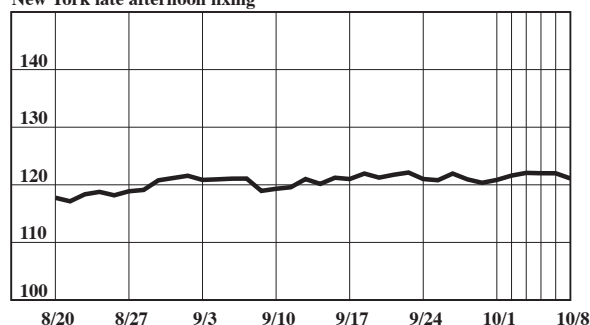
The dollar in deutschemarks

New York late afternoon fixing



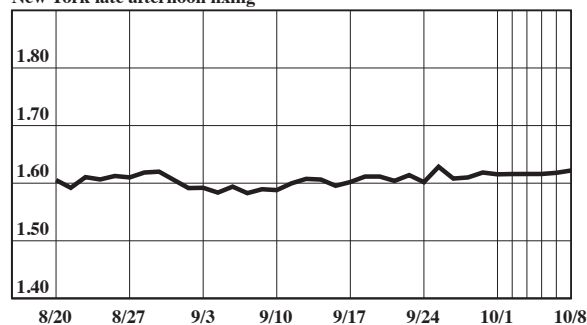
The dollar in yen

New York late afternoon fixing



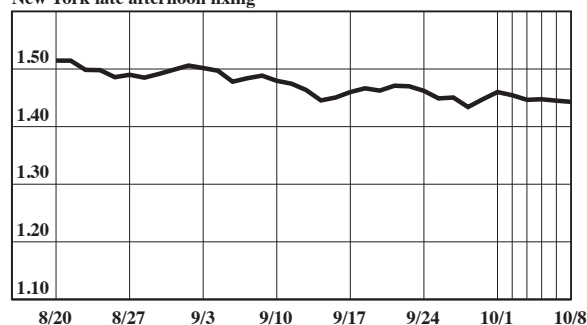
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Malaysia's Mahathir gaining global support in fight against Soros

by Gail G. Billington

Despite the best efforts of the establishment press to distort beyond recognition, or simply ignore, the statements of Malaysian Prime Minister Dato Seri Mahathir bin Mohamad against the ravages wrought by global speculators, such as George Soros, events of early October underscore that the prime minister is anything but “a lone maverick.”

In the following documentation, *EIR* continues its unique role in covering what Mahathir said, as opposed to “sound bytes” in the *Wall Street Journal* and *New York Times*, or the blackout ordered by the Bank of Mexico and that country's Treasury secretary, according to José Neme Salum, reporting in Mexico's leading newspaper, *Excelsior* Oct. 6. In particular, we reproduce evidence that what the prime minister said to 3,000 of the world's financial and economic elite, in his Sept. 20 address to the Annual Meeting of the International Monetary Fund in Hongkong, reflects a generalized revolt among policymakers and statesmen against “free trade,” demonstrated here in excerpts of the Sept. 24 speech of Pakistan's Finance Minister Sartaj Aziz to the IMF meeting, in statements of Iran's former Deputy Foreign Minister Abbas Maleki published in the Oct. 8 *Iran News*, and in the emerging public support in the aftermath of Dr. Mahathir's 10-day trip to recruit four Ibero-American countries to this fight on Sept. 25-Oct. 5.

It is all the more important that this debate receive the widest possible circulation, because the financial ravages unleashed against Southeast Asian countries entered a new phase in early October, with the decision of the region's largest country, and economy, Indonesia, to seek an as-yet-undisclosed IMF stabilization package. Panic is setting in, which all the “confidence building” by IMF Managing Director Michel Camdessus has failed to dispel. At the same time, support for initiatives outside the IMF system, such as the \$100 billion Asian Monetary Fund, put on the table in Hongkong by Japan, is spreading to include Asian Development Bank head Mitsuo Sato, Thailand's State Planning Agency head Phisit Pakkasem, and Thai Prime Minister Chavalit Yongchaiyudh, in his talks with his Japanese counterpart and Thailand's Japanese creditors.

As Lyndon LaRouche pointed out in a radio interview on Oct. 7 with “EIR Talks,” there has been a significant delayed reaction, and opposition to, what Mahathir has said, because telling the truth about the IMF and George Soros is not politically correct. “But the IMF and the World Bank, and George

Soros, are typical of a process which is looting and destroying entire nations with which we claim we have friendly relations. We say that the IMF conditionalities will *help* nations, that the World Bank will *help* nations,” LaRouche said. But “the IMF has killed more people with its policies in the past 25 years than Adolf Hitler killed . . . and is killing nations.”

In Ibero-America, Prime Minister Mahathir experienced at first hand the effect of the IMF's successful breaking of that continent's resistance and solidarity against “conditionalities,” following the 1982 and subsequent 1995 debt crises, and the wholesale sell-off of assets, including the press, to Soros himself. Perhaps this helped inspire his indictment of free trade as “an invention of mere men,” comparable to communism and national socialism, which “inventions can prove horribly wrong” (see speech, p. 11).

In this regard, LaRouche commented in his interview, “Mahathir is the chosen spokesman, by understanding, for not only the interests of *all* Southeast Asian nations, who are in a united bloc against the kind of policies which the IMF is trying to imposed upon them . . . he's the leading figure—of a group of nations which share his concerns, and the direction of his thinking. . . . Secondly, he's right about free trade. . . . Free trade always destroys national economies. The British *never* allowed it to be imposed upon the United Kingdom, but only upon the imperial *victims* of the United Kingdom. . . . In areas such as South and Central America, or Africa, or Asia, the effect of free trade is simply murder by economic means. . . . Free trade, practiced against the nations of Southeast Asia, is simply a new form of colonialism, whose fruit is mass murder. In that sense, there is no difference, in effect on people, between free trade and Nazism.”

Documentation

Throughout Prime Minister Mahathir Mohamad's trip to Ibero-America, there was great reluctance by the press to cover him at all. Only a concerted action by *EIR* and its allies broke the press censorship. In Argentina, only seven media turned out for his press conference in Buenos Aires on Oct. 3, including a correspondent from *EIR*, and Carlos González, the corre-

spondent for a Dominican Republic daily, *La Nación*, who was the private secretary to the late President Frondizi and is now political secretary to Col. Mohamed Alí Seineldín. (Note: *EIR* received the Spanish-language transcript of Dr. Mahathir's English remarks, which we translated back into English.)

The first question came from a reporter from Bloomberg, the Wall Street-based financial news service, who demanded that Mahathir "confirm or deny the rumors that you are going to resign in the immediate future." Mahathir replied: "I confirm that I am not going to resign." Britain's Reuters struck next, menacing, "Are you worried about possible sanctions against Petronas [state oil company] for its investments in Iran? . . . Do you expect the national currency of Malaysia, the ringgit, to keep being devalued?" To the latter, Mahathir replied: "That's a decision which others make; I only make speeches. They decide what is going to happen with the ringgit."

González asked Mahathir if he had "anyone specific in mind of importance in the world market," when he spoke in Hongkong of the "financial manipulators and ultra-rich who enrich themselves at the cost of impoverishing peoples." To this question that Dr. Mahathir responded: "I did not mention the name, but everyone says that it must be Mr. Soros, so, therefore it must be Mr. Soros." *EIR* followed up, asking for details on Soros's financial actions against the ringgit. Mahathir answered: "Currency trading is a very closed process, and they pull out of the Bangkok stock market, and others in Southeast Asia, to do what they do in the market in Buenos Aires. Who they really are, we don't know, but we do know that he is involved. Out of his own personal ambition."

EIR: "During the meeting of the IMF and the World Bank, the Japanese delegation proposed the creation of an Asian Monetary Fund, so that the Asian region is prepared when an international financial crisis occurs; this position was supported by China and Indonesia, and met with the approval of [U.S.] Secretary of the Treasury Rubin. Can you comment on the Asian Monetary Fund, and if Malaysia would participate in it?"

Mahathir: "We support the creation of this Asian Monetary Fund. I do not know if Mr. Rubin agrees or not. In point of fact, when the IMF loaned \$17 billion to Thailand, we participated with \$1 billion; in order words, we have agreed [on this point]."

EIR: "How would this mechanism of the AMF work; would it make loans for development?"

Mahathir: "We have not decided yet; we have not yet worked on how this fund will be used. In principle, it could be used to support prices, to support the value of currencies, and, if at some time we could not repay a loan, we did not have the resources to pay it, perhaps the fund could cover this deficit, so debt payments could be made."

González later asked: "What degree of influence do you believe world drug trafficking has on the world of financial speculation?" Mahathir responded: "Obviously, there is a

great deal of money in the drug trade, and this money seeks a home somewhere. So that the money of the drug trade must be invested, therefore, the money from drug trafficking has influence in many of the world's businesses."

A reporter for the Argentine financial daily *Ambito Financiero* asked if Mahathir had any advice for Argentina, "if Argentina had a crisis similar to that of Malaysia." "How can I give advice, if there are those who say my advice is deadly?" he replied. "But yes, when the Mexican tequila crisis hit, I gave advice, they have followed my advice, and they did very well."

The last question came from González: "As an Argentine, and as a journalist for an Ibero-American paper, I was left very worried, when you identified financial speculator George Soros, because in my country, he is acquiring immense land, and great real estate, and controls a large part of the banks. . . . Do you know that you are beginning to head up a movement against the New World Order?"

Mahathir rejoined: "In the first place, I am not sure what the New World Order is, at this time. I do know that Mr. Soros has a lot of money, that he has invested in hundreds of thousands of hectares of land in Argentina. I know that many countries have been impoverished by those who manage funds. If the World Order means to take money from other countries, and invest it for one's own benefit, I disagree with it. There are other ways to make money, which do not undermine the economies of developing countries. I wish him all the best with his investments here."

EIR's correspondent made sure that every journalist received copies of our Oct. 3 coverage of Mahathir's fight against Soros, including his speech at the IMF annual meeting as well as copies of Mahathir's address in Chile. The same package had been handed to Mahathir and Argentina's President Carlos Menem on Oct. 2.

The leading Argentine daily *La Nación* (no relation to *La Nación* in the Dominican Republic) finally published a story on Oct. 4, titled, "Mohamad's Criticisms of George Soros," which informed its readers that Mahathir "led a fight of global repercussions with the Hungarian financier and magnate, George Soros, whom he accused of being responsible for [Malaysia's] crisis." *La Nación* added that Mahathir's accusations had been confirmed by ASEAN Secretary General Ajit Singh. The paper nervously noted that Soros is "one of the principal international investors in our country."

"The prime minister of Malaysia, Mahathir Mohamad, emphatically criticized the policy of economic speculation as a triggering factor for today's social crisis, when he said, 'I didn't mention the name of the financier Soros, but as everybody said it was Mr. Soros, it must be he.' The Malaysian head of state . . . reaffirmed his criticisms of Soros when he warned, 'I am not really sure what the New World Order means, when many businessmen decide to invest their money to undermine the economies of developing countries.' . . . He immediately clarified: 'I do know that Soros has invested a lot

of money in Argentina. I wish him the best for his investments here.’ ” *La Nación* continued: “Mohamad [sic] stated that the world’s economic regions are exposed to ‘influences’ which are generated by ‘the financial speculation of the drug trade, which seeks any home to do its business.’ ”

Except for a brief sardonic note on Oct. 2 in *La Nación* that Mahathir had caused “indigestion” in Chile with his attacks on unnamed “speculators,” no Argentine media had otherwise covered him before *EIR*’s intervention. Rather, the press ran full-page stories on Oct. 2 on George Soros opening another shopping mall in Argentina, raising his total investments in the country to over \$1 billion.

President Menem himself deliberately played down the visit, with the only widespread coverage being Menem’s remark that all he knew about Malaysia, he learned from an Italian novel.

A big break in the blackout came from Mexico, when *Excelsior*’s José Neme Salum reported in his Oct. 6 financial column, that the central bank, Banco de México, and the treasury secretary gave orders that there be no coverage of Mahathir’s attacks on Soros and speculation, nor to any of the opposition raised at the IMF meeting to its policies, except to discredit said opposition.

Neme Salum, after blowing the whistle on the bankers’ hand behind the media censorship, also reported what Mahathir said in Hongkong; that Asia was unifying against the speculators, as seen in the China-backed Asian Monetary Fund proposal; that U.S. Treasury Secretary Robert Rubin had raised hackles for supporting the Asian discussion; and that the *Wall Street Journal* had identified Lyndon LaRouche as “the evil genius” behind Mahathir’s attacks.

On Sept. 29, Luis Vásquez, president of the Ibero-American Solidarity Movement (MSIA) in Peru, was interviewed on the Asian revolt, LaRouche, and the world financial crisis, for an hour, on Radio Cadena Nacional. It was the first systematic report Peruvians had on Mahathir’s Hongkong speech, the Asian crisis, and the world crisis behind it—and it had quite an impact, since President Alberto Fujimori has held up the Asian Tigers and Mahathir as the model for Peru. On Oct. 9, *EIR* in Peru held a seminar, advertised in the Oct. 1 and 2 issues of the business daily *Gestión*, asking: “The Crisis of the Asian Tigers and the International Financial Crisis. Malaysia listens to LaRouche and takes on mega-speculator Soros. Will Fujimori follow Mahathir?”

The Venezuelan Labor Party’s Alejandro Peña used his weekly column in *El Mundo* on Oct. 3, to report on Mahathir’s Hongkong speech. Likewise, in preparation for President Clinton’s arrival in Venezuela on Oct. 12, the PLV issued a press release on the LaRouches’ New Bretton Woods call, leading with the prominent Venezuelans who have endorsed it.

Soros attacked in Malaysia, Iran

Dr. Kassim Ahmad, in a letter to Malaysia’s *New Straits Times* that appeared on Oct. 6, asks whether the crisis hitting

Southeast Asia is merely a cyclical crisis, or is somehow related to the 1994 crisis that hit Mexico, California’s Orange County, and Barings Bank. Referring to LaRouche, he writes: “According to a competent, independent American economist, only 2% of the present world economy as a whole is based on real production, the rest being bubbles. . . .

“Our trouble is that the present world economic financial establishment, as represented by the International Monetary Fund and the World Bank, refuses to acknowledge this. . . .

“It is in this context that the activities of mega-speculator George Soros must be seen. . . .

“Any Third World leader brave enough to flout the rules of the game comes under heavy and savage Western media attack. We have already heard our Prime Minister called ‘a menace to his own country’! . . .”

In an unusual feature published in *Iran News* on Oct. 8, Abbas Maleki, who is former Deputy Foreign Minister for Research and Education, and currently managing director of the Office for Propagation of Islamic Culture, authored a critical analysis of the Asian Tigers’ model and launched a broadside against Soros. Malecki starts with an overview of the financial markets’ collapse since August, and writes, “I will attempt to look into the underpinnings of these developments and the object lessons they bear for the Islamic Republic of Iran.” . . .

“2. Though most of the second generation Asian Tigers in Southeast Asia, including China, have displayed unparalleled economic potential, yet they have been overly dependent on foreign direct investment (FDI) and inflows of foreign capital. This dependence entails distinct economic, political, and social ramifications and can only succeed under specific circumstances. FDI is sometimes criticized for its tendency to foster ‘enclave’ development which does not support the transfer of technology to the wider economy or encourage the development of indigenous skills. FDI is also seen as susceptible to withdrawal in the event of changing international economic policies or competition in the global labor market. The second generation Asian Tigers, i.e., Malaysia, Thailand, Indonesia, and China, have now encountered similar problems—especially Malaysia, where foreign investors doubt Mahathir’s views and the emergence of a powerful Islamic country. Many international observers, notably those on Wall Street, challenge the fact that only a handful of Southeast Asian countries absorb 45% of the net private-capital inflows to developing countries. They ask why \$109 billion was invested in this region alone, enabling a country like Malaysia to erect 500-meter-high towers? This issue surfaced in the Mahathir-Soros quarrel in a different way. Soros, a Wall Street ‘hedgemoister,’ is an international super-speculator. In addition to wild play in financial markets, he has set up a vast network of charity organizations in numerous countries. Some argue that this network is in fact a cover for long-term cultural and economic activities. Soros along with other international speculators assaulted Malaysian stocks along with other Tiger economies.

Infuriated by the prospects of market collapse, Mahathir called Soros a 'moron' and foreign traders 'wild beasts' who should be shot. In the midst of this quarrel a number of equity players rapidly fled the Malaysian market. The government attempted to contain the crisis by setting up a share-buying fund only to see the market further dive by 21% in a matter of 10 days. The incident showed that foreign investors clearly had the upper hand and could play the game to their own advantage."

Zapatistas, Moonies defend Soros

The mouthpiece of Mexico's Zapatista terrorists, *La Jornada*, rushed to Soros's defense on Oct. 2, as did the Argentina-based flagship daily of Rev. Sun Myung Moon, *Tiempos del Mundo*.

La Jornada fumed that Mahathir had attacked Soros and short-term capital as the cause of Malaysia's economic problems, which in reality are "the consequences of probably excessive public expenditures. . . . Short-term capital flows are neither God nor Satan. . . . What Mahathir needs to understand, is that globalization—including its financial component—is a current which can move countries forward, or can

drown them. But there are no other currents available in the current cycle of world economic history."

Wrote *Tiempos del Mundo*, it is not often that a prime minister stands up and tells "a famous international financier" like George Soros, that what he does is "unnecessary, unproductive, and immoral." What Mahathir needs to learn, is that people like Soros do not create countries' "vulnerabilities," but that Soros and his ilk merely move on "the structural deficiencies of the financial markets of the countries involved."

In the United States, Moon's *Washington Times* on Oct. 5 blustered in its editorial on "Malaysia's Pyrotechnic Display," against Mahathir for his attacks against Soros at the IMF meeting: "Finally responding to Dr. Mahathir's relentless attacks against him, Mr. Soros got it right in his own Hongkong speech: 'I want to express my sympathy for poor Malaysians who were hurt' by the collapse of the Malaysian currency and stock market, Mr. Soros said, 'but not for Dr. Mahathir, because he's responsible.' In case anyone missed the point, Mr. Soros became even more blunt: 'Dr. Mahathir is a menace to his own country.'"

Pakistan's Aziz hits 'footloose capital'

Pakistani Finance Minister Sartaj Aziz, in his speech at the meeting of the World Bank-International Monetary Fund in Hongkong, China on Sept. 24, said that developing nations should be able to open their markets at their own pace, without being forced, by international lenders, to go faster. While Pakistan supports a decision by the IMF and World Bank to push for capital account liberalization, they should "rely to the greatest extent feasible on the judgment of members as to pace and sequencing," Aziz said, according to the Pakistani newspaper *Dawn*. He also urged the multilateral financial organizations to "eschew deadlines or conditions, particularly in the context of the use of Fund resources."

Aziz said that World Bank and IMF should not simply accept that free markets mean "large and unexpected changes in exchange rates among developing countries," which can have major implications for developing markets. "To argue that there is little or nothing that can be done about them is to accept too quickly the rhetoric of free marketeers, who find much private profit in undermining the defenses that have been built by developing countries . . . to protect their still embryonic institutions from the onslaught of transnational financial conglomerates," he said.

"There is too much footloose capital at play, that moves from one country to the next," forcing developing countries to make policy adjustments "that are destructive of business confidence and throw their economies off-track." Aziz cited large and unexpected changes in exchange rates among the major currencies, as among the external forces to which the developing countries are exposed in a globalized economy.

Aziz suggested that institutions such as the Bank for International Settlements could inform central banks about large-scale buying and selling of their currencies, which would enable the countries concerned "to take timely measures, if necessary, to safeguard their position." He also warned that the increased capital flows into developing countries that follow market liberalization should not be seen as a reason for cutting aid.

Aziz has said that advanced countries should desist from using labor standards, environment concerns, and human rights as a disguise for renewed import restrictions. Despite what he called the "third successive year of robust global economic growth . . . widely shared by all regions," the optimistic scenario is overshadowed by other developments. He said that slow growth in global trade, mainly caused by sluggish imports in some advanced countries, had adversely affected the export performance of many developing countries. For the South, he added, the primary concern was revival of sustained growth, which should be supported by improved access for their products in world markets and inflow of resources at reasonable terms.

Mahathir takes fight versus speculators to Ibero-America

The following is the text of a speech by Malaysian Prime Minister Dr. Mahathir Mohamad at the 12th International General Meeting of the Pacific Economic Cooperation Council (PECC), in Santiago, Chile, on Sept. 30. It was published by the Kuala Lumpur daily The Star on Oct. 2, under the headline "We're Foreigner-Friendly, Says Prime Minister." Subheads have been added.

I would like to thank you for the invitation to speak at this PECC Conference. I am a great supporter of cooperation for mutual benefit. The Pacific Economic Cooperation Council has, I believe, been set up to enable the businesses and the countries of the Pacific Rim to come together and to cooperate so we may all grow and prosper.

But the countries of the Pacific Rim are not equally developed. There are among them the two biggest economies of the world, the United States and Japan. But there are also some of the poorest countries, including the tiny island nations of the Pacific. In between are the emerging economies of East Asia, sometimes described as tigers and dragons.

For a time it looked as if cooperation would result in growing wealth for all the countries of the Pacific Rim. More and more countries would be joining the ranks of the dragons and tigers. Many of the candidates are from Latin America. In fact, over time, some of the Pacific countries may even join the ranks of developed countries.

Malaysia is one of the aspiring nations. Malaysia has prospered through opening itself early to direct foreign investments. The industrialization and rapid growth of Malaysia is due to foreign investments. We are foreigner-friendly.

Malaysia's story is typical of the story of the so-called tigers and dragons of Southeast Asia. Those of Northeast Asia are less dependent on foreign investment, although not altogether. And so if I describe Malaysia, I am really describing the countries of Southeast Asia, fellow tigers and dragons whose fangs and fire-breathing apparatus have been badly damaged lately, damaged unfortunately by some of the people we had been friendly with.

I want to relate the Malaysian experience, because it will have a direct bearing on the future of other developing Pacific countries and, indeed, developing countries everywhere.

Malaysia was a two-commodity economy only 30 years ago. Its economic well-being was dependent on tin and rubber, which were traded largely in markets outside Malaysia and outside Malaysian influence entirely. The vagaries of

these marketplaces created a life of uncertainty for our people: For as long as we depended on commodities we could never progress.

'We decided to industrialize'

And so we decided to industrialize. We had no manufacturing capability, no big domestic market, no world network of markets. To industrialize, we had to rely on direct foreign investments which could be attracted only at the sacrifice of taxes and local participation.

We accepted the conditions demanded of us, because we needed jobs for our unemployed so desperately. We succeeded beyond our dreams, so that today 80% of our exports, worth \$80 billion, is made up of manufactured goods and we have more than full employment; we in fact have a shortage of workers.

In the meantime, our people learnt the sophistication of an industrial economy and began to manufacture goods ourselves, to export them and even to invest in manufacturing in other countries. From 1988 to 1997 we grew at 8% plus per annum with inflation held at 3.5%. Per-capita income rose from about \$1,600 in 1970 to \$5,000, approximately, by 1997.

Our reserves could finance four to five months of retained imports. We had high savings of 38% of GNP, while the interest hovered around 8% to 9%, good for savers and good for borrowers.

We had the best infrastructure in the region. Ports, airports, roads, rail, and air services were adequate. Power outages were minimal, while water supply and sewerage are comparable with those of developed countries.

Our companies were all very profitable. Despite reducing corporate and personal income taxes, government revenue increased by about 10% every year. For the last four years, the government's budget showed a surplus.

We had very little foreign debt, having prepaid many of these debts from increased government revenue. For all the projects which were ongoing or planned, the financing arrangements have all been made, and they involved very little borrowings from outside the country.

Most of the financing would come from sale to locals and loans from local banks. There has always been sufficient liquidity. All projects were bankable. Against all these strong fundamentals, we have had a deficit in the balance of payments since 1994.

In 1995 the deficit reached \$7 billion. We took immediate

action, and by 1996, the deficit was reduced to \$5 billion. The first half of 1997 showed further reduction. Given a little more time, we could wipe out the deficit altogether.

We have a strong government able to make and implement decisions, even unpleasant yet necessary decisions, quickly. The country is peaceful and stable. There is no civil strife. Labor relations are good, there being hardly any strikes. Such was the situation in Malaysia that [International Monetary Fund Managing Director] Mr. Michel Camdessus drew particular attention to the soundness of the Malaysian economy.

In a speech on June 17, Camdessus said, and I quote: “Malaysia is a good example of a country where the authorities are well aware of the challenges of managing the pressures that result from high growth and of maintaining a sound financial system amid substantial capital flows and a booming property market.

“Of course, the life of policymakers is always easier when one starts, as Malaysia does, with a long history of low inflation and an outward-oriented economy. But significant further progress has been made in dealing with new challenges.

“Over the last year, output growth has moderated to a more sustainable rate, and inflation has remained low. The current account deficit—which is primarily the result of strong investment spending—has narrowed substantially.

“The increase in the fiscal surplus targeted for this year is expected to make an important contribution towards consolidating these achievements.

“The Malaysian authorities have also emphasized maintaining high standards of bank soundness. Non-performing loan ratios of financial institutions have fallen markedly in recent years; risk-weighted capital ratios are above Basel recommendations; and steps have been taken to restrain lending for the property and stock markets.

“In an effort to increase the flow of comprehensive up-to-date, and reliable information to markets, Malaysia was also among the first to subscribe to the Fund’s Special Data Dissemination Standard. . . . Of course, as the governor of the Central Bank of Malaysia, Ahmad Dom, said recently, ‘Despite this positive outlook, there is no room for complacency. Given rapidly changing market conditions, there is need to remain ever vigilant.’ That is true for all countries. And it is the kind of attitude that fully justifies the confidence of the markets on the positive prospects of countries persevering in such endeavors.”

Malaysia was targeted

Obviously Camdessus had a lot of confidence in Malaysia, in its fundamentals, in its economy, in the management of its economy. Yet today, we are told that the fund managers have lost confidence in Malaysia because of weak fundamentals.

The Malaysian ringgit, which had hovered between 2.49 and 2.51 to the U.S. dollar for years, began to slide. The explanation given was that the economy of Thailand, a neighbor, was weak.

Yet when Mexico went through its currency crisis a few years back, there was the prediction that Malaysia would be next. And Mexico is not Malaysia’s neighbor, nor is its economy similar to Malaysia’s economy. Malaysia’s trade is with the whole world and not with a very rich neighbor only.

Obviously there were people who have been eyeing Malaysia and thought that it was ripe for the picking. Indeed, the dynamic economies of Southeast Asia all appeared ripe for plucking.

When the depreciation of the ringgit continued, Malaysia limited foreign exchange deals not related to trade to \$2 million. For a time the manipulators were stopped. But then they began short-selling borrowed shares to obtain ringgit.

The result was a dip in the Stock Exchange indices. To the loss due to ringgit depreciation was added capital depreciation. Shares pledged to the bank fell below the amount borrowed. Margin calls were made which forced the index to go down further as shareholders tried to sell their shares to pay the banks.

No government can sit by and watch the wealth of the country being siphoned off. A stop was put to short-selling. Angered by their inability to fiddle with the stock market, the manipulators dumped shares and ringgit.

Today, in exchange rate terms, Malaysia has lost 23% of its wealth, and that includes the earnings of the very poor; and the share market capitalization, once the biggest in Southeast Asia, has shrunk by 60% in ringgit terms and 70% in dollar terms.

Where has this money gone to? It did not disappear into thin air. The speculators, the short-sellers, and the manipulators have it. These are rich people from rich countries. They have no compunction about impoverishing the poor in order to enrich themselves.

Their excuse: The Southeast Asian economies were not open enough. Yet they seem sufficiently open for these market manipulators to profiteer. We believe in free trade, but does it mean that abuse of the freedom should be calmly accepted?

When Rockefeller legitimately cornered the oil market in the United States, Anti-Trust Laws were enacted to stop such monopolies which had hurt others in the business and the public at large.

When Slater Walker acquired controlling interest in companies and stripped them of their assets, the authorities in Britain imposed a condition that anyone acquiring 30% of the shares of a company must make an offer for the rest. That stopped asset-stripping forays. Later, anyone acquiring a 5% share must announce their holding.

When Ivan Boesky and Michael Milken started to artificially inflate the value of junk bonds and Wall Street capitalization went down by 30% when they dumped the shares, the two were jailed.

Governments can act

Obviously, when the accepted system is abused and loopholes taken advantage of by the unscrupulous and the crooks,

governments can and have acted to put a stop to them.

The free market works well under normal conditions. But when huge funds move into the market, the values of the shares and the currencies are directly affected. The fund managers can actually determine beforehand the effect of their moves and profit from their knowledge. They are not unlike insider traders, and yet their trading is still considered legal.

Currency trading is said to be 20 times the size of world trade. Yet what is there to show for this huge trade in terms of wealth creation for the international community? The only people who made or lost money are the traders. They contribute nothing to the well-being of the peoples of the planet.

A few dollars for charity is not enough to compensate for the destruction of the economies of not just a few people or a country, but whole regions. Until these traders started fiddling with the currency and the stock market, Southeast Asia was the most dynamic region in the world. Now there is financial turmoil and loss of billions of dollars by these countries.

Short-selling is speculative for the ordinary player in the stock exchange. But when a huge number of shares are sold for future delivery, the effect is the same as dumping currency. The share prices fall.

When the shares sold are borrowed from banks or the banks undertake to deliver when required, the amount of shares sold can be almost unlimited as they can be sold over and over again, each time forcing the share prices to fall.

In Malaysia, the share prices went down by 60% or more as a result of the short selling by these manipulators. They obviously made a lot of money for themselves. But when the banks ask for margins from those who have pledged their shares, many of these people will be bankrupt.

Companies may be foreclosed. The small players are going to suffer in the same way they suffered when Slater Walker stripped companies of their assets or Boesky and Milken manipulated junk bonds.

Yet the big short-sellers are free to strip the stock exchanges of developing countries. They even consider it a right. And they are protected instead of being prosecuted for their role in destroying the economy of nations.

The reality is that the currency manipulators have pushed back the economy of Southeast Asia by 10 to 15 years. The reality is that innocent people have been impoverished by their action. The reality is that they seem able to manipulate at will and with impunity.

The per-capita income of Malaysians has been reduced by them from \$5,000 to \$3,600 in two months, when it took 12 years to achieve.

The North-controlled media openly gloated and tried to put the blame on allegedly incompetent Southeast Asian leaders. Blatantly they tried to get Southeast Asian leaders to blame each other, to break their unity. Any criticism of the currency traders would immediately result in further devaluation of all the Southeast Asian currencies.

These are the realities. Yet the finance ministers of the rich North and assorted leaders lauded the currency manipulation

as an integral part of the free trade system. They demanded that Southeast Asia accept their impoverishment as evidence of how good is free trade. They demanded that these countries open wider their countries to other potential manipulators.

What is the meaning of 'democracy'?

What is the meaning of democracy if the elected leaders of a country have to submit to the wishes of self-appointed currency traders from other countries?

What is the meaning of democracy if freedom is denied the popularly elected leaders to manage their own country's economy?

What is democratic about impoverishing poor people in poor countries in order to force them to accept the dictates of the avaricious in the rich North?

There is no democracy and there is no freedom. Free speech is only for the rich and their media. The rest have no voice.

For hundreds of years, Southeast Asia was colonized and exploited. After independence the people had worked hard to rebuild their countries. It was a lot of sweat, toil, and tears, and not miracles, which built their economies.

Most of their people are still poor. They need many more years of toil and tears and more sweat. But much of their sacrifice has come to nought because a few very rich currency manipulators and short-sellers decided to rape these countries under the guise of free trade.

Currency trading and short-selling only benefit the few speculators and those who invest in their funds. These people pay no tax to the countries from which they make huge profits and which they impoverish. They are shadowy figures whose trading is far from open.

There seems to be no published record of the transactions, the volume, the currencies involved, the funds and the individuals involved.

All that we know is that suddenly certain currencies depreciate in value because these shadowy figures have decided that they have lost confidence in the currency.

Countries, rich countries, had developed in the past without currency trading. In fact, they developed on the basis of fixed exchange rates. Clearly, trade in goods and services can be carried out without currency trading, but currency trading cannot exist without trade in goods and services. So, why must there be currency trading at all?

Exchanging money to finance trade is fine, but trading money as a commodity is unnecessary and immoral.

For some time now Malaysia has been literally preaching the benefits of a prosper-thy-neighbor mindset.

Business is not a zero-sum game

Business need not be a zero-sum game in which one party gains at the expense of another. Business can be beneficial to both parties, a win-win game. We have experienced this when genuine investors set up real industries in Malaysia, creating jobs and wealth for the country, and making it a good market

for the countries of the investors.

Subsequently, Malaysia began to invest in other countries, to create jobs for them, to enrich them. And then they became good markets for Malaysian exports.

The membership of the PECC is made up largely of the business people of the Pacific Rim. I am sure you know that doing business with a poor country is not worthwhile. Rich countries, including rich developing countries, make good trading partners. If you impoverish these countries you would really be killing the geese which laid the golden eggs. You would not cooperate to impoverish the markets where you do business.

As a result of the devaluation of the ringgit, Malaysia cannot now import all those things we used to buy from you.

In the first place, we need 23% more of our money to buy whatever we used to buy. And finding that extra money is not going to be easy. Even if we need to import these things, we have to cut down by 20% at least. You will lose 20% of your Malaysian market.

Besides, we have been told to reduce the deficit in our balance of payment. The only real way of reducing the deficit is to import less, since it is not so easy to export more. If we slow down our economy to reduce our trade balance, it still means we will be unable to buy the things we need from you. Whatever we do, your export to us will be reduced and reduced quite considerably. You will lose something due to our impoverishment.

There really is no benefit in impoverishing other countries. No one gains anything, not the country concerned, not the country of the people who undermined the economy of the aforesaid country.

You may want to uphold free trade and consider currency manipulation and short-selling as a part of free trade. But they need not be. If we cannot stop currency trading, we should at least try to regulate them.

As business people you want predictability. We know that it takes time for investments to yield a return. But currency manipulators create uncertainty. Your costings can be adversely affected by revaluation or devaluation of the currency. It may be good for them, but it will not be good for you.

We cannot go back to Bretton Woods and the fixed exchange rate. The value of the country's currency should fluctuate a little simply because the economic performance of countries are never constant and there must be changes in the exchange rates between different countries because of the differences in economic performance. But there are already numerous indices of economic performance which can be used to fix the value of a country's currency.

We have the per-capita income, GDP, GNP, growth rates, so-called fundamentals, which can all be given points within a certain range. This will enable investors and others to determine the potential and the future economic performance of the country. Everyone should be free to make his assessment based on these indices and buy or sell the currency concerned in order to finance trade.

If we want to see world trade grow, then we should not support the abuse of free trade caused by the trade in currencies as a commodity. They are not commodities. They are merely tokens with no intrinsic value, but are meant only to facilitate trade. Because of them we have no need to barter.

We need to have a standard for comparing the value of different currencies. Today we use the American dollar—an unstable currency. We need to devise a standard which is less volatile.

A common basket of currencies can be used for this—each currency being valued according to the economic indices. There will be fluctuation of the currencies in the basket, but they are likely to cancel each other. The basket, if wisely chosen, is likely to remain stable. We would then be able to make a comparison of the relative value with a stable standard.

World trade would surely be facilitated and would grow because much of the uncertainty would have been eliminated. However, as the basket is only a standard, it cannot be traded as currency is traded. We would still have to procure the particular country's currency. The value would still fluctuate a little. But economic activities, trade, services, etc., would all be less subject to violent swings and volatility which can cause unnecessary losses.

People trade for profit. Real traders are not gamblers. They want to buy and sell at known prices. If they hedge today it is not from choice, it is from lack of choice. And I don't think real traders like it even if, off and on, they make windfall profits.

It is nauseating to read in some magazines the obscene gloating over what they consider the fall of the Asian tigers. As in the case of Diana, where strenuous attempts are being made to exonerate the paparazzi and put the blame on the dead driver (ignoring, of course, that it was the frenzied chase by the photographers on motorcycles which forced the driver to speed), the so-called popular press and even the IMF are trying to blame everything on the governments of the Asian countries.

I will not say that Asian governments are totally blameless. But the financial situation of some countries would never be this bad if it had not been for the manipulators.

When the Thai baht depreciated, it should not have been aggravated by the foreign holders of the baht dumping the currency. As it is, they purposely dumped and caused the slide to continue.

But the other countries of Southeast Asian were not in the same economic situation as Thailand. I have already enumerated the strong fundamentals of Malaysia. Nothing had changed much in the other Southeast Asian countries since the time when confidence was strong and investors were pouring money into them.

Yet because of Thailand's problems, the loss of confidence was visited upon the rest of the Asian tigers. Can anyone dare to say that if the currencies were not dumped on the market they would on their own devalue themselves?

Yet, there are people from the rich North who insist that we should accept the loss of billions of dollars, because free trade is sacrosanct and may not be blamed.

‘Asian values’ are not the problem

The present crisis has nothing to do with Asian values. Hard work, discipline, a strong commitment to the community, thrift, moderation in the pleasures of life—these are Asian values and they cannot adversely affect Asian societies. They had not in the past. Indeed, they had contributed to the emergence of the Asian tigers and dragons.

On the other hand, the values which influenced the dumping by the manipulators are totally materialistic, inconsiderate of the problems of others, uncaring for the poor and motivated purely by the desire to create an economic environment for further exploitation by them.

It is not Asian values which had failed us. It is the greed of a few which had precipitated the crises in Asian countries.

Today the countries of Southeast Asia are the main victims. But as we all know, Mexico and Brazil have been attacked, too. So has South Africa. So had a few East European countries. It would seem that as soon as a developing country appears rich enough, it will be raped and impoverished again.

I am aware that the PECC and many other Pacific organizations have members from the developed North as well as the developing South. The idea of cooperation is great. Cooperation implies mutual help and mutual benefit—a win-win mindset. I am sure that everyone of you is of that mindset.

Turbulence in the currency market and the impoverishment of the countries of the Pacific Rim will not be of help to your business or the countries that you do business in or with. Business needs predictability and good prosperous markets.

The fund managers, despite their denial, are largely to be blamed for the present turmoil and the slowdowns in the economy of the East Asian countries. They and their unethical activities are not good for any one of you. You will not lose anything if they are not around.

I would like to suggest that we do away with trade in currency as a commodity. I would like to suggest that currencies should be linked to the economic indices of the countries concerned. I would like to propose a return to rationality rather than self-serving sentiments.

East Asia may be made up of dragons and tigers. They may appear rich. But there are a whole lot of poor countries and very poor people in East Asia. They have a right to their hard-earned money.

‘Free trade is not a religion from heaven’

Free trade is not a religion from heaven. It is an invention of mere men and such inventions can prove horribly wrong. How many millions of people died because someone invented communism and national socialism? How many countries have been impoverished by socialistic theories?

Free trade is great. But it is not perfect. In fact, it is defective. Time and time again the freedom of the marketplace had been abused. Rogues and highwaymen have plundered the stock market, the commodity market, the financial market,

and about every facility spawned or invented in the name of free trade.

We need trade to be free, but let us be honest. There can be no absolute freedom for anything. If society is to exist as a society, if society is to be peaceful, stable, and prosperous, there cannot be absolute freedom, for the simple reason that the freedom of one limits or denies the freedom of another.

Freedom must therefore be subjected to freedom-limiting rules, regulations, and laws in order to be equitably shared.

Free trade has never been truly free. There are any number of laws and regulations even now to ensure that free trade works. Without laws and regulation, all that we get will be anarchic markets in which the strong, the ruthless, the irresponsible will exploit and abuse the trading. For most of the weak and the passive, there will be effectively no free trade. For them, the market will be regulated—by rogues.

This is the simple truth about free trade. The activities of the currency traders deny freedom to others, to peoples of many countries and to the countries themselves. We therefore need to regulate or outlaw currency trading—so free trade can flourish.

I know you will find difficulty in accepting what I say. But in the interest of free trade for mutual prosperity let us think. In the name of economic cooperation let us cooperate to make the world of business a safer world, free from manipulators and the highway robbers.

For previews and
information on
LaRouche publications:

Visit EIR's Internet Website!

- Highlights of current issues of EIR
- Pieces by Lyndon LaRouche
- Every week: transcript of the latest **EIR Talks** radio interview with LaRouche.

<http://www.larouchepub.com>

e-mail: larouche@larouchepub.com

Congressional hearing defends speculation in derivatives

by Richard Freeman

Fighting to keep the extent of derivatives speculation hidden from view, the supporters in the U.S. Congress of Federal Reserve Board Chairman Alan Greenspan, and the top U.S. derivatives trading banks, appeared at a contentious Congressional hearing on Oct. 1. The hearing, by the Republican-dominated House Banking Committee Subcommittee on Capital Markets, Securities and Government-Sponsored Enterprises, was an undisguised attempt to derail implementation of proposed new rules changes, formulated by the Financial Accounting Standards Board (FASB), that would require, effective Jan. 1, 1999, that all publicly traded corporations and banks report their derivatives holdings on their balance sheets, at fair market value.

The FASB was established in 1973 as an independent, national body entrusted with setting corporate accounting standards. Most derivatives instruments, if they are reported by a corporation, are reported off-balance sheet, buried in footnotes, in small type in annual reports. Many corporations do not report certain categories of derivatives at all. The FASB also exposed at the hearings that several corporations have adopted the dishonest, rather fantastic practice of reporting derivatives losses as increases in valuation of their assets. FASB Chairman Edmund Jenkins told the hearing, "The information about derivatives and hedging reported in financial statements today is incomplete, inconsistent, and just plain wrong."

Jenkins was attacked by Subcommittee Chairman Richard Baker (R-La.), Spencer Bachus (R-Ala.), and Tom Campbell (R-Calif.), who argued for putting off the date of implementation of the proposed FASB derivatives reporting rules changes. Susan Phillips, the Federal Reserve Board governor who spoke officially for the board and for Greenspan, said that derivatives should not be reported on-balance sheet.

Derivatives are speculative side-bets which suck dry the underlying physical economy. Since 1987, derivatives have grown cancerously in the United States and worldwide. The top eight U.S. derivatives-holding commercial banks have \$22.6 trillion worth of derivatives, against only \$93 billion worth of equity, but the derivatives holdings of non-financial corporations are also growing rapidly. On Sept. 30, the *Wall Street Journal* reported that during the third quarter of this year, Salomon Brothers investment bank lost at least \$200 million in bad derivatives investments; the actual loss could

be much higher. Few could forget, that in 1994-95, Orange County, California suffered a \$1.7 billion derivatives loss; Barings Bank experienced a \$1.1 billion derivatives loss, which caused the bankruptcy of the bank; and corporations such as Procter and Gamble, and Gibson Greetings Cards, bought exotic derivatives contracts from Bankers Trust and suffered multimillion-dollar losses.

Yet, the bankers swear from here to eternity, that derivatives are only hedges, that they know what they're doing, and that it would only "confuse people" if derivatives were reported on-balance sheet.

When Greenspan speaks, Republicans listen

The leading Republican members of the subcommittee openly stated that they were convening the hearing to act on behalf of the interests of the banks, and Greenspan. Subcommittee Chairman Baker told the Oct. 1 *Washington Post* that he might "consider sponsoring legislation to block the [FASB] rule," if he believed "*it will unfairly hurt banks' reported earnings*" (emphasis added). In an opening statement, Bachus said that the FASB should listen to Greenspan's opposition to its proposed rules. "With me," Bachus stated, Greenspan's "a lot like E.F. Hutton — when he talks, I listen."

It seems that the Congressmen's ability to "listen" to Greenspan and the banks, has been helped along. For example, in the 1995-96 election cycle, Baker received more than \$135,000 in contributions from banking and derivatives industry groups. So far this year, he has received at least another \$35,000.

The banks had their representatives at the hearing. A lawyer for a New York City law firm told this author, that he had travelled to the hearing because "my law firm works for a single New York bank, and everybody is freaked out that this new rule change would go through."

Jenkins: 'The public has a right to know'

FASB Chairman Jenkins testified that the FASB's primary focus is to put into effect rules that would require that corporations report their derivatives holdings on their balance sheet, at fair market value, which would require marking the derivatives to their current market price. He stated, "If ever a case can be made for reporting something in more detail, it is for derivatives. . . . Different companies may report very

similar activities differently, and even an individual company may report similar activities differently. . . . Gains and losses [on derivatives] are not explicitly disclosed today, and their effect on earnings is difficult, if not impossible, for an investor or creditor to determine. Again, we believe that the public has the right to know.” (See *EIR*, Sept. 12, p. 4, for a detailed discussion of the FASB rule changes.)

Several banks have complained that derivatives are just hedges, and that reporting earnings or losses from derivatives on their balance sheets would distort earnings. Jenkins responded that “gains or losses on derivatives that qualify for hedge accounting should have little or no net effect on a company’s earnings because they will be offset by comparable losses or gains on the thing that is being hedged—and the result is little or no volatility in earnings.” What Jenkins is referring to, is that in a hypothetical hedging operation, if the underlying instrument falls, then the hedge instrument should gain by an offsetting amount; and, if the underlying instrument rises, then the hedge instrument should fall by an offsetting amount. Jenkins said that if the hedge is not matched by, and does not move in the opposite direction from the underlying instrument, then “maybe the hedge operation wasn’t an effective hedge,” i.e., it really was a speculative instrument. After the hearing, in a short discussion with *EIR*, Jenkins acknowledged that he knows of reports showing that a large amount of the derivatives trading of banks is purely speculative.

Jenkins revealed some creative accounting, which on-balance-sheet reporting would do away with. He said that some banks and corporations hide their derivatives losses by counting them as an asset on-balance sheet. “Assets are supposed to be things that are of benefit to an entity. A loss just does not fit that description,” he said.

Republicans on the subcommittee, as well as Bruce Vento (D-Minn.) (who represents the interests of Norwest Bank), attempted to bushwhack Jenkins. Bachus, for whom regulation is superfluous, asked Jenkins, “When the banks that trade 96% of the nation’s derivatives tell you that they think your rule is inappropriate, doesn’t that raise a red flag?” and, “When the Federal Reserve, the FDIC [Federal Deposit Insurance Corp.] and the OCC [Office of Comptroller of the Currency] object to the rule, doesn’t that raise a red flag?” and so forth. He continued, “Don’t these banks know better what’s best for them?”

Bachus discussed the virtual fail-safe system that banks have, obviating derivatives losses, because of superior “risk management systems.” (Someone should explain that to Bankers Trust, which blew itself out with gigantic derivatives losses in 1994-95, and was quietly reorganized by the government.) Bachus and his colleagues called for delaying implementation of the FASB rule changes by at least one year. (The final version of the proposed FASB rule changes will be released in December 1997, and are scheduled to go into effect on Jan. 1, 1999.)

Levitt warns of Russian roulette

The chairman of the Securities and Exchange Commission, Arthur Levitt, testified after Jenkins. The SEC enforces the FASB accounting rules for 15,000 American companies which are public, and therefore their stock trades on some American stock exchange. Levitt warned that the FASB must remain independent, and that he was there “to shield it from political pressure.” He said, “It is very inappropriate for the Congress to suggest any further delays. I believe that we would be playing Russian roulette with our markets.”

Levitt said of the rising stock market, “Whatever goes up, must inevitably come down.” He reported that in 1994, following several large corporate derivatives failures, such as Procter and Gamble, “in a [Congressional] hearing . . . I was badgered and asked and pressed to ban derivatives products.” Now, Levitt said, “The stock market has gone up for 14 years, and there has been no derivatives accident for two and one-half years, so people know only a rising market, but to believe that something else won’t happen is to play Russian roulette.”

Unfortunately, Levitt described derivatives as “necessary instruments.”

The presence of Greenspan

Federal Reserve Board Governor Susan Phillips postured that “the desirability of meaningful disclosure is not the issue.” She then stated, “These problems can be minimized by placing market values in meaningful *supplemental* disclosures rather than by forcing their use in the primary financial statements” (emphasis added). This is a call to continue reporting derivatives off-balance sheet. She warned, “Indeed, placing financial instruments in regulatory or accounting pigeonholes . . . can create disincentives for prudent risk management.” That is, this could threaten unbridled speculation.

Robert Trupin, the comptroller of Citibank, America’s second-largest bank, complained that complying with the FASB rules would add “extra cost,” and that under the FASB rules, “derivatives would have to be reported as if they are bets rather than as hedges.”

That, of course, is the central issue: Derivatives are highly leveraged, very large bets.

Though he was not there, Greenspan’s presence was felt throughout the hearings. On July 31, he had written the third in a series of letters to FASB Chairman Jenkins, stating that proposed FASB derivatives accounting rule changes should be abandoned. What Greenspan and the banks fear from this minimal step of reporting derivatives on-balance sheet, is that it would uncover large derivatives losses, and simultaneously, the scope of the bankruptcy of the derivatives-soaked U.S. banking system. As of the second quarter 1997, U.S. commercial banks held \$23.8 trillion notional amount of derivatives; it is estimated that investment banks held \$9.5 trillion, and insurance companies \$2 trillion. The banking crowd fears that reporting derivatives holdings could help provoke the demise of that bubble.

Business Briefs

Australia

Rate of children living in poverty soars

Research conducted by the Center for Population and Urban Research at Monash University, Melbourne, has revealed that 43% of all children in Australia now live in poverty, *The Australian* reported on Sept. 22. Many of these are in families of the "working poor," and a growing number come from one-parent families.

Bob Birrell and Virginia Rapson, who did the study, attributed the cause of poverty more to factors such as family breakdowns and one-parent families, than to unemployment and the rising number of low-paid, part-time jobs. The data revealed that twice as many families received Additional Family Payment on the grounds that they were sole parent pensioners (still able to work part-time), compared with those receiving the payment on the basis of unemployment benefits. During 1991-96, the number of employed increased by 637,000, with women taking almost 60% of these new jobs; yet, during the same period, the number of families receiving the Additional Family Payment rose from 638,787 to 895,185.

"Poor families are shouldering the major part of the burden of raising Australia's children," the study concluded.

Infrastructure

Taiwan set to award contract for rail line

The winner of the contract to build Taiwan's biggest infrastructure project, a \$10.4 billion high-speed railway between Taipei and the southern port of Kao-hsiung, is expected to be announced within two months, the Sept. 26 *Australian Financial Review* reported. When complete, the new line will shorten the journey to 90 minutes, travelling at speeds of about 300 kilometers an hour.

Intense lobbying by leading high-speed railway companies has been reported by Minister for Transportation and Communications Tsay Jaw-yang, including by TGV of France, Japan's Shinkansen (or "bullet"

train), and ICE of Germany. The *Review* mentions the line being built by TGV between Seoul and Pusan in South Korea, and says that demand in Asia for high-speed rail technology has become a "battleground," with interest from several countries, including China.

According to the German business daily *Handelsblatt* on Sept. 30, the Franco-German group GEC-Alsthom/Siemens has received "best applicant" status from the Taiwanese government. The group wants to build a combination of the German ICE locomotive and French TGV passenger rail car, specially designed for that track, with a production value of about \$1 billion. The group has a joint venture, Taiwan High-Speed Rail Consortium, with five Taiwanese rail-technology producers.

But, Transrapid International, the German industrial group that produces the maglev system Transrapid, has also made an offer. Siemens is also part of that group. In talks with government officials in Taipei on Sept. 29, German Economics Minister Günter Rexrodt endorsed the maglev technology.

The Taipei/Kao-hsiung project will require investments of about \$4 billion, and is to be completed by the year 2003. It is a mixed state-private project, with a 40% share held by private industry. The financial amortization of the investments is laid out for a period of 35 years.

Economic Policy

France prepares for economic warfare

The French Defense Ministry has created a "private" management school to develop techniques of economic warfare directed against "the American and Asian threat," the German business daily *Handelsblatt* reported on Oct. 1. The new Economic Warfare School is to be an elite training center for 29 graduate students who are French nationals. They reportedly will be trained in all aspects of economic warfare, including techniques (offensive and defensive) of computer hacking, data theft, techniques of "manipulation of the consumer," and other areas of "information warfare."

The Economic Warfare School, nominally an expensive private elite school, was created by the French Ministry of Defense through Intelco, a subsidiary of Defense Conseil International, a consulting firm to the ministry. The initiator and head of the new school is Jean Pichot-Duclos, a French Army general who headed the Secret Intelligence School of the French Special Forces in Strasbourg.

Alain J. Joseph, the head of the group that oversees the school, commented, "The government is concerned about the American [trade] offensive, such as indicated by the merger of Boeing and McDonnell-Douglas. But naturally, they cannot openly speak of an 'economic war.'"

President Jacques Chirac, who has recently warned against American "unilateralism," reportedly backs the project. His concept of a united Europe with the power of a single currency, the euro, is seen by Chirac's backers in the French establishment as creating an "economic counterpole" to American power.

Banking

Foreign takeover of Ibero-America continues

The rapid takeover of the banking systems of nations in Ibero-America which began about five years ago (see *EIR*, Aug. 22, "Britain's 'Invisible' Empire Unleashes the Dogs of War," p. 48), is accelerating, with major new developments in Brazil and Mexico in September.

During the International Monetary Fund meeting in Hongkong, the head of Brazil's central bank approved a bid by Spain's Banco Bilbao Vizcaya (BBV) to buy out 51% of Brazil's Banco de Credito Nacional, the sixth-largest private bank in the country, and the ninth overall. The BBV is a front for British financial interests. Its Brazilian bank will now be the largest foreign bank in the country, according to *Gazeta Mercantil*, leap-frogging ahead of London's Hongkong and Shanghai Banking Corp. (HongShang) (which took over Bamerindus in March 1997) and Spain's Santander (which bought out Banco Geral do Comercio and Banco

Noroeste over the summer of 1997).

EIR estimates that, with this BBV move, foreign banks now control 17% of the total assets in Brazil's banking system, up from 14% only six months ago.

In Mexico, another major bank, Monterrey's Banca Confia, whose Cayman Islands derivatives speculation went sour, has gone belly-up. As is now habitual, the Mexican government came to the rescue, pumped in close to \$1 billion to buy up Confia's bad debt, and then sold the cleaned up remains to Citibank, for a pittance.

In September, the Mexican government, after its earlier bailout of Banca Serfin, bought out another \$650 million of its bad debt. Serfin, the third-largest bank in the country, was taken over by HongShang earlier this year, when it purchased 20% of the Mexican bank, with an option for another 20%. With the second bailout, HongShang has exercised that option, and now owns upwards of 40% of Serfin.

With these two September bailouts, the total amount spent by the government agency Fobaproa since the December 1994 Mexican crash, to bail out Mexican banks before selling them to foreigners, is about \$30.5 billion—about 9% of the country's total GNP in 1996. According to the daily *El Financiero*, Fobaproa has now bought up 23% of the total loan portfolio of the banking system, as of the time of the peso devaluation of December 1994—i.e., the government has effectively *re-nationalized* one-quarter of the *privatized* banking system, only this time it has been handed over to foreigners.

Mining

India grants Rio Tinto an exploration license

Rio Tinto, a firm of the British oligarchy, was granted a 1,916 km² prospecting license by India, for copper, lead, zinc, gold, and silver, in the northern state of Rajasthan, the *Asian Journal of Mining* reported in its July-August issue. This is the first exploration license India has granted to a foreign company.

The decision comes in the wake of recommendations by a task force of the Madhya Pradesh government that entry be given to

multinationals to mine diamonds. Members of the task force who made the recommendations include Gopi Arora, India's representative to the International Monetary Fund, and former mining secretary P.K. Lahiri. If the Madhya Pradesh government accepts the report, the states of Orissa and Karnataka are set to follow. So far, eight multinationals have lined up on the government's short list: Ashton Mining Ltd. (Australia), Australian Kimberley Diamonds Ltd., Cluff Resources Pacific, Golden Tiger Resources, Empire Gold Mines, Dun Dee Bancorp Inc., Stockdale Prospecting Ltd., and International Business Development Ltd.

Laos

World Bank to pull plug on dam project?

World Bank President James Wolfensohn may halt the building of the \$1.5 billion Nam Theun 2 dam in Laos, one of the bigger infrastructure projects in Asia, the Sept. 30 *Australian Financial Review* reported. The paper claims that Wolfensohn is under pressure from budget cutters, non-governmental organizations, and environmentalists to do so.

Although considered the "best option" for hydro-electric development in 1991, the World Bank now wants to transfer the financial risks of the project from the dam's private sector backers to the Laos government—a way of killing the project. The *Review* says that many critics are wondering why the World Bank is guaranteeing the interests of the private developers and foreign banks, while providing no assurances to Laos that the project will deliver the benefits promised. Under the plan, Laos will hold a 25% equity stake in the project.

Transfield, an Australian construction firm, has already spent \$30 million on the build, own, operate, transfer project. It had planned to sell the electricity to Thailand, but with the ongoing financial collapse, it is now making "drastic downward revisions in projections of Thai economic growth and power demand," and expects it will be left without a buyer for the power, or that the price will not cover construction costs.

'DIAMOND JOE' Gutnick's companies, Quantum Resources and Astro Mining, are buying China's Wafangdian diamond mine and Mengyin diamond mine. Wafangdian produces 100,000 carats of gem-quality diamonds annually, about 50% of China's current production.

TURKMENISTAN and Iran are proceeding to step up cooperation in the gas and oil fields. Iranian Deputy Foreign Minister for Euro-American Affairs Morteza Sarmadi said that Afghanistan is one area where a joint effort should be made. Another, he said, is the Caspian Sea, where the two nations share "identical views."

TOGO President Gnassingbe Eyadema said on Sept. 29 that African nations should form a common market. He said that if the 16-nation Economic Community of West African States and the 14-nation Southern African Development Community pooled their resources, it would aid development on the continent.

JAPAN extended a \$3 billion loan to Thailand for infrastructure, not as part of a financial bailout. The interest rate was less than 2%, and repayment was extended from 20 to 25 years. It will finance energy distribution systems, an airport, a subway, an industrial ring road around Bangkok, a bridge over the Chao Phraya River, and other projects.

THE GOLD PRICE jumped to \$337 per ounce in late September, after falling to a low of \$312 in June on news that the Reserve Bank of Australia had sold two-thirds of its reserves. London sources claim it has been triggered in a "suspicious manner" by derivatives dealing involving "one major Wall Street firm and Newmont gold." *EIR* had warned that the drop in price was to force small investors out of the market, before prices rose again.

IRAN has built its first desalination plant, with a daily capacity of 1,000 m³. It is to be installed on Kharg Island, IRNA reported.

Moles seek to wreck U.S.A.-China 'summit'

by Lyndon H. LaRouche, Jr.

October 10, 1997

The British monarchy is waging economic and diplomatic warfare, aimed at isolating and crushing the United States, and the strategic planners at the Defense Department do not appear to be paying attention to their duty to plan the strategic defense of our republic.

London, in its capacity as command-center for the world's most powerful political force, the British Commonwealth, is conducting its not-so-silent warfare against the U.S. on the following fronts:

1. During the recent three years, *EIR* has documented this extensively: In **Africa, South America, and Central Asia:** London-coordinated British Commonwealth interests are continuing a move to grab control of the majority of the world's strategically significant raw-materials resources. In **Africa**, the British monarchy's mercenary operations (run under the direction of Queen Elizabeth II's Corps of Commissioners and Crown Agents), the genocide in progress is coordinated through Uganda's marcher overlord and mass-murderer Yoweri Museveni and his key cronies, the current dictators of Eritrea, Ethiopia, Rwanda, Burundi, Zaire, and John Garang. In Central and South America, British interests have taken control of the top financial institutions and raw materials, freezing out the U.S. government and U.S. interests.

2. On the economic front: The British government's openly and repeatedly stated policy, is to use a common European currency, under British direction, as a base of operations for economic and political warfare against the United States. As during the Nineteenth-Century period of Britain's Lord

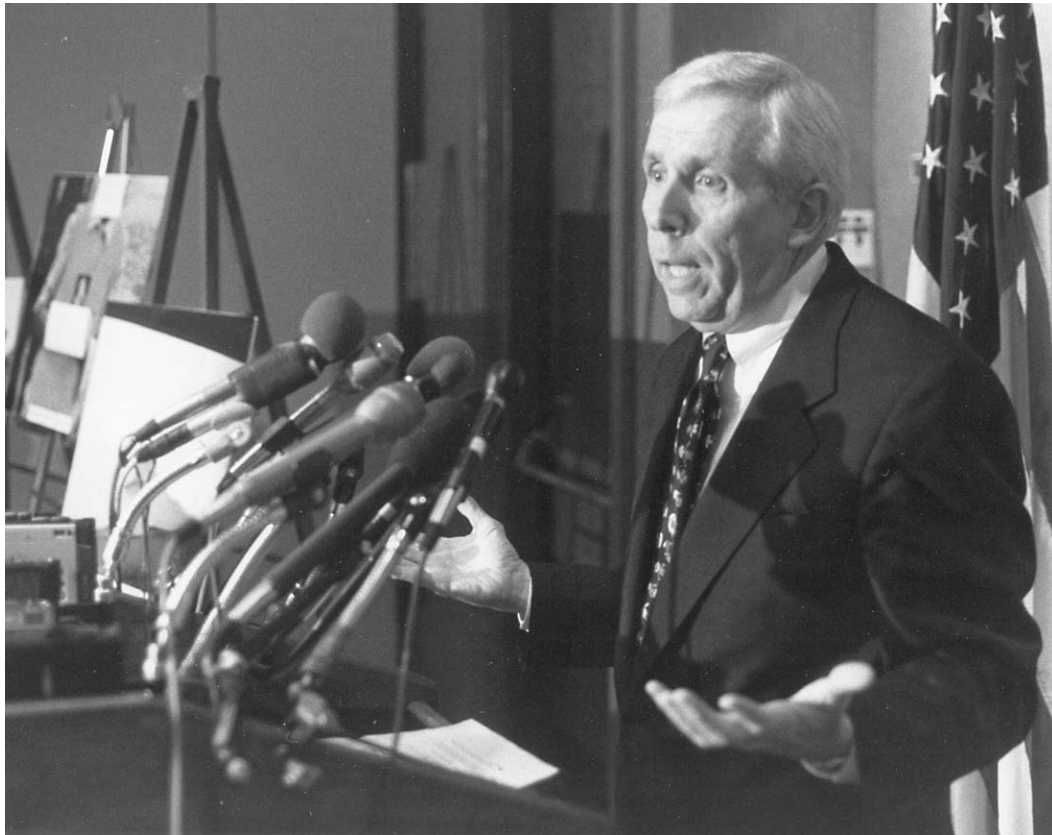
Palmerston and his puppet, Napoleon III, France under President Jacques Chirac and François Mitterrand heir Prime Minister Jospin, has presently resumed the part of a British lackey for economic and political warfare against the U.S.A.

3. The U.S.A.'s greatest single potential for beating back this British aggression, is the possibility which has been opened up by China, for new U.S. strategic relations in the Pacific and Indian Ocean regions, new relations centered around China, Japan, and, hopefully, also the Indian sub-continent. The October "summit" between the Presidents of the U.S.A. and China is the opportunity. Naturally, London, an openly declared enemy of China, is using virtually every mole and dupe it has, inside the Congress, and inside British-controlled "high" and "low" church sects inside the U.S., to prevent a successful outcome of that "summit."

With that "summit" little more than days ahead, it is urgent that we identify, and act to correct some of the subversive operations which London is running through the U.S. Congress, within corrupt, but influential Pentagon voices, and under the cover of some London-controlled, mass-based religious cults. Before turning to my principal topic here, I must clear the decks by summary reference to the matter of London's top-down control over certain mass-based politically active sects.

State-controlled religion

To understand the way in which London deploys certain among the U.S.A.'s leading television-based and kindred, wild-eyed religious cults, we must identify the reasons why so large a part of the U.S. population is susceptible to being manipulated by the current crop of such profit-minded "Elmer



Rep. Frank Wolf (R-Va.) gives a press conference on Aug. 20, about his trip to Tibet and his efforts to derail the U.S.A.-China summit.

Gantrys.” With the 1962 “missile crisis,” and several other terrifying shocks of the early to middle 1960s, the popular culture of the U.S. underwent a rapid, and profound change, a change which had its most radical impact upon the generation which is now approaching, or has passed its fiftieth birthdays.

The result, was what Britain’s leading psychological-warfare agency, the London Tavistock Clinic and Institute, termed a “cultural paradigm-shift,” “a shift away from rationality, whose most colorful expression was the “rock-drug-sex” youth-counterculture, which erupted during the 1964-1970 interval. However, the dayglo colors of that youth-counterculture must not distract our attention from the fact, that the overwhelming majority of the adolescent U.S. population underwent kindred, sudden, and radical changes in their mental habits. The general term for all of this, is “flight from reality.”

Sometimes, this flight from reality assumed the form of some seemingly outrageous change in personal behavior. More generally, it took the form to be expected of any group of people subjected to an effect like war-time “shell shock:” increasing instability, suggestibility, paranoia. This was to be seen, on campus and elsewhere, during the 1966-1973 interval, as an increasing tendency toward irrationality, as the upsurge among adolescents and young adults, of a tendency to wander from one utopian fad to another.

This produced the “Me Generation” of the 1970s, better

described as the “Look-at-me generation.” The custom of paying a higher price for a personal-use product, such as a garment, because it has a conspicuously displayed brand-name, expresses this irrationality. The subsuming syndrome was “flight from reality,” into fantasy, into “virtual reality.” The TV screen, and, more recently, the Internet, have become the conspicuous playgrounds for such masturbational qualities of escapism.

In the domain of religious behavior, the same epidemic of irrationality is expressed by “Millennium” cults, and kindred, gnostic pathologies. A kind of Manicheanism has taken over its glassy-eyed victims, and that in increasing numbers. The habit of flight from reality, over the recent thirty-odd years, has had a cumulative effect, reflected in strange new patterns of lability in so-called religious belief, whether as blind faith in mutual funds and derivatives, or in cults of a frankly religious guise. Initially, the flight-from-reality was prompted by the awesomeness of the prospect of thermonuclear attack. Thirty years of flight from reality, have made any form of reality terrifying. We see, thus, not only in the U.S.A., but globally, beginning the middle of the 1960s, an increasing insanity in the expression of novel developments in the field of mass religious behavior.

Actual Christianity is epitomized by the *I Corinthians 13* read at the recent state funeral for murdered Princess Diana. We are here on a mission, to do good for humanity as a whole,

leaving life to dwell thereafter in the Creator's own dwelling-place, the simultaneity of eternity. The gnostic, such as the Manichean or Bogomil, rejects this. For him, or her, in the material world, Satan is absolute monarch; only through a "spiritual world" can we escape from Satan's absolute rule, to find a better dwelling-place in death or, perhaps, Rapture. Thus, as *I Corinthians 13* reminds us, in exemplary fashion, the Gnostic is no Christian, but is, with all his spiritual and other personal rituals, as "nothing;" he has abandoned his mission: his responsibility for the condition of all mankind, to the limit of his or her powers to affect this.

The characteristic of the mass religious cults, is a flight from reality, into the hopes of health, wealth, and family, which might be magically provided by financial donations to an "Elmer Gantry," through the mail, or as price of admission to some "Feel Good" orgy, some retreat from rational responsibility for the condition of humanity in this nation, this world. These are no Christians, loudly as they might claim to be; Jesus Christ would tell us to shake the dust from our shoes when we depart the company of such cultists. They are not their brother's keeper; they are of the "Look-at-me generation." They are the "welfare cheats" of spirituality—all for me, my family, my "feel good" needs; wanting everything, but unwilling to work for it. Like today's Ayn Rand followers and other neo-conservatives, they will do nothing for the mission which one has been made to perform, but, they expect to be paid, and, that strictly on time.

The danger, as expressed more luridly in satanic cults, is that one, like a shooter in a crowded restaurant, post office, or as a serial killer, will commit hideous crimes of commission, or omission, on real people, in the real world, for the sake of some fanciful scenario in the virtual reality of one's religious or analogous delusion.

The truthfulness, and the true effect, of one's acts, or omissions, is of no concern to such escapist "true believers." It is the ecstasy of shared belief in mere words, and the virtual sexual release of symbolic acts, especially symbolic acts in propitiation of those mere words, which governs. Such were the Flagellants and kindred sorts of the escapists' mass lunatic cults, during the so-called "New Dark Age" decades of Europe's terrifying mid-Fourteenth Century.

To understand that form of mass-insanity in the name of religion, is already half-way toward neutralizing it. The crisis of our military and related institutions, is of a somewhat related, but distinctly different form.

Pentagon or Pentagram?

The kinds of efforts to sabotage the U.S.A.-China "summit," being deployed into the Congress from Pentagon-related circles, center around two points.

The first, is the assertion that since we can not trust China to keep its present policies and leadership in power, China *could become* a military threat in the future. Therefore, that

argument continues, we must keep open an option for a future military confrontation with China.

The second, is the assertion, that the interpretation of the U.S.-Japan Security Treaty favored by the devotees of self-avowed British Foreign Service asset Sir Henry A. Kissinger, and Moonie-funded Sir George Bush, requires us to construe as Japan's, a collection of rocks associated geologically with Taiwan, and historically with China (except for period of Japan's aggression against China, during the Sino-Japanese wars launched of 1894 and the 1930s). Japan, in its negotiations with China, postponed discussion of those claims, until some distant future time, when relations between the two states might be warmer. In any case, the notion that these islands are part of Japan's security requirements, is a highly dubious bit of sophistry. Nonetheless, the wild-eyed Kissinger-Bush freaks from our Pentagon offices insist, that the U.S. is obliged to demand that China accept their "interpretation."

This is not a blanket criticism of our military professionals. We have, in fact, two branches in our defense policy. This situation is fairly described as "Pentagon versus Pentagram," the first, the traditionalist view we might associate with General Douglas MacArthur's role as organizer of victory, in what seemed to most observers, at the beginning of 1942, a hopeless short-term situation in the Pacific. The second, the devotees of the "Pentagram," has been known, since the late 1940s, as the "utopian" tradition, the tradition associated today with characters such as former Defense Secretary Robert S. McNamara and those men in uniform who sold their souls to Sir Henry "Mephistopheles" Kissinger, James R. Schlesinger, et al., during, and following the period of the Vietnam conflict.

I have some direct knowledge, based in experience, on this matter; the Pentagon types responsible for the outlook I have just described, are clowns who should receive instant promotions to the post of tortoise protection, in the Galapagos Islands. There are other military currents, which, unfortunately, President Clinton has done too little to reach out to, thus far. My experience in these matters, back during the late 1970s and early 1980s, is of crucial bearing on the China-related issues rampant within the Pentagon, the Congress, and our ever-British-loving mass media, today. I reference that experience here, to indicate the real-world possibilities for developing an effective U.S. strategic doctrine under the conditions of the approaching turn of the century.

At the close of 1981, I was approached by representatives of the U.S. government, with the proposal that I, in my private capacity as a recent candidate for the Democratic U.S. Presidential nomination, establish a new back-channel for discussions with the Soviet government. It was accepted, that I include my personal recommendation on a new U.S.-Soviet agreement on ballistic-missile defense, as part of that series of meetings, meetings actually held by me, during the approx-

imate lapse of twelve months, between February 1982 and February 1983. During the latter eight months of that period, I reported to the highest level of the U.S. National Security Council, while my Soviet interlocutor conducted his part in a similar way.

The net result was the closing segment of President Ronald Reagan's March 23, 1983 televised broadcast, announcing the "Strategic Defense Initiative (SDI)," and proposing to Moscow exactly what I had suggested to my Soviet counterpart, as what I would recommend that President Reagan offer publicly to Moscow. During 1982, and into the middle of the 1980s, my personal efforts on this were massively supported among senior military retired and active ranks, not only inside the U.S.A., but also in Germany, France, Italy, and elsewhere. There were also adversaries, such as Lt.-Gen. (ret.) Daniel P. Graham, who campaigned loudly and widely against me and against Dr. Edward Teller, on this issue.

During the late Spring and Summer of 1983, the White House approach to SDI was significantly modified. This began, at the close of March 1983, when the most prominent public opponent of SDI, the British-directed Heritage Foundation's General Graham, was deployed to claim authorship of the policy, but, insisted that the defense be limited to a useless program of "kinetic energy" interception-weapons. Despite some sympathy for SDI within some British circles, Prime Minister Margaret Thatcher, like her Washington-based Heritage Foundation agents, was stubbornly opposed to SDI. By August of that year, the policy had been greatly changed from the original, March 23, announcement. During those years, I came to know the internal factional divisions within the military and intelligence community, here, and abroad, rather intimately.

Had Moscow accepted President Reagan's March 23, 1983 offer, the world would not be the mess it is today. Instead of accepting that initial SDI offer, which would have prevented Russia—and, also, the ordinary citizens of the U.S.A.—from collapsing into the kind of murderous economic degeneration Russia is suffering today, Armand Hammer's Soviet protégés, notably Soviet General Secretaries Yuri Andropov and Mikhail Gorbachev, joined the British government in putting me "number one on the hit parade." As a result, my associates and I suffered the well-known legal problems suffered during the 1984-1989 interval. There was a massive, international news-media attack upon me personally, during the March-October 1986 preparations for the Reagan-Gorbachev "summit," attacks which featured a Soviet operation around the Feb. 28 assassination of Sweden's Prime Minister Olof Palme, attacks, coordinated between certain Western and Soviet bloc agencies, which saturated the U.S.A. and Soviet leading media. These attacks culminated in an attempt, under the Justice Department's George Bush-allied William Weld, to have me assassinated during the night of October 6-7, 1986, on the eve of the Reykjavik "summit"

between President Reagan and General Secretary Gorbachev.¹ The impetus for the legal and mass-media attacks upon me during that period, came as direction issued to official U.S. agencies from London.

These London-orchestrated legal and other attacks upon me and my associates, had the effect of virtually shutting down my high-level connections into the military and other relevant circles in the U.S.A. and western Europe. Nonetheless, these active connections of the 1977-1986 interval continue to provide me an advantageous view of the kinds of problems surfacing around "China policy" within the U.S. military and Congress today.

This is an area in which Admiral Bobby Inman would have been a great asset to the Clinton Administration. It is an area of policy shaping which I believe I understand much better than my sometimes perplexed, and politically out-flanked President. It is fair to say, that I came to understand some of the most commonly overlooked features of functioning of institutions of government, an understanding which, in large part, I learned the proverbial "hard way."

Strategy

The problem is, that the patriotic elements within the U.S. military and related institutions have presently no clear mandate on which to base sane strategic planning. Under such circumstances, the corrosive, frictional influence of bureaucratic, chiefly Anglophile, over-stuffed moral mediocrities, in key offices, tends to take over policy-shaping, to such effects as we see in the Defense Department's continuing the lunatic, September 1995 "United States Security Strategy for the Americas," or putting forth the disgusting excuse for a "China policy" rattling around some Pentagon offices and the U.S. Congress today. Disgusting "sensitivity" cults, such as the notorious "Inter-American Dialogue," tend to replace competent strategic professionalism in the design of what, too often, becomes U.S. strategic policy, by default.

To illustrate what the term "strategic planning" ought to signify, look at the October 1997 China "summit" against the relevant background of the present global threat, that the sovereignty of the U.S.A. will be liquidated by approximately the end of this century, a mere three years ahead. What must we think of the pompous mannequins who currently testify on the "strategic issues of U.S.-China relations" before the Congress? What impotent, bloated asses these fellows are!

Briefly, examine the continued, near-term threat to the existence of the U.S.A.

The threat, in its present form, originates in the aftermath of London's unsuccessful effort to use its creation, the Con-

1. Following a telegram I sent to President Reagan, in the early evening of October 6, the forces deployed for the attack were pulled back for the night, and the continuing of that phase of Leesburg operation shut down the following morning.

federate States of America (CSA), to break up the U.S.A. and Canada, into a "Balkanized" array of feudalistic baronies constantly at one another's throat over boundary and related "interests." At that time, there was no nation on this planet, except the U.S.A., which was potentially capable of threatening the world power of the imperial financial oligarchy centered in London. The U.S. victory, against Britain, in defeating the Confederacy, and in building the U.S.A. into the world's most advanced and most powerful nation-state economy, during the 1861- 1876 interval, unleashed a wave of national-economy building in Japan, in post-Napoleon III France, in Germany, in Italy, and in Russia.

From the close of the U.S. Civil War, until today, the ideological assault against the 1861-1876 U.S.A. model of democratic republic and national economy, has been centered in the kookish ideological circles of Oxford University's John Ruskin, his Cecil Rhodes, the Fabian Society, and the Fabian Society's expression as the "World Federalist" movement and ideology.

During on-again, off-again relations between plebian H.G. Wells and aristocratic Mephistopheles Bertrand Russell, during the opening three decades of this century, Wells read the work of Rutherford associate Frederick Soddy, and adopted Soddy's view on the potentiality of nuclear fission as both a power source and the means for devising the most terrible weapons. On or about the time of Wells' official position in British foreign intelligence, during World War I, Wells conceived the promotion of development of nuclear-fission weapons, as creating devices so terrifying as to impel nations to surrender to arbitration by world government, rather than fight war in defense of national sovereignty. With Bertrand Russell's public declaration of solidarity with Wells' published *The Open Conspiracy*, Russell quickly assumed the leading role in pushing for the development of nuclear-fission arsenals. It was Russell, who exploited Otto Hahn's 1938 chain-reaction experiment, as a pretext for luring Albert Einstein into writing the letter which launched the U.S. Manhattan Project.

During the period since the untimely death of President Franklin Roosevelt, nuclear arsenals, and threat of nuclear war, have been used, as Russell stated this policy in the September 1946 edition of that *Bulletin of the Atomic Scientists* which he, Russell, personally controlled through his agent Leo Szilard. When N.S. Khrushchev, in 1955, sent four representatives to praise Russell's policies, at the London Conference of Russell's World Parliamentarians for World Government, the process which became known as "détente" was set into motion, a process, which in the stated intent of Russell, Szilard, et al., was intended to bring about "world government," and, in that process, eliminate the existence of nations such as that United States which Russell, according to his own writings, so passionately wished to eliminate.

The 1989-1991 disintegration of the Soviet bloc created opportunity for that for which Russell had worked so long, and

so devilishly. The cabal of Thatcher, British asset François Mitterrand, and British asset George Bush, sought not only to destroy the economies of the former Soviet bloc, but to eliminate quickly all vestiges of national sovereignty and national economy world-wide.

If, as is inevitable, the present international financial and monetary system disintegrates during the months ahead of us now, and if there is no effective replacement for those failed international agencies, the entire world will go through a chain-reaction process of dissolution of all significant semblance of sovereign national existence, a crisis of the sort implicit in the precedent of Europe's Fourteenth-Century "New Dark Age." That would mean the dissolution of the U.S.A., and the outbreak of rates of death from starvation and illness comparable to, but possibly exceeding what has been seen in post-1991 Russia.

These facts constitute some among the essential features for defining the strategic issues facing the U.S.A. today. To speak of "strategic issues," without explicitly addressing these matters I have just summarily described, is to make oneself a disgusting object in the eyes of such citizens as might still be living beyond the upcoming turn of this century.

The vital strategic challenge for the U.S.A. today, is to secure the continuation of the principles of national sovereignty and matching principles of national economy, deep into the coming century. Our allies, and potential allies, for this purpose, are those who will share our concerns in these matters, who will fight to secure our sovereignty, because that is necessary to secure their own.

The only powerful nation on this planet, besides our own, which is jealously dedicated to its own sovereignty, more jealously than most U.S. citizens guard their own nation's independence, is China. Other nations may aspire to the same policy, but, isolated, are unable, by themselves, or in blocs of small nations, to resist the imperial insolence of today's supranational institutions. Thus, a partnership between the U.S.A. and China, becomes the only visible means for rallying a large number of nations around us, in order to defeat those opposing global forces pushing for a neo-feudalist world of "world government" and "globalization." If one opposes that view of the matter, he or she must be judged either astonishingly stupid, or no patriot in any sense of the term.

Then, why do we permit misguided factitious blocs within the bureaucracy and the Congress, to play geopolitical tiddlywinks with the future existence of the United States? It is past time, to send such non-patriots of the Pentagon faction to harmless assignments in places such as the Galapagos, and to put serious professionals to work in refining the kinds of strategic plans which accord with the vital, sovereign interests of a U.S.A. now rapidly approaching the greatest global crises in all of modern history. For that, the President must call forth the patriots in the Pentagon, and activate them to their proper mission, by the kind of mission-assignment I have indicated here.

Shaping the 21st Century for the betterment of mankind

by Helga Zepp LaRouche

What is at stake in the upcoming summit between President William Clinton and President Jiang Zemin is much more, than the future of relations between the country which is presently the world's only superpower, and the world's largest country in terms of population, which soon will be a superpower. This meeting represents a crossroads for the 21st Century, which will be either a world of chaos, hunger, wars, and epidemics, in which only mafias, armed gangs, and private armies have any degree of control in a world otherwise ruled by barbarism, or will see the greatest economic boom in the history of all mankind, with the blooming of renaissances of many cultures around the world, in the sense in which John Quincy Adams thought of a community of principle among the nations of this planet. The nature of relations between the United States and China, which can be established beginning with this summit, is the key to which way things go.

The good thing is, that both the Chinese government and President Clinton want to establish a positive relationship between the two countries, and both sides are keenly aware, that stability and peace in the world are impossible without it. The danger is, that what could become a great turning point in the history of mankind, will be diluted by a poisoning of the atmosphere. There is presently a whole barrage of anti-Chinese campaigns under way, which have absolutely nothing to do with the realities of China, but are an expression of the same geopolitical thinking that has already caused two world wars in this century. The campaigns include the five anti-China bills which have been introduced into Congress, and the hysterical campaign around Tibet, involving three (!) Hollywood movies, and rallies and demonstrations in many U.S. cities.

Myth vs. reality

The problem is, that most Americans, long affected by neo-isolationist tendencies, know very little about the rest of the world, and China in particular. The reality is, that China is not a "yellow peril," and it is not an enemy of the United States. It does not have an aggressive posture, and it does not plan to take over the world. On the contrary, China is presently

virtually the only country in the world that is progressing economically, and, by comparison, it is doing more for the improvement of the human rights of its citizens than any other country in the world, by liberating an ever-greater percentage of its citizens from oppressing poverty — an aspect which became painfully clear to me, when I recently travelled from China to India, where the situation for the 50% of the people living below the poverty level, has not improved in the last 15 years, but worsened.

The idea that China would soon represent a military danger, is absurd. It is practically impossible that China would attack Taiwan within the next 25 years, since that would require total domination of air and sea, a capability which China is far from having, since it has just started the modernization of its Air Force, and also its Navy is so far not impressive. Taiwan, on the other hand, profitted from President George Bush's clearing of the sale of 150 F-16 fighters and 12 anti-submarine helicopters, followed by France selling 60 Mirage 2000 aircraft. The assessment of Adm. Richard Macke, that China does not represent a threat either now or in the medium-term future, was on the mark.

On the other hand, provided that mankind does not slide into a new catastrophe, China will be a new economic and political superpower at the beginning of the next century, anywhere between the years 2010 and 2020, and nobody can or should deny China the right of any sovereign country to develop military capabilities which will be adequate to the size of its population. Also, the thinking behind the bill introduced by Rep. Benjamin Gilman (R-N.Y.), which threatens to punish Chinese sales of Silkworm missiles to Iran, is a relic of the evil Webster doctrine, which assumes de facto One World Government control. Why should the sovereign country China not sell a tactical weapon system to another sovereign country? Such a sale only concerns the jurisdiction of the two countries involved.

The security threat

If one eliminates all mythologies and prejudices, a rather surprising reality comes to the fore, namely that the actual



Helga Zepp LaRouche, who recently completed a three-week visit to India and China.

security threat facing the United States and China is pretty much the same.

The only actual dangers to China are presently twofold. First, a major disturbance of the international financial system, let alone a total collapse of this system, would have very serious effects on the performance of the Chinese economy, and, without the kind of reform Lyndon LaRouche has suggested, any prolonged disturbance of Chinese economic production could indeed lead to very significant domestic destabilizations.

It is not hard to see, that the effect of such a financial collapse on the United States would be comparable. If the majority of Americans were to lose either their stocks, mutual funds, or pensions, Albanian-type conditions, as they developed after the collapse of the so-called pyramid schemes, are quite thinkable inside the United States, especially in light of the fact that 51% of the eligible voters did not participate in the last Presidential election, which represented a growing sign of disenchantment with the government and the political process.

The second immediate security danger is equally common to China and the United States—as well as the rest of the world, for that matter. If Russia were to disintegrate, collapse into regional chaos, and different parts of the military or the mafia were to get ahold of various weapon systems, including nuclear capabilities, the world could literally go to hell very rapidly.

One could name a number of other dangers touching upon the national security interest of both countries, such as a secure energy and raw materials supply, for which, obviously, stability and peace in Central Asia is one of the relevant questions.

But the point to be made here, is that apart from the perceived national interest of each country and the so-called bilateral agenda emanating from it, the more fundamental reality is, that mankind is really sitting in one boat, and China and the United States are simply the two strongest oarsmen, who could move it out of the maelstrom.

A policy in the interest of both nations

China has engaged in the policy to build the Eurasian Land-Bridge, which is not only supposed to bring the economic development of the coastal and southern parts of China into the inner regions, but also to connect all of Eurasia through infrastructure, and in this way to bring economic development to all previously underdeveloped areas, not only on the Eurasian continent, but eventually also in Africa and Ibero-America.

This program is the only way to overcome the two biggest and common security threats to both the United States and China, since it represents the only way that Russia can be saved from the abyss, and that the international financial system can be reorganized away from its present speculative bubble, back to the production of physical goods.

Schiller Institute's Zepp LaRouche returns to Beijing

by Mary Burdman

Helga Zepp LaRouche, founder of the international Schiller Institutes, led a delegation to Beijing, for a full week of meetings and discussions in late September. This visit was Mrs. LaRouche's first return to China, since she was an invited speaker at the State Science and Technology Commission's Symposium on the Euro-Asian Continental Bridge, in May 1996. Mrs. LaRouche had first visited China in 1971.

In meetings, including at policy institutes, Mrs. LaRouche presented *EIR*'s uniquely competent analysis of the ongoing collapse of the world financial system. This issue is certainly of concern in China, where the disasters in Mexico and Barings Bank in 1994-95 have become bywords for financial debacle.

Another critical issue of discussion, was the great strategic and political importance of the coming state visit of Chinese President Jiang Zemin to the United States this month, the most important visit of a Chinese leader to the United States since Deng Xiaoping in 1979.

The inherent theme of these meetings, was the fundamental question of statecraft today: How these two great nations—the United States, the most powerful developed nation, and with its unique history, and China, with the world's largest population, oldest continuous culture, and greatest potential among developing nations—can develop the state-to-state relations, based on their own and other nations' community of interests, which will enable them to meet the challenge of the deepening economic, political, and social crises.

While at this time, for many historic and cultural reasons, China's policy respecting solutions to these crises remains largely a defensive one, certain critical issues presented by the Schiller Institute have found a resonance there. Lyndon LaRouche's famous "Typical Collapse Function" analysis of the world financial system, and the disease of "financial AIDS," are widely recognized among many Chinese thinkers and policymakers. The conception of the Eurasian Land-Bridge presented by Mrs. LaRouche and her colleague Dr. Jonathan Tennenbaum at the Symposium in May 1996, is also striking a chord, as taking China's national policy to the level of a cornerstone for global economic reconstruction, in the wake of the creation of a new international financial and monetary system.

Many of Mrs. LaRouche's discussions were with those known as "scholars" in China—a concept the West would do well to revive. These are respected thinkers, in economics, politics, and culture. But in modern China, no one can earn the title of a true scholar, without making fundamental contributions to building the nation: its industry, infrastructure, educational system, and so on. Thus, particularly among the older generations of these Chinese, the work of both Lyndon and Helga LaRouche, in not only proposing the policies which can bring the world out of its current pass, but also in working in so many nations to realize these policies, generates real sympathy.

The breakdown crisis

Mrs. LaRouche's stark presentation of the final stages of the breakdown crisis of the world financial system, provoked much discussion. The current financial disasters in Southeast Asia, and in Japan's banking system, are very close to China, and the confirmation of LaRouche's lone warnings about the fate of the "Asian Tigers," if they continued on their International Monetary Fund-dictated "free-market" course, have brought many Chinese thinkers to a much greater appreciation of LaRouche's views. China is in a unique situation: This nation has suffered terrible conditions of war, political upheavals, and poverty for most of the twentieth century, but it is now striving, and in many ways succeeding, to create both a national and international policy which can ensure development for its vast population of 1.2 billion people. Chinese know that their nation's very survival depends on having a period for peaceful economic growth. How to achieve that space of time, in the face of this current world situation, remains the great question.

Mrs. LaRouche described the reality, that all leading financial circles in the West know, that the current world financial system is finished. In particular, her emphasis that the crisis in Southeast Asia is not limited to that region, but is only an expression of the global process of financial collapse, had the effect of a good, strong—and welcome—dose of reality among her discussion partners, especially after the flood of cover-ups, lies, and incompetence the "standard" Western media and analysts have been inflicting on China.

Mrs. LaRouche presented her husband's call for a new Bretton Woods agreement, and his proposal of the actions that the U.S. President must take to reorganize the current financial system. She described the division on this planet between, first, those who want to defend the interests of nations, and second, those, typified by those running the current, British Commonwealth-centered international financial system, who are determined to come out "on top" at the outcome of this crisis, at the expense of the suffering of human beings and of nations. She described how it is this London and Wall Street financial oligarchy, which is behind the vicious international attacks against China—and behind the attacks and scandals against President Clinton. While President Clinton

belongs to the first group, Federal Reserve Board Chairman Alan Greenspan belongs to the second. It is extremely important, she emphasized, to situate the coming summit between Jiang Zemin and Clinton in this context.

The already-breaking “reality shocks”—the visibly trembling stock markets, and the death of Princess Diana—are affecting the Western populations, Mrs. LaRouche said. But, Lyndon LaRouche’s view, that the coming financial earthquake will create a deep psychological shock—even bigger than the Pearl Harbor attack of the Japanese in World War II on the United States—is most important to understand.

While no single national government is prepared for the coming crisis, the potential remains that, at the moment when the crunch occurs, President Clinton could lead a population, shocked into reality, in carrying out the emergency reorganization necessary.

Two things are essential: the immediate support and collaboration of the government of China, and of other governments, with the U.S. President in this task; and, the influence of LaRouche’s policies, especially on Washington, to get the work accomplished.

The idea which generated perhaps the strongest agreement in Mrs. LaRouche’s Beijing discussions, was how important it would be for Presidents Jiang Zemin and Clinton, to not only discuss the fundamental problems of the world, but also present a vision for mankind to enter the twenty-first century. In Moscow, Jiang Zemin and Russian President Boris Yeltsin declared the importance of relations based upon a new, just, and rational world economic and political order; if such a statement were the result of the Washington summit, it would be a great success.

Zepp LaRouche in ‘People’s Daily’

While she was in Beijing, Mrs. LaRouche was interviewed by the *People’s Daily*, China’s leading daily newspaper. An article based on this interview, titled “China Trip Changed Me,” by staff journalist Luo Chunhua, which appeared on Oct. 5 on p. 7, emphasized Mrs. LaRouche’s 25 years of friendship for China, its people, its culture, and its national welfare. Excerpts follow:

“I got to know Mrs. LaRouche through the American magazine *EIR*. . . . I knew that she and her institute were engaged in the Eurasian Land-Bridge organizing (and called it the ‘New Silk Road’); reading her own article, I was deeply moved by her feeling of respect and admiration for China’s culture.”

The article describes the “Silk Road Lady’s” views on the Eurasian Land-Bridge, “an infrastructure network of great projects for transport, communications, energy, and water, etc., [which] will provide cooperation among all the nations along the corridor. This is not only a road to rapid global industrialization and progress, but it is also a pathway to promote the cultural exchange and meeting-together of every country and every people.

“The Schiller Institute was founded in 1984, and from then . . . Mrs. LaRouche has been diligently working for the realization of this project. She has shuttled back and forth across every part of the world; in Milan, Munich, Budapest, Paris, Los Angeles, and other places, she held a series of seminars and press conferences, hoping to get everyone in the world to understand this project, and to comprehend its significance. When, in January 1997, she held a series of seminars and press conferences in New York, New York’s Chinatown greeted her with the banner ‘Greetings to the Silk Road Lady.’ China’s ancient Silk Road meant huge commercial trade, cultural exchanges, and favorable contacts. Mrs. LaRouche says, she is very proud of the title she was given.

“Mrs. LaRouche’s visit in Beijing, came exactly at the time of the opening of the 15th Congress of the Communist Party of China. She said, this 15th Congress is a big event for China, and the whole world is focussed on it. The approach raised by Chairman Jiang Zemin for a joint cooperative stock system is extremely important, it will have major, far-reaching importance for China’s state-owned industry and economic reform. Speaking of the upcoming visit by Chairman Jiang Zemin [to the United States] in October, Mrs. LaRouche says, this meeting is a historic and most important event at this stage. China and the United States are two of the largest countries in the world; they have a decisively powerful influence on the entire global political and economic situation of the world. At the turn of the century, the meeting between the leaders of China and the United States should promote and deepen cooperation, should establish a cooperative relationship going beyond this century, and in this way will be able to guarantee the normal and orderly development of the world economy. There is no doubt, that this visit by Chairman Jiang Zemin will have an extremely important effect on improving relations between China and the United States. She says, she wishes this meeting all success.”

The article describes Mrs. LaRouche’s birth in the German city of Trier (Karl Marx’s hometown), and visit to China in 1971, at the age of 23. Mrs. LaRouche said, “‘That visit changed me.’ The beautiful and wonderful cultural relics of this old country aroused enormous interest in her mind, and this changed the course of her life. From that time on, she was very enthusiastic about Chinese culture. . . . In 1996, twenty-five years later, she once again visited China. . . . At that time she felt like she was a visitor in a time machine; she could barely recognize Beijing because of the tremendous changes. In an article she wrote, she said, ‘In the whole world there is no country which in the course of 25 years has undergone such a huge change. Visiting China again was one of the most fruitful events in my life.’ During her talk with this reporter, she never stopped speaking about her admiration of our country’s ancient culture. She sincerely wishes China to develop and grow strong.”



The construction of the Gezhou Dam in China.

Out-of-work Americans apply for unemployment benefits in Front Royal, Va.

China plans 10,000 major infrastructure projects in the next decade.



Will the United States adopt this approach to make its way out of the new Great Depression?

READ

The Eurasian Land-Bridge

The “New Silk Road” – locomotive for worldwide economic development

A new special report from Executive Intelligence Review

including studies of:

- High-technology infrastructure development corridors
- China and Europe as Eurasia’s development poles
- Crucial infrastructure projects in China
- The Eurasian Land-Bridge and development around the great ocean basins
- Financing an economic miracle: Hamiltonian credit generation
- The Eurasian Land-Bridge and the economic reconstruction of the United States

260 pages **\$200**

Available from:

EIR News Service P.O. Box 17390 Washington, D.C. 20041-0390

Israel's Netanyahu caught deploying assassins

by Joseph Brewda

Israeli Prime Minister Benjamin Netanyahu has been caught red-handed, attempting to murder Hamas official Khalid Mashaal, in Amman, Jordan, on Sept. 25. The purpose of the attempt was to provoke another Hamas bombing spree, while also creating the conditions for Israeli assassins to carry out bombings of Jewish targets, which would be attributed to Hamas. At issue is the peace process. Ever since he was installed in office by the British, following the British-orchestrated assassination of Prime Minister Yitzhak Rabin on Nov. 4, 1995, Netanyahu has been operating under British orders to destroy the Oslo Accords at any cost.

Netanyahu's latest attempt to destroy the peace accords, should make it clear that this madman has got to go. Because, unless Netanyahu is forced out of office soon, he may succeed in provoking a new Mideast war, or at least general chaos in the region.

Netanyahu's latest actions also confirm what *EIR* has long been reporting: that Britain, and the circles around Netanyahu typified by Gen. Ariel Sharon, are at the center of international terrorism. In fact, there is no important terrorist organization operating anywhere in the world today, which is not controlled and deployed by British intelligence, and, in the Mideast, through Israel. This fact, admitted and proclaimed in the British House of Commons, was the subject of a April 4, 1997 *EIR* feature, "Levy Sanctions on Britain for Harboring Terrorists."

British intelligence orchestrated the murder of Prime Minister Rabin, in an effort to destroy the Oslo Accords, understanding that peace in the Middle East would vastly weaken British domination over the region. British intelligence also installed Netanyahu into power, after organizing a Hamas and Islamic Jihad terror wave in Israel, to discredit the peace process among Israelis. The British chose Netanyahu for this role, not only because of his ideological and

psychological profile, but also because he, like his father, Benzion Netanyahu, a secretary to Zionist ideologue Vladimir Jabotinsky, has always been a British asset.

Anatomy of a hit

During mid-September, Netanyahu gave the final order to the Mossad to murder Khalid Mashaal, the Jordanian-based political director of the Hamas. According to Netanyahu, in comments in a televised address to the nation on Oct. 6, the purpose of murder was to stop the ongoing Hamas terror wave, typified by two Jerusalem market bombings in late July and August, which left a score of Israelis dead. According to the Israeli press, Mossad chief Danny Yatom vehemently opposed the operation, considering it counterproductive, and only complied with it under direct orders. The Mossad station chief in Amman was also opposed. Netanyahu did not inform the heads of Shin Bet and Military Intelligence, or the defense minister, fearing similar opposition.

As a result of Netanyahu's order, a team of Mossad agents attempted to murder Mashaal in Amman on Sept. 25, spraying his ear with an exotic poison. Two assassins were caught in the bungled attempt, and Netanyahu was forced to supply Jordanian physicians with the antidote — after receiving direct threats from Jordan's King Hussein, and, reportedly, American President Bill Clinton.

When Netanyahu finally owned up to the fiasco in his Oct. 6 address, he attempted to justify it, saying that killing terrorists was a necessary "battle without compromise," in order to defend the Israeli population.

This is an old favorite of Israeli madmen, in justifying actions meant to keep the region in a state of chaos and at the brink of war. But history shows otherwise, and sane Israelis ask: Just what would have been accomplished, if the Hamas target had been eliminated?

Moreover, it has since been reported, and confirmed by Netanyahu's office, that Hamas had made a cease-fire offer to the Israeli government 48 hours before the murder attempt. This raises the further question of Netanyahu's motivation.

Hamas's cease-fire offer was not a run-of-the-mill offer. According to the Israeli Prime Minister's Office, it was formally conveyed to the Israeli government by King Hussein personally, on Sept. 23, two days before the murder attempt. King Hussein communicated the offer to the Mossad station chief in Amman, who, in turn, communicated it to Mossad director Yatom, in Jerusalem. In other words, the message was sent through the same channels who, within hours, attempted to kill the Hamas official.

According to the Prime Minister's Office, Netanyahu never received the message, through some unexplained foul-up, until after he gave the final go-ahead for the murder. Just when Netanyahu supposedly did receive King Hussein's message from Hamas is unclear, but from various Israeli press accounts, it appears he claims to have received it on Sept. 24, one day before the hit attempt, when it was, supposedly, too late to cancel the hit.

In reporting on this alleged chronology, the British-owned *Jerusalem Post* reported that it has "opened a new Pandora's box in the counter-intelligence flop, which some experts rank as the most serious in the nation's history." Left unsaid, is that the attempt was meant to discredit any Hamas faction inclined to strike a peace deal with Israel, while also provoking a new round of terror.

Arafat now a target

In the aftermath of the fiasco, Netanyahu was forced not only to supply an antidote to his intended victim, but also to submit to a complex and humiliating deal with Jordan and Hamas, to secure the captured Mossad agents' freedom.

Under the terms of the agreement, the Israeli government released Hamas founder and leader Sheikh Ahmed Yassin, from the Israeli jail where he had been held since 1989. Yassin was deported to Jordan in early October, and was allowed to return to Gaza on Oct. 6.

Israel also released 20 Palestinian prisoners, many from Hamas, who had been convicted of smuggling explosives, shooting Israelis, and the like. Israel has also promised to release 50 more. In return, Jordan allowed the captured Mossad agents to return to Israel, without trial, also on Oct. 6.

Although this decision was apparently forced on the Israeli government, it is already clear that Netanyahu intends on using the freeing of the Hamas officials to create the circumstances to get rid of Palestinian Authority President Yasser Arafat, the only viable negotiating partner Israel has.

The triumphant return of Sheikh Ahmed Yassin to Gaza, to a desperately impoverished population, routinely brutalized by the Israelis, has now dramatically revived a weakened organization, whose most extreme elements have always called for a war to the death with Israel, until "all of Palestine" is completely "liberated." Typifying this view is Gaza Hamas leader



Israeli Prime Minister Benjamin Netanyahu. His recent terrorist actions in Jordan, on orders of London, were meant to provoke a new war in the Mideast. The madman has to be removed from office, now.

Abdel Aziz Rantisi, who provocatively told Israeli reporters what Hamas's terms for a cease-fire now are, in the aftermath of the attempt on Mashaal's life and Yassin's release.

Hamas is willing to end its terror war, temporarily, if Israel withdraws from all the West Bank and Gaza, dismantles all the Jewish settlements, and releases all Hamas prisoners, Rantisi reports. But the cease-fire, in Hamas's view, will only be a momentary pause on the way to the elimination of all of Israel, that is, including within its pre-1967 borders, and its replacement by Palestine. "The Jews are occupiers," he said. "It's impossible to make peace with them, when they are still occupying your home." It is because of such self-defeating rhetoric, and related actions, that Netanyahu has always been a Hamas booster.

Yet, while releasing Hamas officials from prison, Netanyahu continues to harshly demand that Arafat arrest Hamas leaders. Reflecting on such surreal contradictions, the Israeli daily *Maariv* editorially asked: "How can Netanyahu criticize Arafat for releasing terrorists from his prisons, when the Netanyahu government, as part of a deal, also releases terrorists, as well as the man who founded Hamas?" Netanyahu again put forward this demand, that the Oslo Accords remain suspended until Arafat cracks down on Hamas terrorism, in his meetings with U.S. envoy Dennis Ross on Oct. 7. Such demands create "a fantastic dilemma, that cannot but destroy real confidence between Israel and the Palestinian Authority," according to Palestinian Authority official Nabil Shaath. The evident aim of such demands is to smear Arafat as being a mere Israeli policeman, making his elimination by Israeli-run Hamas hit teams, or the Israelis directly, that much easier.

British royals launch Commonwealth imperial offensive

by Mark Burdman

The British monarchy and its appendages has been badly hurt throughout the 1990s, by a series of devastating scandals and embarrassments. The most recent setback, which has caused many knowledgeable observers to agree with *EIR*'s assessment that the fall of the House of Windsor is likely over the months or years to come, has been the uproar against the monarchy's unconscionable reaction to the death of Princess Diana. Now, the Windsors and company hope to outflank these losses, and to strategically rebound, with an imperial offensive during October.

Following a 12-day mid-October visit by Queen Elizabeth II and Royal Consort Prince Philip to India and Pakistan, on the 50th anniversary of the independence of these two nations from British colonial rule, Her Majesty will return to the United Kingdom, to preside over the Oct. 24-27 Commonwealth Heads of Government Meeting (CHOGM) in Edinburgh, Scotland. This will be the largest gathering of Commonwealth government chiefs ever to take place on British soil. It will be preceded by a Commonwealth Business Forum, in London on Oct. 22-23, co-organized by Her Majesty's government, the Commonwealth Secretariat, and the City of London's *Financial Times* newspaper.

The vast extent of the British Commonwealth

The members of the Commonwealth are: Antigua & Barbuda; Australia; Bahamas; Bangladesh; Barbados; Belize; Botswana; Brunei; Canada; Cyprus; Dominica; The Gambia; Ghana; Grenada; Guyana; India; Jamaica; Kenya; Kiribati; Lesotho; Malawi; Malaysia; Maldives; Malta; Mauritius; Mozambique; Namibia; Nauru; New Zealand; Nigeria; Pakistan; Papua New Guinea; St. Kitts & Nevis; St. Lucia; St. Vincent and The Grenadines; Seychelles; Sierra Leone; Singapore; Solomon Islands; South Africa; Sri Lanka; Swaziland; Tanzania; Tonga; Trinidad and Tobago; Tuvalu; Uganda; United Kingdom; Vanuatu; Western Samoa; Zambia; and Zimbabwe.

The Commonwealth, as *EIR* has documented, is the institutional form of the new, less "visible" British Empire. In British strategic thinking, the Commonwealth is intended to emerge as the most powerful supranational entity, serving as the political-administrative "engine," the coordinating apparatus, for such institutions as the International Monetary Fund, the World Bank, the World Trade Organization, and others. Some even go so far as to see the Commonwealth, which has been gaining in members over recent months, replacing a discredited United Nations as the main "globalist" organization internationally.

In combination, companies based in Commonwealth countries and the City of London have vast control of international minerals, food and grains, and energy resources. In the case of gold, for example, London- and British Commonwealth-based firms and nations control some 60% of world production. Double-digit figures of varying magnitudes also exist for percentage control of silver, platinum, nickel, copper, zinc, alumina/bauxite, and for strategic metals used in defense and high-technology goods, such as cobalt, manganese, and titanium. The "club" of corporate, banking, and financial interests that is the heart of the Commonwealth structure, represents the real powerhouse in international economic affairs, especially when one adds in those interests based in continental Europe, or in the United States, which align themselves with the "club."

The Commonwealth is the main adversary of the planet's leading sovereign nation-state, the United States of America. The future of humanity hinges, on whether the United States and its potential allies among leading sovereign nation-states, can resist the Commonwealth onslaught. Coincidence or no, the CHOGM occurs on the eve of the summit meeting between U.S. President Bill Clinton and Chinese President Jiang Zemin. The United States and China are the two large nations of the world most free from Commonwealth control and influence, and therefore have the largest room to maneuver.

Whatever resistance there would be to the Commonwealth by such powers from the outside, could stiffen the resistance of those from *within* the Commonwealth structure, to the bestialist designs of the Windsors and their apparatus. The tensions that followed the murder of Princess Diana, are evidence of deeper fissures within the British Establishment itself. At the same time, such Commonwealth prime ministers as Dr. Mahathir Mohamad of Malaysia, have taken a clear

position in recent days, against the speculation-driven financial policies of the likes of George Soros. While often mischaracterized as an "American financier," Soros is, in fact, one of the financial managers of the Queen's private funds, and owes his personal career entirely to Lord Jacob Rothschild and the Rothschild clan. His policies are strictly those dictated by the City of London and its clones in New York and at Alan Greenspan's Federal Reserve.

It is not clear whether the issues raised by Mahathir, or other points of contention, will upset the Windsor grand designs, or whether these fissures will be superseded by a show of rallying around the Union Jack and the British Crown.

A revival of the Commonwealth in Britain

No less than 50 heads of government from Commonwealth member-nations will be in attendance at the gathering in Edinburgh. For the first time ever at a CHOGM, the Queen will be making a formal address, rather than just attending in a ceremonial capacity.

In parallel, there will be a summit of 100 Commonwealth non-governmental organizations (NGOs). The "NGO Center" will be coordinated by the London-based Royal Commonwealth Society (RCS), a so-called quasi-autonomous non-governmental organization ("quango") whose patron is Queen Elizabeth II. The RCS is emblematic of the Commonwealth: It was founded, in 1868, as the Colonial Society, then

was named the Royal Colonial Institute in 1870, and was "incorporated by Royal Charter" in 1882. In 1928, it was renamed the Royal Empire Society, and in 1958, adopted its current name.

A leading figure at the RCS told a caller on Oct. 1 that the CHOGM itself "will be a very big event. This is the largest number of Commonwealth heads of government ever to be hosted in Britain, 50 of them. The summit will be organized around a number of anniversaries. First, it is 50 years since the independence of India and Pakistan, which is the beginning of the Commonwealth. Second, it is 40 years since the independence of Malaysia and Ghana. Third, it is 20 years since Britain hosted such an event. Also, it is the golden wedding anniversary of the Queen."

In the United Kingdom itself, 1997 has been "The Year of the Commonwealth." This was decreed by the previous John Major government, and put into full effect by the new Tony Blair regime. There has been a massive array of events throughout the U.K. to increase "consciousness" about the Commonwealth, and to increase support for it, according to individuals at the British Foreign Office's Commonwealth Coordination Department (CCD) and the RCS.

The first "Commonwealth event" of 1997 was a meeting sponsored by the RCS in January, attended by then-British Foreign Secretary Malcolm Rifkind and the High Commissioners in London of leading Commonwealth nations. The

LISTEN TO LAROUCHE ON RADIO



*Frequent Interviews with
Lyndon LaRouche on the
Weekly Broadcast "EIR Talks"*

ON SATELLITE
Saturdays
4 p.m. ET
Galaxy 7 (G-7)
Transponder 14.
7.71 Audio.
91 Degrees West.

SHORTWAVE RADIO
Sundays, 5 p.m. ET
2200 UTC
WWCR 5.070 MHz

**Cassettes Available to
Radio Stations**

**Transcripts Available to
Print Media**

Local Times for "EIR Talks" Sunday Shortwave Broadcast on WWCR 12.160 MHz			
Adis Ababa	0100*	Little Rock	1600
Amsterdam	2300	London	2200
Anchorage	1300	Los Angeles	1400
Athens	2400	Madrid	2300
Atlanta	1700	Manila	0600*
Auckland	1000*	Mecca	0100*
Baghdad	0100*	Melbourne	0800*
Baltimore	1700	Mexico City	1600
Bangkok	0500*	Milan	2300
Beijing	0600*	Minneapolis	1600
Belfast	2200	Montreal	1700
Berlin	2300	Moscow	0100*
Bohemian Grove	1400	New Delhi	0330*
Bogota	1700	New York	1700
Bonn	2300	Nogales	1500
Bombay	0330*	Norfolk	1700
Boston	1700	Oslo	2300
Bretton Woods	1700	Paris	2300
Bucharest	2400	Philadelphia	1700
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

current Blair government is giving its 100% backing to the whole Commonwealth consciousness-raising project; as a figure in the Foreign Office's CCD chirped on Oct. 1, "This government is *very committed* to the whole Commonwealth project."

According to a leading RCS personality, "The whole concept behind the U.K. Year of the Commonwealth is that everybody in the U.K. will have a way to bring the Commonwealth into their lives. This has meant a mass of events all over the country. The Commonwealth theme has been introduced into every aspect of life, into cities, women's groups, flower shows, on military tattoos—you name it!"

Obviously, the "Commonwealth lobby" is trying to exploit this mood for all it's worth, especially to counter the anti-Windsor revulsion that erupted during September, following the murder of Princess Diana. The RCS personality insisted: "There is a *revival* of the Commonwealth now in Britain. This is not simply a matter of the past, or nostalgia, but has knock-on factors into the future." She said there are rumors floating around, about the possibility of the Commonwealth having a growing international defense role, as well as it playing the role of an upgraded trading bloc.

A formidable economic force

The "trading bloc" theme will be the focus of the Commonwealth Business Forum. The substantive content of this two-day gathering, may be more important than the CHOGM itself. The *Financial Times* is billing it as "a major international event bringing together politicians and business leaders from throughout the Commonwealth, to encourage its development as a powerful global network for trade and investment. . . . Its findings will be submitted to CHOGM for heads of government to consider, when discussing this year's theme, 'Trade, Investment and Development: The Road to Commonwealth Prosperity.' "

Key issues to be discussed include: "Trade and investment opportunities in the Commonwealth; global trade liberalization and its impact on Commonwealth members; private sector investment; encouraging enterprise; and business development: best practice within the Commonwealth."

The *Financial Times*'s brochure boasts that "the Commonwealth is already a formidable economic force, accounting for 20% of world trade. There is, however, great potential for strengthening and further developing inter-Commonwealth trade and investment links, thus generating substantial economic benefits."

Keynote speakers at the Commonwealth Business Forum are to include a number of government chiefs, including John Howard of Australia, Owen Arthur of Barbados, Jean Chrétien of Canada, Goh Chok Tong of Singapore, Dr. Mahathir of Malaysia, Chandrika Bandaranaike Kumaratunga of Sri Lanka, Yoweri Museveni of Uganda, and Tony Blair of Great Britain. The other keynote will be by Chief Emeka Anyaoku, of Nigeria, the secretary-general of the Commonwealth.

Otherwise featured participants will include: Earl Cairns, chairman of the Commonwealth Development Corp. (CDC), U.K., and Dr. Roy Reynolds, chief executive of CDC; Lord Young of Graffham, president of the Institute of Directors, U.K.; Sir William Purves, group chairman, Hongkong and Shanghai Banking Corp. plc., U.K.; British Foreign Secretary Robin Cook; British Secretary of State for Trade and Industry Margaret Beckett; the ministers of finance of India, Bangladesh, South Africa, and Zimbabwe; Cyril Ramaphosa, executive deputy chairman, New Africa Investments Ltd., South Africa; and a range of bankers, company executives, and so on from various Commonwealth countries, including New Zealand, Australia, Mauritius, Malaysia, Sierra Leone, and Pakistan.

'The world is Britain's natural economic territory'

The London event is, in many ways, reminiscent of the widely publicized March 31, 1995 conference at the Royal Institute for International Affairs (RIIA, or "Chatham House"), on "Britain and the World." There, various British government ministers and senior Establishment policymakers discussed how Britain might escalate its neo-imperial offensive around the world. One theme, was that Britain would have to expand its purview beyond a narrow focus on Europe, toward a more globalist approach, capitalizing on the network represented by the countries of the Commonwealth.

The doctrinal expression was elaborated in a report "Economic Opportunities for Britain and the Commonwealth," issued around that time, and written by Australian strategist Katharine West, who collaborates closely with London's Institute of Commonwealth Studies. In her report, West claimed that the Commonwealth is a unique instrument for Britain to *penetrate* all corners of the world. She said that the Commonwealth has "the real advantage of transregionalism," since it is "a link between regional and global elements in the international relations system," a factor which gives the "modern Commonwealth" an "extensive networking capacity." West speculated that the Commonwealth could provide an alternative, in the future, to an increasingly discredited United Nations.

She endorsed those British strategists "who maintain that 'globalism' is Britain's natural and logical style, and that the world as a whole, including the Commonwealth, is Britain's natural economic territory." This is all the more the case, as Britain has "an informal financial empire that maintained its vibrancy long after the formal empire went into decline." There is also the "shared Commonwealth business culture," otherwise referred to as the "English-speaking business culture."

West exulted that "the Commonwealth is being reassessed and is now coming to be valued. . . . The potential influence of Commonwealth links should not be underesti-

mated.” She conjured up the existence of a vast “British diaspora” spread all over the world, and exclaimed: “In today’s global economy, there is real value in emphasizing one of the most positive legacies of ‘the Anglo-Saxon empire’ or ‘the British diaspora.’ . . . Whatever the negative aspects of British imperialism, it provided the now obvious advantage of exposing one-quarter of the world’s population to varying degrees and kinds of contact with a transnational and transregional common culture, based on the dominant form of communication in international trade and commerce: the English language.”

‘I have ceased to speak of the British Empire’

West’s Chatham House piece rapidly became a rallying-cry for that faction of British imperial strategists who want to strengthen the Commonwealth as the instrument for reanimating the Empire, in a new form.

In fact, the “Commonwealth as new British Empire” theme, is the realization of a design that is deeply implanted in the past 100 years or so of British imperial thought. From the late 19th century on, forward British planners were aware that the Empire could not continue to exist in the form it had taken, and that a more subtle, devious means of imperial control had to be devised. Such planners, particularly associated with the Sir Cecil Rhodes-Lord Alfred Milner “Round Table” group, began to propound the idea of a “Commonwealth,” or “Commonwealth of Nations,” that would be the new form of the British Empire, one with an apparently more liberal, “voluntary” façade. As one present-day supporter of this way of thinking recently told *EIR*, “The Commonwealth, if anything, is *more* important than the old British Empire, since it is voluntary.”

Already in 1916, Round Table strategist Lionel Curtis edited a book entitled *The Commonwealth of Nations*. Around that time, Curtis wrote: “I have ceased to speak of the British Empire, and called the book in which I published my views, *The Commonwealth of Nations*.” As author Carroll Quigley noted, “Thus appeared for the first time in public the name which the British Empire was to assume 32 years later.” Soon after World War I, the term was further codified, when Round Table insider Jan C. Smuts made a public address, widely covered in media around the world, referring to “The British Empire and Commonwealth of Nations.”

The one “dispute,” inside Round Table circles, was between those who foresaw the Commonwealth playing the role of the coordinating force within the new (British-spawned and -backed) League of Nations, versus those, like Curtis, who wanted the Empire, in its old form, to effectively dissolve, and be “born again” as the League of Nations. But all sides in this supposed debate foresaw the Commonwealth becoming the new form of the empire. The events in London and Edinburgh could prove to be key in putting “meat” on that design, unless certain factors intervene, to deliver a blow to the royals’ plans.

In Memoriam: Gertrude Pitzinger

Lieder singer’s soul speaks out from song

by Renate Leffek

Gertrude Pitzinger, one of the Germany’s most significant oratorio and Lieder singers, died in Frankfurt on Sept. 15, four weeks after celebrating her 93rd birthday.

We of the Schiller Institute will be forever indebted to this great alto singer, who met the Institute over ten years ago, for the legacy of Classical culture, and especially the tradition of the German Lied, which she imparted, in her unique way, to others. She had worked with famous conductors such as Wilhelm Furtwängler, and with piano accompanists such as Franz Rupp and Michael Raucheisen; she was especially fond



Gertrude Pitzinger, 1904-1997



From left: Lyndon LaRouche, Helga Zepp LaRouche, and Gertrude Pitzinger share an afternoon of great culture on Pitzinger's 93rd birthday.

of singing together with the famous soprano Erna Berger.

Gertrude Pitzinger grew up in Ölmütz, the old royal capital of Moravia, where she heard her first concerts; after every concert, she would go home and study the Lieder that had just been performed. Later, such great singers as Reinhard Mager and Leo Slezak acquainted her with a great treasury of Lieder, especially those by Hugo Wolf.

She titled her solo Lieder recitals, simply, "Das deutsche Lied," or "The German Song." She gave over 200 recitals in her Austro-Hungarian homeland, and, in her later years, would never tire of describing them. She then ventured into Berlin, and gave her first recital there, which opened up for her the world at large. There is hardly a German town where she did not sing; but she also sang in England, Canada, and the United States, where she was known as "the German Lieder Singer."

In 1938 and 1939, she was invited to America, along with her accompanist Hubert Giesen. "The people there were marvelous," she said recently. "Even though I had prepared songs in English, they only wanted to hear me sing German Lieder. It wasn't such an amazing success in the big cities, since by then people were already accustomed to Lieder-evenings; but when I sang in towns such as Memphis, for example, and the colored people became so excited that they demanded encore after encore, and knew the titles of the Schubert songs, that was a real joy." In general, she said, "In America there was great understanding of our music. For example, we gave a concert at the conservatory in Oberlin [Ohio]; afterwards, students came up to me and asked me to sing an aria from Bach's *B Minor Mass*. Can you imagine anything like that

happening here in Germany?" The American newspapers celebrated the grand success of her concerts, and praised her truly gripping voice.

During the 1950s, she taught at the Hanover Music Conservatory, and in 1960 became a full professor at the Frankfurt Conservatory, where she taught until 1973. But even past the age of 90, she was always ready to pour her experience as a singer, and her cultural tradition, into the work of the Schiller Institute. Her marvelous freshness of spirit, and her Viennese humor, were an encouragement to all listeners, and in her old age, she always relished the vitality of young people around her.

One of our final, beautiful memories of Gertrude Pitzinger—and certainly a beautiful experience for her as well—was a birthday visit from Helga Zepp LaRouche and Lyndon LaRouche, four weeks before her death. It was a beautiful afternoon of great culture, as in the "old days," as she told us afterwards: There were poetry recitations, Lieder were sung, and she performed on the piano. Her birthday guests listened to old recordings of her performances, and were greatly moved by her reminiscences.

Up through her final days, Gertrude Pitzinger maintained her lively and affectionate spirit. Her lifelong passion for the art of Lieder made her into a thoroughly lovable human being. In every one of her hundreds of Lieder-evenings, she would enchant the listener, and anyone who hears her performances today, is immediately charmed by her soft, rich alto voice. But it wasn't the Lied, or her voice in itself, which filled her audiences with inner joy; Gertrude let her entire soul speak out from her songs.

Travel expenses scandal rocks government

London and the Australian "business community" are using scandals to try to ram through their globalization agenda.

In late September, the Liberal-National coalition government of Prime Minister John Howard suffered the worst crisis of any Australian government since 1975, the year when Her Majesty the Queen, acting through her pompous Governor-General Sir John Kerr, sacked Prime Minister Gough Whitlam. Three of Howard's cabinet ministers, in addition to his chief of staff and political adviser of 25 years, Grahame Morris, resigned or were sacked over inflated travel expenses totaling some \$20,000, most of which had been long since repaid. On Oct. 6, after a week of trying to contain the scandal, Howard announced a major cabinet reshuffle, and pronounced his government "back on course."

Howard's government commands a huge majority and will not fall, nor is it likely that Howard himself will be replaced—at least not immediately. But, his government has done some things (and not done others) which have displeased Her Majesty and much of the Anglophilic establishment in Australia, particularly its "business community" (anchored on the 130 British companies which use Australia as their base for Asia). Howard is not Whitlam, who was sacked because he had plans to "buy back the farm," i.e., to regain sovereignty over Australia's huge mineral riches from members of Her Majesty's minerals cartel such as Rio Tinto. But, Howard does have an eye on reelection next year, and therefore on an increasingly angry and impoverished electorate (the so-called "battlers"), who are fed up with globalization at their expense.

Therefore, he, too, has committed some "sins" of national sovereignty:

He has called for a "pause" in the rush to eliminate all tariffs, particularly in the auto, textiles, clothing, and footwear industries, even though Australia has been a leader worldwide in ramming through "free trade" provisions in international forums; he has rejected establishment of a mandatory cut in carbon dioxide emissions by the year 2005, as per the "global warming" fraud, for which British Prime Minister Tony Blair's government is leading the charge globally, because Howard estimates this would wipe out perhaps 10% of all Australian jobs; he withdrew Federal approval for a George Soros-designed plan to set up legalized heroin "shooting galleries" in Canberra; and, he announced that talks between the government of Papua New Guinea and the "Bougainville Revolutionary Army," which is trying to declare independence for the island-province of Bougainville, should not even consider the option of Bougainville independence—thus flying in the face of Prince Philip's program of indigenist separatism.

However, most important, perhaps except for the global warming issue, Howard has also "failed," thus far, to smash the nation's unions, in particular the Maritime Union of Australia, which controls the nation's docks. Nor has he yet rammed through "tax reform" (i.e., a highly regressive value added tax of 15% or so, like New Zealand's).

The way in which the travel scandal broke, belies its authorship. On Sept. 22, Channel 9 TV news released documents which showed that laws relating to reporting travel expenses had been broken, which kicked off a grow-

ing scandal. Channel 9 is owned by multimillionaire Kerry Packer, who, despite his having been investigated by a Royal Commission in the 1980s for a host of alleged crimes, including drug dealing and murder, is an intimate of Queen Elizabeth and her set, including the Rothschilds.

Immediately, much of the rest of the nation's Anglophilic press jumped on Howard, with headlines such as "Howard Has Failed Us: Business," or "Business Polls Vote Howard Down." World Bank head Sir James Wolfensohn, who visited Australia on his way back from the Sept. 20-25 International Monetary Fund meeting in Hongkong, added a slashing attack on Australia's "failure of leadership."

To make sure Howard got the message, Australia's media, out of the blue, anointed an heir-apparent, Treasurer Peter Costello. In a speech in Tasmania on Sept. 29, Costello ranted against his own government's "pause" in tariff reductions. "We must resist simplistic and populist solutions that seek to turn the clock back to the economic policies of the past," he said. The *Australian Financial Review* headlined the leadership question as: "Wolfensohn's Vote of No Confidence in Canberra. . . . As Costello Stakes His Claim."

Costello represents the most fanatical Mont Pelerinite wing of Australian politics. He co-founded the H.R. Nicholls Society in 1986, whose *raison d'être* is to smash the unions, and his close friend and adviser is the chairman of the Liberal Party's Finance Committee, Michael Kroger, who, during the hey-day of Thatcherism, was a guest of the British Foreign Office to "examine labor market and waterfront reform in England." Unfortunately, Costello will find some soulmates in Howard's new, expanded cabinet, in which other Mont Pelerinites have been added or promoted.

International Intelligence

ICFTU president calls for LaRouche exoneration

In a lengthy interview which appears in the Oct. 6 issue of the weekly newspaper *New Federalist*, Leroy Trotman, president of the International Confederation of Free Trade Unions and general secretary of the Barbados Workers Union, denounced the policies of the International Monetary Fund and World Bank toward developing-sector nations. "I believe that the IMF and the World Bank were not established for developing countries. I don't think they were developed for the Third World, for Africa or the Asian countries. I think they were established to be part of a system of maintaining a master control, maintaining a kind of empire, European empire, over developing countries. So, I accept Mr. LaRouche's contention that the IMF and the World Bank were not established—in my own view—for development in the masses of people," Trotman said. He also recounted the successful fight that he was involved in leading, when Barbados rejected IMF conditionalities policies.

On Lyndon LaRouche, Trotman said, "As I understand it, Mr. LaRouche was imprisoned in circumstances where there was no basis for the imprisonment. I thought, and still do, that in such circumstances there should be an exoneration. . . . My understanding is that his view, my view, is that if we are going to be able to have people at the center of development, rather than money and profit at the center of development, then we need to have as many strategic alliances as are possible."

The interview was conducted at the recent AFL-CIO biennial conference in Pittsburgh, Pennsylvania.

Iran bombs Brit-backed MKO terrorist camps

Iranian jets bombed encampments of the British-backed terrorist group Mujahideen e Khalq (MKO) inside Iraq on Sept. 29. In a communiqué to the UN on Oct. 2, Teheran said its action was in "immediate response to attacks by heavily armed terrorist groups

against Iranian territory," and that "this defensive operation was solely aimed at the terrorists and their bases, and was not intended against the Republic of Iraq." Iran's letter reported that the MKO had carried out two cross-border attacks in the early hours of Sept. 29.

Historically, the Mujahideen e Khalq is led by a bunch of Sorbonne Maoists, who ran the most brutal phase of the killing spree in Iran, in the aftermath of the British overthrow of the Shah in 1979. After a terrorist campaign of summary executions and assassinations, the group split with Mullahs, citing communist principles, and fled to Iraq. The MKO, with headquarters in London, is patronized by the British government, and falls under the control of Lord Avebury. During this year's Labour Party conference, Overseas Development Minister Clare Short proffered a motion in support of the "Iranian people's resistance," i.e., the MKO. The resolution asked London to initiate a "firm" European Union policy toward Iran, including imposing new conditions, for the return of EU ambassadors to Teheran. It also calls for UN sanctions against Iran.

Constantinople Patriarch making 'ecologist pitch'

Greek Orthodox Ecumenical Patriarch of Constantinople Bartholomew is bringing his "ecologist Christianity" pitch to the United States in mid-October, with the backing of Vice President Al Gore and the U.S. center of ecological gnosticism, New York's Cathedral of St. John the Divine. According to the London *Financial Times* of Oct. 4-5, Bartholomew was a featured speaker at a week-long seminar of "400 scientists, philosophers, and priests, spiced by a handful of Islamic, Jewish and Hindu intellectuals," aboard the luxury Black Sea ferry *El Venizelos*, prompting the *Times* to comment that "Constantinople is outpacing Rome," in the embrace of ecologism.

The *Times* advised that "we westerners should watch this Bartholomew," who will begin a three-week trip to the United States on Oct. 19, and "will be received at the White House." Bartholomew is extremely close to

Prince Philip, and Philip's World Wide Fund for Nature has been working with him on various projects, including for having Mount Athos in Greece be put forward as an "ecological model region"—unbathed monks and all.

Pakistan favors better U.S.-Iran relations

According to the Pakistan daily *Dawn*, President Sardar Farooq Ahmad Khan Leghari proposed normalization of U.S.-Iranian relations, in an Oct. 4 address to a delegation from the ECO News Agencies, in Islamabad. "Pakistan will advise its American friends to normalize its relations towards Iran, by removing sanctions against it," he said. The ECONA conference included delegates from the news agencies of the ECO members, Iran, Turkey, Turkmenistan, Kyrgyzstan, and Tajikistan, while Azerbaijan and Kazakhstan were represented by their embassies in Islamabad.

Responding to a question from Mohamad Khodaddi of the Iranian news agency, IRNA, who is also ECONA's secretary general, Leghari said, "no country, howsoever powerful, has authority to impose sanctions against any independent country." He said Pakistan wished that the UN charter were respected in dealing with all member countries, and said it was opposed to the imposition of economic sanctions.

The very useful proposal made by Pakistan comes in the context of energetic lobbying by Iran, for relations with the West, especially the United States, to be normalized.

Australian MP sacked, exposed top pedophiles

New South Wales State Member of Parliament Franca Arena is expected to be expelled from the state parliament, following allegations she made on Sept. 18 that the Premier, the Leader of the Opposition, and Justice James Wood had all colluded in a cover-up of a high-level pedophile ring during Justice Wood's recently concluded Royal Commission investigation into pedophilia, which essentially uncovered nothing. Because of

ROBERT GELBARD, President Clinton's emissary to the Balkans, arrived in the region on Oct. 3, for talks with Serbian, Croatian, and Bosnian leaders. Gelbard met on Oct. 2 with Croatian President Franjo Tudjman, and had a meeting the next day with Bosnian Serb President Biljana Plavsic. On Oct. 6, he met with Yugoslav President Slobodan Milosevic.

MARGARET THATCHER convinced Australian media magnate Rupert Murdoch, who owns the *Times* of London, to back the Labour Party's Tony Blair as prime minister in Britain's last elections, according to an Australian TV broadcast last month. The discussion took place at a dinner arranged by Thatcher's Conservative successor, Prime Minister John Major.

BAHRAIN'S government reported on Oct. 1 that it plans to try eight Bahraini revolutionaries residing in Britain. Three of the eight have been charged with establishing an organization aimed at overthrowing the government by force. They are also charged with collaborating with an unspecified country to carry out acts against Bahrain's national interests.

TRANSPARENCY International, the international "anti-corruption" gestapo established by Prince Philip, held its eighth international conference in Lima, Peru in mid-September. The conference drew representatives from 70 countries, as well as the World Bank's James Wolfensohn, who plays a central role in making "anti-corruption" campaigns a condition for World Bank loans.

RED CROSS representative Ole Groenning blasted the fact that "certain countries are using food as a political weapon, which is horrifying," in respect to international efforts to relieve the famine in North Korea. Speaking in Pyongyang on Oct. 3, he said, "Next year, the international community will be forced to deliver 2.5 to 3 million tons of food to the country, or there will be mass starvation."

Mrs. Arena's allegations, Premier Bob Carr has been forced to establish an inquiry into her claims, which is due to report to Parliament by Oct. 24, after which it is expected that Mrs. Arena will be expelled.

However, the Chief Justice of New South Wales, Murray Gleeson, has refused to provide a judge to hear the inquiry, and the government has been forced to appoint a retired judge from the Northern Territory. One of Arena's key charges was that the Royal Commission ignored the allegations of pedophilia among N.S.W. judges. Last year in Parliament, Arena had publicly questioned why the Royal Commission had not investigated a prominent Supreme Court judge, David Yeldham, who was known to be involved in pedophilia since at least 1980. Shortly after, Yeldham committed suicide, and Arena came under attack.

The widespread predictions that Arena will be expelled points to the extent of the cover-up: Justice Terrence Cole, who was originally appointed to hear the inquiry, before Gleeson intervened, was a friend of Yeldham's, who had shared chambers and played tennis with him. A top-secret report issued in mid-September by the Australian National Crime Authority, and obtained by *The Sunday Age*, estimated that up to 5,000 known or suspected pedophiles operate across Australia and are responsible for molesting up to 40,000 children each year, in a ring that extends to Manila and Bangkok.

Narcos attack head of Colombia's Armed Forces

Gen. Manuel Bonnet, the head of Colombia's Armed Forces, was the target of a bomb attack by narco-terrorists in the city of Santa Marta on the morning of Oct. 2. His five-car convoy was hit by high-powered explosives, packed into three car tires alongside the road, which were detonated manually from a point close to the highway. Bonnet's car was destroyed, although he escaped unharmed, as did the other members of the convoy.

General Bonnet, who favors the disastrous dialogue with Colombia's narco-terrorists, was asked at a press conference later,

how the attack would influence a future "peace process." Bonnet replied angrily, "There is no such process. There is only a unilateral initiative by Colombia's government and society. The criminals haven't replied. They have only responded with bombs."

Gen. Harold Bedoya, the former Armed Forces chief who opposes dialogue, and who was sacked by narco-President Ernesto Samper, commented that the assault "demonstrates the decomposition in which the country finds itself," adding that Colombia is totally "out of control." He called on citizens to use all means within the law, to protest "against a government which has ceased to govern, and has forgotten its constitutional duties of controlling public order."

EIR responds to slander of LaRouche in Italy

The Milan daily *Corriere della Sera* printed the following letter from Claudio Celani of *EIR* on Sept. 28, under the headline, "LaRouche's Thinking": "The article 'A Ring in Hong Kong,' published in *Corriere* on Sept. 22 on p. 8, contains defamatory statements. Lyndon LaRouche, founder of *EIR* magazine, who is said to have supplied 'the poison' on George Soros to Malaysian Premier Mahathir, is not 'hyper-reactionary,' nor does he support 'the theory of the Jewish-Masonic plot.' LaRouche identifies himself fully within Judeo-Christian thinking, and is located in the historical tradition which has given the United States Presidents such as Lincoln, Roosevelt, and Kennedy.

"A biography of Enrico Mattei recently published in Italy, *The Great Challenge*, places the figure of LaRouche next to that of the founder of ENI. LaRouche thinks that the financial speculation which Soros represents is a cancer which can easily be eliminated. It is ironic that the first person to recently propose a 'Bretton Woods for 2000,' which Cingolani [*Corriere's* foreign editor] himself supported on the front page of *Corriere* on Sept. 16, was LaRouche, with a call to President Clinton which has been signed by over 600 personalities from around the world."

Bankers' dictatorship makes Washington a death camp

by Dennis Speed

In this *Investigation*, we seek to “walk the reader through” an ongoing national tragedy: the deliberate destruction of the city of Washington, D.C. That destruction is the product of the interplay of a set of false assumptions about economic policy, which are shared by groups bitterly opposed to each other—by the descendants of the arch-segregationists, once known as Dixiecrats; the New Age “Conservative Revolutionaries” that now dominate the House and Senate District Committees; and by the now-displaced political machinery of Washington, D.C. and its activist core, centered around Mayor Marion Barry.

Many of those who have been bitterly opposed to placing the mayoralty into receivership, to the creation of an imperial Financial Control Board similar to the one imposed on New York City in 1975, and to the eradication of the power of elected bodies like the D.C. School Board, still state that they must seek to work, in whatever way is possible, with the Financial Control Board, to establish “sound fiscal management policy” for the District. It is precisely the attempt to abide by that suicidal “sound fiscal management policy,” however, that has created the problem, exacerbated each day, in the city of Washington, as well as in Federal budget policy (for example, the lunacy of a “balanced budget amendment”) and throughout the world. As a result, those opposing the Nazi-like implications of the measures now being implemented in Washington, D.C., are powerless to mobilize the sleeping electorate, soon to become a non-electorate, to stop such measures, because they lack the moral authority that comes from rejecting the “balanced budget” premise.

No one, during the city’s recent crisis, has dared to oppose the erroneous axiom, that less money should be spent in Washington, D.C. In fact, capital expenditures for hard infrastructure, such as roads, and soft infrastructure, such as

schools and hospitals, must be drastically increased, as is true in most American cities. But Washington is *not* most cities. It is the nation’s capital, and represents, in whatever is done there, a national policy-trend.

Moreover, it is clear, that Mayor Marion Barry had been, in large part, *implementing* radical austerity in the nation’s capital in the past several years. Barry, who went to jail for six months on Oct. 26, 1991, was elected to the City Council for Ward 8 in November 1992. Once it became clear that he would be again elected mayor in November 1994, in one of the most astounding political comebacks in U.S. history, it appears that those in the financial establishment controlling the D.C. area (including the “horse set” from Northern Virginia), readjusted their plans for their ultimate retaking of the city.

The idea was simple. Using the old tactic pioneered by the originators of the Ku Klux Klan in South Carolina, during the Reconstruction government of 1867-76 (and recently resurrected for use in that state against African-American elected officials, in what became notorious as the FBI Frühmenschen-inspired “Operation Lost Trust”), the “Conservative Revolutionaries” would simply claim, every six months or so, that whatever set of toadies, or flunkies, could be assembled to “take the job of the last set of incompetents,” would, in turn, be run out of town. This circus would prove so morally enervating, that the residents of the District would either *welcome* a takeover from the Congress, or would no longer resist it. (Then, the same tactic would be rendered safe to use anywhere else that such “electoral incompetence” were found—Cleveland, Newark, perhaps Detroit, for example. This would be done, on the grounds that anyone who accepts it in Washington, but rejects it in “their” case, is guilty of “double standards,” perhaps even “racism.” In this way, the modern-day



The poverty and suffering of citizens in the nation's capital are the result of the wrong-headed, but pervasive, axiomatic belief that "too much money" is being spent on the city.

followers of Nazi Economics Minister Hjalmar Schacht can isolate and destroy each successive victim of their "sound fiscal management.")

Nothing to D.C.'s benefit *can* come from the Financial Control Board. To avoid "sting operations," run by accountants and other scam-artists, it is helpful for the citizen to reflect, that it is a bad idea to go to Dracula for a blood transfusion, even if he shows you his medical degree.

We now show, in part, how the "fiscal efficiency" scam is being run.

How Barry was set up

According to an employee of the soon-to-be-terminated D.C. Office of the Ombudsman, "Two years ago, Mayor Barry had already looked at the reality of where we were, and realized that if we didn't turn a few things around, we were going to 'belly up.' He took the leadership to develop a 'transformation' plan of government, which we've gone ahead with, full force, over the past period. And this is when Congress decided to pull their action. As our transformation program was taking effect, and was becoming rather effective, they threw all these obstacles in our way, basically to make the mayor's transformation program fail. . . . They have done everything to make him look incompetent, and to make every D.C. employee look incompetent."

Vernon Hawkins, now a member of the board of trustees at Union Temple Baptist Church, was for almost a year and a

half the director of the Department of Human Services in the Barry administration that took office in 1995. Hawkins had an accumulated 25 years of service in D.C. government, before he assumed this position. "The first thing that the Department was faced with," he said, "was a \$77 million deficit from the previous administration" of Mayor Sharon Pratt Kelly. But, that was only in *one* department. Kelly, who had replaced Barry as a "good government" candidate, and who campaigned, using a shovel, to "remove the waste from City Hall," claimed a budget deficit of \$100 million when she left office. The actual figure was *\$350 million*—a "nuclear land mine" that was left to be defused by a Barry administration already disliked by Wall Street and the banking establishment.

"Our first task was to reduce that deficit, and to come in with a balanced budget in fiscal year '96. We did that, within the department. In addition to that, we had about \$35 million in 'back pay' bills that had not been paid to previous contractors. . . . The problem that you had with the District government, was one of a contracting process that was antiquated, and, inasmuch as the Department of Human Services represented one-third of the District government, it had the largest number of contracts that had not been put into place in accordance with the contracting procedures. Many contractors were providing vital services to the elderly, handicapped individuals, and others. We had to continue those services without what the Control Board considered a duly authorized contract, until such time that we would get that contract in place.

“When you look back at the system of the D.C. government, it takes you approximately 249 days to get a contract through. That’s the whole apparatus of the District. So we thought it was very unfair, to, after a year and a half, be placed in the position that we had to take on responsibility for resolving all of the District’s problems in its contracting process. And we had some contention with the Authority, in terms of that being the reason to ask that someone else serve in the capacity as director.”

In other words, Barry’s administration was set up to solve a problem that it did not create. Although it successfully balanced the Department of Human Services budget, and acquired special powers from the City Council to repay the \$35 million in “back pay” as well, thus lowering the deficit by \$110 million, the Control Board sought to remove Hawkins, on the “issue” of his alleged “lack of performance.” Barry, in response to these attempts, gave a press conference on June 3, 1996, in which he stated, that the demands for Hawkins’s removal were “absolutely anti-democratic, anti-American, un-American. . . . It reminds me of what happened in Germany during the period when citizens were abrogated—their rights were abrogated—in a totalitarian kind of state.”

“Recognizing that this was a problem area, they used this for political purposes, in my opinion,” Hawkins said, “to simply attack the Barry administration. . . . The claim was that

there was mismanagement, in that there were contracts that were—people were being provided services without a legitimate contract in place. And as a result of that, it did not comply with the District rules, or their order. What we were faced with, is turning out handicapped and elderly individuals on the street, or continuing those services until such time that we could get a contract in place.”

Who’s in control?

The Control Board’s chairman, Andrew Brimmer, is a former member of the Federal Reserve Board, an unconstitutional institution that represents “extra-governmental” authority and financial override of the public welfare. Since July, the Control Board has, in collaboration with the Congress, usurped power from the mayoralty in the District. It now controls the functioning of many agencies, including Administrative Services, Fire and Emergency Medical Services, the Human Services Department once headed by Hawkins, Public Works, Public Health, Consumer and Regulatory Affairs, the D.C. school system, Housing and Community Development—in short, the heart of the mayoralty. The Barry administration runs the office of Tourism, the Office of the Ombudsman (being phased out on Oct. 31), cable television, Office of the City Administrator, Office of Emergency Preparedness, Parks and Recreation, Women’s Commission, the Office of Aging, the Office of Diversity and Special Services, Latino Affairs, Asian Pacific Affairs, and Arts and Humanities. It has been kneecapped, and now the cavemen of the Conservative Revolution are looking for the opportunity for a head-shot.

Brimmer intends to bring in a de facto city manager to oversee the running of these agencies; but he doesn’t want to use that term, because it would betray the fact that the entire government structure has been altered, without benefit of any vote by the citizenry to do so. “I will need a person with substantial managerial experience to help me carry out these responsibilities,” he says. According to Vernon Loeb of the *Washington Post*, “The Control Board chairman also said he would not refer to the new official the board would hire as a ‘city manager,’ which is a specific term that describes an executive at the helm of a government structure, different from the arrangement Congress imposed on the District.”

Brimmer is attempting to appear competent, responsible, “on top of things.” He has only one problem: He, too, is a “fall guy.” He is being used by the Congress in a “tar baby option,” by the which, he, too, will be caught.

It all began with the unfortunate Congressional Delegate Eleanor Holmes Norton, the District’s non-voting representative in Congress (a position created in 1971), and an avowed enemy of Lyndon LaRouche, who co-authored the legislation that created the Control Board in the first place. Next, there was Brimmer. Soon, after the Control Board proves that it, too, cannot solve the problem, it, too, will be replaced, perhaps by a simple return to the pre-1967 colonial arrangement.

DO YOU KNOW

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

Edited by Nancy Spannaus and Christopher White

READ

The Political Economy of the American Revolution

edited by Nancy Spannaus and Christopher White

order from the publisher:

EIR News Service
P.O. Box 17390
Washington, D.C. 20041-0390
or call
Ben Franklin Booksellers
800-453-4108

\$15.00 plus \$4.00 shipping and handling

Already, the Control Board has been blamed, correctly, for the fact that the D.C. public schools opened three weeks late. A parents' group, Parents United, had sued the District *three years ago* for violations in the fire codes, and demanded that repairs be effected prior to the opening of school this fall. The Control Board was fully aware of these demands, but, in a surge of "fiscal responsibility," refused to meet them.

Lt. Gen. Julius Becton, Jr., chairman of the Emergency Transitional Education Board of Trustees, which usurped the power of the 11-man school board created in 1969, and reduced the board to an advisory body, has been particularly embarrassed by the rank "disorder and early sorrow" of the beginning of this school year. The Aug. 9 *Washington Post* reported that "Don Reeves, president of the elected D.C. Board of Education, agreed with Parents United, and called on the chairman of the school system's appointed emergency board of trustees to resign, or accept more responsibility for the repair problems."

But, no one seems to get it. Becton and his board are *supposed* to fail. Assisting him in that goal, as best he can, is North Carolina's Rep. Charles Taylor (R) of the House Appropriations Committee. Taylor, who, through the end of September, proposed a \$300 million cut in the District's budget, was proposing the elimination of 90% of the administrative staff for education—which would have left Becton with one staff member to deal with the District's 78,000 children. Taylor was reined in from this proposal, partially because the *Washington Post*, sensing the acute anger that is brewing in the District, is ever-sensitive to the national political ramifications of having an over-zealous Southern Republican, demand the financial lynching of the District outright.

Fascist economics

"Mr. Taylor wanted to come in and cut \$300 million and 3,000 jobs," said Vernon Hawkins. "Mr. Brimmer now has some feelings for the fact, that, if you do that, you will totally destroy this District government. You will further reduce services to citizens. The average case worker, right now, in the foster care program, is carrying 100 cases, when they should be carrying 25. The average parole officer is supervising more than 150 people; he should be supervising 50. Yes, you're cutting the dollars, but at the same time, you're causing the degradation of the delivery system here. It's just a matter of time before it blows up—Lorton [Correctional Facility] blows up, the correctional system blows up, it's *just a matter of time*. Believe me. The reductions that are being put in place are going to have much more devastating impact on this community than what people have seen."

The idea is to make the lives deemed "not worthy to be lived" in the District, socially expendable, to make them disappear. It is done, in the spirit, if not in the form, of Heinrich Himmler's infamous "Green File," and the Wannsee Conference's "Final Solution." In the following articles, speeches, and interviews, you will be confronted with what is happening

to your fellow citizens in the nation's capital. You will see, that Mayor Barry did not exaggerate, when he compared the anti-human policies of the Confederates in the Congress, to Germany of the 1930s. You will be reminded, that the demand for "order," is always how "it" starts; that the targetting of "the undesirables" is "its" ideological stock-in-trade, and that financial austerity, imitative of that of Hjalmar Schacht, is "its" essence. That "it" has a name, and if you cannot name "it," then you are no true citizen of this republic.

Advocate for the homeless

The heroism of those public servants in D.C., paid and volunteer, who refuse to relinquish their humanity in the face of what is being done to the city, is exemplified by a story told by Terry Bishop, vice-president of the Community for Creative Non-Violence.

"We are in a building, that is a D.C. government building. And we've been in this building for 25 years. The repairs were just so atrocious. And we've been trying for five years to get them to fix the roof, which was leaking all over the place. But, because it was homeless people, no one really cared whether the roof got fixed, or not. I decided, when I came here, 'Well, I don't have the money to fix this'—it was \$500,000 to fix the roof, because it takes up an entire city block. I said, 'I don't have the money, I can't generate that money through donations or anything.' So I called the mayor, I called everybody on the Hill, I wrote the President, I wrote Mr. Brimmer, and I couldn't get anywhere with anyone.

"So, it was in the winter of last year, and I just went and sat in front of the mayor's door. I sat there, and I fasted for 37 days, until everyone got very embarrassed. People were sending in petitions, they were calling and wanting to know 'whether you are going to let that lady sit out there and die.' So, finally, the mayor got the money together, although he had said it was impossible to do it. He got the money together, and right now, we are a couple of weeks away from having the roof completed.

"Just to get something done, for people that no one cares anything about, you have to do some really outlandish things."

Under the new shift in power in the city, would Marion Barry perhaps be accused of corruption if he had tried to do the same? And, would Terry Bishop have been allowed to die, by members of the Control Board, or the Congress? Perhaps we will find our the answer to these questions this winter.—*Dennis Speed*

What's at stake, in the battle to save the nation's capital

by Anton Chaitkin

This speech was given by EIR history editor Anton Chaitkin to community hearings on "The D.C. Reform Plan: Blueprint for Nazi Economics," organized by the Schiller Institute, in Washington, D.C. on Aug. 27. Chaitkin is the author of the book Treason in America, and the co-author of George Bush: The Unauthorized Biography.

What is the Control Board? We have to know what it is. What is it for? It is for imposing what we call *austerity*: That means, further cutbacks in the living standards, in the services, in the incomes of the population of the city. That is the *purpose* of the Control Board. Now, the way they get away with this, is they say that the city is *spending too much*. Sometimes they don't say that directly; they say that it is *mismanaging* the money that it has. There are a lot of stories in the newspapers, particularly Katherine Graham's newspaper [the *Washington Post*]. This is an old line, as I'll tell you in a minute. But the city and the nation are spending *far too little*, and that's a scientific fact that can easily be determined. There's a terrible and terrifying underinvestment, as we know, in our infrastructure, in our society.

There was a change that was imposed by the people who put this Control Board into action. Who is the Control Board backed up by? It is the London financial boards, and their junior partners on Wall Street. That's who is designing that policy. They put through a change in the 1960s, after the murder of John Kennedy and Martin Luther King. The change was to stop the forward motion of our society in industry, in science, in technology, and the progress of the population's living standards. They took down the industry of the United States. They converted the whole economy, in the 1970s and '80s, to drug-money laundering, pornography, entertainment, and speculation. They closed steel mills. They closed nuclear plants. They stopped the space program. They closed down factories of all kinds. And they taught the children — many of you — that these things were not even good to have, that if you had somebody working for \$20 an hour in a steel mill, that was a bad thing, it hurt the environment. They said, just lower people's living standards; there's a New Age coming in, a post-industrial society.

They started demanding austerity in the cities. Before they did it here in Washington, you had it in New York City. They

set up a Financial Control Board there, because they claimed the city was bankrupt, and they had to "save" it. They did the same thing that they're going to try to do here. It was called Big MAC. The result of that was that *they devastated the city*. The Control Board devastated the city, *ruined* the city, lowered all the services, further bankrupted the city.

In the 1970s, after 100 years of no voting in Washington, the civil rights movement got us home rule, or a certain type of voting rights in the city of Washington. Mayor Barry was around then, and he got people some jobs, many jobs in the government, and so forth. There was a certain benefit there. *But the whole country's economy was being devastated by this*

How Washington was built

In New Federalist newspaper of April 3, 1995, Anton Chaitkin elaborated on the real history of the nation's capital. We summarize a few highlights here:

The permanent seat of the federal government was fixed on the Potomac River by an act of Congress passed July 16, 1790. A "territorial" form of government was organized for the District of Columbia on Feb. 21, 1871, combining the governments of the City of Washington, Georgetown, and Washington County.

President Ulysses Grant appointed as governor Henry D. Cooke, the brother and partner of the nationalist railroad builder and banker Jay Cooke. Jay Cooke's bank had defied the London and Wall Street financiers and had raised money from ordinary citizens for the Union cause during the Civil War. Cooke's close ally, developer Alexander R. Shepherd, was the executive officer of the board of public works.

Grant appointed to the "upper house" Frederick Douglass and two other African-Americans, representing the tens of thousands of African-Americans who by then lived in the capital. Douglass had moved to Washington in 1870,

financial and economic change to the post-industrial society. Most of you never even saw a productive economy. Disintegration and drugs and prostitution and pornography and entertainment, is the only economy most people know.

Now this policy, of budget cutbacks, lower living standards, is being implemented all over the world. You must understand this: *This is a worldwide policy.* It is imposed by the International Monetary Fund, by the banking and financial lords that we're talking about. It is imposed on each country: They say you have to close government services altogether. That is called "privatization." Turn over your gold and diamond mines, and all of your assets, to foreign speculators. And shut down factories and schools and don't spend money. They do that in Russia now, in eastern Europe, all over Africa, South America. China's resisting it, because they've got power to resist.

What's the result? Look for this here, if we don't turn this around. Not just the standard of living is going down, but the longevity. People in Uganda are now living ten years shorter lives, on average, than they were a few years ago. The result of this would be a new Dark Age on this planet, if it weren't for the fact that the entire world economy, the financial system, is about to *blow up* because of the way they have mismanaged this world.

They talk about Mayor Barry mismanaging Washington, D.C. The people who put this Control Board in here, have *mismanaged the world*, and we've got to take it away from them. We've got to take the power over decision-making on world policy away from them.

That's the global setting.

Now, we had the right to vote in Washington, and a home rule situation, in a crucial moment of the city's history. Very little is known about it. And it was won by the United States Army defeating the Confederacy in the Civil War. Frederick Douglass—and I have here an article about the political history of the city, featuring Frederick Douglass's role [see box]—was the leader of the government of Washington, D.C. for three years: 1871, '72, and '73. Why is that important? Because, number one, they had partial home rule. And number two, they *built the city*. There was no Washington, D.C., as you know it, before that. It was a pest-hole. There were no paved streets, there were no sewers, people died of diseases all over the place. And in the space of three years, under the Presidency of Grant, Frederick Douglass, in the upper house of the city legislature, together with his employee, a guy named "Boss" Shepherd, Alexander R. Shepherd, working for Douglass, and Jay Cooke's brother Henry—they planted 50,000 trees; they paved hundreds of miles of roads; they built

and his newspaper, the *New National Era*, spoke eloquently for nationalism and civil rights, attacking British free-trade dogmas.

In the short time-span of its existence, Cooke, Douglass, and their allies changed Washington from a pigsty into a modern city, despite the frantic opposition of the British and the former Confederates.

The board of public works paved 150 miles of streets and laid down sidewalks. Gullies were filled in, swamps drained, and hills levelled. Gas pipes, water mains, and a massive sewer system were installed below, and gas lights above the streets. Some 50,000 trees were planted. There was a five-member board of health; John Mercer Langston, head of Howard Law School, was the health board's only African-American member and its legal adviser. The board of health started Washington's first street cleaning and garbage disposal program. It inaugurated a system of vacuum pumping and sanitary disposal from outhouses, and banned animals from wandering the streets.

In his 1873 Annual Message, the President praised the success of the D.C. government:

"Under the very efficient management of the governor and the board of public works of this District, the city of Washington is rapidly assuming the appearance of a capital of which the nation may well be proud. From being a most unsightly place three years ago, disagreeable to pass

through in summer in consequence of the dust arising from the unpaved streets, and almost impassable in the winter from the mud, it is now one of the most sightly cities in the country, and can boast of being the best paved.

"The work has been done systematically, the plans, grades, location of sewers, water and gas mains being determined upon before the work was commenced, thus securing permanency when completed. I question whether so much has ever been accomplished before in any American city for the same expenditures. The Government having large reservations in the city, and the nation at large having an interest in their capital, I recommend a liberal policy toward the District of Columbia, and that the Government should bear its just share of the expense of these improvements. Every citizen visiting the capital feels a pride in its growing beauty, and that he too is part owner in the investments made here."

He concluded, "I suggest for your consideration the enactment of a law to better secure the civil rights which freedom should secure, but has not effectively secured, to the enfranchised slave."

Within months, an attack was mounted in Congress against the D.C. government, which was accused of overspending and corruption. The government was finally abolished by an act of Congress of June 20, 1874, and voting by D.C. citizens was forbidden for nearly a century.

the sewers; they set up the health board; they made the city a beautiful place, on the model of Paris. And Frederick Douglass went over to Paris, to study that.

This is completely shut out of the history books. Yet the result of that, is that the city became a shining star, representing America to the world. How representing America? Representing what this country was supposed to do, from the Declaration of Independence, which was to say, “We have oppressed people; we can lift them up, get them energetic, get them proud of their country, get them working, and get them a decent wage.” And after the Civil War, a third of the population was black. It hadn’t been that way before. So, this was seen by the London and New York characters, and their stooges down South, as *dangerous*. That’s a dangerous thing for the world to see! Washington, the capital of America, uplifted in this way, especially with black leadership, Frederick Douglass himself, in the government. So, they attacked him.

What did they say? And you can read this in your history books. They said, “They’re spending too much money! They’re mismanaging the money! And the Negroes are allowed to vote on the bond issue.” The President didn’t agree with that, but he was weak. Does that sound familiar? President Grant praised what Douglass and the people were doing to build up the city, but he was being attacked by the newspapers—scandals, and scandals, and scandals. Does that sound familiar? So, they closed the city government. They bankrupted Frederick Douglass’s savings bank. They bankrupted the nationalists. Frederick Douglass was a *nationalist*, he didn’t believe in free trade. He wanted to build up the power of industry in the country, the power of the Army, to build railroads, and stop imports from Britain. And get every country doing that same thing.

So, they stopped the right to vote of people in Washington, D.C. When that was allowed by the American public, within a few years, they took away the right to vote of all blacks in the South, under the Jim Crow laws—the right that had been won in the Civil War.

To conclude, you have to look at this Control Board as something that it would be *fatal* to allow to continue. It is not a matter of seeing what they’ll do at some point—“maybe they’re going to take a little bit, take a little bit.” You have to look at the real world we’re living in. In the real world, there is a process under way, of putting about 90% of the people in this world to death, by this economic process, and by armies, and by various forces that they’re using now. So we have to say, as Frederick Douglass did, “Let us look at this city. Think high! Be totally ambitious, it’s the only way to do it.” Because we’re in a world depression; anything else is unrealistic.

This city is the capital of the United States. It is supposed to represent the greatest accomplishment of civilization. And it is going to sink back into the status of a pest-hole, like Bombay, India, under British rule, unless we take these people, these liars, who have set this thing up, to take away all

the rights and to kill the people in the city—unless we push them out.

From the question period

Q: Go back for a moment and compare the District of Columbia with New York City, and the New York City Control Board.

Chaitkin: There is a difference between Washington and New York City, you’ve got to understand that first. New York City was a great manufacturing center, and it’s also a huge city. This is not as big a city, although there’s a lot of sprawl and so forth. New York City was a testing ground, where they first decided they would have to smash the population, if they were to do it anywhere in the country. They had to smash the unions; they had to smash the civil rights movement. And the way they decided to do that, was to put in this Control Board, and at the same time, to get the people of the city fighting over a shrinking budget. They divided the School Board up into, I think, 26 different districts. Each would get a part of the budget. Who needs more money, this district or that district? Blacks or Hispanics? What about the unions? “They’re taking your money away.” How about the welfare recipients? “They’re taking your money away, if you’re employed.” That’s what they did.

Washington, D.C. is not a manufacturing center. It’s almost entirely government and support for that. It’s also international. Therefore, there are two things to say about what this place needs. In this area, industry has collapsed, except for things related to the military or space program, and so forth—so-called high-tech. It’s not really high-tech, because most of the high-tech has been destroyed in the country. But it’s insane to say that Washington, D.C. can stand on its own, industrially. This is the capital of the country. The people have to be considered in that light. There need to be plans for this entire region, industrially. But also, the city has to be the center of massive improvement, of every aspect of life. The thinking on this is completely upside down. The idea that a neighborhood of Washington, D.C. should be self-sufficient, like Jack Kemp’s idea about enterprise zones, is silly. Because, first of all, capital is flowing into speculation; they’re not going to put money here unless they decide that people are totally slaves. Then they’ll put in a little, a tiny pinch, as they go down. But this city has to be built up, as a national decision.

What’s the main employer in Washington, besides the government? The main employer is the South American and Asian *drug cartels*, managed by the bankers who launder the money. They employ the youth in the city. Why don’t we have other employers? We need to have employers who are designated to be employers, by action of the Federal government, providing cheap credit, for people to build businesses, and also for government agencies, to build infrastructure. That’s the only way it’s going to work.

Blueprint for Nazi economics in the District of Columbia

by Dr. Abdul Alim Muhammad, MD

Dr. Muhammad is the medical director of the Abundant Life Clinic in Washington, D.C., minister of health for the Nation of Islam, and national spokesman for NOI leader Minister Louis Farrakhan. He spoke at the Aug. 27 hearings in Washington on "The D.C. Reform Plan: Blueprint for Nazi Economics."

I stand before you, and Brother Michael told you who I am; let me tell you who I'm *not*. I'm not Dr. Kevorkian. That's an important distinction nowadays. Life is expensive, and what has been decided already, is that life is *too* expensive to be supported in the District of Columbia. You know, doctors receive training to make a proper diagnosis, to accurately identify what something *is*. Did that man cough because he has a trivial respiratory infection, or does he have tuberculosis? To be able to make the distinction is important. Is that person mentally ill, or are they suffering AIDS dementia? Sometimes we need help to properly identify what we're looking at.

The young lady who just spoke, from the homeless shelter [Terry Bishop, vice president of the Community for Creative Non-Violence]—I know what she means, when she uses the term "homeless shelter," but it's a misidentification: It's a *death camp*. Someone later is going to talk about prisons. That's a misidentification: It's a death camp. Any time you have a homeless shelter, when 30-plus percent of the people there are HIV-infected, and most of them don't know it, and are not receiving any treatment—that's a death camp. They think they're homeless; they think that's what their problem is. Someone in prison, who thinks that he's in trouble with the law, but doesn't realize that he is HIV-infected, doesn't realize that he has already been given a death sentence. And all of us, who think that Washington, D.C. is a city, when in fact it has been reduced already to a death camp.

The fraud of 'managed care'

We struggle against this idea of managed care, because managed care is essentially immoral. They say that the old system of health care was too costly, too inefficient and corrupt. But it had one thing that was very important: It was based on "fee for service"; that physicians and others got paid for services that they actually rendered. Managed care is the opposite, where HMOs and other "providers," as they're called, get paid whether they render a service or not. As a

matter of fact, the way that the game is played, is to make sure that you never have to render *any* services, so that you can pocket all the money.

The City Council didn't understand that. The community doesn't understand that. As a matter of fact, most of the physicians don't understand that simple fact.

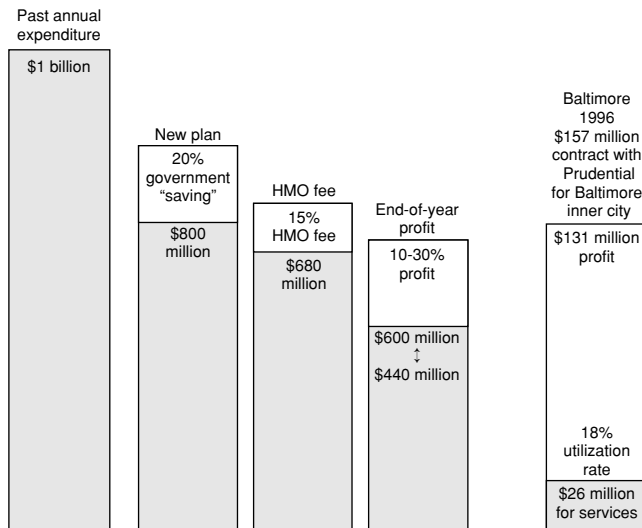
What Washington, D.C. is right now, is a death camp. I said to the brother who drove me over here this evening, "Look at the people in the streets. You may not understand it, but probably, if things continue as they are, in the next five years, half of those people will be dead." It's already being done. I'm not talking about how someone is "getting ready" to do something that will cause death. It's already been done. When people don't have food, clothing, and shelter, the essentials of life, they *die*.

Let's take a look at the fraud that's being perpetrated, in the name of managed care. The City Council three times refused to approve the contract. And then, the Control Board just approved it for them, anyhow, giving total control over the Medicaid population, 135,000 lives in the District of Columbia, poor people—you have to be poor to qualify for Medicaid—135,000 lives. This is a crude graphic, but it shows you what is really going on (**Figure 1**).

The D.C. budget for Medicaid over the past few years has been about \$1 billion a year. And this is what the complaint has been: "That's too much money being spent on poor people's health. That's too much!" So, somebody comes up with this idea of privatization, managed care. And right off the bat, what can we do? "Well, we'll take \$200 million off the Medicaid budget, because everybody knows HMOs are *efficient*. They'll be able to deliver the same amount of health care, for 20% less, right off the top." So, the contract comes in at \$800 million total. Well now, if you understand the way HMOs actually operate, they're going to take an additional 15% off the top of that \$800 million. The politicians get to say, "Oh, we saved the city \$200 million!" The HMO executives say, "We get our 15% administrative fee off the top," which comes out to be a tidy sum of \$120 million, off the top. Then, the 85% that is left for health care, goes through the system, and if they do their job, as good corporate managers are supposed to do, they will, at the end of the year, be able to count on an additional profit of 10-30%. So, an additional profit that will range from \$80 million to \$140 million addi-

FIGURE 1

Privatization of Medicaid in D.C. will mean decreasing expenditure on services



This schematic diagram shows the likely consequences of the privatization of Medicaid in Washington, D.C. For comparison, the bar on the right shows what happened in Baltimore's inner city, in 1996.

tional dollars, on top of the \$120 million that they took off the top; which means that, at the end of the year, \$440 million has actually been expended on health care services, which is a 56% reduction in health care expenditures on the residents of the District of Columbia who are Medicaid recipients.

Now, when you're spending 44% of what was an inadequate amount to begin with, then you can predict "excess deaths" — that's the accepted term that gets written into legislation. "This bill versus the other bill will create so many excess deaths." And that is what is being agreed to, that is what the City Council is signing off on. That is what the Control Board is signing off on: "excess deaths" of citizens.

Now, you're saying, "Dr. Muhammad, it can't be that bad." No, it's worse than what I just said. I'm being optimistic here, because I know, you don't want to believe in evil. You really don't! You have a problem with that. You want to make an excuse for Clinton, you want to make an excuse for the Control Board, you want to make an excuse for the City Council, you want to make an excuse for the community leaders, for the mayor, and for others, for the Congressional Delegate. You want to pretend that they are not as evil as they are, or, if they are not that evil, then they certainly are that dumb! Because they don't see the play, and they don't see how they are being manipulated by those who are hidden, who are truly the geniuses of evil.

Look here, you don't have to go on speculating about what might happen in the District of Columbia as a result of managed care. We can just go up the road, and see what

happened in Baltimore City, where, according to the Urban Health Institute, Prudential got a contract to manage Medicaid lives in the inner city of Baltimore — I think 80,000 lives. The contract was \$157 million. Over the course of the first year, there was a utilization rate of 18%, simply because they did not sign up any inner city doctors; no community doctors were signed up with the Prudential plan. These inner city residents, most of whom were on welfare, or unemployed, were assigned to physicians who lived in the suburbs. And they simply did not have car fare to go from their neighborhood to where their doctor was, out in some white neighborhood where they didn't want to be. And so, Prudential had the opportunity to pocket \$131 million for rendering *no services whatsoever*.

Now, what is your definition of evil?

So, we have to resist, to the point of overcoming this greatest evil. What would Hitler have been, without his Nazi doctors and his Nazi medicine? He wouldn't be considered the evil man that he undoubtedly was. He had to have the help of those who were in the so-called health sciences, to make good on his evil plans.

Kinshasa on the Potomac

Finally. I talked to one of the HMOs just this past Monday. They won the contract. I've been talking to the losers, up till now. They told me, to make a long story short, that, by this time next year, they will have 90,000 of the 135,000 Medicaid lives enrolled under their plan. I wanted to know, how many of those 90,000 individuals do you believe are HIV-positive? They said, conservatively, at least 25%. Do you know what that means? It means that you're looking at Kinshasa on the Potomac. You're looking at the Africanization of Washington, D.C. and other urban centers. When you turn on the television and they show you populations that are in motion, refugees on the road — well, that's what's going on in Washington, D.C. Displaced persons. Refugees in flight. Homeless people. People without adequate food, adequate shelter, adequate protection. No medicine available. And then, high percentages of infection rates from fatal diseases, if they're not properly treated.

So, genocide is here. It's not to come, it's not some distant thing. You're already in the midst of it. And if you want to know what it would have been like to be in Nazi Germany; if you want to know what it would have been like to be at Auschwitz; well then, go visit the homeless shelter; go visit Lorton [the District's prison]; go visit the D.C. jail; go visit a public high school, where the infection rate is over 30%.

We have to face these facts. And we have to look deep within ourselves, and come up with a response. Those who are evil, are drawn to what evil people do. If we consider ourselves to be good, if we consider ourselves to be moral, if we're Christians, and we're Jews, and we're Muslims, then what is our response to this gross evil that is being perpetrated right in our own city?

The downsizing of health care in D.C.

Dr. Terry, Ph.D., is a Public Health Analyst in the Washington, D.C. Health Department. He was interviewed by Dr. Ernest Schapiro.

EIR: Is it fair to say that there have been massive changes in the delivery of health care in the city?

Terry: We are going through major changes, with the creation of a new Health Department, the creation of a PBC [Public Benefits Corp.], and the whole movement toward managed care in the private and public sector. We really are in a major state of transition.

EIR: Would you say it's orderly?

Terry: There's such a thing as chaotic consistency. You've got the Control Board, and you've got consultants coming here, every which way, from all angles. You wonder, when is the lull period going to come? There's a fear of the unknown; people don't know what the hell's happening, who's in charge. Is it the mayor, the Control Board, the consultants? Where will all of this end?

EIR: You mentioned that previously, a lot of health care was delivered through the Health Department.

Terry: Yes, in the health clinics. That was for the low-income individuals, or the uninsured. Those clinics have now been moved over to the PBC, a quasi-governmental organization, with the focus being on D.C. General Hospital. . . . There'll be probably some type of privatization activity of health care, but that's to be defined. You say you have a PBC, but what does that mean? You have a public side and a private side.

EIR: Let's say you are an indigent person, and you come to one of these clinics to have your diabetes and high blood pressure treated—

Terry: Yes, and also the old concept of the "well baby" clinics, where you bring the baby if you don't have enough money. And D.C. General has always been the public hospital. Now, the question becomes, what is the PBC, and how will it function, in relation to the poor? Will it be into managed care, managed behavioral care? Going after the same kind of contracts that other private agencies are going after? It's a possibility.

EIR: Where are the people going who depended on these clinics? How many of these clinics have closed?

Terry: They are in a process of determining how many should be kept open. The clinics were transferred from us, the Department of Health, over to D.C. General. They're still there. How many will be on the chopping block? D.C. General has ambulatory care. The resources being scarce, they may have to look at how to distribute that clinic population. . . .

EIR: I've heard it said that private clinics and physicians are located outside the areas where poor people live.

Terry: Probably a good assessment. Most of your health care services are in the Northwest Washington area. The city is trying to get health care providers to work in those at-risk communities, the Southeast-Northeast corridor, but it is true that the bulk of your health care services are rendered in the Northwest.

EIR: Are these places still open?

Terry: Yes, so far as I know.

EIR: But the people are under the threat that the clinics will close, and they will have to go for care to the Northwest.

Terry: It could happen, it's an uncertainty. They could have an option whether to go there, or into managed care. The clinics at D.C. General may have the option to go into managed care.

EIR: I noticed that the number of babies delivered at D.C. General was down to 1,000. It had been around 2,000 several years ago. Where do women go for their deliveries?

Terry: Good question. Maybe they are being picked up by managed-care contracts. There are quite a few of them in the city. Last week, there was a report of a decrease in infant mortality rate in the city. Is that because of access to programs like the Healthy Start Program, with people becoming more educated? Something is happening, since the numbers are going down slightly. Or, are people having fewer babies? Also, they have better health status, when you get to them between the first and second trimester, not the last trimester.

EIR: That would seem to me to include nutritional support throughout pregnancy, plus also treating AIDS-infected mothers with AZT.

Terry: That would cut the infant mortality rate. That, however, can increase your morbidity rate. We don't know what disabilities the AIDS babies will have in later years.

EIR: They will be living longer, because of the new drugs.

Terry: But even if they are living longer, they may be living longer with chronic disabilities. Also, the Baby Boomer population in the district is living longer, but with chronic disabilities. Is the system putting something together to deal with this? That's another cost factor. If I have chronic illness or disability and I'm between 40 and 64, I may or may not be eligible for Medicaid—definitely not Medicare.

EIR: I was reading how, in terms of TB mortality, the problem is being able to provide directly observed treatment, ensuring that patients are getting their prescriptions and taking them properly; that this has been the key to the decline of TB mortality in New York. But in D.C., they don't seem to have the vehicles and the manpower to go out and take care of this. We have here a real breakdown.

Terry: You can say that, it's true. The other question you look at, when there is a decreasing population, is, does that mean you need less money for health care purposes? No. The ones who stay are the Baby Boomers; they have homes here. They are living longer, they will need more care per person. The younger ones are moving out. So that decrease in population may be very misleading, in reference to the assertion that there should therefore be a decrease in the number of services offered. We may have to redefine the type of services, based on the fact that you are getting another generation that is living longer.

EIR: So, here you are getting a reduction in the health care dollar per person, while in fact you are getting a population which has a greater need of health care per person.

Terry: You got it. The illnesses they have, and the fact that they may live longer and therefore use the services more—i.e., both the elderly, and the Baby Boomers who are moving into being elderly.

EIR: Who is responsible for evaluating these problems and proposing solutions? Is there any central body in D.C. responsible for devising solutions?

Terry: One would assume it would be your new Health Department. The question is, are they ready to do this?

EIR: Would you have enough people there—

Terry: To even do it.

EIR: And the adequate technologies—

Terry: To collect the information you need.

EIR: Would you have the cooperation of the health care practitioners and bodies to provide the—

Terry: Information, and if you look at another type of person, in addition to the people who are known legal residents, what about the others that are coming in?

EIR: You mean the illegal residents, or even legal immigrants—

Terry: Who may be, theoretically, just living with their sons and daughters, and may have no desire to become citizens, but who are growing older in the old country, and their children have brought them over—what kind of health services do they get? We'll have to look at this.

EIR: I think under the welfare reform bill, these people can

no longer get any health care, isn't that right?

Terry: So, what are we going to do if they are staying here? Say, if they have a chronic disability, and they are 59 years old. How long does it take to become a citizen?

EIR: Seven years.

Terry: So, they're in their sixties. Our own population is getting older. We've got the new immigrants coming in, who are going to have to have some health care, even though they may not be citizens; we have to do something, because we need to stop the spread of disease. And they're not eligible to get full services, whatever that means, until such time as they become American citizens, which may be a seven-year process. Once they get there, they are entitled to whatever everyone else is entitled to. Others may argue that they haven't paid into the system, because they may or may not be working. So what do we do?

Then, we've got the prison population, which is living longer. They will be coming out, perhaps with disabilities that we are going to have to deal with.

EIR: I understand that if you are 24 months in a homeless shelter here, the chances are 50% that you will have a positive tuberculin test.

Terry: Isn't that amazing? You are only talking about 63 square miles. And it's a very transient square mile. People are in and out. Suppose you are only staying for two months, and you get sick, where are you going to go for health care? To one of the institutions that are here. We're a very transient kind of community, with people in and out, probably more than any other state, if you want to look at this as a state. This is both foreigners and people travelling back and forth across-country. They can stay for a couple of months.

EIR: As of now, can you go to D.C. General in that situation?

Terry: Technically, you can go to any emergency room. If it's a major problem, they'll stabilize you and then probably transfer you.

EIR: But with the changes coming in, that will no longer be an option, I imagine?

Terry: That's a good question, that is the big question mark. Where do you go?

EIR: That might also be the question for people who live here who are indigent.

Terry: Where do you go? Or which entitlement program do you fall under?

EIR: Is there any systematic report on what happens to people who have no place to go, what happens to them because necessary care is being postponed?

Terry: There is no systematic report on that, that has to be looked into. It takes awhile. We've got cross-jurisdictional

stuff, where I may go into Prince George's County and wind up in an emergency room over there. But that's the kind of resources that need to be here, to look at what is happening, what is the trend, where people seek the services, what will be the impact of all these changes on where people will go to get services. If everybody is going to be covered under the PBC or a managed care plan, will that be an attractive kind of mechanism to have people come in? They may be homeless and establish themselves as homeless in the District. They may say: Hey, over here we can get three meals and health care. Not that you want to be cruel against the homeless, but that can really put [a strain] on your system, if the package is too attractive. Those are the questions that are up in the air.

EIR: I read an interview in the *City Paper* with Dr. Abramson, who runs the Zacchaeus Clinic. She said that because of the cuts at D.C. General, she doesn't necessarily refer people there anymore, because they can't get things done there. A patient who needed a gastroscopy couldn't get it done over there—that's the kind of thing you're beginning to run into—

Terry: That's right. What are we going to do about it? That's something that is going to have to be addressed.

EIR: There is a big problem with accountability in this: Who is minding the store? Who sees to it that with these changes, for everything you remove, you put something in its place that is as good or better? Who is there to make sure that actually happens?

Terry: Or, at least to make sure that the people have adequate access to something as good or better. Now, one could argue that it's the Health Department or that it's the "office of the mayor's something something," but who is the responsible entity to make sure that the question of access, as well as the question of quality, is dealt with? Because it's one thing to have access to a program, but will the program have the quality that the person deserves, with or without the ability to pay?

EIR: This is a bit dizzying. It sounds as though you have a chaotic process, putting it mildly. What does this situation do to the individual physician? How does this affect the individual working in this environment?

Terry: I think it's affecting health care workers, whether they're inside the hospital or not. You have to remember that we've come to "downsizing." Hospitals are downsizing, government is downsizing. Individuals who heretofore were providing health care services will find themselves without health care coverage, because *they* are no longer employed. So it's having a rippling effect, both on the employee, as well as the residents of the District. The question is, how do you turn that around? You've had a lot of people who have taken early outs [early retirement], so that they could remain within a system where they could still have some form of health benefits as they retire. These are the doctors and nurses who are themselves no longer being employed.

Privatized prisons: a travesty of justice

by Dennis Speed

Over 1,500 Washington, D.C. residents are currently incarcerated in Youngstown, Ohio, at a torture-chamber operated by the Corrections Corporation of America (CCA). There, prisoners are not only unable to maintain contacts with close relatives, as well as legal counsel, but they are also abused, mistreated, and denied medical care and reading materials. They are treated like dogs.

Under the guise of "tough justice," the D.C. City Council has, as of an Aug. 29 vote to contract with CCA, become complicit in a gross violation of the rights, not only of these prisoners, but of their families. Two years ago, the 39th Police District of Philadelphia made headlines, when it was discovered that its officers had engaged in the frame-up of hundreds of African-American citizens, including a grandmother who was forced to spend several years in jail for a crime she did not commit. The "prison industry," worth \$30-40 billion, with only 4% of the system privatized so far, is now selling stock on Wall Street. In July, CCA formed a holding company, CCA Realty Trust, which sold every share it offered on the New York Stock Exchange, for \$400 million. Its chief executive officer, Mike Quinlan, once ran the D.C. Federal Bureau of Prisons. He was also the head of the U.S. Bureau of Prisons, during the Bush administration, heading it while Lyndon LaRouche was incarcerated.

The issue of criminal abuses of prisoners in privatized facilities is a dire one for the District of Columbia. With the impending closing of the Lorton Correctional Facility, by 2001, the intent is that all D.C. felons will be dispersed to prisons around the country, and that many—at least 50% of those currently in Lorton—must be placed in privatized jails by 2003, according to sources.

Not just a D.C. problem

With the frenzied drive to make America's number-one construction industry—the building of prisons—yield as great a profit as possible, it will become a lucrative business to supply as many "employees" as are necessary for the slave-labor army of America's poor and illiterate. In a 1996 report entitled "Unhealthy Choice: How New York State Is Sacrificing Education for Incarceration," New York State Sen. Alton R. Waldron revealed that the 16 districts with the worst-performing schools in New York City, are identical to those from which 46% of juvenile criminals hail. Is it possible, that disciplinary problems, and "juvenile delinquents," will be

sentenced to work-camp detail, contracted through the privatized prison system, as a way of “removing disruptive elements from the classroom,” and swelling the non-unionized low-wage labor pool?

D.C. residents have been shocked at the fact, that Board of Education member Linda Moody, who also chairs the Correctional Facilities Fact Finding Task Force, had high praise for two CCA sites, in Tennessee and Louisiana, which she visited. According to the *Washington Informer*, when more than 200 of the residents of Ward 8 gathered to ask questions regarding the “new trends in D.C. incarceration,” one resident commented, “I’m terribly surprised that we have city officials sitting here, talking about putting the incarceration of our children first, rather than putting their education to the forefront. A lot of us simply cannot understand why our Board of Education member is sitting on a task force on the prisons, when our schools are in disarray, and we’re not even sure if some of them are going to be opened next week.”

This warped priority reflects a national direction. *Emerge* magazine reporter Joe Davidson reported in an article entitled “Caged Cargo” that, “according to a report by Warren Fox, executive director of the California Post-Secondary Education Commission, ‘The cost of incarcerating a felon is approx-

imately \$22,300 a year — more than the state’s general fund cost of educating two students at the University of California, three students at the California State University, or seven students at the California Community Colleges.’ ”

The direct impact of privatization on the justice process itself, however, may be its most devastating effect. In testimony submitted to the D.C. City Council on Aug. 27, Jonathan M. Smith, executive director of the D.C. Prisoners’ Legal Services Project, stated of the transfer of prisoners outside the region, “These transfers will make it difficult for prisoners to communicate with their lawyers or to meaningfully participate in the preparation of appeals or collateral attacks on their convictions. If lawyers are required to travel hundreds or thousands of miles to meet with their clients, they will be reluctant to do so” — an added incentive to infractions by the privatized prison “pseudo-police.” “As a result, prisoners will receive a poorer quality of representation when seeking review of their convictions.”

Smith also quoted Attorney General Janet Reno, who stated, in a March 16, 1995 letter, “Housing large numbers of inmates great distances from their families and attorneys is contrary to sound correctional principles, and the value, if any, of the additional ‘punishment’ thereby imposed on in-

‘Caged cargo’ in Texas

Devastating material on the situation in the nation’s prisons was compiled in an article by Joe Davidson in *Emerge* magazine’s October issue. Entitled “Caged Cargo: African-Americans Are Grist for the Fast-Growing Prison Industry’s Money Mill,” the article covers the Brazoria County Texas scandal, familiar to readers of *EIR* and *New Federalist* newspaper because of the intervention of Missouri Democratic State Rep. Charles Quincy Troupe (see interview with Troupe in *EIR*, Sept. 5, 1997). Troupe has also signed the call for the exoneration of Lyndon LaRouche and his associates.

“Texas . . . captured negative national attention in August,” Davidson reports, “when Brazoria County sheriff’s deputies and guards at a privately run prison facility were shown on video brutally beating and kicking Missouri prisoners in their groin while making them crawl on the floor and allowing guard dogs to bite them. The tape of the September 1996 incident was being circulated as a training video. The brutality shocked many in the country, but confirmed what Missouri state Rep. Charles Quincy Troupe (D) says he’s known all along about correctional facilities — public or privately run.

“ ‘This is the Rodney King tape of corrections,’ says Troupe, who since 1995 has been lobbying for investigations into the treatment of Missouri prisoners in Texas facilities. ‘But most of America thinks prisoners are no longer human. . . . Right now even Black people are saying, ‘I don’t care what you do with the Crips and Bloods, just get them out of our neighborhood.’

“ ‘But the thing that frightens me most is when you start having prisons for profit and Wall Street is intricately involved in prisons, then the politicians are going to change all of the criminal codes in the country to fill every prison that Wall Street builds.’

“Within days of the video’s release, Missouri retrieved its 415 prisoners from Brazoria County, near Houston.”

In the case of Washington, D.C., however, where the intent is, according to sources, to have all felons dispersed throughout the country by 2001, without a rollback of the Congress-instigated Financial Control Board Coup, a life-saving action in the interest of inmates, like Troupe’s, would become impossible.

Representative Troupe believes that the entire trend toward privatization must be reversed. Those who are interested in contacting Troupe, to work on rolling back the abuses in the prison system, as well as exploring the human rights abuses under way, may contact him at his legislative office, (573) 751-2851, or call Rochelle Ascher, of the Schiller Institute, at (703) 771-8390.

mates so separated is greatly outweighed by the increased security and other measures necessitated when inmates' contact with their families on the outside is minimized."

In an interview with Smith, *EIR* asked him to amplify on his Aug. 27 City Council testimony, as well as to describe a May 1997 incident in Youngstown, in which the CCA's warden, Willis Gibson, had used tear gas against the inmates without warning, and without any physical threat posed to prison personnel by the inmates (see interview, below).

At the end of his testimony, Smith pointed out, "There is no act more profound than for the state to deprive a person of her or his freedom through incarceration. Given the solemn nature of this responsibility, is it appropriate to turn over the execution of a sentence of incarceration to a private entity on a profit-making basis? . . .

"Each of the three branches of government are involved in the operation of the criminal justice system: The legislature proscribes the conduct that is deemed to be criminal, the executive prosecutes crime, and the courts rule on guilt and decide on punishment. Because the liberty of an accused is at stake, our legal system requires that enormous care be taken at every stage. . . . For most public functions there is a private sector analogue and the privatization question turns on where the line is drawn between the public and the private activity. Thus, it is a different question when we discuss the privatization of public schools . . . [and] the construction of public buildings. . . . Only the state confines persons to prison. . . . It is unseemly at best to turn this key component of the criminal justice system over to private parties to operate for private gain."

The dehumanization of America

The privatization of prisons can be seen, in this context, as a most terrifying application of Bernard de Mandeville's (1670-1733) notion that "private vices" foster "public virtue." Increasingly, the nation is assuming, through the "privatization"—that is, *dissolution*—of the public welfare, the features of a criminal enterprise. Legalized gambling, the decriminalization of drugs, the virtual legalization of prostitution, have all been tolerated. Why, therefore, not profit from crime? On the one hand, various "entrepreneurs" promote addictions of all types. The individual who is so seduced, loses his powers to resist the impulse of addiction, termed by the pro-vice-legalization proponents, both ideological and "profit-motivated" (such as the fascist monetarist Milton Friedman), as morally indifferent "choice." The victim's addiction secured, he commits an "illegal" act to support his habit, and lands in a jail, now converted to a non-unionized slave-labor camp, with paltry to non-existent health or rehabilitation facilities. Then, there are those who are imprisoned for their political beliefs, as occurred with LaRouche and his associates, or imprisoned for no reason, other than convenience or bias. A few of the most resilient will fight back, but the rest will be broken, ground up into

an involuntary army of slave laborers.

The breaking of the will, however, is not only aimed at the potential leaders. D.C. prisoners who were afraid of being assaulted or killed by other prisoners at the Youngstown facility, were given the choice of transferring to the maximum security facility known as "Super-Max." "These prisoners are confined to cells all but a few hours a week," Smith said. "They are held in their underwear and kept in shackles, belly chains, and handcuffs at all times when outside their cells, even in the shower. The lights are on in their cells 24 hours a day, visits are limited to one hour a month, and phone privileges to one 10-minute call every 15 days."

The dehumanization is extended to the families as well. "Visiting family members are treated rudely and sometimes subjected to humiliating searches. Several women report being required to disrobe partially in an area visible to other visitors, prisoners and staff."

Lyndon LaRouche, himself a victim of the criminal abuses of the prison system, has stated that, when one reflects that the U.S. rate of incarceration is, by all available indicators, the highest in the world, that, outside of those imbeciles who believe in Nazi "race-science," rational people must conclude that, either America's population is the most criminal in the world, or that there are drastic inequities in our penal system. Nowhere is this clearer than in Washington, D.C., a city where 50% of the African-American male population is either in jail, on parole, or awaiting action in a law-enforcement dispute. That fact, betrays a great injustice, which, with the Control Board Coup of 1996, has been, not corrected, but compounded.

Interview: Jonathan Smith

An eyewitness report from CCA-Youngstown

Mr. Smith is the executive director of the D.C. Prisoners' Legal Services Project.

On July 10 and 11, he visited the Corrections Corporation of America (CCA) facility in Youngstown, Ohio, to investigate client complaints filed with the D.C. Prisoners' Legal Services Project. "I learned of very disturbing allegations of abuse, of a dysfunctional classification system and of inadequate medical and mental health care," he says.

Smith interviewed close to 50 inmates, and spoke with staff members and the warden of the facility. He attempted, without success, to persuade the D.C. City Council, which

had voted on Aug. 29 to contract with the CCA to send inmates to Youngstown, to “require that the contract be modified to include terms that will protect both the District and its prisoners from improper and unconstitutional conduct by the private operators.”

One episode in particular exemplifies Smith’s concerns. On May 30, four of the cell blocks, without warning, and without provocation, were tear-gassed. While the immediate cause of the incident was the refusal of a small group of inmates to cooperate with a lock-down order, the warden, Willis Gibson, “admitted to me, contrary to reports prepared by staff, that no one was in danger and property was not threatened at the time of the gassing.”

Not only were prisoners not given medical attention, although several required it: They were not even allowed to shower. Handcuffs and other restraints prevented others from removing the gas from their eyes. “After being handcuffed, each prisoner was led out of the cell block with a guard on each arm. As they exited the unit into the main hallway, they were pushed up against the wall and held there as a guard sprayed them directly in the face with Mace. . . . The only relief they could obtain from the Mace that had been sprayed on them was to dip their heads in the cell toilet.

“It was only after the passage of several hours that the handcuffs were taken off and prisoners were permitted to wash the Mace off of their faces. By this point, the skin had begun to peel on many of the prisoners. It is clear that chemical force was being used purely as punishment in these cases. If the events occurred as described to me, and I believe that they did, prisoners’ civil rights were violated. In my view, this incident was the result of inexperienced and poorly trained staff, insufficient oversight by the District of Columbia, and poor judgment by senior correctional officials.”

Excerpts of EIR’s interview with Smith, conducted by Dennis Speed, appear below.

EIR: You mentioned that it was your view that the rights of prisoners had been violated at the Youngstown facility. What are the rights of prisoners?

Smith: What I’m referring to, specifically, is the protection from the excessive use of force. What the Eighth Amendment says—you’ve got eight or nine words, which essentially say, that people cannot be subjected to “cruel and unusual punishment.” The court has got to derive from those words some meaning, when confronted with real-life, factual situations. One of the ways in which those factual situations occur, is when force is used against prisoners. And the court said, not all force is a problem; some force is appropriate and justified. But, where the force reaches a certain point, of being excessive, it is not justified. And that is when the pain is either inflicted as punishment, force is used in punishment, particularly in a context like this, where there is no due process, or if it is more than is necessary to address a particular security risk, and you place someone at risk to their health or safety.

So, whenever you use a weapon—chemical force, something like that—there has to be some justification for placing people’s life and health at risk.

Certainly, here, everybody freely acknowledges that there was no threat to property, no threat to persons, but a refusal to go back into the cell blocks. The correction staff knew that they were able to talk them back into the cell blocks, based upon the experience they had the day before. The use of chemicals against these prisoners, either in order to compel their action, or ultimately, when they were simply restrained, spraying them in the face with some form of gas, either Mace or pepper spray, purely as punishment, is excessive force, under the Eighth Amendment, and violates their rights.

One thing that we’ve learned since that testimony, which is interesting, is that the gas that was used against the prisoners on that day is something called CS gas. It’s a military-derived form of tear gas, and is licensed for use only out of doors, because it’s so dangerous.

EIR: Is that the same gas that was used at Waco?

Smith: I think it is, but I’m not certain.

EIR: What are the effects of long-term exposure to Mace? You said that the skin began to peel on the prisoners.

Smith: Well, you’ve got a number of things. It causes extreme pain, particularly in the eyes, the mucous membranes of the nose and the mouth. There have also been two incidents that I’m aware of, where prisoners have been sprayed on their genitals with pepper gas, while restrained.

With Mace, the eyes begin to run, to wash out [the chemical]. It can cause the skin to peel, particularly around the lips and nose. For people who have any kind of breathing disorder—asthma, emphysema—someone who might have a compromised immune system, or related infection, it can interfere with breathing. We’re particularly worried about the asthmatics, because it can trigger an asthma attack. If someone has a cardiac condition, it places them at a higher risk for some kind of cardiac event—heart attack, some form of hypertension.

With pepper gas, it is like taking the hottest form of jalapeño pepper you can imagine, and rubbing it against someone’s genitals. It’s extremely painful.

EIR: You said that 70% of Warden Gibson’s staff in Youngstown had never worked in corrections before. Who are these people?

Smith: CCA moved into Youngstown because there’s a very high unemployment rate, and they could get land and labor there very cheap. And they cut a deal with the Youngstown folks to get all kinds of tax breaks. And, as I understand it, they were practically *given* the property upon which to build the prison. They then hired local folks who were unemployed. Youngstown has had a terrible economic problem

since the closing of the steel mills.

EIR: So, you have a formerly industrial workforce. The plants close down, or move out. Everybody is out of work. Then you create prisons in the area, and you take the unemployed labor, people who used to work for \$15-17 an hour, and now they're working for—what are they being paid?

Smith: One of the guards told me that the starting salary for front line guards is \$15,000 a year. That's about \$7 an hour. They are essentially the sons and daughters of unemployed steel workers.

EIR: You reported another incident in which guards used tear gas in the gymnasium in order to break up a fight. What happened?

Smith: I think that what happened here, was that you had guards who had no idea how to handle the situation, and they freaked. They just used gas because they didn't know what else to do. There are experienced staff, who *will* defuse these situations. You can remove some of the people from the gym quickly, you can secure the individuals involved in the fight; there are lots of ways to deal with that situation, short of using force. And in fact, you create a hazard to everybody, when you start to do something like gas everybody in a closed space. Because, you create panic. Everybody wants to get out, and the chances of someone getting hurt increase dramatically. You can't see what's going on, people are rushing you, they're desperate to get out of there, and the risk to staff is tremendously increased when you do something like that. I think you just had folks who didn't know what to do, so they shot off a gas canister.

EIR: In the "Super-Max" [maximum security] unit, you said that the men are not allowed reading or religious material, social visits, or telephone calls?

Smith: That's correct. Now, that's changed slightly. They're allowed one ten-minute phone call every 15 days, and one two-hour visit a month. They *still* do not have reading material, they still do not have religious material. . . . Interestingly, I now have the paperwork for four or five of [the men in Super-Max]. The justification for being confined to the high-security unit, is problems that they had *prior to their transfer to Ohio*. None of them have been charged with offense against prison discipline in Ohio. They just went back to their records and found things that had occurred, some of them ten years ago, and they are using that as the basis to keep them there.

EIR: You report that, for the Youngstown facility, there are 19 medical staff, but only one physician. That physician has no experience treating patients with HIV. Do you have any estimate of what the HIV infection rate would be in that location?

Smith: Well, the rate throughout the department is about

10%. I have no reason to believe that this population would be any different.

EIR: How many people are in Youngstown as a whole?

Smith: There are now 1,500 D.C. prisoners in the institution. There were, for a short period of time, 200 Arizona prisoners, who were returned to Arizona. They were there on a temporary basis, while they rehabilitated a prison in Arizona. So, right now, there are 1,500 in the facility, and they are all from D.C.

EIR: Why are people who are ill, not allowed to have various medications? You indicated this was occurring for psychiatric cases, as well as physical problems.

Smith: I think it comes down to two or three reasons. There's pressure on the contractor to keep the costs down. State-of-the-art HIV care is very expensive, and state-of-the-art psychiatric care is very expensive. I think that's one factor, and the doctor actually told some of our clients, that he couldn't prescribe medications that were expensive. I haven't been able to document it, but I've heard it from enough clients, frankly, that I believe them, that on some occasions, the doctor actually said that.

The second thing is, I think that they don't have the capacity, with the staff that they have, to have real treatment plans for people who have chronic illnesses, or any kind of capacity to deal with chronic illnesses. And so, they just simply, through an overwhelmed system, have been unable to figure out how to start people on medications, monitor their medications, get them back for renewals, do the blood work necessary to make sure that the medications are at the right levels. The reason is, that apparently, of the 1,500 that are there now, Corrections Corporation of America claims that D.C. didn't send medical records for 400 people. D.C. claims they sent them, and CCA lost them, but the result is the same. There are no records on these 400 guys. And they're not treating them, until they get the records, which is madness. At worst, you could just work them up again.

EIR: That's almost 30% of the people up there.

Smith: That's correct. And so, those guys aren't getting treated. The system is completely overwhelmed. If you assume that there are 150 people with HIV, you have to see each of those guys for medication renewal, and for basic medical, probably at least once a month, assuming that they're stable—and that's just the HIV patients. Add to that the very high level of cardiac illness, asthma, mental illness. By the time you do that, you need at least one provider who is probably doing nothing other than the routine chronic illness, monthly monitoring review, renewing of prescriptions. On top of that, you've got acute care, trauma, sudden illness, and then your basic sick call. With that staff, it's simply *impossible* to do that. You need to add additional providers, because of the high acuity of illness in this population.

I don't care whether this doctor had spent 40 years in prison, or just walked off the street, or was the most energetic guy you could find. There's no way the job could be done with that staff.

EIR: Are there any cases of disease-resistant tuberculosis there?

Smith: I don't know. It's possible. Part of the problem is that they don't do cultures and sensitivities in the District. So, if you get somebody who has infectious tuberculosis, they just start you on whatever their regime of drugs is, without doing sensitivities. So you don't know, even, really what the incidence of multiply-resistant TB is that we have in the District. Because our public health system has completely collapsed.

EIR: The strain on the families undergoing this "distance incarceration" is severe.

Smith: I know that families are having a tough time. The cheapest public conveyance out there is \$50. That's a bus service that sprang up to take people to the prison door. It's kind of a gruesome thing, because they leave at midnight on a Friday night; they get you out there in time for visiting, which starts at ten in the morning. Then at five o'clock, you climb back on the bus and you drive overnight to get back to the District early Sunday morning. So, these families are completely wrecked by the time they do that trip. Fifty dollars is a lot for a lot of people, and it's hard to go very often, or to bring kids along—it's \$50 a head. It's a grueling experience. On top of that, they put in a new telephone system in the last couple of weeks; this service costs \$2 to connect, and then it's \$2.50 for every minute, and it cuts you off after ten minutes. You have to start over again with the \$2 connect fee.

Interview: Dr. Andres Taylor

Funds for higher education cut in half

Dr. Taylor teaches English at the University of the District of Columbia (UDC). He was interviewed by Dennis Speed.

EIR: There have been traumatic changes proposed and implemented at the university in the 1990s. Could you tell us something about this?

Taylor: In the last five years, the university has lost over 50% of its funding.

EIR: And it's already reduced several of its programs?

Taylor: Practically all of our graduate programs have been scuttled. We may have, at most, a half-dozen left.

All our graduate programs in business were eliminated. Our programs in mathematics, chemistry, physics. And those were our *best* programs. We had first-rate programs in the sciences. We still have the law school, but the law school came as the result of a merger. We didn't develop it. It was merged with the university by an act of the City Council. So, the law school is still hanging on. The graduate program in history is gone. We have a graduate program in psychology and counseling, hanging by a thread.

EIR: You lost a lot of your undergraduate degree programs also, right?

Taylor: Yes, among them history; but more than that, the programs that are left have been so drastically reduced, and we've lost a lot of our associate degree programs. We inherited a lot of those from Washington Technical Institute, which was a junior college. UDC was formed as a result of merging a junior college, a teachers college, the District of Columbia Teachers College, and Federal City College. Those mergers took place in 1976.

EIR: How many students regularly attend the school?

Taylor: We now have 5,200 students. In 1981, we had 15,800.

EIR: So, the student body has been reduced by two-thirds.

Taylor: Correct. The most drastic cut has come in the last year. In 1996, at the end of the spring semester, we had 10,800 students.

EIR: So, the student body has been cut by 50% in one year!

Taylor: In one year. The cuts in funding started in 1992, when the university's budget was—people argue whether it was \$71 million, or \$77 million. I don't remember the exact number. It is now less than \$37 million.

EIR: So, in five years, the budget was cut in half.

What's the significance of UDC as a college? I understand it has graduated prominent people in several fields.

Taylor: UDC regularly graduates 1,000-1,500 students per year, and many of them have been outstanding. Sharon Horton graduated from UDC in 1987, and she finished her Ph.D. program at Stanford University in neurobiology. She was the first black woman to receive a Ph.D. in that field. She is now a research fellow at Southwestern Hospital in Houston, Texas. One of our graduates is the superintendent of the Dayton public school system. We have graduated 20,000 students since the merger [in 1976].

UDC is the land-grant university for the District of Columbia, and most of the students that attend UDC are adult working people.

EIR: Can you describe what you mean by a land-grant university?

Taylor: A land-grant university is the primary university in every jurisdiction in the United States, and in its territories and possessions. That is, every state has a land-grant university. It provides education, community service, and research. It's tax supported, and it provides education for any student in the community. For example, the University of Maryland is the land-grant university for Maryland, and the University of Maryland, in all of its different branches, provides access for higher education for every student in Maryland, as long as they have a high school diploma.

EIR: So, in principle, regardless of your financial situation, you are allowed to go there, so long as your grades qualify you.

Taylor: That's correct. The University of Maryland is a system that covers the whole state. The land-grant system of universities in the United States is the greatest system of higher education in the world. It's imitated and emulated the world over, and the only jurisdiction in which people have talked about closing a land-grant university is in the District of Columbia. No land-grant university in the history of higher education, has ever been closed.

EIR: This is the university system set up under Lincoln?

Taylor: That's right, under the Morrill Act, in 1862. Congressman Justin Morrill said that the purpose of his Act was, and this is a direct quote, "I would have learning more widely dispersed." And that's what the land-grant system of higher education has done.

EIR: What was the immediate catalyst for the drastic cuts of the past year?

Taylor: Different people have different stories. The administration maintains that it had voluntarily made cuts in the university budget early on; then, when the city government was forced to make *mandatory* cuts, it applied the mandatory cuts to the university, as if the university had made no cuts at all.

EIR: The cuts were mandated by the Financial Control Board?

Taylor: Right. The university cut its own budget between 1992 and 1995, thinking that it would be immune when the mandatory cuts came. Between '92 and '94, the university budget was cut over \$20 million—some 25-30%. We were down to about \$51 million. That was done voluntarily. We thought we had come in under the wire. Then, these mandatory cuts came along and we lost *another* \$18 million.

EIR: Were you able to nominally preserve most of the programs at the \$51 million level?

Taylor: Yes. It was in February of this year that these cuts occurred.

EIR: Was it not the case that the mayor was opposed to these further cuts, but then, they went through anyway?

Taylor: To the best of my knowledge, or this is what is said on the record, the mayor recommended to the Control Board, that the University of the District of Columbia appropriation be maintained at something like \$43-44 million, as a rock-bottom budget. And he attempted to transfer some money from one city agency to the university, because he said the university had already taken enormous cuts, and he wanted to maintain the academic integrity of the program. It was calculated that we could do this with about anywhere from \$43 million to \$44 million, and that would give us a bare-bones comprehensive state university-style program, despite the cuts. But the Control Board vetoed this.

Now, there are charges that the mayor was insincere. Well, I'm not a psychotherapist. I'm not able to interpret, but I do know, that we were cut to the bone, and beyond. That, we know.

EIR: How many faculty did you lose?

Taylor: We lost 125 faculty out of a total of 365. This was our faculty in the sciences, etc.: We lost them across the board. We don't have our public administration program any more, we don't have our MBA program any more, we don't have our master's degree programs in chemistry, math, physics any more. We just don't have them. And a state university is supposed to offer comprehensive public higher education.

EIR: Is it your view that the process of cutting is over, or will it continue?

Taylor: I don't know that it can continue. This wild man from North Carolina [Rep. Charles Taylor (R)] was talking about cutting the budget some more, which would have meant that we would get nothing. So, I gather that it has not been stopped; at least, it's under some negotiation.

EIR: What do you think has happened to education as a result, in the District?

Taylor: If you look at the figures, since 1993, we've had more people at Lorton Correctional Facility than we have had at the University of the District of Columbia. And 50% of the young black men in the District, between the ages of 17 and 34, are involved in the criminal justice system, either as incarcerated individuals, or as individuals awaiting trial, or as individuals on parole. There are over 10,000 people at Lorton, and there are 5,200 at UDC.

So, since 1993, the population at Lorton has zoomed, as the population at the University of the District of Columbia has declined. The facility at Lorton has a budget of \$215 million.

EIR: Whereas your budget is \$37 million.

Taylor: That's correct. And the populations of the two institutions reflect the budgets.

Big MAC: How a bankers' dictatorship was imposed on New York City

by L. Wolfe

Twenty-two years ago this month, New York City, the nation's largest city, hovered at the edge of bankruptcy and default. Already under the first stages of a bankers' dictatorship that had usurped constitutional power from elected officials over the city's financial affairs, and had begun to decimate city services and infrastructure, Wall Street and London were now demanding that the Federal government step in and guarantee the debt to be paid to the banks.

One month later, after some resistance, President Gerald Ford and Treasury Secretary William Simon capitulated to a modified form of the demanded bailout. Today, after two decades of the fascist control of New York, the city is a husk of what it was in the 1970s. More than \$35 billion has been looted from a combination of sources, including workers' pension funds, underfunding of capital projects, reduction of urban services and fire and police protection; the funds have been transferred to the New York banks' coffers for payment of debt.

By 1975, four years after London and Wall Street had dismantled the Bretton Woods monetary system in favor of the free-market casino that has evolved, the world financial system was bankrupt. New York City's long- and short-term debt was approximately \$14 billion, exceeded nationally only by that of the U.S. Treasury. By comparison, the largest national debtor at the time, Brazil, had a national debt of only \$18 billion. Between 1969 and 1974, the banks had staved off crisis by converting long-term debt into short-term obligations, with anywhere from three-month to three-year "fuses" on repayment; in so doing, the short-term debt due in 1974-75 had ballooned to over \$6 billion.

But in 1974, the New York banks, led by the Rockefellers' Chase Manhattan, found themselves unable to roll over the New York City debt, which amounted to 20% of the entire tax-exempt bond market. Should there be a default, the forced writedowns of book assets threatened to trigger bank collapses. In London and New York, bankers reported that a New York City default, given the instability in the international financial markets, might lead to the collapse of the entire \$5 trillion speculative bubble.

To make matters worse, from the bankers' standpoint,

there was a growing movement, both in the United States and internationally, supporting a proposal for orderly debt moratoria that would wipe out the debt and initiate the process of creating a new world monetary system, based not on speculation, but on real production and global development. The author of this proposal was Lyndon LaRouche, and his international political movement had carried it into the annual conference of the Non-Aligned Movement, where it was to be embraced by several nations' leaders, as well as into the center of the New York City debt fight, where several city and state legislators and trade union leaders had put forward the proposal as their only defense against the demands of the bankers. Had they not blinked in the final confrontation, and had the LaRouche proposal for orderly debt moratoria become policy in the New York crisis, not only would New York have been saved from the bankers' dictatorship, but the world would be a far different and better place today.

The first blows

Up until the mid-1960s, New York, despite some obvious problems with its extensive infrastructure, had functioned pretty well. Its politics were dominated by a Franklin Roosevelt-style alliance of Democratic political machines, some liberal Republicans, ethnic and civil rights leaders, and labor unions. They had battled the power of Wall Street's financial capital to the point that there was an uneasy balance of power; the bankers appeared happy with this arrangement, as long as the city was willing to fork over a sizable portion of tax revenue for profitable bond financing for capital and other projects, and as long as it was willing to honor the usurious notes on the New York City subway system, many of them more than 70 years old, and whose principal had been paid many times over.

With the mid-1960s international shift toward post-industrialism, the bankers moved to overturn the political chessboard in New York. They inserted one of their own, Mayor John Lindsay, whose family held an interest in Bankers Trust, and, using blueprints from the RAND Corp. and the Ford Foundation, launched a many-front war on the constituencies that ran the city. This included a wrecking



Big MAC Chairman Felix “The Fixer” Rohatyn (left) rammed the bankers’ austerity program down the throat of New York City Mayor Abe Beame (right)—a diminutive man, who appeared to grow shorter by the day, during the showdown over the city’s threatened default on its debt in 1975.

job against the Police Department around alleged corruption; the provoking of transit, sanitation, and teachers strikes; attacks on the public housing system; the attempted dismantling of the public school system through “local control” conflicts among artificially created constituencies; the promotion of real estate development boondoggles; and, overall cutbacks in city services, in the name of “fiscal responsibility.” He operated in coordination with the bankers and their elite “City Club,” the secretive group through which they coordinated policy.

Yet despite Lindsay’s wrecking operations, a secret 1974 report prepared by RAND operatives for the City Club found that too much of the power of the old political establishment remained intact. It was further assessed that elected officials, if left to their own devices, would never summon the will required to impose the level of austerity needed to pay the worthless New York debt. The report, whose authors remain unknown, argued that new mechanisms of control must be put in place that *superseded or eliminated* the power of elected officials who might want to oppose severe austerity measures.

The crisis begins

By 1974, no one other than the New York-based banks was buying New York City securities. Through this arrangement, those New York banks, led by Chase Manhattan, were

receiving hefty interest payments. Some time in October, or slightly before, the decision was made to shut down lending to the city at reasonable or market interest rates; accompanying this move, which came without warning to the city’s political leaders, was the demand from the lenders that before there would be any future lending, the city had to make appreciable gains toward a balanced budget. When the city offered its bonds in November, there were no takers at reasonable and normal interest rates; they were finally sold at a new record rate of 8.4%.

Abe Beame, the city’s mayor at that time, was a man diminutive in both physical and intellectual stature. A somewhat inept machine politician, there is reason to believe that he was allowed to become mayor because no one else wanted the job. At first, Beame balked at the demands for austerity so severe that even he knew it would destroy the city’s social and political fabric. But, Beame was told by his advisers, many of them linked to the RAND Corp., including the city’s Comptroller, Harrison Goldin, that the city government had no choice but to go along. Beame prepared the first in a series of draconian budget-cutting measures; as the bond interest rates rose in November, he prepared another plan.

The brainwashing pattern was thus established: The banks would demand blood; Beame and the city’s political establishment would accommodate; the markets would appear to reject these offerings as insufficient, and a new plan with

deeper cuts would be offered; it, too, would be rejected; and then on to a new plan, of even deeper cuts.

The next month, the city went back into the bond market with a \$800 million offering. Goldin, in consultation with the Technical Debt Advisory Committee, a select group of representatives from the Wall Street banks, announced the day before the bond offering that Beame had vastly underestimated the coming year's budget deficit; the announcement forced interest rates on the bonds up to an all-time record.

Beame offered yet another budget plan, with more than 7,500 layoffs, closing of some fire and police stations, and discussion of a transit fare hike. To help sell this, the bankers and Beame enlisted the help of Victor Gotbaum, the head of District Council 37 of the American Federation of State, County, and Municipal Employees, the largest of the city's municipal unions. "Bumgut," as he became known, was accurately described by Lyndon LaRouche as a "professional rape victim," who screamed for the right to make the decisions about who would be triaged.

But Gotbaum did not control all the city's unions, and there was considerable resistance to the austerity plans, especially from Albert Shanker's United Federation of Teachers, the firefighters, and the police and transit unions, all of which had fought rearguard battles against Lindsay. Moreover, several City Council members and local political figures, seeing the cuts threaten their constituents, showed signs of fight.

The LaRouche debt moratorium fight

It was into this ferment that the LaRouche movement began political agitation for an orderly debt moratorium and cancellation of usurious bank debt. LaRouche organizers, led by U.S. Senate candidate Elijah Boyd, linked the fight in New York with that taking place against the banks and the International Monetary Fund (IMF) in the developing sector. They urged New Yorkers to join in that fight, and, along with other municipalities, such as Boston, Newark, and Detroit, which were also under the bankers' axe, strike a blow for a new world monetary system.

By January 1975, City Councilman Luis Olmedo was verbally supporting the LaRouche proposal. The idea of the moratorium was also a hot topic in the state capital in Albany, where Gov. Hugh Carey was carrying the ball for Wall Street, refusing to allow Beame or the city off the bankers' hook. On April 17, Firefighters President Richard Vizzini issued a call for a six-month moratorium on all debt to banks.

LaRouche's U.S. Labor Party (USLP) saturated the city with leaflets featuring Vizzini's call, as well as national and international support for debt moratorium. In May, the USLP circulated a brief on legal precedents for municipal debt moratoria. The brief was prepared, in part, to counter the terror campaign conducted by the banks and their agents, that said that any public official or union leader who supported a debt moratorium would be thrown in jail. The legal argument rests

soundly on the "General Welfare" clause of the U.S. Constitution, which puts the protection of the health, safety, and welfare of citizens as a responsibility of government, above any debt obligation. Various statutes were cited that gave the city government specific authority to declare a debt moratorium. The brief was followed by a memorandum that outlined the steps for an orderly debt moratorium. Both the brief and memorandum were widely circulated to city and state officials, and trade union leaders, as well as members of Congress. The main features of the reports were further distributed in leaflet form throughout the city.

The LaRouche movement also released documentary evidence that the banks had not only rigged the city's fiscal crisis, but that property taxes on one-third of all the city's residential and commercial real estate had gone unpaid.

The LaRouche movement's agitation caused a representative of Chase Manhattan Bank to comment that the USLP had built a movement against the banks, which represented a danger to the "orderly" management of the crisis.

Resistance from Washington

Rockefeller and his City Club crowd were already too far into the game to call it off. Any sign of weakness might embolden other cities, such as Boston, where LaRouche addressed the City Council on debt moratorium, or the developing sector, where nations were calling for a new monetary system, and support was building for the replacement of the IMF, with LaRouche's International Development Bank. Beame was told directly by David Rockefeller that no more money would be lent to the city unless he were willing to impose drastic budget cuts to close a \$641 million budget gap. Beame responded that this would mean 30,000 additional layoffs and unacceptable reductions in services; he charged that the banks were conspiring "in a concerted effort to make the city an object lesson." With no help coming from Albany, Beame was told to plead his case with Treasury Secretary Simon.

Here, our story gets somewhat complicated. David Rockefeller, whose brother, Nelson, was vice president, made public noises supporting a Federal bailout of the city. In private, Rockefeller sought assurances from Federal Reserve Chairman Arthur Burns that, should the banks be forced to push New York into default, the Fed would step in and bail out the banks. Failure to do so, he told Washington, would lead to an international crash and a run on the dollar. While the Fed—which is a creature of the private banks, and is an unconstitutional power unto itself—gave Rockefeller some assurances, Treasury Secretary Simon remained steadfastly opposed to any bailout of the banks, disguised as a bailout of the city. There is some evidence that the treasury secretary was cooperating with a faction of Chicago bankers, who wanted to leverage the New York City crisis to weaken the power of the New York (and allied, London) banking inter-

ests, including possible support for a trade- and development-based new monetary system.

The banks and their operatives now turned to fashioning a rescue package of their own—one that would impose fascist austerity on the city, while recycling its short-term debt. The key source of untapped loot was the multibillion-dollar pension funds of the city's municipal workers. The trick was to get the unions to buy the worthless new issues of debt, while still having them accept almost unthinkable levels of austerity. To do that, they set up Beame as the "hard cop." The mayor, whom aides said appeared to be growing shorter by the day, was reportedly told that, should the city default, he would be thrown in jail. He was also given a psychological controller, the powerful general partner of the Lazard Frères banking house, Felix Rohatyn, "The Fixer," as the bankers' began to call him.

The Big MAC scheme

On May 29, 1975, Beame submitted a budget that would eliminate a total of 67,000 jobs, including cuts in schools, and closing hospitals, fire, and police stations. Beame denounced the banks and the Federal government for forcing him to do this. Having had Beame put out this extreme scenario, the bankers now found it possible to try to sell both Beame and frightened city and state officials a slightly more palatable—but equally destructive—plan, which would secure the bankers' debt and slash services, over a longer period of time. The centerpiece of the scheme was an agency to be created by the state, called the Municipal Assistance Corporation, more commonly known as "Big MAC." Under the plan, Big MAC would be allowed to float \$3 billion in 10- and 15-year MAC bonds to investors; they would then take the proceeds of those sales to buy up the short-term city debt as it came due. In that way, the short-term paper would be converted to long-term paper, and a default would be avoided. Big MAC could request additional bond authority, and could continue in operation until the city again became creditworthy. The banks themselves had no desire to buy up the MAC bonds, regardless of their nominal backing from New York State, which was only slightly more creditworthy than the city; instead, it was their intention that a goodly portion of the bonds be "eaten" by the workers' pension funds.

The Big MAC deal offered to the city by Rohatyn (who was reputed to be its author), carried some additional strings: The city sales tax and stock transfer taxes, then more than \$1 billion a year, would be transferred to MAC directly, to guarantee debt repayments; MAC would set the upper limit and must approve all city borrowing; MAC auditors would have dictatorial control over the city's books and financial policy decisions; and, if MAC disapproved of any city action, it had unspecified legal recourse.

During a two-week process, the Big MAC scheme was sold to all relevant authorities. Unionists who might have

opposed it were threatened with "extreme measures"; they were told the lie that it was the only way to guarantee payment of workers' salaries and some modicum of services; others, like "Bumgut" Gotbaum, extolled the alleged virtues of the new plan.

With a possible default looming on June 11, the legislature in Albany met in all-night session June 10-11, and the MAC enabling legislation was passed. As one assemblyman stated, "We have no choice. The knife is to our throats."

Only a day earlier, Councilman Luis Olmedo finally filed a resolution calling for an 18-month debt moratorium on all debt service to banks; now, with the City Council standing on call until 2 a.m., awaiting the outcome in Albany, the pressure was brought to bear on him and other potential supporters. Olmedo and anyone who supported a debt moratorium and opposed MAC were called "communists," and were threatened with being driven from office, or worse. Olmedo voted for Big MAC.

The next morning, the banks agreed to the purchase of some \$100 million in short-term, 90-day notes, and another \$280 million in tax anticipation notes, while the city came up with the rest of the \$800 million due, from tax revenues and other sources.

Sitting on the MAC board, along with other bankers' operatives, was its soon-to-be-elected chairman, Rohatyn. In a late-night session in Gracie Mansion, the mayor's residence, before the Albany vote, a nervous Mayor Beame had wondered whether what was being proposed was legal; Rohatyn told him not to worry: "You've done this many times before."

MAC II and the EFCB

The MAC plan, as passed, was only the beginning of the bankers' fascist rule—there was a need for more permanent structures that would have power beyond the immediate crisis. And, there was still no direct commitment from the unions to eat the MAC bonds.

By mid-July, MAC had only sold \$1 billion of its bonds, and the city faced a new default crisis in August. In order to obtain more power and the long-desired Federal bailout, the banks and their media machine let it be known that the city would face a default crisis *every* month, even if the August crisis could somehow be stemmed.

The LaRouche movement sounded the alarm that MAC was a fascist bankers' dictatorship, and that Rohatyn modelled himself on Nazi Economics Minister Hjalmar Schacht; MAC bonds were as worthless as Schacht's "MEFO bills." On July 22, an ad hoc committee of 12 state legislators and two City Councilmen, including Olmedo, issued a call for a 12-month debt moratorium. They denounced, as an "anti-people policy," the capitulation of Beame, the City Council, and Board of Estimate to demands from MAC to fire thousands of additional city workers, to freeze or cut wages for the rest, charge tuition at City University, and hike subway fares.

David Rockefeller now personally demanded that the city officials stand firm behind Rohatyn and MAC, and support an austerity package. He repeated the need to seek Federal bailout monies to meet the debt crisis. The hysteria around the pending default in August prompted the unions to make their first sizable “donation” of pension monies, \$250 million, over the objection of City Council President and pension trustee Paul O’Dwyer.

With Beame agreeing to additional deep cuts in the budget, and with Treasury still unwilling to provide loan guarantees or a bailout, Rockefeller was forced to order the bank consortia to purchase remaining MAC bonds required, in order to avert a default. Sources close to the banks indicated that the threat of a LaRouche movement-inspired debt moratorium had limited the banks’ maneuvering room.

Rohatyn was already working on a new dictatorship plan, the so-called MAC II. It was introduced in early September, and involved the use of municipal union and state pension funds to purchase MAC bonds, as well as the creation of a new seven-member state Emergency Financial Control Board (EFCB), which would have the direct authority to cut the city’s budget, to lay off workers, and to abrogate collective bargaining agreements.

It was pushed through the legislature, meeting in special session on Sept. 9, but not before attempts to have discussion of a LaRouche-inspired debt moratorium were gavelled down by the leadership and further debate cut off. The \$2.3 billion emergency bailout package to avert defaults over the next months still required some \$800 million from banking and/or Federal government sources. But, with the New York banks, including Chemical and Marine Midland, unable to market their own debt, there was little chance that they would come up with additional cash.

The situation was complicated by what threatened to become a political strike against the bankers’ dictatorship led by Al Shanker and his teachers; they had struck, in open defiance of MAC, for a new contract, just as the legislature met on the MAC II package. But Shanker, under pressure from the other unions and Gotbaum, backed down, settling for a paltry contract in early October; the new EFCB immediately announced its intention to rip it up. Later, Shanker threatened to block his union’s use of pension fund monies for MAC bond purchases, but on this, too, he backed down.

The Federal bailout

As MAC bonds dropped to below 75% of their face value, and with Nelson and David Rockefeller, and Fed chairman Burns, putting pressure on Treasury Secretary Simon for a New York bailout or loan guarantees, Simon on Oct. 4 said that the banks should accept a debt moratorium, and, in fact, declare one themselves. As with his previous statements on the New York crisis, he spoke of the need for austerity measures to put the city’s house in order, belying his own monetarist thinking. However, Simon’s statement fueled a panic in

international financial circles, where there was already talk of a 1931-style credit collapse.

The response in Europe and Japan was an orchestrated run on the dollar, to try to force Simon’s hand. But while he made no further statements about the need for a unilateral debt moratorium, Simon continued to oppose Burns’s and others’ call for a Federal bailout of the bankers’ New York debt. The LaRouche movement internationally, meanwhile, made the important distinction that for any debt moratorium to be effective, it must freeze the parasitical debt titles for the purpose of restarting production and productive investment: It must not be aimed at guaranteeing the most cents on a dollar for creditors.

Attention now turned to Congressional hearings, pushed by Rockefeller’s stooges in Congress, such as Sen. Jacob Javits (R-N.Y.), on a proposed Federal bailout package. The idea was to show that there was support for a bailout from all quarters, isolating the opposition from the White House and Simon. But, while the hearings in the House and Senate banking committees produced the usual suspects, talking about the dire consequences of a default for the credit of the nation and for an already troubled economy, it also revealed the existence of a Chicago-based financial faction adamantly opposed to a bailout of the New York banks.

At one point in the Senate hearings, Illinois Sen. Adlai Stevenson (D) shot back at a New York banker who was lecturing the committee about the “dishonor of default”: “If there is any dishonor, it is in the people who put New York in this situation [i.e., the banks], and I don’t want to help them avoid any dishonor.” Stevenson said that all the bailout proposals would do nothing to help the citizens of New York; he instead proposed that the banks cancel portions of the huge city debt load, and that the remaining debt be restructured at lower interest rates.

The leading spokesman for the Chicago interests, A. Robert Abboud, the chairman of the First National Bank of Chicago, further elaborated on the Stevenson debt restructuring proposal. The city, he told the Senate Banking Committee on Oct. 25, should undergo a Chapter 11 bankruptcy reorganization; this action—one of the options presented in the USLP legal brief on moratorium—would allow its leaders to reject the demands of the bankers to slash services beyond acceptable levels. Abboud stated that making extreme cuts, as had been proposed, was counterproductive and would drive revenue from the city—a prediction amply borne out over the following 20 years. Abboud also proposed that the Treasury offer a 90-day low-interest loan to help maintain services. Finally, Abboud proposed a 15-20% outright cancellation of all outstanding debt.

With MAC bonds trading at 40% or less of their face value, and with a mid-November city default on the horizon, on Oct. 29 President Gerald Ford delivered a speech, reportedly prepared by Simon with the help of the Chicago crowd, which excoriated the New York banks for creating the New

York crisis. Stating that he would veto any Federal bailout of the bankers' debt, Ford proposed emergency measures to suspend all debt payments and guarantee essential services. The *Daily News*, covering for the bankers, ran its famous headline: "Ford to NYC: Drop Dead." But, it was really the New York banks that he was telling to "drop dead," and according to several sources, if the President had stuck to his guns, four banks—Chase, Bankers Trust, Marine Midland, and Chemical—would have gone down for the count, in the wake of a city default.

But a month later, Ford capitulated, and a modified bailout package was announced. There would be \$2.3 billion in short-term, low-interest loans over the next three years. To his credit, Ford did not place the full faith and credit of the United States behind the bankers' debt. In fact, the package, which was also approved by the state legislature in Albany, did include a form of debt moratorium: a stretch-out of \$1.6 billion of the bankers debt. A leading New York banker reported that the inclusion of the debt moratorium in the package had been caused by the LaRouche movement's agitation; but the legislators and others who had backed the LaRouche moratorium, had blinked, and had sold out for an almost meaningless readjustment of the terms of the bankers' debt. The EFCB-Big MAC dictatorship now firmly controlled the city, and under law, will do so until the year 2008.

What happened to Ford and Simon is a matter of conjecture. The New York banks had called his bluff, and the President of the United States backed down. Years later, a banking source told this reporter that the New York banks, and their agents such as Nelson Rockefeller and Henry Kissinger, had threatened "to burn down the whole damn system. They might have done it. Ford was not prepared to be 'Hooverized' or worse. He knew that these people play for keeps: Look at what happened to Kennedy. And besides, he didn't have a clue as to what to put in place of the old system."

The reign of Emperor Felix I

In early January 1976, for two nights running, dozens of serious fires blazed throughout the city; one firefighter was killed, and more than a score were sent to hospitals. Firefighters union head Michael Maye exploded in rage: The MAC-imposed budget cuts were killing citizens and his men, and were destroying the city. More than 11% of the firefighters had already been laid off, and more than a dozen fire companies had been closed. "We are losing whole blocks of the city every day," he said, and MAC doesn't care.

Under Rohatyn's reign, through four different mayors, the city has laid off a full 35% of its former workforce; in the first five years of his rule, spending on fire protection, police, sanitation, and education dropped by an average of about 30%. Rohatyn and his flunkies have closed several score fire companies, dozens of police stations, while they reduced staffing at others. Meanwhile, crime and murder rates have risen, and the number of serious fires has risen astronomically.

The hospital system has been decimated by the reductions in hospital beds, and by hospital closings. Several score schools have been closed, while only a handful of new schools have been built. The city's water and sewer systems are in constant crisis, with major breakdowns of the 100-year-old mains and pipes occurring weekly. Much of the city's streets and neighborhoods are in a "bombed-out" condition: Streets should be repaved every five years, but spending levels for all but major thoroughfares now place them on a 200-year replacement schedule. Yet, despite all these cuts, and despite Rohatyn's "management" of the city's fiscal policy, its per-capita debt is larger than it was in 1975, and its budget deficit is larger as well. Tax revenues have also fallen, when measured in constant terms. (One of the taxes that Rohatyn and MAC did away with, was the securities transfer tax.)

Service cuts have not been uniformly administered throughout the city. Instead, the cuts have been concentrated in the most economically deprived areas. What remains, are protected enclaves within Manhattan, in its financial and business districts, and in some of the better sections of the outlying boroughs; here, some services have been improved. It is to this that Rohatyn and his cronies point, when they speak of the "great success" of their experiment in bankers' fascism.

The genocidal content and program of what has taken place over the last 20 years in the city, was quite openly laid out in a Nov. 14, 1976 *New York Times Magazine* piece by *Times* editorial page writer Roger Starr. He offered a program to triage unwanted sections of the city and undesirable poor and ethnic populations, stating that the city had become too large for its own good. The way to do this, he stated, was through a policy of "planned shrinkage," where services to certain sections of the city would be cut off, in a deliberate effort to force out population. Eventually, the means of transit between the desired areas and the "unwanted" sections would be severed as well, as buses and subways would stop running to them. This policy, Starr said, is the only real way to reduce city expenditures and make it creditworthy again.

In an interview, Starr said that the problem with the city was the predominance of its "underclass . . . the urban poor" and programs that cater to them. Sounding very much like the world's current leading genocidalist, Britain's Prince Philip, Starr explained, "I know what we did with them 100 years ago: We gave them tuberculosis. Some of us thought they had found a way to extinguish themselves with drugs, but unfortunately that has not happened on a large enough scale to achieve what I am talking about."

Before Big MAC, the population of New York was 8 million; as of 1995, it was 7.3 million, and shrinking.

Felix Rohatyn considered Roger Starr to be a "visionary." The policy in New York has not been some mistake, administered by incompetents; it has been one of calculated and deliberate genocide. And it didn't need to happen—if only some people hadn't flinched back in 1975, and had listened to Lyndon LaRouche.

Anglophiles try to derail Clinton's China policy

by Suzanne Rose

As the Clinton administration moves toward an historic summit with Chinese President Jiang Zemin on Oct. 29, a nest of British agents in and around Congress is trying to disrupt the summit. In the discussion over a growing number of anti-China bills and resolutions now circulating in Congress, China is portrayed as the leading strategic enemy of the United States. Providing cover for this anti-China effort, is the attempt by these circles to create a movement against religious persecution, targetting China, which is preying on the ignorance of the U.S. population. Anglophile layers in U.S. churches, the military, Congress, and institutions in and around Washington hope to ignite hostility against China in the population by creating false fears related to religious persecution, arms proliferation, human rights violations, and so on—a new “Yellow Peril.”

The Clinton administration has made it clear that a productive relationship with the world's largest nation is of utmost priority in advancing the interests of the United States and the world. Those who would disrupt this relationship are acting under the sway of the British oligarchy, which is moving to assert political domination in anticipation of a world-shattering financial crisis. Their success would destroy civilization.

This author recently had a first-hand encounter with this hard-core Anglophile current in U.S. policymaking circles, through which the British do their dirty work. At a Congressional hearing, Deputy Assistant Secretary of Defense for African Affairs Vincent Kern reacted hysterically to this author, accusing associates of Lyndon LaRouche of making insane allegations against the British, and of offending the international community by taking positions in favor of governments like Sudan. It is these Anglophile circles in the Pentagon, and open British agents in Congress, such as Donald Payne (D-N.J.), Frank Wolf (R-Va.), and Chris Smith (R-

N.J.), who are sabotaging U.S. government relations with key potential allies around the world, and helping to destroy governments on the British target list, like China and Sudan.

Nuclear cooperation a priority

Top on the Clinton administration agenda for the summit, is the effort to provide China with technology to develop peaceful use of nuclear energy. This is an absolute requirement for the development of China's economy, and would qualitatively transform U.S. export capabilities. House Foreign Relations Committee Chairman Benjamin Gilman (R-N.Y.) convened a hearing on Oct. 7, after news of the administration's intentions surfaced. The hearing provided the pretext, by leaking allegations against China, for resolutions designed to hamstring administration efforts to certify China as in compliance with the 1984 Nuclear Agreement Act, a precondition for allowing U.S. corporations, like Westinghouse and General Electric, to sell the technology.

At the hearing, one of Gilman's witnesses released news of a purported Congressional Research Service report, claiming that China had violated non-proliferation agreements, and that therefore the administration could not certify China. However, Marvin Fertel of the Nuclear Energy Institute presented a glowing picture of the potential benefits of the nuclear agreement to both the Chinese and U.S. economies. “For every American 1,000 megawatt nuclear unit, we can expect between \$1 billion and \$2 billion in exports from the United States,” or 15,000 to 30,000 jobs, he said. He and other witnesses asserted that the agreement would be good for non-proliferation, regional security, national security, the economy, and the environment.

Assistant Secretary of State for East Asia and Pacific Affairs Stanley Roth told the the House Foreign Relations Asia subcommittee on Sept. 30, that he was extremely concerned

about the cumulative impact of anti-China legislation currently moving through Congress. Such proposals, he said, create the impression that the United States is seeking a “confrontational approach” with China, when the reality is that dialogue and cooperation are necessary to achieve progress.

‘Religious persecution’

Chief among the threats to U.S.-China relations is the so-called Freedom from Religious Persecution bill, which has, until recently, been on a fast track through the House. The bill would set up an office of “religious persecution” monitoring in the White House, and calls for sanctions against countries that allegedly do not live up to various criteria. China is one of the major targets of the bill. Congressional sources said that the bill was getting unprecedentedly swift consideration, considering its potential impact on foreign policy.

The bill would reshape the way foreign policy is conducted, effectively taking foreign policy prerogative away from the President and putting it in the hands of a “human rights” gestapo. Drafted by Christian Solidarity International, a front group for British intelligence which has targetted governments around the world for destabilization, the bill’s chief sponsor is Wolf, the darling of the Virginia “Hunt Country” set and spokesman for CSI in Congress. The bill is backed by an alliance of neo-conservatives and the “religious right,” and by CSI and the Anti-Defamation League (ADL) of B’nai B’rith, another British intelligence-linked organization. At forums and press conferences in Washington, the coalition touts religious persecution as the new cause which can unite “everyone”—everyone, that is, who is willing to sacrifice the institution of the nation-state.

This is an old tactic of 19th-century British imperialism. Lord Palmerston used the issue of government oppression of minorities to rally support for the destruction of regimes that stood in the way of British imperial interests. On cue, the Human Rights Center at the University of Essex, England, produced a 450-page report, “Religious Freedom Around the World,” which was released on Oct. 1 on Capitol Hill by the United States Institute for Peace, a State Department-linked organization based in Washington. The report purports to document the treatment of religious minorities of every government in the world; 12 pages are on China. It provides the blueprint for decisions which are to be made concerning governments’ alleged violations of “religious rights.”

There are no criteria that can be used to measure governments, apart from their commitment to certain principles which are the scientific basis for progress, including universal education, scientific advance, and infrastructure building, which lead to the development of the cognitive powers of mind of the population. The real issue is the British strategy of control through geopolitics, or the manipulation of conflicts. Spokesmen at the institute brag that the group which prepared the report worked closely with the advisory committee which produced a similar report for the State Department in

July, on the initiative of Wolf.

At a “religious freedom week rally” in Washington, sponsored by this coalition on Sept. 26, Rabbi Yechiel Eckstein announced, “We have made this issue, religious freedom, a *cause célèbre*.” He said that they are dedicating themselves to two projects: religious freedom in the public schools in the United States, and religious persecution abroad. Signalling that the target of the coalition is China, Eckstein reported that he had just returned from China, where he conveyed his “profound and growing concern” about religious persecution to leaders with whom he met. He said he is working to bring together 70 groups to coordinate strategy. “This is not just a value, but a cause which ought to unite us all,” he said. The tip-off that the coalition is unprincipled, is the fact that many of the key players, like Eckstein, are linked to the ADL, the organization which, ironically, led the effort to get religion out of the public schools. Eckstein was the former head of interreligious affairs at the ADL.

Five bills passed out of committee

On Sept. 30, a handful of congressmen succeeded in passing five pieces of anti-China legislation out of the House Foreign Relations Committee. That legislation, denounced by Secretary Roth, could be debated on the House floor and brought to a vote prior to the summit; it has no other purpose than to inflame relations between the United States and China. Two of the measures were introduced by Gilman. One, H. Res. 188, urges the Executive branch to enforce the Iran-Iraq Non-Proliferation Act of 1992 against China for its alleged delivery of cruise missiles to Iran. A second, H.R. 967, bars U.S. visas to Chinese government officials who formulate, direct, or carry out policies or practices of religious persecution. A resolution introduced by Duncan Hunter (R-Calif.), H.R. 2386, requires the secretary of defense to study the requirements for establishing a theater missile defense system to protect Taiwan from ballistic-missile attacks, and to provide funding. This is an unabashed provocation to China.

H.R. 2358, the Political Freedom in China Act, authorizes funds to place human rights monitors all over China. H.R. 2232, the Radio Free Asia Act, authorizes \$40 million to expand Radio Free Asia and Voice of America broadcasts into China and North Korea based on a “finding” that the government of China monopolizes the flow of information to its people.

With the full support and participation of Senate Foreign Relations Committee Chairman Jesse Helms on Sept. 17, the committee held hearings on the China Policy Act, eight days after it was introduced by Spencer Abraham (R-Mich.). It would sanction China for alleged human rights and arms proliferation violations. And, a “sense of the Senate” resolution was introduced by Russell Feingold (D-Wisc.) and Helms on Sept. 25, calling on President Clinton to refuse to host Jiang Zemin, unless China agrees to immediately release political prisoners.

Clinton rejects Brits on greenhouse cuts

by William Jones

The Clinton administration has been under heavy fire from the European countries, led by Her Majesty's own Tony Blair, to drastically reduce U.S. energy consumption under the pretext of reducing alleged "greenhouse gases" that supposedly cause global warming. The British want the United States to agree to a commitment by the industrial countries at the upcoming Environmental Summit in December in Kyoto, Japan, to a 15% cut—a measure that would cause a serious economic disruption if it were ever attempted by any nation.

On Oct. 6, under pressure from the environmentalist, Al Gore wing of the Democratic Party, the White House organized a one-day conference on "climate change," chaired initially by the President, and then, in the afternoon, by the vice president. While no one at the conference dared question the validity of the fraudulent data presented by the perpetrators of the greenhouse hoax, the message was clearly sent that what the Europeans were demanding, is unacceptable to the United States. Although President Clinton hasn't made public the U.S. proposal for Kyoto, it is clear that it will be far less drastic than the European demands, which are considered, according to one Clinton adviser, "too radical."

"We must embrace solutions that will allow us to continue to grow our economy as we honor our global responsibilities and our responsibilities to our children," President Clinton told conference participants. Later in the discussion, the President returned to the subject. "If you choose an ambitious target, where the requirement to reach the target is almost exclusively on the front end—that is, if you have to raise the price to the consumer or the business involved—if it happens too quickly, you're going to do economic damage on the one hand, and, on the other hand, there is no way in the world this Senate will ratify our participation in Kyoto. . . . It will be a grand gesture . . . but it won't happen."

This was reiterated later in the afternoon by Secretary of State Madeleine Albright, who chaired one of the panels. Any reductions "must allow us to adjust without losing our competitive edge," Albright said. "It does no good to pay lip-service to unreachable targets."

U.S. industry has also taken the lead in an ad campaign warning consumers of the disastrous effects of massive cutbacks in energy consumption, the costs of which would ultimately be paid by the consumer. The American Farm Bureau also issued a statement on Oct. 8, warning that the Climate Change Treaty had the potential to cause "an economic down-

turn in the agricultural sector that would parallel . . . the mid-1980s."

The pressure of the environmentalist lobby and the Office of the Vice President succeeded, however, in getting the President to hold a meeting with weather forecasters, to get them to mobilize public interest in the "greenhouse" issue. But, as President Clinton humorously admitted at the conference, the debate has divided even his closest advisers. The White House has indicated that it will make a somewhat more moderate proposal at Kyoto for bringing down U.S. levels of carbon dioxide emissions to below those which existed in 1990, some time in the near future. The 1990 levels had been set as a target at the 1992 Rio Earth Summit and follow-up climate conferences. It seems, however, that the "economists" have won the battle over the "ecologists" in the vice president's office and in the Environmental Protection Agency. A recent *Wall Street Journal* report identified the center of opposition to the radical cuts, in the economics team around Treasury Secretary Robert Rubin.

While lauding the President for holding the White House conference, the environmentalist lobby is clearly not happy with the way things are shaping up. At a press conference at Georgetown University, Carl Pope, executive director of the Sierra Club, commented, "If the President acts, the country and the world will listen. But that's not the message the President is getting from his advisers."

'Perverse incentives'

Even the moderate proposals being mooted by the White House have been meeting tough opposition—and not only from industry. AFL-CIO President John Sweeney, speaking at the afternoon panel of the White House conference, warned against creating "perverse incentives" that would encourage industries to flee to other countries to avoid being saddled with added costs in the United States imposed for environmentalist reasons. Sweeney also stressed that there was "nothing magic about the 1990 levels" of CO₂ emissions, and that the United States should not be "locked into" any commitments that might cause economic damage.

The U.S. decision was not the only blow dealt the environmentalist lobby. On the same day as the White House conference, the Japanese government announced that it will seek a 5% reduction in greenhouse gas emissions by industrial countries, and that it will not try to include developing nations in a treaty aimed at making the cutbacks compulsory. This could send the entire Kyoto conference into political limbo, because the U.S. Senate last summer had already passed a resolution in which it indicated that it would not ratify a Global Warming Treaty in its present form, and that such a treaty must include cuts by developing sector countries with their heavy reliance on coal and similar technologies. Under present economic conditions, few developing countries are prepared to triage their own economic growth potential for the sake of some bogus "greenhouse effect."

Reno clears President on Chinagate, for now

by Edward Spannaus

On Oct. 3, Attorney General Janet Reno released an astounding document, which was ignored by most of the news media—except in their attacking it. This was a letter to Rep. Henry Hyde (R-Ill.), chairman of the House Judiciary Committee, written in response to a Sept. 4 letter from the Republican members of the committee, which requested (as the majority of the committee may do under the Independent Counsel law) that the Attorney General apply for the appointment of an independent counsel to investigate the 1996 Presidential campaign.

Reno's letter was clearly not the response the Republicans wanted. By forcing the issue, what the Judiciary Committee Republicans got, was a detailed and thorough refutation of the most serious charges which have been levelled by the news media against President Clinton in the course of the campaign fundraising controversy—in what is sometimes called “donorgate” or “Chinagate.”

The Attorney General wrote that her response was based upon consideration of “all the information known to me as a result of the Department of Justice's ongoing investigation into campaign finance allegations.” She added: “I have not confined myself to the facts set out in your letter, which are apparently drawn in substantial part from press accounts, and which in some cases are inaccurate or incomplete.”

Reno noted that she has preliminary investigations already under way with respect to former Energy Secretary Hazel O'Leary, and also for one allegation regarding Vice President Al Gore—that of telephone solicitation from his White House office. A 30-day initial inquiry is also under way with regard to President Clinton's phone calls.

Reno rejected all the other broad allegations raised by the Judiciary Committee Republicans, as follows:

1. Bribery of the President. Reno said there is no evidence whatsoever to indicate that Clinton demanded or received donations in return for any official action; this included allegations regarding Johnny Chung, Charlie Trie, the Lippo companies, and so on.

2. Unlawful use of government facilities by the President. This concerned White House coffees and overnight stays in the Lincoln Bedroom. Reno said that there was no violation of any law found so far, and she added that the White House is the President's personal residence, provided to him for his “private use” during his term in office.

3. Tax violations by the vice president. This involved what

is generally regarded as the most serious allegation against Gore, involving the Hsi Lai Temple in California. Reno said that the task force has been thoroughly investigating that event, and has found no information that Gore violated tax laws around it.

4. Extortion of campaign contributions by the vice president. Reno said that the press accounts cited by the Judiciary Committee letter do not suggest a violation of law.

5. Federal Election Campaign Act (FECA) violations by the President and vice president. This complaint pertained to illegal foreign contributions and illegal conduiting of contributions. Reno said: “While the task force is closely scrutinizing allegations of illegal fundraising, it has to date uncovered no evidence indicating that either the President or vice president engaged in conduct constituting a criminal violation of FECA.”

Media and GOP respond

The reactions came in a number of forms, including renewed calls for Reno's resignation or impeachment, plus an effort to pump up a new “Watergate” scandal: the matter of the White House's belated discovery of fragmentary videotapes of White House “coffees” attended by Democratic Party contributors and Clinton supporters.

The first response came the same day that Reno released the letter to the Judiciary Committee, in the form of a lengthy “analysis” of the failures of the DOJ task force, in the Oct. 3 *Washington Post*. The article was based on anonymous complaints from Justice Department and FBI officials, who griped that the task force investigation of Clinton and the White House was proceeding much too cautiously and slowly. The *Post* emphasized that the FBI wanted to go right to the top, to the President and vice president, and that DOJ bureaucrats were supposedly holding them back, insisting that the probe proceed under a methodical, “bottom up” strategy.

While Reno's letter got scant coverage, the *Post* article drew widespread praise from papers such as the *Washington Times* and the *Wall Street Journal*, which normally pretend that the *Post* is a “liberal” paper defending the President. The truth is, as any honest observer of the Washington scene knows, that the *Washington Post* and its leading investigative reporter, Bob Woodward, view themselves as the real “task force” leading the witch-hunt against Clinton and the White House.

Reno's Oct. 3 letter is obviously not the last word: She left the door open to reconsider her decision, if warranted by “future developments.” Reno also reemphasized this in her Oct. 9 press briefing, after having been subjected to five days of attacks and criticisms from the news media and Republicans.

Given Reno's past performance, there is certainly no reason to think that she cannot easily be swayed, at any moment, in whatever direction the permanent bureaucracy in the Justice Department wishes her to go.

One contested election resolved, and one to go

On Oct. 1, the Senate Rules Committee voted unanimously to end its investigation of Mary Landrieu's (D) 5,788-vote victory over Woody Jenkins (R) in the 1996 election for the U.S. Senate seat from Louisiana. Committee Chairman John Warner (R-Va.) said in a statement to the committee that in a contested election, the "evidence must indicate that further investigation is likely to result" in a conclusion that the outcome was the result of fraud or irregularities, but the facts submitted by Jenkins "do not meet that level of proof."

Warner reported that the committee did find irregularities in the Louisiana election process, but said that "there is insufficient evidence in the aggregate to indicate further investigation would result in the degree of evidence necessary to overcome [Jenkins's] burden."

Meanwhile, the battle in the House over California's 46th district has become more acrimonious. On Sept. 30, the House voted 219-203 along straight party lines to approve a resolution demanding that the U.S. Attorney for the Central District of California seek criminal charges against an Orange County Hispanic organization for failing to comply with subpoenas issued by former Rep. Bob Dornan (R-Calif.), who is contesting his 1996 defeat by Loretta Sanchez (D-Calif.).

Democrats, especially those in the Hispanic Caucus, have been denouncing the GOP for running a witch-hunt against Hispanic voters in general, and against Sanchez in particular. Bob Menendez (D-N.J.) condemned the granting of subpoena power to Dornan, accusing him of abusing it, and attacked the notion that Congress should tell U.S. Attorneys what cases they should prosecute.

Vern Ehlers (R-Mich.), a member of the task force conducting the investigation, ridiculed the idea that Sanchez was being singled out. He pointed out that any loser in an election can contest the results. "The House has no control over which elections are contested," he said, adding that in this particular case, "the person who filed the contest is not someone who would take advice from the House, the [House Oversight] committee, or anyone else."

However, Dornan's outrageous behavior is making many Republicans nervous. The House voted 289-65 on Sept. 18 to ban Dornan from the House floor. Floor access is a privilege normally granted to former members.

District school vouchers subject of Senate debate

On Sept. 30, the Senate took up a controversial amendment to the District of Columbia Appropriations bill, sponsored by Dan Coats (R-Ind.), that would make available school vouchers to 2,000 (out of 87,000) D.C. public school students to attend private schools of their choice. Coats admitted that the long-term solution is "to find ways to strengthen the public school system," because of the limited availability of private schools. However, he claimed that his amendment "offers an opportunity to provide that impetus, that spur, to help move along the necessary reforms in the D.C. public school system."

Edward Kennedy (D-Mass.) denounced Coats's amendment. "Students in the District of Columbia deserve good public schools, safe public schools, well-trained teachers, and a decent education," Kennedy said. "Vouchers will undermine all of these essential goals by undermining the

public schools, not helping them." Kennedy argued that "public funds should be used for public school reforms that help all students, not to pay for a few public school students to attend private and religious schools." Vouchers will encourage families to "abandon" public schools rather than improve them, he said.

Kennedy charged that the GOP is "attempting to make D.C. public schools a guinea pig for an ideological experiment in education that voters in the District of Columbia have soundly rejected, and that voters across the country have soundly rejected, too." He declared that Washington, D.C. "is not a slave plantation," and that the GOP "should start treating the people of the District of Columbia with the respect that they deserve."

As of Oct. 7, the Democrats were leading a filibuster against Coats's amendment. One cloture vote to cut off debate had already failed, and no agreement had yet been reached on a second.

Census sampling funds rejected by House

On Sept. 30, the House debated an amendment to the Commerce, Justice, State and the Judiciary Appropriations bill that would have made available \$381.8 million to the Census Bureau to plan and run tests with the sampling methods it plans to use for the year 2000 census. Alan Mollohan (D-W.V.), who sponsored the amendment with Chris Shays (R-Conn.), said he was seeking to replace prohibitions placed in the original bill with language similar to the Senate bill, "which lets the Census Bureau test scientific sampling methods so long as they are not irreversible." He cited the

gross inaccuracies in the 1990 census, and argued that sampling techniques are needed to ensure that the next census is more accurate.

Mollohan got to the political crux of the matter, saying that the most important reason, after the technical issues of sampling, for GOP opposition to its use, is "the fear that using sampling will affect the political makeup of the House of Representatives." He accused Republicans of withholding funding from the Census Bureau because they are "afraid they will lose seats in the Congress." He reminded the House that "the purpose of the census is to count the people of our nation, not to ensure that any political party controls the Congress. We should strive towards accuracy and let the political chips fall where they may."

Republicans prevailed, and Mollohan's amendment was defeated by a vote of 229-197. However, if the language in the House bill survives conference committee, it may face a veto, because the Clinton administration strongly favors the use of sampling methods.

Senate debates campaign finance 'reform'

The Senate continued debate on the McCain-Feingold campaign finance reform bill on Sept. 29, and again on Oct. 6. On Sept. 29, Majority Leader Trent Lott (R-Miss.) introduced an amendment to the bill to prohibit the use of funds collected from employees and stockholders for political purposes. In fact, he introduced it eight consecutive times, each time as an amendment to the previous one, in a parliamentary procedure known as "filling up the amendment tree," in order, as he explained, "to ensure that

opponents cannot gut it by offering yet another amendment."

Lott denied that his amendment was a "poison pill" meant to sink the bill, which all but a few Republicans oppose, calling it "fundamental to fairness in the campaign process." He also denied that his amendment was targeted at labor unions, but is "as a matter of fact, directed at both unions and corporations as well."

Minority Leader Tom Daschle (D-S.D.) complained that Lott, in "filling up the tree," "has precluded our opportunity to offer amendments, to have a constructive and real debate." He complained that the result of Lott's handling of the bill was that "all we have done so far is debated the overall concept of campaign reform without having had opportunity to talk about the details and whether or not there may be ways in which to improve it or deal with it in whatever legislative capacity we may choose."

A cloture vote on the bill is expected on Oct. 8. If the vote fails and the bill is pulled from the floor, Daschle has promised that Democrats will offer it as an amendment to any piece of legislation that comes to the floor subsequently.

FBI's problems stem from 'cultural disease'

Charles Grassley (R-Iowa), chairman of the Senate Judiciary Committee Administrative Oversight subcommittee, charged at a subcommittee hearing on Sept. 29 that the problems at the FBI crime laboratory "exist and flourish because of a cultural disease within the FBI. That culture is preserved by FBI management, both within the lab and higher up." The hearing was looking further into the scandal at the FBI crime lab and what measures the De-

partment of Justice and the FBI are taking to correct the problems there.

In his opening statement, Grassley complained about the FBI's lack of cooperation with his subcommittee in providing witnesses and documents, causing the hearing to be postponed twice. He scored FBI Director Louis Freeh, who testified on June 5 that "We [the FBI] are potentially the most dangerous agency in the world if we are not scrutinized carefully," for not making his actions meet his words.

The lead witness, Rep. Bob Wexler (D-Fla.), told the subcommittee that he had been "an unabashed fan of the FBI" until the House Crime subcommittee held its first hearing on the problems at the lab on May 13. Wexler summarized a number of specific cases of malfeasance by the lab, including the case of former Florida Federal judge Alcee Hastings (D), now a member of the House, who was impeached by the House and removed from the bench on the basis of tainted evidence provided by the lab. Wexler reported that one of his discoveries, was that changes to evidence "always favored the prosecution."

Sen. Richard Durbin (D-Ill.) suggested that "it sounds as if some of these lab technicians were attempting to improve their own standing within the lab and to curry favor within the department by coming up with evidence that would support the prosecution's case." He asked Wexler if he had any evidence that prosecuting attorneys were complicit in using falsified lab evidence. "I wouldn't go so far as to say I know of any evidence where prosecutors were a part of a scheme to submit false evidence," Wexler said. But, he added, "the FBI crime labs I think in some instances have become an arm of the advocacy [prosecution] in this process and that's a terrible problem."

National News

Ayn Rand revivalists congregate in Washington

Some 500 devotees of the Mother of All Libertarians, Ayn Rand, gathered at a Washington, D.C. hotel over Oct. 4-5 to commemorate the 40th anniversary of her most famous novel, *Atlas Shrugged*. Not surprisingly, the event was sponsored by her Institute for Objectivist Studies, and the Cato Institute, the libertarian Conservative Revolution think tank. The high point of the event occurred when a former Mr. Universe, scantily costumed as Atlas bearing the world on his shoulders, strode to stage-center, lifted the globe, and shrugged. A fireworks display was centered around a glittering dollar-sign. The commemoration was keynoted by Nathaniel Branden, a young disciple who became Rand's lover for 25 years: Rand dedicated *Atlas Shrugged* to both Branden and her husband Frank O'Connor.

In 1957, as the result of a very harsh review, Rand never wrote another book; however, her philosophy of "rational selfishness," a 20th-century rehashing of Bernard Mandeville's theory of "Private Vices, Public Virtues," is a cornerstone today's Conservative Revolution. Few commentators missed the irony that the Rand revival took place at the same time as the Promise Keepers (whose philosophy might be called the flip side of Mandeville's, i.e., if you're privately virtuous, you can be publicly vicious) held their Nuremberg rally nearby on the Washington Mall.

Strike barely averted in Los Angeles County

Forty thousand Los Angeles County workers, organized by Service Employees International Union Local 660, threatened a county-wide strike at midnight, Oct. 1, over what the union called issues of "economic justice." The strike, which has been called off pending completion of bargaining with all units, could have crippled the operations of the nation's largest county government.

Many of Local 660's members have gone without a raise for five years, and the county initially offered increases of from one to 1.5% in each of three years, which the union called "insulting." The union is also asking for \$10 million for retraining services, to deal with privatization and workfare programs that have devastated employment in the union.

As of Oct. 7, twelve of the union's 17 bargaining units had reached tentative agreement. With the threat of the strike and growing public support for a fight against austerity, the county has found the money to offer a 10% across-the-board raise over three years.

Steve Weingarten, communications director for SEIU 660, interviewed by weekly newspaper *New Federalist* on Oct. 3, likened the situation to the Teamsters' victory against United Parcel Service. "We think the Teamsters also touched a very common concern, that the public has about our lives being in constant threat of being downsized to part-time status, even when companies are profitable. In our case, we're not a private company, but we feel the public agrees, that if you work, you should be decently paid."

France protects greenie killer Ira Einhorn

Ira Einhorn, one of the founders of "Earth Day," the bedrock of the environmentalist movement 27 years ago, was finally apprehended in France last month for the murder of his lover Holly Maddux. Einhorn was arrested for the mid-1970s killing, after his Philadelphia neighbors complained of a foul smell coming from his apartment: Police found Maddux's shellacked body stuffed into a closet, where it had decomposed. Einhorn jumped bail before the trial, and, when arrested, was going under the name of Eugene Mallon.

According to a *Time* magazine feature, Einhorn had high-level protection: His trial lawyer was Pennsylvania attorney—now Republican U.S. Senator—Arlen Specter, and one of his leading patrons was Barbara Bronfman. France, which is otherwise embroiled in the cover-up of Prince Diana's

murder, is, so far, stonewalling on extraditing him to the United States, and a final determination will be made on Nov. 4. In 1993, Einhorn was convicted *in absentia* by a Philadelphia jury, and sentenced to life imprisonment. However, his French attorney, Mr. Tricaud, a specialist in fighting extradition, told judges at a Sept. 2 hearing in Bordeaux, that Einhorn could be "put to death with no chance to defend himself." Tricaud then described the case to *Time* as an opportunity to "give the United States a lesson in human rights."

Toronto students protest plans to honor Bush

The recent decision by Canada's University of Toronto to offer former President George Bush an honorary degree has triggered furious protests. As the student-run Ontario Public Interest Research Group (OPIRG) put it in a letter to the campus paper *Varsity*, on Sept. 29, honoring Bush would be a disgrace because of his role in the "corrupt Iran-Contra affair and the bloodshed of the Gulf War."

Varsity's coverage notes that Bush "is the senior adviser of Barrick Gold's international advisory board," that Barrick's executive officer is the chair of the University of Toronto Foundation, and that Joseph Rotman, who just recently donated \$15 million to the university, is "also a member of Barrick Gold."

Trent Lott ran telecomm giveaway for WorldCom

EIR investigation into huge purchase of MCI communications giant by its smaller "rival" WorldCom, show that Senate Majority Leader Trent Lott (R-Miss.) crafted last year's telecommunications deregulation act to give a boost to the Mississippi-based WorldCom. According to the Feb. 17, 1996 issue of *Congressional Quarterly Weekly*, Lott made certain that the new law's restrictions on long-distance companies entering the newly deregulated local phone market did not apply to WorldCom, Inc. (formerly

‘REVOLUTION — The Journal of Nurse Empowerment” ran a four-page feature in its Fall 1997 issue reprinting *EIR*’s exposé of the managed-care giant Columbia/HCA and Prudential Insurance. Titled “Criminal Investigators Probe Managed-Care Giant Columbia/HCA,” the feature credits *EIR* authors Paul Gallagher and Marcia Merry Baker.

U.S. EXECUTIONS have reached a 40-year high this year, with 57 people executed in the first nine months of this year. The Oct. 1 execution in Texas of Dwight Adanandus brought the nationwide yearly total to its highest level since 1957, when 65 people were executed. This year’s total is expected to surpass that, since the appeals process is being effectively emasculated by “streamlining.”

GEN. BARRY MCCAFFREY, the White House drug policy adviser, called for changes in mandatory minimum sentencing to reduce the gap between the lighter sentence for possession of powdered cocaine and the more severe one for crack; and for the elimination of mandatory sentences for first-time crack possession cases, noting that the majority of Americans associate cocaine use with African-Americans, yet only 15% of the current drug users in the United States are black.

GEORGE BUSH is quoted in a forthcoming book *George Bush: The Life of a Lone Star Yankee*, as writing in his personal diary after announcing Dan Quayle as his running mate: “It was my decision,” Bush wrote, “and I blew it, but I’m not about to say that I blew it.”

CHILD SOCIAL WORKERS in Los Angeles County struck from Sept. 30-Oct. 6. Almost half the county’s 1,552 field-level workers have more cases than permitted by their most recent contract, a figure which, itself, is 25% higher than the generally accepted optimum workload. Social workers are reduced to making “drive-by home calls” for children who are victims of abuse.

LDDS Communications), the fourth-largest long-distance carrier. As enacted, the bill restricts only the industry’s three big carriers, AT&T, MCI, and Sprint, from offering local service for several years. “In order to be viable, [WorldCom] needed that provision in there,” explained Lott. WorldCom executives are major contributors to his political action committee, the New Republican Majority Committee.

The *National Journal* last December pointed out that, in February 1996, “telecommunications mogul John W. Kluge, the chairman of LDDS WorldCom . . . donated his Manhattan apartment . . . to Lott’s PAC for a fundraiser that pulled in roughly \$100,000.” The New Republican Majority Fund received \$5,000 from Kluge and \$6,000 from WorldCom’s PAC.

‘American Spectator’ has conspiracy problems

The October issue of the *American Spectator*, whose lackluster circulation exploded after it spearheaded the British-instigated scurrilous attacks against President Clinton, devoted its Capitol Ideas column, by Tom Bethell, to a mélange of alternatively scolding “conspiracy theories and theorizing,” and wholeheartedly endorsing them. In the midst of this mishmash, Bethell includes a strange reference to Lyndon LaRouche, who attacked the *American Spectator* in 1993-94 for its prominent role in Britain’s assault on the U.S. Presidency.

Wrote Bethell: “Those who hide in the woods wearing army fatigues, perhaps planning a raid on a military base for weapons, imagine there’s a black-helicopter conspiracy to take over the U.S. They engage in small plots while imputing large ones to others. One is reminded of the LaRouche organization, which perceives a Queen of England-led conspiracy that is at least a great deal more imaginative than the rather dubious \$290,000 mail fraud conspiracy of which the top aides of Lyndon LaRouche were convicted (and for which, years later, half a dozen of them are still in jail, with sentences exceeding 30 years — where is the ACLU when we need it?).”

Bethell then references two new books that are fruits of the Clintongate conspiracy mania: *The Strange Death of Vincent Foster*, book by Christopher Ruddy, a paid pen for Richard Mellon Scaife; and one forthcoming “along the same lines” by Ambrose Evans-Pritchard, who, as Washington correspondent for the London *Sunday Telegraph* was the godfather of Paula Jones’s sexual harassment suit against Clinton. Bethell confessed, “I will read their accounts with interest.”

Virginia Dems: Gilmore tied to Pat Robertson

The Virginia gubernatorial campaign of Democratic Lt. Gov. Don Beyer launched a TV advertisement attacking his Republican opponent Jim Gilmore (who just resigned as Attorney General) as a political frontman for the Christian Coalition’s Pat Robertson. Virginia and New Jersey, whose gubernatorial races four years ago elected Conservative Revolution “poster children” George Allen and Christie Todd Whitman, may be bellwethers of how Republicans will fare in next year’s Congressional races.

On Oct. 1, Beyer held a press conference in Arlington along with Democratic attorney general candidate Bill Dolan, where Beyer stressed that that Gilmore’s only prominent endorsement was from Pat Robertson. Beyer’s campaign statement noted that “Robertson—a \$100,000 contributor to Gilmore—and his group have come under increasing scrutiny for conducting behind-the-scenes political recruiting and organizing while operating as a tax-exempt organization that under law cannot be engaged in political activity.”

Dolan accused his opponent, State Sen. Mark Earley (R), of having gotten a huge tax break for Robertson, by introducing a bill in the 1994 General Assembly that would have exempted Robertson’s proposed retirement community, Founders Village, Inc., from taxes of about \$825,000 a year. Earley’s 1994 re-election campaign received \$35,000 from Robertson. Although Earley’s bill died in committee, Dolan pointed out, “had Mark Earley been attorney general, Pat Robertson probably would have gotten his tax break.”

Editorial

'Global warming' is a British hoax

The British oligarchy, in its determination to destroy all sovereign nation-states, but particularly the United States, is blowing the trumpet about "global warming." When British Prime Minister "Tinny" Blair was in America in June, he led the French and Germans in savage attacks against the United States and its President on this totally unscientific issue. The London *Times* headlined its coverage, "Summit Clash between the Europeans and the United States," over the environment. The Queen's foreign secretary, Robin Cook, all but admitted that the "global warming" hoax was directed, first and foremost, against the United States. According to the London *Daily Telegraph*, Cook said in Denver, "At the moment, the biggest single problem is that the American public has not yet grasped, that if it continues with its present lifestyle, then it is going to make it impossible for its children or grandchildren to enjoy the kind of environment, and therefore the kind of lifestyle, that the Americans have today."

Blair went on from the Denver summit, to the United Nations Earth Summit II in New York City, to continue his campaign against the United States. Now he is gearing up that campaign to a new pitch of fervor, in preparation for the Kyoto, Japan, UN Climate Control Convention, in December of this year.

Blair is a front-man for Britain's Prince Philip—the man who believes that he is a great ape, but would rather be a deadly virus. The piggy-bank of the world environmentalist movement is the 1001 Club, led by Prince Philip and former SS officer Prince Bernhard of the Netherlands. As we have shown, the world environmentalist movement is nothing but a refurbishing of the British-sponsored world eugenics movement, which gave Adolf Hitler his race-purification policies, through Houston Stuart Chamberlain and others.

As we have shown, the goal of those who created the "global warming" hoax, was Bertrand Russell's professed goal: the reduction of human population, especially that of darker-skinned humans, "by means which are disgusting, even if they are necessary." And as we have also demonstrated, it is these oligarchs and envi-

ronmentalists who ordered the genocide of hundreds of thousands of Hutus and others, in the Great Lakes region of Africa.

The Oct. 6 White House Conference on Climate Change showed that President Clinton, and many of those around him, do not wish to knuckle under to Tinny Blair and Prince Philip. A recent *Wall Street Journal* report, coinciding with some of *EIR's* own information, identifies the center of opposition to radical environmentalism around Clinton, with the economics team led by Treasury Secretary Robert Rubin. The support for Blairism within the administration, comes from Vice President Al Gore and those around him, including his two former aides, Environmental Protection Agency head Carol Browner and Presidential environmental adviser Kathleen McGinty, as well as from Tim Wirth at the State Department and Interior Secretary Bruce Babbitt.

But President Clinton has been bulldozed into giving the environmentalists a lot of attention, and has made important concessions to them. He has been lied to, told that there is no scientific dispute over global warming—that all scientists agree on it. But he says that the United States will bring its own draft to Kyoto. Administration spokesmen say merely that the draft treaty from the European Union is too extreme; that, yes, we must do something, but it must be realistic and meaningful; that it would be wrong to pay lip-service to exaggerated targets for "greenhouse gas" emission reduction, which would damage the economy.

This is no time for wishy-washiness and pragmatism. As LaRouche warned on Oct. 7, "The authority of sovereign nation-states to regulate their own internal affairs, and their foreign relations, is being destroyed by supranational institutions. Now, what do you call a state which exists under the supervision and control of its foreign and domestic policy by some supranational agency? That is called a *colony*, a satrapy, a victim of world empire." LaRouche needs your support now, to prevent President Clinton from bowing to the British empire's new "global warming" agreements.

SEE LAROUCHE ON CABLE TV

All programs are *The LaRouche Connection* unless otherwise noted. (*) Call station for times.

ALASKA

- ANCHORAGE—ACTV Ch. 40
Thursdays—10 p.m.

ARIZONA

- PHOENIX—Dimension Ch. 22
Saturdays—8 p.m.

CALIFORNIA

- CONCORD—Ch. 25
Thursdays—9:30 p.m.
- GARDEN GROVE—Ch. 3
Mondays—11 a.m. & 4 p.m.
- MARIIN COUNTY—Ch. 31
Tuesdays—5 p.m.
- LANCASTER—Ch. 29
Sundays—9 p.m.
- MODESTO—Access Ch. 5
Mondays—2:30 p.m.
- SACRAMENTO—Ch. 18
2nd & 4th Weds.—10 p.m.
- SAN FRANCISCO—Ch. 53
2nd & 4th Tues.—5 p.m.
- SANTA ANA—Ch. 53
Tuesdays—6:30 p.m.

COLORADO

- DENVER—DCTV Ch. 57
Saturdays—1 p.m.

CONNECTICUT

- BRANFORD—TCI Ch. 21
Wednesdays—11 p.m.
Thursdays—2 p.m.
- NEWTOWN/NEW MILFORD
Charter—Ch. 21
Thursdays—9:30 p.m.

DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
Sundays—12 Noon

ILLINOIS

- CHICAGO—CAN Ch. 21
Sun., Oct. 19—7 p.m.
Mon., Oct. 20—10 p.m.
Mon., Oct. 27—10 p.m.
- SPRINGFIELD—Ch. 4
Wednesdays—5:30 p.m.

INDIANA

- SOUTH BEND—Ch. 31
Thursdays—10 p.m.

KANSAS

- SALINA—CATV Ch. 6*

LOUISIANA

- NEW ORLEANS—Cox Ch. 78
Wednesdays—11 p.m.

MARYLAND

- ANNE ARUNDEL—Ch. 20
Fri. & Sat.—10 p.m.
- BALTIMORE—BCAC Ch. 42
Wednesdays—8 p.m.
- BALTIMORE COUNTY—Ch. 2
2nd Tues., monthly—9 p.m.
- MONTGOMERY—MCTV Ch. 49
Fridays—7 p.m.
- P.G. COUNTY—Ch. 15
Thursdays—9:30 p.m.
- W. HOWARD COUNTY—Ch. 6
Daily—10:30 a.m. & 4:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MICHIGAN

- TRENTON—TCI Ch. 44
Wednesdays—2:30 p.m.

MINNESOTA

- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Mondays—8 p.m.
- ST. PAUL (NE Suburbs)
Suburban Community—Ch. 15
Wednesdays—12 Midnight

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEVADA

- RENO/SPARKS
Continental—Ch. 30
TCI—Ch. 16
Wednesdays—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Saturdays—4 a.m.

NEW YORK

- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1/99
Wednesdays—9 p.m.

- BROOKLYN—BCAT
Cablevision—Ch. 67 & 68
T-W B/Q—Ch. 34 & 35
Fridays—12 Midnight
- BUFFALO—BCAM Ch. 18
Saturdays—12 Noon
- HUDSON VALLEY—Ch. 6
2nd Sun. monthly—1:30 p.m.
- ILION—T/W Ch. 10
Thursdays—10 a.m.
- ITHACA—Pegasys—Ch. 57
Mon. & Weds.—8:05 p.m.
Saturdays—4:35 p.m.
- JOHNSTOWN—Empire Ch. 7
Tuesdays—4 p.m.
- MANHATTAN—MNN Ch. 34
Sun., Oct. 19—9 a.m.
Sun., Nov. 2, 16, 30—9 a.m.
Sun., Dec. 14—9 a.m.
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 25
Last Fri., monthly—4 p.m.
- OSSINING—Ch. 19-S
Wednesdays—3 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- RIVERHEAD
Peconic Bay TV—Ch. 27
Thursdays—12 Midnight
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—PA Ch. 27
Wednesdays—5:30 p.m.
- SCHENECTADY—PA Ch. 16
Wednesdays—10 p.m.
- STATEN ISL.—CTV Ch. 24
Wednesdays—11 p.m.
Saturdays—8 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—Adelphia Ch. 3
Fridays—4 p.m.
- SYRACUSE (Suburbs)
Time-Warner Cable—Ch. 12
Saturdays—9 p.m.
- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.
- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.

- YONKERS—Ch. 37
Fridays—4 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

OREGON

- CORVALLIS/ALBANY
Tuesdays—1 p.m.
- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- EL PASO—Paragon Ch. 15
Thursdays—10:30 p.m.
- HOUSTON—Access Houston
Mondays—5 p.m.

UTAH

- GLENWOOD, Etc.—SCAT-TV
Channels 26, 29, 37, 38, 98
Sundays—9 p.m.

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Tue.—12 Midnite; Wed.—12 Noon
- CHESTERFIELD COUNTY—
Comcast—Ch. 6
Tuesdays—5 p.m.
- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 p.m.; Sat.—10 a.m.
- LOUDOUN COUNTY—Ch. 95
Thursdays—10:30 a.m.;
12:30 p.m.; 2:30 p.m.;
4:30 p.m.; 7:30 p.m.; 10:30 p.m.
- PRINCE WILLIAM COUNTY—
Jones Communications—Ch. 3
Saturdays—6 p.m.
- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.
- YORKTOWN—Cox Ch. 38
Mondays—4 p.m.

WASHINGTON

- KING COUNTY—Ch. 29
Wednesdays—11 a.m.
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mondays—12 Noon
Wednesdays—6 pm
Thursdays—8:30 pm

If you would like to get *The LaRouche Connection* on your local cable TV station, please call Charles Notley at 703-777-9451, Ext. 322.
For more information, visit our Internet HomePage at <http://www.axsamer.org/larouche>

Executive Intelligence Review

U.S., Canada and Mexico only

1 year	\$396
6 months	\$225
3 months	\$125

Foreign Rates

1 year	\$490
6 months	\$265
3 months	\$145

I would like to subscribe to
Executive Intelligence Review for

1 year 6 months 3 months

I enclose \$_____ check or money order

Please charge my MasterCard Visa

Card No. _____ Exp. date _____

Signature _____

Name _____

Company _____

Phone () _____

Address _____

City _____ State _____ Zip _____

Make checks payable to EIR News Service Inc.,
P.O. Box 17390, Washington, D.C. 20041-0390.

FIDELIO

Journal of Poetry, Science, and Statecraft

Publisher of LaRouche's major theoretical writings

Feature articles in the Fall 1997 issue:

The Deconstructionist Assault on China's Cultural Optimism

by Michael O. Billington

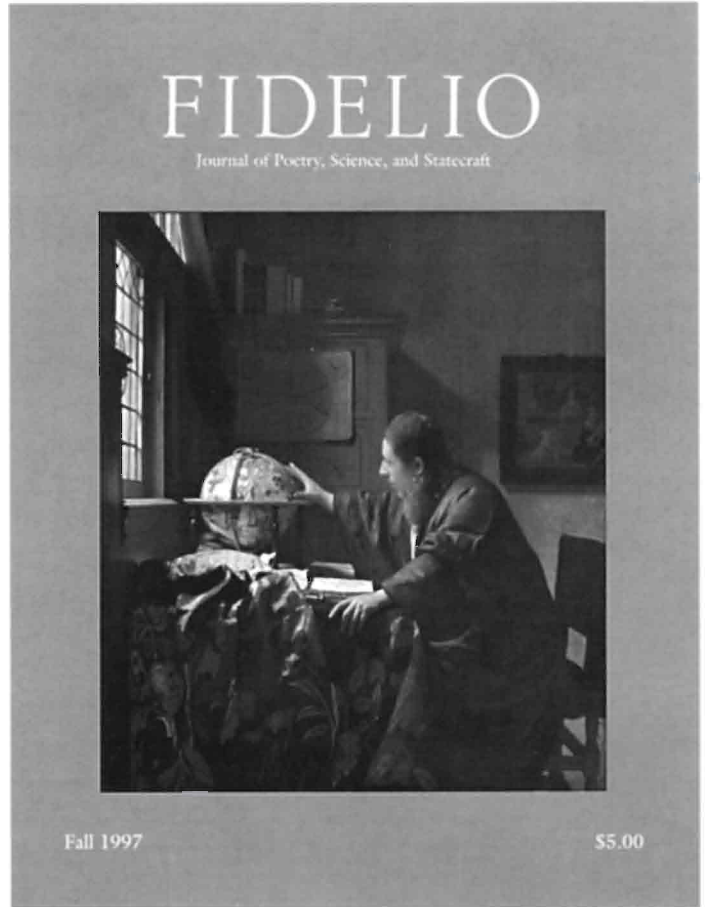
The most profound expression of China's current optimistic outlook is its promotion of the Great Eurasian Land-Bridge—the multiple, high-speed rail corridors connecting Europe and Asia, through Russia, Central Asia, and South Asia, extending into the Middle East and Africa. Beside facilitating trade, the Land-Bridge development corridors will serve to bring modern technology and industry to the vast, undeveloped and underpopulated areas of central Eurasia.

Spaceless-Timeless Boundaries In Leibniz

by Lyndon H. LaRouche, Jr.

John Dryden's Attack on Shakespeare: The Origin of 'Sing-Song' Recitation in English Poetry

by Paul Gallagher



Sign me up for **FIDELIO** \$20 for 4 issues

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

TEL (day) _____ (eve) _____

Make checks or money orders payable to:

Schiller Institute, Inc.

Dept. E P.O. Box 20244 Washington, D.C. 20041-0244