

EIR

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From the Associate Editor

Unbelievable though it may seem, the international banking oligarchy is forging ahead with the policy that Lyndon LaRouche identified in last week's issue of *EIR*: Weimar-style hyperinflation. As we go to press, the International Monetary Fund's so-called bailout package for South Korea has already become unglued, as commentators note that a sum at least double the promised \$57 billion, is required to avert a national bankruptcy. The Korean currency is plummeting, while financial commentators debate how to construct a "fire wall," to protect the rest of the world financial system from the effects of the Korean crisis.

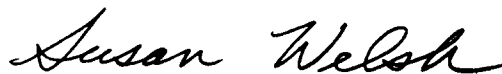
It won't work. In fact, as LaRouche underlined, every attempt to solve the situation by cranking up the monetary printing presses, will only make things worse—just as it did in Weimar Germany.

In this week's issue, LaRouche addresses the question of how we were brought to such a point of crisis (see *Strategic Studies*). The *Titanic* sank, he writes, not because of any flaw in the ship's construction, but because the owners, the captain, and the public foolishly insisted that it was unsinkable. It was their own perverse assumptions, that defined the tragic sequence of decisions leading toward doom. So, today, the issue is whether the leaders of the world's nations, and particularly the President of the United States, can be induced to abandon their false axiomatic beliefs, and change the direction in which the ship of state is headed.

LaRouche and associates examine the case of the late British publicist H.G. Wells, whose pervasive influence on today's Baby Boomers is a great obstacle standing in the way of the kind of psychological transformation that is urgently needed.

Among the other highlights of this issue, is our story on the murder of Princess Diana, featuring exclusive photos from surveillance near the Ritz Hotel before her death. The *Investigation* package also presents a dossier on the British monarchy's deployment of Tiny Rowland, including, at the present time, against Mohamed Al Fayed.

The war against the British oligarchy has taken a dramatic new turn, with Egyptian President Hosni Mubarak's increasingly forthright charge that Britain is harboring terrorists. See *International* for a full report.



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This photo was taken by a closed-circuit television cameras near the Ritz Hotel in Paris, on Aug. 30, 1997, shortly before Princess Diana was murdered.

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Correction: In last week's *Australia Dossier*, an error was made in editing, where Sen. Bill Heffernan's name was misspelled "Hernan."

In last week's *Political Economy* feature, "LaRouches Face Off Against British in Nigeria," on p. 19, we mistakenly reported that official unemployment in Nigeria has dropped to 12%. It should have read "dropped by 12%."

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Asian financial meltdown puts LaRouche center stage

by Marcia Merry Baker

In the Dec. 9 issue of *China Daily*, the official English-language newspaper of China, an article headlined, “Asia Draws Lessons from Financial Crisis,” covers the forecasting record of economist Lyndon LaRouche, right up front. The opinion column by Wei Jianing, the director of the Financial Research Office, with the Development Center of the State Council, begins, “The recent global financial turmoil that started to devastate Southeast Asia this July has greatly shocked the world. But actually many economists like Lyndon LaRouche already cautioned the world several years ago against the coming of a worldwide financial crisis in the 1990s.”

Along with this kind of acknowledgment of LaRouche’s forecasting track record, which appears in headlines regularly now, outside the United States, LaRouche is being looked to as the “ideas” man-of-the-hour, for how to deal with the world financial crash. In particular, LaRouche is warning against responding to the present financial system breakdown, by allowing the International Monetary Fund’s drive for Weimar-style hyperinflation. Instead, what is required are emergency measures serving national interests — such as currency and capital flow controls, and freezing selected debts — and a multi-nation commitment to forging a new financial system.

December’s breaking events in South Korea and Japan, as well as Russia, Brazil, Argentina, and eastern Europe, are glaring proof that the *entire world financial system* is blowing out, and there is no way to “rescue” any individual bank, country, stock exchange, or currency by any of the IMF-era maneuvers — which, by their nature, helped create the problem in the first place.

After the fall of 20-40% in values of currencies and shares in the Asian “paper tiger” economies (Thailand, Malaysia, Indonesia, Philippines), from July to October, crisis events broke out in Japan and South Korea in November; and as of December, in Russia, Brazil, and many other nations. Michel

Camdessus, managing director of the IMF, has been shuttling from Seoul to Tokyo, to other capitals, demanding conditionalities and announcing “bailouts.”

Where do we stand? The financial crisis is at the global meltdown stage.

On Dec. 3, the IMF announced a \$57 billion bailout for South Korea; this followed on the \$17 billion bailout announced for Thailand in August, and \$12 billion announced for Indonesia in October. Moreover, IMF teams are deployed around the world, dictating conditionalities, even without official bailout packages. These IMF emergency operations (and *nota bene*: In most cases, IMF-promised funds aren’t forthcoming, anyway), have had as much beneficial effect as hosing down a fire with cold gasoline.

Over Dec. 8-12, barely 10 days after the IMF’s South Korea bailout package was announced, the South Korean currency, the won, was crashing by 10% *each day*—the daily trade limit. On Dec. 11, the won collapsed 10% in the first four minutes of trading, and did the same Dec. 12. A 50% collapse in five days!

From Sept. 30 to Dec. 10, the won collapsed 88% in value; and other currencies in the region also dropped steeply during this period, on top of earlier steep declines: Indonesian rupiah (–38.3%), Thai baht (–18.0%), Malaysian ringgit (–14.5%), Taiwan dollar (–13.4%), Indian rupee (–10.3%).

These declines indicate the general blow-out process, where debts, shares, and obligations connected to these countries’ currencies are unpayable, and nation-protecting emergency economic measures need to be imposed. The chain-reaction effects of payments crises are now zinging around the globe. It will be very little time before the Big One — derivatives — begins to blow out full force (see p. 6 for details).

Related to the ricochet effect of the blow-out process, the U.S. Federal Reserve has been pouring money into the

U.S. banking sector. *EIR* has confirmed that during one week, from Dec. 3 to Dec. 10, the Fed pumped \$9.8 billion into the financial system through what it calls “Treasury bills and coupon passes,” in which the Fed purchases and monetizes U.S. Treasury notes and bonds, permanently injecting that amount of funds into the U.S. financial system. This is equivalent to a 2.5% increase in America’s currency in circulation in one week!

So much for South Korea’s ‘bailout’

What does the IMF plan do for South Korea? Kill its economy. Camdessus stated that the three-year “stabilization” program “comprises strengthened fiscal and monetary policies, far-reaching financial sector reforms, and further liberalization of trade and capital flows, as well as improvement in the structure and governance of Korean corporations.” The IMF conditionalities for the \$57 billion bailout include:

- Foreign ownership of stocks in South Korean companies are to be immediately allowed to rise to 50%, up from the current 7% for individuals, and 26% for combined foreign interests. By 1998, foreigners will be allowed to take a controlling 55% stake, and will be allowed to “link up” with South Korean banks through mergers and acquisitions.
- Inflation is to be held to 5%.
- The current account deficit, which was about \$28 billion in 1996, and expected to be \$13 billion this year, is to be reduced to \$5 billion in 1998.
- The financial sector will be “consolidated,” which means shutting down a large number of domestic banks and finance companies.
- Unemployment will rise. The polite name for this is that “economic growth” will be slowed down to 3% a year, from the 8.6% average growth in Gross Domestic Product of the past two decades.
- The domestic market will be opened up for more Japanese and other imports.

Furthermore, the IMF is demanding a hike in interest rates in South Korea, which were already very high. While these measures are intended to draw foreign speculative capital into the country, they are guaranteed to intensify the wave of corporate bankruptcies. The yield on three-year corporate bonds reached 18.85% on Dec. 5, the highest level in five years.

Shutdowns of economic activity are being announced continuously. Already on Dec. 3, Korea’s fourth-largest conglomerate, the Daewoo Group, unveiled a cut-back plan, including massive wage cuts. A few days earlier, the second-largest conglomerate, Samsung Group, announced the reduction of investments by 30% for next year. The Korean Employers Federation estimates that unemployment will rise in 1998 to between 5-6%, from the current 2.4%, adding 1 million to the unemployment rolls.

On Dec. 11, Bank of Korea Governor Lee Kung-shick offered to tender his resignation; Finance Minister Lim

Chang-yuel did not acknowledge the offer. On Dec. 11, President Kim Young-sam once again apologized in a nationwide address, saying, “I feel bitterly responsible.”

At an emergency meeting Dec. 11, the Bank of Korea reportedly decided to issue \$5.2 billion (9 trillion won) in special loans to banks, merchant banks, investment trust companies, and securities houses to prevent defaults. As of Dec. 10, Seoul authorities had suspended operations at 14 banks and finance companies, after investors withdrew more than \$1 billion in a week, leaving the banks unable to make good on deposits. Sixteen other banks are under severe liquidity strain.

The shutdowns and IMF conditionalities are causing a storm of protest throughout South Korea. Lee Hoi-chang, of the Grand National Party, described the IMF as acting like “an economic conqueror.” Kim Dae-jung of the National Congress for New Politics Party said that Dec. 3 should be remembered in Korea’s history as “national economic humiliation day.” The daily *Joongang Ilbo* noted that “South Korea has virtually lost its economic sovereignty for the next three years.” Another daily, *Kyung Hyang Shinmun*, compared the conditionalities with the “trusteeship” imposed on Korea by the United States, the Soviet Union, Britain, and China after World War II.

Hyperinflation, more conditionalities

This snapshot of South Korea shows how insane the IMF approach is, of saying that \$57 billion of IMF-conducted money, plus economic shutdown, is good for South Korea—or for the world community of nations. In simple financial arithmetic, \$57 billion is nothing compared to the actual total of foreign debts of some \$120 billion due in South Korea over the coming months.

The latest indication from the IMF, is that the liquidity hoses are to be trained full-force onto financial crisis spots, and hyperinflation be damned. The *Wall Street Journal* reported on Dec. 11, on seeing an advance copy of a draft IMF plan for not only South Korea, but for all those “countries that have lost foreign investors’ confidence.” The idea of the plan is simply to lend money at shorter terms, at higher interest rates, and to exact fiercer austerity conditions. “The plan, details of which were obtained by the *Wall Street Journal* . . . would formalize what has been until now an ad hoc international response to emerging-market financial meltdowns. . . . The mechanism, called the Supplemental Reserve Facility, wouldn’t entail new funds for the IMF. But it would allow the IMF to pour enormous amounts of existing money into countries that would then have to begin repayment in two to three years, and complete repayment in four quarterly installments. Recipient countries would have to pay interest rates between two and four percentage points above the usual IMF rate that now stands at 4.7%. Borrowers would have to adhere to the same austere economic reforms that attach to longer loans.” The IMF board is reportedly planning to decide on this emergency lending mechanism as early as Dec. 12.

The bigger they get, the harder they'll fall

by John Hoefle

The \$25 billion merger between Swiss Bank Corp. and the Union Bank of Switzerland, announced on Dec. 8, is part of an ongoing, global banking consolidation, in which banks are racing to become giants, in the vain hope that they will somehow become too big to fail. The mergers occur against the backdrop of an Asian financial meltdown, which itself is but a reflection of a global, systemic financial crisis. The idea that grabbing a larger piece of a doomed bubble will somehow result in success, is the sort of logic that only a banker could grasp.

The Swiss merger will create a new bank, the United Bank of Switzerland, which will have assets of some \$640 billion, making it second in size only to Japan's Bank of Tokyo-Mitsubishi, which itself was created by the 1996 merger between Mitsubishi Bank and the Bank of Tokyo, and had assets of \$648 billion as of March 31, 1997. Rounding out the top five, with assets as of Dec. 31, 1996, are Deutsche Bank of Germany (\$575 billion), Cr dit Agricole Mutuel of France (\$479 billion), and Dai-Ichi Kangyo of Japan (\$434 billion). Given the turmoil in world currency markets, the dollar value of these assets has shifted significantly during the year.

"It is in the general interest that two strong and solid Swiss banks should join forces," Swiss Bank Corp. (SBC) Chairman Georges Blum said, announcing the merger. "Individually, they might otherwise find themselves in partnerships where Swiss interests could no longer be safeguarded to the same extent."

Blood in the water

Such comments reflect the "blood in the water" nature of today's financial system, where "eat or be eaten" is a dominant theme, and today's champion is tomorrow's lunch.

There was clearly blood in the water around Union Bank of Switzerland (UBS), which reportedly lost in the vicinity of \$400 million from its derivatives activities during the first nine months of 1997; in November, a number of UBS equity derivatives officials resigned, including the vice-chairman of UBS London, who headed the bank's equity derivatives business, and three New York-based employees.

The merger may temporarily shore up UBS's financial position, but the new bank will have a huge derivatives exposure. According to the Bank for International Settlements,

SBC had \$3.3 trillion in derivatives at the end of 1996, putting it third in the world behind Chase Manhattan, with \$5.6 trillion, and J.P. Morgan, with \$4.7 trillion. Adding UBS's \$1.9 trillion would give the new United Bank of Switzerland a combined \$5.3 trillion as of the end of 1996. For a bank to be a leader in the \$135 trillion-or-so global derivatives market, thereby placing itself at ground zero of the coming disintegration, is not exactly ensuring its survival.

There is other blood in the water, as well.

Chase Manhattan Corp. recently announced that it had lost \$160 million in October, as a result of what it termed "unusually volatile and adverse trading markets." Chase lost more than just money: Going into Black October, Chase had issued a report claiming that the "Thai contagion" would be contained, and would have little impact on Japan or South Korea, making the bank look quite silly, if not duplicitous. The event is replete with irony, as well, since it was a Chase executive who confided to the *New York Times* several years ago, that what the bank feared the most was periods of calm and stability in international markets.¹

J.P. Morgan also got hit by the lack of calm, admitting on Dec. 10 that its revenues would be "adversely affected by unsettled market conditions globally, which resulted in lower levels of client activity and lower trading revenues."

Morgan has more egg on its face, in the form of a stock manipulation scandal in London. On Dec. 1, the bank announced that it had suspended two of its vice presidents in London, for what appeared to be a blatant manipulation of the FTSE 100 stock index, deliberately driving the FTSE down in order to generate big profits on stock-linked derivatives. The executives reportedly sold a large block of one of the FTSE index stocks, at a price significantly below its market price, taking a substantial loss on the stock, in order to obtain a much bigger payoff on a derivatives contract. Morgan, which says it is cooperating with the authorities, is now in the process of restructuring its senior management worldwide.

National Westminster Bank, the large City of London "high street" bank, is liquidating its NatWest Markets investment bank subsidiary, selling portions of its equity and equity derivatives business to Bankers Trust and Deutsche Morgan Grenfell. In February, NatWest announced that it had lost some \$50 million on interest rate options derivatives, and that loss has grown to as high as \$500 million, according to unconfirmed reports. National Westminster will receive some \$260 million from Deutsche Morgan Grenfell and

1. "The bank's biggest fear would be a long period of calm and stability in the markets, which would lull companies and investors into slowing their trading activities," Michael G.J. Davis, the deputy head of Chase's risk management department, told the Aug. 4, 1995 *New York Times*. "The worst thing for us is a marketplace where nothing happens."

Bankers Trust, and expects the cost of restructuring NatWest markets to be around \$160 million.

Gobble, gobble, gobble

Meanwhile, a restructuring is also under way among U.S. banks, both through ongoing mergers between commercial banks, and purchases by commercial banks of investment banks (the fact that such combinations of commercial and investment banks violate U.S. law, has proven to be a surmountable obstacle to the banks and their regulators). Among the most active U.S. banks in this expansion are the two Charlotte, North Carolina-based "superregionals," NationsBank and First Union. NationsBank has completed the purchase of Montgomery Securities, and is buying the \$44 billion in assets Barnett Banks of Florida, after which the bank will have some \$290 billion in assets, leapfrogging into third place behind Chase Manhattan and Citicorp. First Union, which bought First Fidelity of New Jersey in 1995 and Signet Banking of Virginia earlier this year, is now buying both CoreStates Financial, the Philadelphia-based commercial bank, and the Richmond, Virginia-based Wheat First Butcher Singer brokerage, deals which, when complete, will give First Union \$204 billion in assets. Besides buying portions of NatWest Markets, Bankers Trust has bought Alex. Brown & Co., the Baltimore-based investment bank; while Fleet Financial is buying discount brokerage Quick & Reilly, and BankAmerica is buying the San Francisco-based Robertson Stephens. Merrill Lynch, which announced in November that it is buying London-based Mercury Asset Management for \$5.3 billion, is also negotiating a possible takeover of Hambrecht & Quist. In September, Travelers Group announced that it was buying Salomon, Inc., and in February, Morgan Stanley merged with Dean Witter Discover. The Canadian Imperial Bank of Commerce recently announced that it is buying the New York-based Oppenheimer & Co.

In other international deals, Allianz AG Holding has announced the acquisition of AGF; Internationale Nederlanden is buying Banque Bruxelles Lambert and the Equitable Cos. of Iowa; Zurich Insurance is buying the financial services arm of Britain's BAT Industries; Crédit Suisse Group is buying Winterthur Schweizerische and some of the operations of Barclay's BZW investment banking arm; Bayerische Vereinsbank is buying Bayerische Hypotheken; and Britain's Abbey National is buying Scottish Amicable Finance.

The restructuring is far from complete, however. Mellon Bank, which made unsuccessful bids to acquire both CoreStates and the Bank of Boston, is widely considered fair game, as are Wells Fargo, Banc One, and the Bank of New York. Among the more interesting rumors, is speculation of a possible merger between the \$360 billion Chase Manhattan and the \$213 billion (as of December 1996) Merrill Lynch, and talk of a merger between Wells Fargo and London-based HSBC (HSBC is the notorious Hongkong & Shanghai Bank-

ing Corp., the premier drug bank of the British Empire). Chase and Merrill Lynch are also rumored to be interested in Donaldson Lufkin & Jenrette.

It is gospel among U.S. bankers that the Federal Reserve would like to see the U.S. banking system streamlined to about 20 major banks, which means that merger activity will not only continue, but increase, especially while stock prices are high and stock swaps are considered attractive. Rumors about particular combinations often prove unfounded, but the feeding frenzy is assured.

Those bankers who think size will be their salvation, however, would do well to study the actions of their British cousins. The British have sold off important chunks of their banking system over the last few years, in addition to that reported above: Barings to ING, Warburg to Swiss Bank Corp., Kleinwort Benson to Dresdner, Smith New Court to Merrill Lynch, and earlier, Morgan Grenfell to Deutsche Bank. The Brits, knowing the crash is coming, are selling their soon-to-be-annihilated financial assets to foreign suckers, while putting their money in hard assets such as gold and other precious metals, strategic minerals, and other commodities. They are slipping quietly away to the lifeboats, leaving the suckers to enjoy—for the moment—their prize deck chairs on this *Titanic*.

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Dangerous concessions granted to anti-science globalists in Kyoto

by Marsha Freeman

After a ten-day process of wearing down the delegates from the United States (the last 48 hours, without sleep), who were told by Vice President Al Gore on Dec. 8 that they should be more “flexible” in their negotiations with the hard-line Europeans, an agreement was forged in the wee morning hours of Dec. 11 at the global conference on climate change in Kyoto, Japan. The agreement is one that developing nations refused to be part of, that the U.S. Senate will not ratify, and that, were it to be implemented, would wreck the economy of the United States.

Nothing of substance was accomplished at Kyoto, in that while the United States, Japan, and the European Union agreed, in principle, to mandated limits of emissions on so-called greenhouse gases, there is little chance this agreement will go into effect. Were it to do so, there is no formal enforcement regime to punish countries that do not live up to their commitments. Yet.

But, the danger of what has been agreed to in the “Kyoto Protocol” is the capitulation by nearly 160 nations to policies that are based, not on science, but on propaganda, and potentially to a regime of enforcement that submits sovereign nations to an international mechanism that has the power to dictate the future economic development of their peoples. In fact, it furthers the process which would give the United Nations system control over the economic activity of sovereign nations.

The Kyoto Protocol, which is an amendment to the 1992 treaty on climate change signed by 150 nations at the Earth Summit in Brazil, is being hailed by the environmentalists, including Vice President Gore, as a crucial “first step” in the process of controlling so-called global climate change. The intent of the British, the most active promoters of strict controls on emissions of so-called “greenhouse gasses” for the U.S. economy, because of an alleged but *nonexistent* danger of “global warming,” was to have the United States reduce emissions on a scale that would replay the way the Russians have “reduced emissions” since the fall of the Soviet Union: by shutting down industrial capacity.

President Bill Clinton, by failing to challenge the fallacious assumptions and rigged data of the global warming hoaxsters, was reduced to promoting a series of gimmicks to try to show that the United States would limit emissions.

Going into the Kyoto conference, representatives of U.S. industry, elected officials who went as observers, and delegates from developing nations knew, and would say privately, and often in public, that there is no such thing as global warming. Scientists who have studied the process of climate change (as opposed to weather forecasting), explain that astronomical cycles of thousands of years create periodic ice ages on the Earth, with inter-glacial periods of warmer climate in between. We are now in a time when a new age of glaciation is approaching.

The idea that there is “global warming,” which is based on short timescales, and in many cases “massaged” data that have been challenged using different measuring techniques, is a hoax. The purpose of those promoting it is to move the industrial world into a “post-industrial” society. The developing nations are to remain in a state of poverty and underdevelopment, lest they emit more gasses.

What the U.S. agreed to

Were it to become law, the Kyoto Protocol would mandate that the United States cut its emissions of so-called greenhouse gases, largely carbon dioxide, to 7% below the level of emissions in 1990. This translates to a reduction of about 30% from the level emissions would be otherwise, by the year 2012.

Such a drastic cut, in such a short period of time, would affect every American, because it would require reductions in energy consumption, which most likely would be effected through price increases. Carbon dioxide is produced as a by-product of the incomplete combustion of fossil fuels in the automobiles we drive, the coal-fired power plants that provide our electricity, the tractors that harvest our food, and the factories that produce the goods that give us our standard of living.

President Clinton has tried to soften the blow such cutbacks would deliver to the already shrunken U.S. physical economy, by introducing proposals that were at least partially accepted by the European Union, in Kyoto.

These would allow the United States to band together with other industrial non-EU nations, such as Russia, Australia, and Canada, under an “umbrella” within which greenhouse gas emissions could be “traded.” This is similar to the EU

gimmick of clumping all the western European nations together under an atmospheric “bubble,” whereby the cutbacks made by collapsing eastern German industry, or the emissions cuts in France resulting from increasing use of nuclear power, obviate the need to cut emissions in countries in Europe that might still be growing economically.

The United States has proposed that under this “umbrella,” it should be able, for example, to improve pollution standards in Russian factories or power plants, and take “credit” to apply against increased emissions from U.S. facilities. This, President Clinton claims, will be good for the U.S. economy, because industry can sell Russia energy-efficient technology, and can avoid making cutbacks at home. (Never mind that Russia is near financial collapse.)

In addition to agreeing to cutbacks of emissions 7% below 1990 levels, when the U.S. proposal had been to stabilize emissions at 1990 levels, the United States, most dangerously, has given credibility to the process of negotiating international agreements based on the worst pragmatic considerations, rather than consideration of principle.

The ghost of Thomas Hobbes

That such an horrendous proposal for gutting U.S. economic activity could be taken seriously, much less agreed to in writing, is a testament to the cowardice of the opponents to the agreement, in industry, the U.S. Congress, and the developing nations, who refused to marshal the science to refute the hoax of global warming, and instead played a “blame game” to try to limit the damage that emissions cut-backs will have on *their* country, *their* industry, *their* jobs. In the spirit of Thomas Hobbes, the Kyoto negotiations became a war of each against all.

Going into the Kyoto conference, even the media in the United States, which had kept out of print any articles challenging the fallacious assumptions and doctored data of the global warming hoaxsters, admitted that while there was a “consensus” on global warming, there was also significant opposition.

This should have buttressed the forces in the opposition. But, once the delegates started to gather at Kyoto on Dec. 1, the opposition threw principle overboard, and fell back on the same pragmatic approach as President Clinton.

U.S. industry lobbyists, snidely referred to as the “fossil-fuel lobby” by the environmentalists, but in fact representing the nation’s electric utilities, automobile manufacturers, mining companies, and other heavy industry, made the object of their attack not the hoked-up “science,” but the developing nations.

The Global Climate Coalition, representing industry, aimed to block an agreement, because, it said, the science did not exist to support it. However, the GCC cynically promoted a resolution that passed the Senate by a vote of 95-0 on July 25, which said that developing countries must agree to mandatory

emission controls on the same timescale as the industrial nations, if the Senate were to ratify any agreement coming out of Kyoto. This played upon senators’ concerns that if developing countries did not have to raise their costs to cut back emissions, this would create “unfair competition” for U.S. companies. That approach begged the question: Would the quack science be vindicated, if China and other developing nations would sign onto it?

The developing nations did little better, in failing to fight for a principle rather than pragmatic concerns.

As the largest, fastest growing developing nation, with the most, therefore, to lose from any climate agreement, China took the point in opposing the imposition of emissions controls on developing countries. The Chinese delegation, which threatened to walk out of the negotiations if a proposal for mandatory limits on emissions for developing nations were voted on, rightly argued that slapping controls on how much carbon dioxide and other emissions these countries could release, would destroy their future economic growth.

But, the Group of 77, representing about 130 of the 160 nations in Kyoto, did not argue, correctly, that the entire issue was bogus because there is no global warming. Instead, the G-77 insisted that big polluters, and the United States in particular, show good faith and cut back their emissions *first*, before the developing nations are asked to join in.

Republican U.S. Congressional leaders who were in Kyoto as observers, did no better in their efforts to block the signing of an agreement. Sen. Chuck Hagel (R-Neb.) has repeatedly made the argument that there is no scientific proof of global warming, and House Science Committee Chairman James Sensenbrenner (R-Wisc.) has held hearings to make that case.

But, in Kyoto, their opposition was based on the “political reality,” that this bill of goods will never be sold to the Senate, or to the American people. What they fail to realize, is that if they continue to cede the scientific questions to the environmentalists, it may well be possible to brainwash the American people into accepting the need for an internationally enforced austerity regime, to “save” them from floods, rampant disease, and every other ridiculous “threat” the media tell them is just around the corner.

Then, there are the environmentalists themselves. The most dishonest action by these modern-day Malthusians in Kyoto, was their attacks on the Chinese for planning to destroy the planet, because they intend to improve the standard of living for their 1.2 billion people. While representatives from environmental groups suggested that the Chinese government impose standards for energy-efficient refrigerators, the government of China is planning its economic growth based on the only two non-greenhouse-gas-emitting electrical generating systems economically available: hydroelectric and nuclear power. Both are opposed by the environmentalists.

Business Briefs

Biological Holocaust

Influenza pandemic threat worries experts

Within the next few years, a new influenza pandemic could occur, according to experts at an influenza symposium in Bern, Switzerland, the daily *Neue Zürcher Zeitung* reported on Nov. 5. If that were to occur, severe problems could be caused by the fact that the number of available vaccine doses would be limited, because, so far, the production process is relatively slow. New methods of production are in progress.

Four pandemics have occurred in this century. The worst was the Spanish Influenza (1918-20), which killed worldwide more than 20 million victims, followed by the "Asiatic Influenza" in 1957, the "Hong Kong Influenza" in 1968, and the "Russian" one in 1977. Since 1947, the World Health Organization influenza-detecting system has been at work, reporting influenza activity from 79 nations. According to these observations and further investigations, corresponding new vaccines are being produced every year.

Experts at the conference reported a shocking event in May this year, that occurred in Hong Kong: A three-year-old boy died of influenza caused by a virus which had never been observed before in humans. The influenza, type H5N1, which killed the boy, normally infects only birds; it had caused an epidemic among Hong Kong chickens in the spring. An intense investigation did not turn up any evidence that the virus had infected other humans, but nevertheless, experts are worried.

Thailand

Financial collapse is taking its toll

In recent weeks, the industrial and commercial sectors in Thailand have begun to come apart, because of the combination of the currency collapse, credit collapse, and the collapse of domestic demand. Examples include:

The retail department store chain Robinson's, which had built stores based on 7-8% growth predictions, took enormous losses in the third quarter, and is now downsizing and pleading for rollovers on foreign loans.

Siam Cement, one of the nation's largest corporations with ties to the King, is taking enormous losses in auto parts and construction materials. The Japanese rolled over \$700 million of Siam Cement's \$1 billion in short-term debt.

Both Honda and Toyota have announced huge cutbacks in their production facilities in Thailand, while trying to increase Japanese purchases of Thai-assembled cars. Honda cut motorcycle production from 1 million units to 750,000 units this year, and cut auto production from 53,000 to 24,000 units.

Krung Thai Bank, owned by the Finance Ministry, is the closest thing to a "last resort" for credit, both to corporations and to finance companies—but it, too, is out of money. It planned to issue about \$200 million in new shares, but it was clear no one would buy them, leaving them in the hands of the Finance Ministry. This, however, would be "going against the economic rehabilitation framework laid down by the IMF [International Monetary Fund], which encourages the privatization of state enterprises," according to *Business Day* in Bangkok.

Central Asia

Turkmenistan plans rail projects for Land-Bridge

Dr. A.N. Amandurdyev, head of the Asia-Pacific Department of the Ministry of Foreign Affairs of Turkmenistan, presented his government's ambitious plans for infrastructure development, including rail building in Central Asia, designed to participate in the Eurasian Land-Bridge project, at a seminar in Ashkhabad, Turkmenistan on Nov. 26-28. Dr. Amandurdyev said that by Central Asia, he meant all ten countries which are members of the Economic Cooperation Organization (ECO), i.e., the five Central Asian republics, plus Afghanistan and Azerbaijan, as well as founding members Pakistan, Iran, and Turkey. "Each of these countries is . . . guided by unity in im-

plementing [this] large-scale program of development," he said.

(Schiller Institute and *EIR* representative Muriel Mirak-Weissbach also spoke at the seminar, and a fuller report will appear in an upcoming issue of *EIR*.)

Amandurdyev stressed the importance of Turkmenistan as an "important transport and communications bridge in the Central Asian region." He said, "This beneficial geographical location used to be practical in times of the Great Silk Way from China to Europe through territory of Turkmenistan." As for current policies, he said, "Turkmenistan attaches much importance to the development of rail, road, sea, and air transport, and telecommunications and other means of communication aimed at speedy integration into the Central Asian and world economic system."

In the rail transport sector, Turkmenistan plans to construct 2,000 kilometers of steel rail lines—which equals what was constructed in the 100 years beginning in 1880. Moreover, Turkmenistan is constructing the rail network (including electrification) "using the latest achievements of world technology," he said.

"Thus, Turkmenistan has made the revival of the Great Silk Way an integral part of the country's external economic strategy," he said. "The largest transport-communication projects being implemented within the program of regional development [the ECO program] speaks for the growing role of Turkmenistan in the regional cooperation."

Israel

700,000 workers go out on strike

On Dec. 3, some 700,000 Israeli workers, almost one-fifth of the Israeli population, went on a general strike, paralyzing the nation. All public offices and establishments were shut down, except for schools and two bus companies. Striking workers not only included Histadrut labor federation and Labor Party members, but trade unions such as the postal workers, which are led by Likud Party activists. Several Likud activists were quoted in

IRAN AND RUSSIA discussed improving rail cooperation, in Moscow on Nov. 26, including reopening the Moscow-Jolfa railroad, the purchase of rail cars and equipment, construction of locomotives in Iran, and a Russian role in a project to expand Iran's rail network.

TWENTY AFRICAN nations are expected to face "exceptional food emergencies," according to a report by the UN Food and Agriculture Organization. Drought has hurt harvests in East and Central Africa; Kenya and Somalia are suffering the worst floods in decades; and Sierra Leone, Burundi, and Rwanda have had poor harvests.

HONG KONG has had a dramatic increase in suicides in recent weeks, most of which have been attributed to the financial collapse. Geraldine Wilson of the Samaritans in Hong Kong said, "The financial crisis has affected everyone. We have seen suicide deaths as a result of financial losses."

THE PORTS of Los Angeles and Long Beach recorded the fewest ship arrivals in any month since 1976—just 393," in November, an official of the California Public Utilities Commission said at hearings in Washington, D.C., the Dec. 3 *Los Angeles Times* reported. Shippers are diverting cargo because of delays caused by problems brought about by the Union Pacific/Southern Pacific merger.

JAPAN'S Export Import Bank agreed on Dec. 5 to extend \$225 million in loans to the Bank of China for three projects listed as priorities in China's five-year plan: the Xiamen Haicang Bridge Project in Fujian; the Shenzhen Airport Expansion Project in Guangdong; and the Urumqi Hetan Road Project in Xinjiang.

VIETNAM'S Transport Minister Le Ngoc Hoan pledged full support to complete the rail line between Singapore and Kunming, China, a key link of the southern Eurasian Land-Bridge route, Malaysia's *Bernama* wire reported on Dec. 5.

the Israeli media, saying that it was a mistake to have voted for the Likud in the last elections.

The official reason for the strike was to force the government to keep to the signed wage and pension agreements and stop privatizations that are causing mass layoffs. The strike was called after Finance Minister Yaakov Neeman publicly referred to the workers as the enemy within, and as "exploding bombs." Neeman, who had been the attorney for the late Robert Maxwell, a British media magnate, is a radical free-marketter, and a member of the National Religious Party, which has close links to right-wing Zionist circles in the United States and Europe.

Histadrut Secretary General Amir Peretz declared, "The strike is a spontaneous reaction to the measures which the government has taken against the workers, and is intended to determine the rules of the game between the workers and the government." He charged that Neeman had "declared war on the workers, and we have no choice but to fight back."

Health

U.S. agency approves irradiation for beef

After three years of study, the U.S. Food and Drug Administration on Dec. 2 approved the use of irradiation to rid beef of pathogens, such as the deadly strain of *E. coli*. According to press reports, the meat industry applauds the decision. U.S. approval already exists for irradiation of poultry, pork, fruits and vegetables, and spices, and astronauts have been eating irradiation-sterilized food for years. Now it is up to the U.S. Department of Agriculture to issue regulations for irradiation processing plants to meet the FDA specifications, and to certify those plants for beef processing.

Food irradiation has been researched for 50 years, and is used throughout the world to disinfect foods and preserve their shelf-life. Its use in the United States has been limited, because of a small group of anti-nuclear environmentalists, who have received millions of dollars to promote anti-irradiation propaganda, and by their allies in the food

industry, who do not want to invest in irradiation technology. As outbreaks of food-poisoning and food-borne illnesses have increased in the United States, and especially after this summer's recall of 25 million pounds of hamburger contaminated with *E. coli*, there has been a turnaround in the news coverage of food irradiation, in the administration's response, and in Congressional support for the technology.

Despite the ignorant and fearful comments quoted on the nightly news coverage of the FDA approval, irradiated food products have sold out whenever there have been consumer trials.

Banking

Australia deregulates, to buy up Asia banks

In a bid to "break an international deadlock" on the liberalization of global financial services, Australian Prime Minister John Howard, in talks with the World Trade Organization (WTO), has committed Australia to allow foreign financial interests to take control of any of Australia's four domestic banks, the *Australian* reported on Nov. 25.

Negotiations with the WTO are expected to be wound up within three weeks, within which time Howard hopes the Asian leaders of Asia-Pacific Economic Cooperation (APEC) group will follow suit, by agreeing to open their own financial systems, despite the collapse in their banking systems. If things go according to plan, and a "positive outcome" is reached, this would make it easier for Australian banks to snap up Asian banks and insurance companies at fire-sale prices, following the collapse in Asian currencies and stock markets.

Howard is pushing for APEC to make a commitment to free up international takeovers in financial markets through the binding WTO process. "It is APEC's vision of regional community and the goals of free trade and investment in the region that offer the best way out of our present difficulties. These responses to the region's currency instability ought to be reassuring to our partners beyond the region," he said.

TODAY'S NUCLEAR BALANCE OF POWER

The Wells of doom

by Lyndon H. LaRouche, Jr.

December 10, 1997

Of “information society,” let it be said: Once more, this recent October, an “unsinkable Titanic” was fatally holed by its collision with the waiting, relevant species of iceberg. The impregnable post-1989, globalized financial system, is now settling into the watery abyss. Unfortunately, sanity being what it is, or is not, these days, even after the global events of October and November, most of the passengers, including former Citibank chief Walter Wriston, are still clinging to the sinking ship, clinging to a delusory faith in an “unsinkable utopia,” in an “eternal, neo-Malthusian, information society’s” economy.¹

“Yes, there seem to be some ups and downs on the markets,” is the gist of most U.S. adults’ reluctant acknowledgment of the recent several weeks of global financial storms; “but,” they add, “the economy is still basically sound. They would never let it happen here. Until I see it announced on television, I am not going to let myself believe, that that sort of crisis will ever come here.” Although the modern Manichean, that citizen, leaves unclear, who, or what these mysterious potencies, “they,” might be, the impression is, that they are awesomely Olympian.

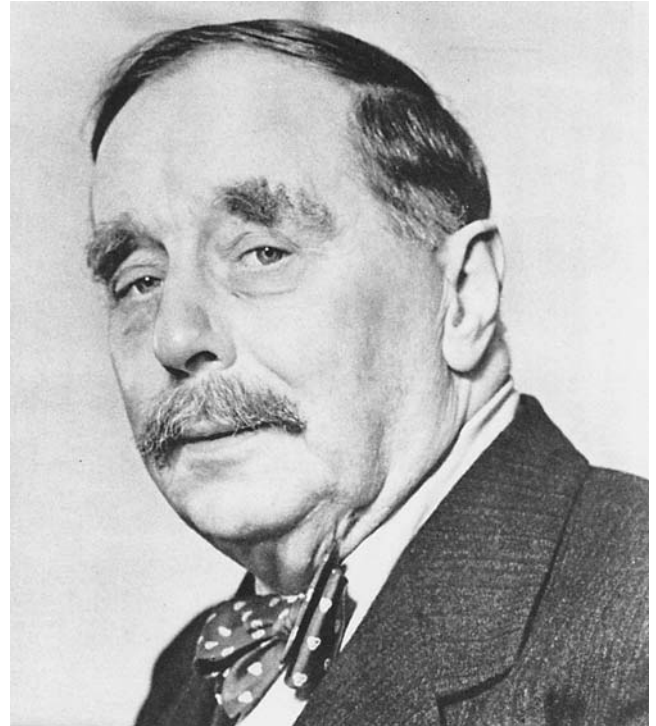
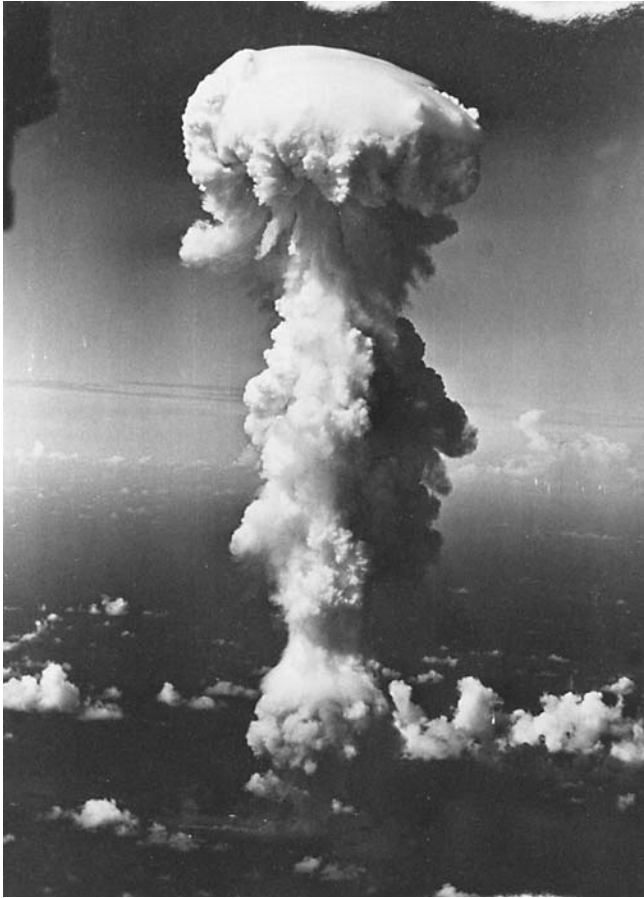
Such popular superstition put to one side, given the catastrophes to the global financial system since late October through early December, no economist or political figure anywhere on this planet, could still be excused for believing a U.S. daily news media which promises that the current Asia crisis will *never* spread into the U.S. economy. After such events, no professional could still honestly deny the excep-

1. Walter Wriston, address to the Cato Institute, as broadcast on C-Span 2 on Dec. 3, 1997. (See *Documentation*, in this issue.)

tional accuracy of my published, February 1997 forecast: an outbreak of a global, systemic financial crisis, beginning no later than October 1997.² The recent seismic shocks to the world’s financial system, have assumed the form of an eerie drum-beat; from Asia, through Europe, and into the Americas, the situation has become constantly worse. Until certain key governments end the presently ongoing attempts, to “bail out” a sinking financial Titanic, whose bottom has already been ripped out irreparably, the crisis will become worse, world-wide, that at an accelerating rate.

Meanwhile, as if to show us that matters were not already as bad as they might become, the policies demanded by both thuggish U.S. Federal Reserve Chairman Alan Greenspan and IMF Managing Director Michel Camdessus, for example, have already begun what threatens to become, very quickly,

2. During February 1997, the present writer disseminated a series of warnings, in various published interviews, and otherwise, warning that 1997 would be a year of a grave international financial crisis. He indicated the 4th Quarter of 1997 as the outer limit for eruption of such a crisis, warning people to shift from speculative financial investments, such as futures and mutual funds, into long-term U.S. Treasuries, and actual ownership of gold, even if nominal losses had to be expected in the short- to medium-term on such changes in investment holdings. (For example, in a radio interview with “EIR Talks,” Feb. 5: “Sure, Treasuries don’t yield as much, but you’ve got one advantage with Treasuries: the government has agreed to back them up, and you’ve got something. Whereas, on these indexes, these futures, these options, when that market goes, you’ve got less than nothing.”) During the Spring months, he updated that February warning, warning that a mild or severe shock could be expected by August, but that a heavy shock was virtually certain for October. (For example, to “EIR Talks,” June 17: “The talk is, the recognition now, is that this past crisis, the March-April and the upcoming one which will land here, expectedly, from Mars or something, between June, late June, and Oct. 31, the end of the third quarter kind of thing, that that will be a lollapalooza. Not necessarily the big one, but it forces us to look at the fact that the big one is coming.”)



H.G. Wells was the first publicist of the argument of a “nuclear balance of power,” and also a key figure in shaping what would become the rock-drug-sex counterculture. “Wells,” writes LaRouche, “like the Dick Morris who did so much to sink the U.S. Democratic Party’s 1996 campaign for the U.S. House of Representatives, typifies the use of the pimp as a publicist.”

a hyperinflationary spiral, like that which struck Weimar Germany during 1922-1923 [Figures 1 and 2]. The difference is, that, if this Weimar-1923-style policy of Greenspan and Camdessus were continued throughout Asia, and into the oncoming explosions in Russia, and South America, the result must be a Weimar-style hyperinflation, which might reach total breakdown, world-wide, not over months, as in 1922-1923, but, because of the added impact of a global, \$100 trillions-equivalent “derivatives” bubble, compressed into a period as short as weeks.

In such economics matters, mere statistical studies may inform us of such relevant considerations, such as the fact that the patient is dead, but they provide little help in defining the cures which might have saved the economy, if not its financial system. If we wish to cure the disease, we must go behind the mere symptoms, to identify the agency which those symptoms express. To discover the cure, we must discover the source of the sickness. To find the continuing source of this global civilization’s sickness, the presently onrushing, systemic, global financial crisis, we must focus upon the pattern of decisions which continue, even today, to shape economic practice: not the mere statistical effects of that practice. It is the substance of Genghis Khan, not his statistical shadow, which constitutes the mortal threat to our civilization. In short,

to overcome the danger, the U.S. government must reverse the policy-trend of the recent thirty-odd years.

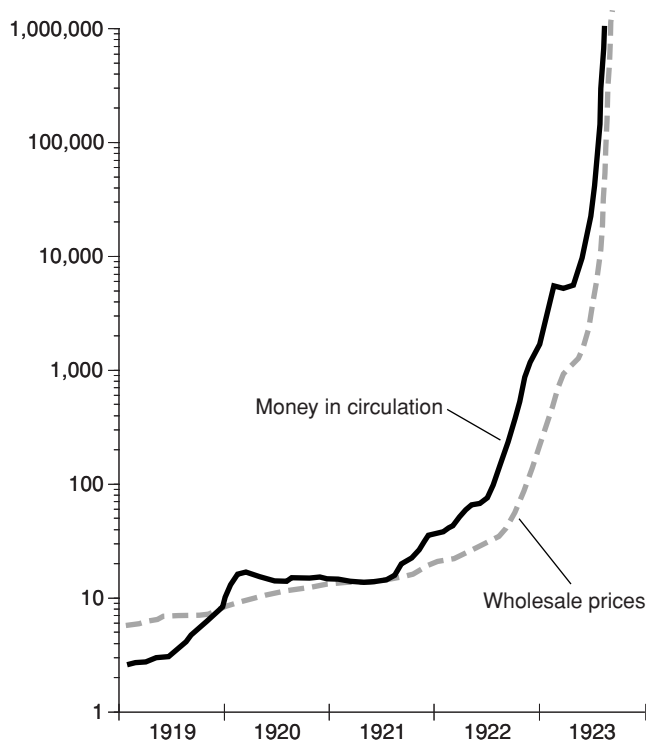
What must be introduced, would be considered by today’s commonplace, elected illiterates in the subject of economics history, such as Speaker Newt Gingrich, as very radical changes in policies. If precisely those policies are not soon introduced, to deal with an already hopelessly bankrupt set of international financial and monetary institutions, this is a bottomless crisis. In the case those policies are not introduced very soon, this planetary civilization would be doomed, doomed by a lack of moral fitness to survive, doomed to plunge into the post-modernist barbarism of a prolonged “new dark age,” even before the 2000 U.S. election-campaigns begin. Unless, we can detect and eradicate those policies and supranational institutions, which have caused the past thirty-odd years’ decline in world economy, our culture is a dying culture, our nations, their populations, the casualties of a dying, global civilization.

Thus, modern European civilization, now somewhat more than six hundred years old, is, presently, dying. Nothing could save the present financial and monetary system itself. By the end of this century, perhaps sooner, it, in its present form, will be gone, either by responsible actions of key governments, or, lacking that remedy, by way of either hyperinflationary,

FIGURE 1

Germany and hyperinflation, 1921-23

(index 1913 = 1)



Source: Knut Borchardt, "Wachstum und Wechsellagen 1914-1970," in Hermann Aubin and Wolfgang Zorn (eds.), *Handbuch der deutschen Wirtschafts- und Sozialgeschichte*, Stuttgart: Klett, 1976, vol. 2, p. 699.

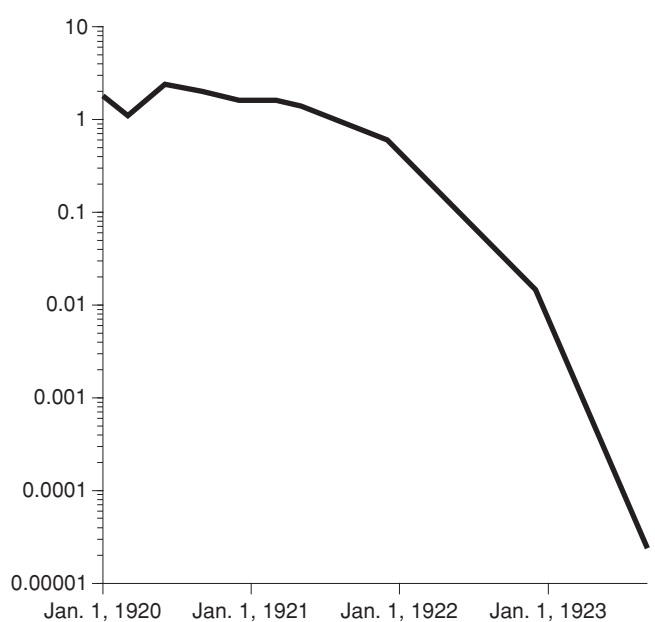
or hyperdeflationary collapse, forever. As my own and other features in *EIR* have repeatedly warned, this financial-monetary system is like a doomed, sinking ship; the passengers, the nations, the peoples, and the physical economy living within this civilization, could be saved, but only if they are willing to abandon that doomed ship itself. They could survive, but only if they give up, suddenly, those post-1964, radical changes in culture, which have doomed the present world economic order.³

3. The repeated comparison of the present crisis to the sinking of the *Titanic* is no less irony than a true *metaphor*. It was not the design of Britain's *Titanic* which was at fault; the ship was, in fact, better than most among those transatlantic passenger craft which were *not* sunk by icebergs that season. If the fault lay not in the design of the physical object, that ship, where, then, did the fault lie? Similarly, the present ruin of the world's economy was not the result of any flaw inhering in the pre-1964 model of the U.S. physical economy. Thus, the relevant metaphor of 1997's *Titanic* disaster is posed. Had not the owners, the captain, and induced British pride in the matter, insisted upon the false assumption that the doomed ship was the fastest, most unsinkable extant, neither the Company nor the captain would have committed the fatal errors of policy and command which sent the ship at its relatively highest cruising speed into a fully expectable iceberg. The cause

FIGURE 2

Hyperinflation, Germany, 1921-23

(value of German mark in U.S. cents)



Source: Stephen V.O. Clarke, *Central Bank Cooperation, 1921-31* (Federal Reserve Bank of New York, 1967).

Once the printing presses in Weimar Germany were turned on full throttle, the mark went into a free fall relative to the U.S. dollar. At the end of 1919, the mark was worth 1.8¢. It remained in that trading range through the second quarter of 1921, when it exchanged for 1.4¢. Then, the hyperinflationary process began. By November 1921, the mark had tumbled to 0.6¢, a fall of 57% from its second-quarter level. By November 1922, its worth was 147 ten-thousandths of 1¢. By the end of the third quarter of 1923, it had depreciated to 238 ten-millionths of 1¢. Since mid-1921, about 99.99% of the value of the mark, relative to the dollar, had vanished.

Unfortunately, the prevailing evidence warns us, that no more than a small minority of the populations and their doomed governments are yet willing, to support the policies needed to allow our nations to survive that global systemic financial crisis which has recently entered its terminal phase. For the moment, the boob-tubed majority of the pleasure-seeking populations of Europe and North America—most

of the ship's sinking was, thus, nothing other than the owner's, the captain's, and the British public's hysterical obsession with a set of purely ideological ruling assumptions. It was those perverse assumptions, the relevant mind-set shaping the decisions, which, decision by decision, defined the tragic sequence of decisions leading toward doom, in both cases. The root of tragedy, in these cases, as on the stage of Aeschylus, Shakespeare, and Schiller, is a debate over decisions as such, which refuses to take into account the underlying, axiomatic assumptions, which are the actual mother of the decision leading to doom.

notably — seem to have lost the will to grasp for anything but the next fleeting instant of momentary — or, should we better say, monetary — pleasure.

We must view the majority of the people of most nations today, as like the pompous, doomed Akkadians of Biblical Belshazzar's Babylonian empire; most of the leading institutions of this planet appear to have lost that essential quality, moral fitness to survive. So, as the artist portrayed a similar circumstance, Belshazzar's Feast:⁴ once again, the moving finger writes; the new message is now nearly completed.

How did our world get into such a mess? When and how did we start down the road to this catastrophe? What habits must we rip out of our institutions, and ourselves, if we, and our republic are to survive the ongoing, terminal disintegration of the entire world's present financial and monetary systems?⁵

To understand how all this occurred, how the most powerful civilization ever crafted, brought itself, like the fabled *Ozymandias*, to this present point of degradation and self-destruction, listen to a true story which begins with the Sept. 6, 1901 assassination of patriotic U.S. President William McKinley, by an imported terrorist protégé of New York's Emma Goldman's Henry Street Settlement House, Leon Czolgosz. The mortal wounding effected by this assassin's attack, an attack steered by self-anointed "tyrannicide" Goldman herself, brought a nasty spawn of the Confederacy, Theodore Roosevelt, into the U.S. Presidency, on Sept. 14, eight days later. About the same time, in England, a pathetic, perverse, but, subsequently, very influential British publicist, Herbert George Wells (1868-1946), escaped from what had been well-deserved obscurity. This Wells would later describe his personal acquaintance and ideological ally, Theodore Roosevelt, aptly, as "The Big Noise of America."⁶

That intersection of these two personalities, Wells and Theodore Roosevelt, with the accession of Prince Edward Albert as Britain's King Edward VII, typify a century gone wrong from the start, the century of 1) two World Wars, 2) a terrifying nuclear balance of power, which Wells was the first to propose publicly and widely, beginning 1914, and, 3) the recent thirty-odd years of worldwide reign of a global,

4. Rembrandt van Rijn, *Belshazzar Sees the Handwriting on the Wall* (c. 1636). Belshazzar: *Bel-shar-usse*, co-king of the doomed dynasty of Babylon, circa 538 B.C.

5. In other words, what was the "cultural paradigm-shift" involved? What was the change in underlying axiomatic principles of decision-making, which caused a previously upward-moving, increasingly collaborative international industrial society of the late Nineteenth Century, to change the effective direction of its decision, into becoming a Hobbesian collection of heteronomic gladiator-nations, plunged into two Great Wars, the age of nuclear balance of terror, and the suicidal insanity of the takeover of world decision-making by the sheer irrationalism of a neo-Malthusian, "post-industrial" utopianism?

6. H.G. Wells, *An Experiment in Autobiography* (New York: MacMillan & Company, 1934), p. 646.

neo-Malthusian nightmare, the latter another Wells dogma. These three factors, including the two dogmas, the one proposed, the other adopted by Wells, became, significantly through his contributing influence, the principal proximate cause of the presently ongoing worldwide economic-break-down crisis.

Wells' nuclear balance of power

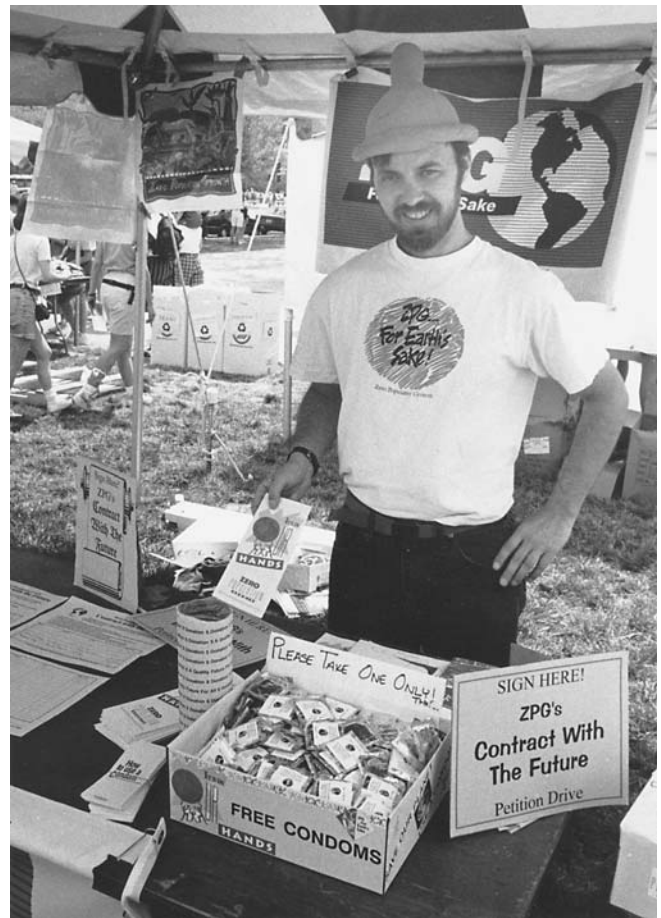
In these and other ways, among literate historians and other relevant authorities on the matter, H.G. Wells has notable importance for our understanding the strategic, political, economic, and moral crisis now enveloping this planet. An unlikely candidate for fame and influence? He was, admittedly, like fellow Fabian tribesman George Bernard Shaw, essentially a shallow *poseur*, in the literal sense of the Latin derivation of "vanity": a miserable, invidious, misanthropic wretch, a picaresque eternal lout of immense vanity, of a personal character to be compared, and that not too favorably, with the popular image of a "mafia boss." He was, in short, exactly the sort of lackey the British oligarchy would employ and cultivate to do a particularly nasty bit of tuggery.

From the time of this English *Sparafucile*'s rocketing out of obscurity, at the beginning of this century, he is to be compared with the notorious textbook case of Typhoid Mary; like her, incontestably a figure who has, in his time, radiated a certain unpleasant influence. To appreciate Wells' high-ranking, and generally rising importance in relevant world events, during the interval 1901-1939, think of him as, like Adolf Hitler, or his fellow-criminal Bertrand Russell, a carrier of what has proven to be an extremely virulent strain of cultural syphilis.⁷ Wells did not destroy our civilization by himself; but, he played a key, and exemplary part, as a tissue in which the relevant killer-strain of infection was cultured and disseminated.

Both Wells' depraved admirers and the populist's typically associative, Hobbesian view of a "world government conspiracy," treat Wells, and other lackeys of his type, as either admirable, or despicable geniuses. Wells was no genius; his talent was, as he implicitly describes himself, a man with a pimp's insight into the susceptibility of a depraved clientele's not-so-hidden private sexual fantasies.⁸ In each case an influential idea is attributed to Wells, whether by devotees or detractors, we discover that no such originality ever existed. His role was never that of a discoverer of principles; indeed, there is nothing of principle in Wells' vocabulary. Wells was not an inventor, but, rather, a publicist, a man

7. Wells would acknowledge our choice of venereal disease, as an allusion to those utopian sexual fantasies, akin to those of degraded creatures such as Carl Jung, Wilhelm Reich, and former President George Bush's employer, the Moon cult, which, according to Wells' plausible, autobiographical statement of the case, shaped his thinking about all the subjects of his work which we address here. See Wells, op. cit., pp. 392-409.

8. Wells, op. cit., pp. 392-409.



Neo-Malthusian propaganda in the 1960s (left) and the 1990s (right). H.G. Wells laid the foundations for this anti-human doctrine: “In a world where pressure on the means of subsistence was a normal condition of life, it was necessary to compensate for the removal of traditional sexual restraints, and so my advocacy of simple and easy love-making had to be supplemented by an adherence to the propaganda of the Neo-Malthusians.”

like Dick Morris, the recently notorious cousin of the late Roy M. Cohn, a pathetic creature who turned his pimp’s instinct for the sexual perversities of a general public, into a public-relations career.

This is a crucial point, so we should add a few more relevant observations on the distinction we have just made.

For example, Wells writes:

“The *New Machiavelli*⁹ is all the world away from overt eroticism. The theme . . . stressed the harsh incompatibility of wide public interests with the high, swift rush of imaginative passion—with considerable sympathy for the passion. . . . I was not indulging myself and the world in artistic pornography or making an attack upon anything I considered moral. . . . I was releasing, in these books, a long accumulation of suppression. I was working out the collateral problems with an ingenuous

completeness. . . . In a world where pressure on the means of subsistence was a normal condition of life, it was necessary to compensate for the removal of traditional sexual restraints, and so my advocacy of simple and easy love-making had to be supplemented by an adherence to the propaganda of the Neo-Malthusians. This I made in my *Anticipations* (1900)¹⁰ and continued to write plainly on that subject in a period when Neo-Malthusianism was by no means the respectable movement it has become.”¹¹

The political function for which a publicist such as Wells, is subjected to a competitive process of selection, is to transform the ideas which the prospective employers intend to promote, into the easy form in which the mere name of such

9. 1911.

10. *Anticipations of the Reaction of Mechanical and Scientific Progress upon Human Life and Thought* (London: Chapman and Hall, 1901).

11. *An Experiment in Autobiography*, pp. 398-399.

ideas can acquire pleasurable associations within a large ration, if not yet the majority, of a targetted population and the institutions which that population regards as expressing its self-interest.

That is not the manner in which ideas *should* be given wider currency; the cognitive methods of Classical humanistic education, are the proper approach to all forms of education of a population, especially the population of a nation which wishes to escape the fall from republic to tyranny. Wells, like the Mephistopheles of Goethe's *Faust*, is a British empiricist, who avoids cognition; he targets the population's irrational susceptibilities, the target's non-cognitive, associative modes of fantasy-life: erotic imagery.

Wells, like the Dick Morris who did so much to sink the U.S. Democratic Party's 1996 campaign for the U.S. House of Representatives, typifies the use of the pimp as a publicist. "Run it up the flagpole, and see who salutes it!" "Throw it against the wall, and see if it sticks!" "Read the polls, and discover which of last night's political entertainments found their way into the polluted imageries of a relative majority of the targetted strata of the population." Hence, the use of Wells' policy of sexually-oriented utopian propaganda, in the case of the financially successful basing of the origins of the Promise Keepers' cult on the use of Jungian homoerotic imageries.¹²

That sort of pimp, like the mass-media generally, makes his living, and gains his political influence, through reliance upon appeal to the kind of underlying sexual perversity echoed in today's popular print and electronic mass-media of entertainment, and in the fictionalized fantasies presented in those media under the misleading rubric of "news."

This is a characteristic of degenerated cultures, such as that of the Roman Empire, or British popular culture today, in which the proposed size of the testicles of the sports arena's leading gladiators, or, such matters as the size of an actress's breasts, or the reported sexual peccadilloes of entertainment "celebrities," evoke far greater passion from the population, than those issues of policy upon which the lives of themselves and their posterity hang. As Wells expressed the same view, but from his vantage-point, "In a world where pressure on the means of subsistence was a normal condition of life, it was necessary to compensate for the removal of traditional sexual restraints, and so my advocacy of simple and easy love-making had to be supplemented by an adhesion to the propaganda of the Neo-Malthusians."

In general, whether for evil, as in the case of Wells, or for good, an idea gains currency through one or another kind of process of social ingestion. Properly, ingestion begins at the head, and is, next, transmitted from the cognitive process of one head, to replication of the same species and type of cognitive process in the head of another; but, in the lower reaches of society, types such as Wells, Dick Morris, and

12. See Anton Chaitkin, "The Promise Keepers Cult and Homoerotic Brainwashing," *Executive Intelligence Review*, Nov. 14, 1997.

Richard Mellon-Scaife's circles, prefer to address the targetted populist audience's preference for fantasy, from the nether apertures of the publicist's body. In the case of the oligarchy which adopted Wells, it was his uncanny ability, like his Fabian fellow-tribesman George Bernard Shaw, to target and reach the most morally debased level of his chosen audience, whose relative successes showed the oligarchy how to shape its ideas in a form of expression which would capture what Wells recognized as the baser susceptibilities of the intended mass of dupes.

In sum: Wells did not invent sex; he merely sold it. Therein lay his talent, and the quality of his influence.

In the reports included in this issue's Strategic Study, our interest in Wells is focussed upon those features of his activity, which bear upon his crucial and continuing role in originating, beginning 1914, on the eve of World War I, a new variety of "balance of power" doctrine, premised upon chemist Frederick Soddy's assurances of the feasibility of a terrible new military power, nuclear-fission weaponry.¹³

This is the now all-too-familiar doctrine, which features the development and use of nuclear weapons as a form of terror, by means of which nations might be forced to abandon national sovereignty, and to join a new, feudal world order, which Wells, like his crony Bertrand Russell, advocated as "world government."¹⁴ Within the setting of that topic, our

13. H.G. Wells, *The World Set Free* (London: Macmillan, 1914), dedicated to Frederick Soddy. Publicist Wells is the putative inventor of the term "atomic bomb." Notably, although Wells had publicly acknowledged this debt to Soddy in his own 1914 *The World Set Free*, no suitable reference to a matter so important appears in his own 1934 autobiography. Soddy, whose most significant apprenticeship, in study of the disintegration of radioactive elements, occurred under Ernest Rutherford at Montreal's McGill University, is among the first known, during 1908-1914, to have proposed the feasibility, and prospective power of fission weaponry. After Soddy had received his 1921 Nobel Prize in chemistry for related discoveries, his 1908 lectures, on which Wells had relied chiefly for his 1914 proposal of a nuclear balance of power, were published as a book. See, Frederick Soddy, *The Interpretation of Radium and the Structure of the Atom* (New York: G.P. Putnam & Sons, 1922).

14. Bertrand Russell, "The Atomic Bomb and the Prevention of War," *The Bulletin of the Atomic Scientists* Nos. 5 & 6, Sept. 1, 1946. See also, H.G. Wells, *The Open Conspiracy: Blueprints for a World Revolution* (London: Victor Gollancz, 1928). This Wells manifesto became a blueprint for establishing the mystical, synthetic culture presently recognized by the terms "post-modernism" and "New Age." Russell signed on publicly to this utopian scheme of Wells, and never departed from that pledge thereafter. During and following World War II, institutions inside and outside the U.S. establishment inundated the U.S. academic and strategic planning arenas with New Age dogmas. These, which included Norbert Wiener's "information theory" cult, and the "systems analysis" of John von Neumann, were each and all dominated by the combined networks associated with earlier and continuing organizing on behalf of Wells' *The Open Conspiracy* manifesto. The "mind wars" psycho-social kookinesses of the 1952-1972 period of the Cold War, became, like so-called "science fiction" publishing and "sci-fi" cults, a leading playground for such queer types. Through the 1970s and beyond, the dominant figures in New Age pseudo-science, new religions, and kindred projects, were closely associated with Russell and, or Wells, like the Josiah Macy, Jr. Foundation's Gregory Bateson and his sometime spouse Margaret

more specific interest here, is the crucial role which the nuclear balance-of-power doctrine has had, in imposing those utopian, neo-Malthusian dogmas which have, increasingly, ruled, and ruined, and continue to menace the world's economic decision-making, during the recent thirty-odd years.

On these accounts, H.G. Wells was not only the first publicist of the argument of "nuclear balance of power;" he was also among the key figures in misshaping what became that mass youth-counterculture which, like the mythological *Circe*, took over the minds and bodies of a majority of the 1964-1972 generation of university students. As such a mere lackey, he played a key role in bringing about the process of self-destruction, which, in turn, sent the entirety of modern European civilization to its presently ongoing financial disintegration.

To understand Wells, his selection by his aristocratic patrons, and the impact which he has had upon this century, one must begin at the year 1901, the year in which President McKinley was murdered by a London-centered international terrorist organization of that time, the year in which Wells' utopian, and frankly, as he himself insisted on the term, "neo-Malthusian" rant,¹⁵ *Anticipations*, was published.¹⁶ This book was then a leading part of the activity which brought Thomas Huxley admirer Wells into the Fabian Society, and into that eating-club, called the "Coefficients," where he became a kind of early-on "Josef Goebbels" for Lord Alfred Milner's imperial enterprises.¹⁷

On these matters, Wells' writing is characterized by a vivid recollection of what he views as the central fact of his world: that he exists in it, surrounded by celebrities whose acquaintance he wears as his literary plumage. Even world figures, including such non-British figures as Theodore Roosevelt, V.I. Lenin, Josef Stalin, Franklin Roosevelt, and so on, appear in the writing of this irascible Rumpelstiltskin as if they might be merely his predicates. Thus, in his writings, the larger world in which he is situated, is mostly out of focus, a blur. In his own mind, this British *Steppenwolf* was less in the world, than prancing pompously on stage, before it.

Nonetheless, outside the virtual reality which he describes his erotic fantasy-life to be, there existed a very real world, and a very real situation, a world in which he exerted some very real influence. That real world was chiefly hatred against the British monarchy's traditional adversary, the continued existence of Benjamin Franklin's and Abraham Lincoln's United States. This was a U.S. which he and his patrons

Mead, or, linked through the London Tavistock Clinic/Institute of Brigadier Dr. John Rawlings Rees and Dr. Eric Trist. It was through these channels of influence that that apparatus was developed for the mass-brainwashing of 1964-1972 university student populations, and others.

15. Wells, op. cit., p. 399.

16. op. cit. Wells refers pervasively to *Anticipations* as a "1900" book, rather than to the book's date of publication.

17. Wells, *An Experiment in Autobiography*, pp. 643-707.

feared, and hated, bitterly, even more than they hated the U.S.'s late-Nineteenth-Century allies, Japan, Germany, Russia, and, the France of Thiers, President Sadi Carnot, and historian-diplomat Gabriel Hanotaux. Without that essential situation dominating the world in which Wells lived, the Wells of the first half of the Twentieth Century could not have existed.

Follow lackey Sancho Panza (Wells) and aristocratic Don Quixote (Russell), from the starting-point of their journey, hatred against the United States, to their choice of weapons for our republic's destruction. There are three, interdependent, utopian working-notions thematically central to all of the 1901-1939 publicist activity of H.G. Wells, and of the Gernsback-Campbell U.S. school of radically positivist, pulp "science-fiction" which Wells inspired:¹⁸ 1) nuclear weapons, 2) world government, and 3) masturbatory neo-Malthusianism. Find thus the bridge between the Wells of 1901-1928, and the 1964-1972 mass-brainwashing of university campus "Baby Boomers." To grasp the thrust of their "Open Conspiracy," consider that characteristic of the U.S.A. which was the focus of their fear and satanic quality of hatred.

The Abraham Lincoln revolution

Since 1863, what the ruling British oligarchy, otherwise traditionally named "the Venetian Party," has feared, and hated, more than anything else, was the relatively awesome power which the United States's economy came to represent during the course of the years 1861-1876.¹⁹ The facts of this history have been richly documented in books and leading papers published by this writer and his associates over more than a quarter-century. For our purposes here, the relevant essentials of that matter, as this bears upon the roles of Wells and Russell, are fairly summarized as follows.

Until the 1862-1863 interventions of Russia's Czar Alexander II, the British monarchy of Lord Palmerston and Bertrand Russell's grandfather, Lord Russell, was fully committed to destroying the United States. As British agent August Belmont underscored this fact in his own admissions, London's intent in launching its puppet, the Confederate States of America, was to force the Washington, D.C. government to accept the sovereignty of the British Confederacy puppet,

18. Consider, for example, the formula underlying the design of the scripts for the *Star Trek* TV series. High priest "Spock," ostensibly an "artificial intelligence" created by MIT's mad Marvin Minsky, represents the Campbell cult's logical positivism. "The Federation": world government. A "Prime Directive" copied from the cabbala of Neo-Malthusianism. Religiosity: pure polymorphous perversity copied from the pages of William James' *The Varieties of Religious Experience* and Sir James George Frazer's *The Golden Bough*.

19. On the usage of "Venetian Party," see H. Graham Lowry, *How The Nation Was Won* (Washington, D.C.: Executive Intelligence Review, 1987). On the 1861-1876 Carey-Lincoln development of the U.S. economy, see Anton Chaitkin, "The 'Land-Bridge': Henry Carey's Global Development Program," *Executive Intelligence Review*, May 2, 1997.

thus creating the situation in which London could divide the North American continent among a Balkans-like collection of perpetually squabbling local tyrannies, this according to the same “balance of power” illogic which the dubious Zbigniew “Tweedledum” Brzezinski has proposed for Central Asia.²⁰

When, despite Belmont asset McClellan’s complicity, Britain’s Confederacy assets failed to bring the matter quickly to the conclusion London intended, Palmerston, Russell, and Palmerston’s French stooge, the Emperor Napoleon III, prepared to deploy the combined naval forces of Britain, France, and Spain against both Mexico and the U.S. blockade of the Confederate ports. When the Czar not only threatened to “make war throughout Europe,” should Britain deploy naval forces against those of the U.S., but dispatched two Russian naval fleets to aid the U.S. in the case of a British naval intervention in the Civil War, Palmerston’s and Napoleon III’s plan to destroy the U.S., had to be scrapped in favor of other, longer-term options.

During this period, the crucial feature of Lincoln’s strategy, was the rapid development of the basic economic infrastructure and agro-industrial potential of the region under his command. What Lincoln was fighting, from his side, was what Germany’s great Alfred von Schlieffen defined as “annihilation warfare,” in contrast to the predominantly Eighteenth-Century model of “cabinet warfare” which generals such as Lee and McClellan proposed to fight instead. Victory in battles was necessary, but not decisive by itself. Decisive was the increase of the annihilation capability which one side was developing in depth, relative to the destruction of the core-capability of the opposing forces. In the end, it was the “anvil” Grant, the “hammer” Sherman, and Sheridan, who typified the expression of Lincoln’s strategic will on this account.

This mode of warfare, aimed to *annihilate* the adversary’s economic-military capability for continuing to deploy effective war-fighting capabilities, had been introduced to the United States, beginning approximately 1814, from the France circles of Lazare Carnot, he France’s celebrated 1792-1794 “Organizer of Victory,” and from Carnot’s former teacher and ally, Gaspard Monge of the *Ecole Polytechnique*. Carnot is the founder of modern warfare, a form of warfare which Carnot himself integrated with the introduction of machine-tool-design methods to the logistics and technology of war-fighting. This was adopted at the West Point of Commandant Sylvanus Thayer, whose production of a military Corps of Engineers became the germ of later U.S. military superiority, and represented an essential building-block for the Carey-Lincoln “economic miracle” of 1861-1876.

Under the guidance of economist Henry C. Carey, the 1861-1876 period saw the rapid development of the U.S.

20. Lyndon H. LaRouche, Jr., “Tweedledum Goofs Again,” *Executive Intelligence Review*, Dec. 5, 1997.

economy into not only the world’s most powerful, but the most technologically advanced, by far. This resulted in the successful adoption of the Carey-Lincoln model by Japan’s Meiji Restoration, and radical changes in the economic policies of Bismarck, making Germany the rising economy in Europe. Similar benefits of the U.S. revolution in industrial society, were extended to the Russia of U.S. ally Czar Alexander II, D.I. Mendelejev, and Count Sergei Witte. The aid to Russia’s technological progress came both directly from the U.S., and by way of U.S.-Russia-Germany cooperation.

Meanwhile, with the overthrow of British agent Napoleon III, France under Adolphe Thiers, Sadi Carnot, et al., had ceased to be the number-two enemy of the U.S.A., and was engaged in cooperation in the great, railway-building and related land-bridge development projects in Eurasia. Until corrupt French creatures, agents of London, arranged a capitulation to Lord Kitchener’s London, in the Fashoda incident of 1898, France was effectively a partner of the great nation-building projects which Lincoln’s victorious U.S.A. had inspired and was fostering in Eurasia. Until British-directed, chiefly diplomatic countermeasures of the 1894-1901 interval, the combination of the U.S.A.’s links to Japan and to the nationalist forces of China, complemented U.S. patriots’ commitment to fostering Eurasia economic cooperation among France, Germany, Russia, China, and Japan.

From the success of France’s Paul Barras in ousting war-hero Lazare Carnot from all positions of political power in France, until the initial successes of President Lincoln’s naval blockades, during the U.S. Civil War, London was assured, that the potential strategic danger from the continued existence of the U.S.A., was a manageable threat. The developments of 1861-1876 nearly obliterated British strategic self-confidence on this account. These events demonstrated to the nations of that time, the absolute, and vast superiority of the Leibniz-Franklin-Hamilton-Carey-List American System of political-economy, over the British intellectual export to its intended victims, the “free trade” model. The spread of Henry C. Carey’s American model into Japan, Germany, Russia, and nationalist China, transformed the threat to the British monarchy, from a grave potential one, into an immediate challenge to the continued existence of our republic’s traditional and continuing chief foreign adversary, since 1714 to the present day.

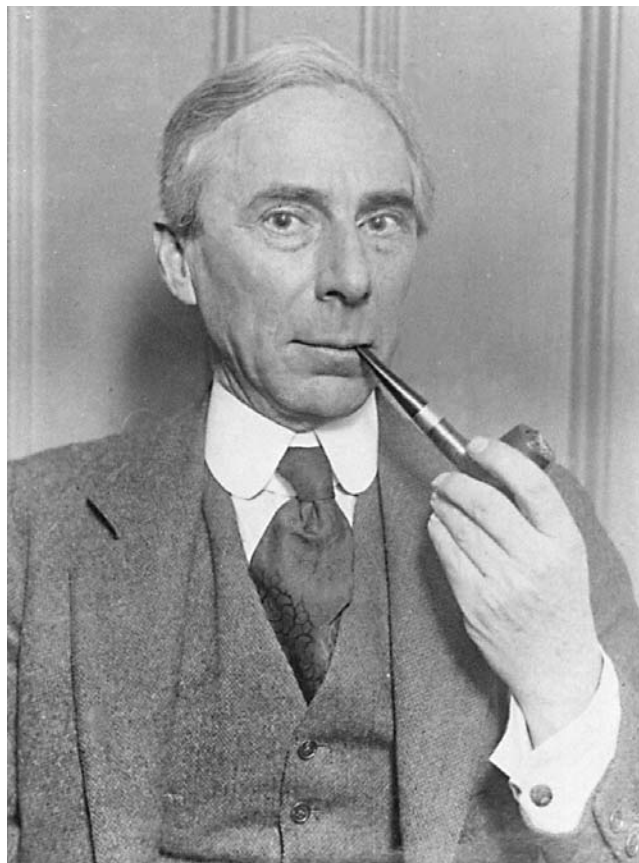
At the close of the century, when Wells first emerged from obscurity, the American System had shown great resiliency against even the worst treason and external afflictions it had suffered until that time. The election of a patriot in the Lincoln-Carey tradition, President William McKinley, threatened to undo the treachery accomplished under Confederacy spawn Grover Cleveland; the U.S.A. led by McKinley, was an active challenge to the continued existence of the British Empire. A new Japan emperor, friendlier to Britain, presided over the first, 1894 Japan-China war, a direct break of Japan

with its former U.S. ally; the 1941-1945 U.S.-Japan war was a direct outgrowth of Japan's prolonged, Twentieth-Century alliance with Britain against U.S. interests. The immediate grave danger to the British Empire was eliminated, for the ensuing two decades, by the assassination of President McKinley. King Edward VII's successful use of treasonous French officials from the ranks of France's assortments of revanchist scoundrels, enabled London to pit France and Russia against Germany, and to deploy combined French and British freemasonic agents to orchestrate the Balkan War used to detonate World War I.

Russell's expressions of hatred against the United States, like his mass-homicidal threats against darker-skinned "more prolific races,"²¹ are already beyond the bounds of toleration; the man was a conscienceless beast. Yet, even Russell's anti-American rants do not approach the virulence and pervasiveness of Wells' expressed hatred against everything American. Only a low-life lackey could muster such public displays of obsessive hatred against his master's opponent as Wells does. Sometimes, as British whodunits instruct us, the household's Royal commissioner, the butler, often a fanatical British-Israelite thug, makes a readier assassin than the typical British version of *Oblomov*, the butler's Established-Church master.

After Wells' death, Russell summarized his own and Wells' common view in the following terms: "... bad times, you may say, are exceptional, and can be dealt with by exceptional methods. This has been more or less true during the honeymoon period of industrialism, but it will not remain true unless the increase of the population can be enormously diminished. . . . War, so far, has had no very great effect on this increase, which continued throughout each of the world wars. . . . War . . . has hitherto been disappointing in this respect . . . but perhaps bacteriological war may prove more effective. If a Black Death could spread throughout the world

21. Bertrand Russell, *The Prospects of Industrial Civilization* (London: George Allen & Unwin, 1923), p. 273: "Socialism, especially international socialism, is only possible as a stable system if the population is stationary or nearly so. A slow increase might be coped with by improvement in agricultural methods, but a rapid increase must in the end reduce the whole population to penury. . . . the white population of the world will soon cease to increase. The Asiatic races will be longer, and the negroes still longer, before their birth rate falls sufficiently to make their numbers stable without help of war and pestilence. . . . Until that happens, the benefits aimed at by socialism can only be partially realized, and the less prolific races will have to defend themselves against the more prolific by methods which are disgusting even if they are necessary." As cited in Carol White, *The New Dark Ages Conspiracy* (New York: New Benjamin Franklin House, 1980), pp. 74-75. The latter book by Carol White, et al., was based upon my 1978 outline of crucial features of a proposed text, debunking the mythical image of Bertrand Russell as a kindly old pacifist. This typifies extensive researches into Russell's networks, beginning my own study of his mathematical and philosophical works, during the 1950s, and the work of my associates and myself, in Europe and North America, since the early 1970s. Selections from that research have been brought to bear here, as they bear on the subject as more narrowly defined in this *EIR* Strategic Study.



Bertrand Russell: "When I first became politically conscious, Gladstone and Disraeli still confronted each other amid Victorian solidities, the British Empire seemed eternal, a threat to British naval supremacy was unthinkable, the country was aristocratic, rich and growing richer. . . . For an old man, with such a background, it is difficult to feel at home in world of . . . American supremacy."

once in every generation, survivors could procreate freely without making the world too full. . . . The state of affairs might be somewhat unpleasant, but what of it? Really high-minded people are indifferent to happiness, especially other people's. . . ."²²

The distinction, and convergence of implied master (Russell) and house-servant (Wells), are compactly represented by Russell's autobiographical outburst: "As for public life, when I first became politically conscious [William E.] Gladstone²³ and [Benjamin] Disraeli²⁴ still confronted each other

22. From Carol White, op. cit., as quoted from Bertrand Russell, *The Impact of Science on Society* (New York: Simon and Schuster, 1953), pp. 102-104.

23. Former prominent British Conservative, turned leading Liberal Party figure, sometime Prime Minister, famous for his unsuccessful efforts on behalf of Irish Home Rule.

24. British novelist and arch-imperialist conservative, who served as Prime Minister briefly in 1868, and again in 1874-1880. Notorious for his role in making the widowed, batty woman from the attic, Queen Victoria, Empress

amid Victorian solidities, the British Empire seemed eternal, a threat to British naval supremacy was unthinkable, the country was aristocratic, rich and growing richer. . . . For an old man,²⁵ with such a background, it is difficult to feel at home in world of . . . American supremacy.”²⁶ Russell was speaking in the context of Britain’s continuing, Churchillian hatred against that U.S. President Franklin Roosevelt who, but for his untimely death, would have quickly rid this planet of all colonial empires and also of continued British export of its pernicious, theologically, implicitly satanic,²⁷ “free trade” swindle to the foreign nations its intended victims.

The role of ‘The Venetian Party’

As previously stressed, in sundry relevant locations, since the 1439-1440 sessions of the great ecumenical Council of Florence, and since the subsequent establishment of Louis XI’s France as the first modern form of nation-state republic, the central issue underlying all the important wars and related political, social, and philosophical conflicts within extended modern European civilization, has been the conflict between the notion of the equality of all persons, as made in the *cognitive* image of God, against the contrary policy of those oligarchical classes then centered in Venice’s imperial role as the then-dominant maritime and financier power of the Mediterranean region and northern Europe.²⁸ The case of Russell, Wells, et al., is no exception to this rule. The Civil War between the United States of President Abraham Lincoln and the British puppet-state known as the Confederacy, is a perfect expression of precisely this issue.

As stressed in earlier locations, the exceptional quality of superiority of the design presented in our 1776 Declaration of Independence and 1787-1789 Federal Constitution, is a reflection of the historic circumstance, that post-League of Cambrai Europe continues, to this day, to be characteristi-

of India. During Gladstone’s ministry, Disraeli was the most consistently savage spokesman for the opposition.

25. Bertrand Russell, hereditary Third Earl, was born 1872, and died in 1970: hence, the reference to “old man.”

26. Carol White, op. cit., p. 77.

27. The proximate origins of the British “free trade” doctrines include Bernard Mandeville’s 1714 *The Fable of the Bees, or Private Vice, Public Benefits*. See H. Graham Lowry, op. cit., passim. On Mandeville’s notion of “free trade” as satanic in nature, see Lyndon H. LaRouche, Jr., “Whose God Does Pat Robertson Serve?” *Executive Intelligence Review*, Nov. 14, 1997, passim. The single most significant ideological basis for both the *laissez-faire* of that heir of the feudal-reactionary *Fronde*, François Quesnay, and Quesnay’s plagiarizer, Lord Shelburne’s Adam Smith, is the neo-Manichean Bogomil cult, those inventors of the condom, more popularly known as “the buggers,” which rooted itself in two regions of France, the mountainous regions of the southwest and along the Rhône, from Lake Geneva to the Mediterranean. The standard argument for “free trade,” to the present-day representatives of the Mont Pelerin Society and the circles of Pat Robertson, Jerry Falwell, and Mark deMoss, is a direct copy of the Bogomil argument bearing upon the signs of selection of members of the cult’s “elect.”

28. N.B., “Tweedledum Goofs Again.”

cally a corrupted form of nation-state, in which one of the two ruling classes of feudal society, a financier-oligarchy of what has been known variously, since the Seventeenth Century, as the “Venetian Party,” “Anglo-Dutch” oligarchy, or, more recently, “Club of the Isles,” World Wildlife Fund, etc., has usually occupied the positions of top-most authority over government and economy. Although we were polluted with spores of such an oligarchical slime-mold, with our New England opium-traffickers, our New York bankers, and our southern slave-owners, our constitutional principle was of such excellent moral superiority over that of any other nation-state established in modern times, that we have managed, thus far, to emerge, sooner or later, afresh from every protracted period of corruption by the influence of our own domestic oligarchical classes.²⁹

On this account, we were not an exception to the best currents within Italy, France, Germany, and so forth; the highest levels were reached by such German-speaking admirers of our republican struggles as Friedrich Schiller and Ludwig van Beethoven. Indeed, those best currents from precisely those countries, provided the majority of the founding kernel of our citizenry. The difference is, that we used our distance from Europe to constitutional advantage, thus becoming the only modern European form of nation-state which gained the freedom to be founded upon a consistent moral principle. That, and only that, is our *exceptional superiority* as a form of nation-state. This is the only reason for the stubborn persistence of the British monarchy’s continuing role, since 1714, of being the principal, mortal adversary of our republic. The fact, as many foolish Americans demonstrate the point, that the British oligarchy regards us with an even greater, more consistent enmity than our U.S. patriots, such as the present writer, view the British monarchy.

This is not to suggest, that Clement Prince Metternich’s Habsburg monarchy was any less fervent an enemy of the United States than Bentham’s, Castlereagh’s, Canning’s, and Palmerston’s Britain. Probably, putting aside a significant number of happier exceptions, such as the Marquis de Lafayette, the Emperor Joseph II, and Beethoven’s student, the Archduke Rudolf, the continental European land-owning aristocracy, taken as a class, was more aptly represented by the secret police under such Austrian Chancellors as Wenzel von Kaunitz and, the official pimp, of the 1814 (sexual) Congress of Vienna, Metternich.³⁰ That class, generally, was more brut-

29. This thesis, respecting the post-League of Cambrai (i.e., post A.D. 1610) Europe, is developed in numerous locations, including the “Tweedledum Goofs Again,” referenced above.

30. The Austro-Hungarian secret police (*Geheimpolizei*), who conducted political operations against such figures as both Wolfgang Mozart and Ludwig van Beethoven, were notoriously closer to the Venice-dominated council of princes of the Holy Roman Empire, than to the Habsburg royal household. Generally, the Chancellor was closer to that body of princes than his Emperor. Thus, the targets of political assassination under von Kaunitz tended to be the circles associated with the former Emperor, Joseph II, such as Mozart

ish than the British. The difference is, that the landed aristocracy of the southern regions of Europe and the Americas, was a dying species, a great nuisance for the security of the United States during the first half of the Nineteenth Century, but with little potency for the longer term, even then.

As this reporter has stressed early and often, the difference between U.S. patriots in the tradition of Franklin and Lincoln, and the British ruling classes and their lackeys, is not other than, nothing less than, an uncompromisable difference respecting the concepts of God, man, and nature.³¹ Russell's Hitler-like, sordid racialism, expressed in proposals for genocide, to be accomplished by aid of means which he himself acknowledged to be "disgusting" Malthusian methods, including bacteriological warfare, expresses this unbridgable moral gulf between our respective forms of government.

To make the needed summary of our argument on this point, as short as possible, the reader is referred to the charming stories of Jonathan Swift's 1726 *Gulliver's Travels*. One must get past the misapprehension, that these are merely children's stories. They are, chiefly, political satires on the condition of the British Isles under King George I. The most relevant among these, is the tale of the fictional Lemuel Gulliver's visit to the kingdom of the Houyhnhnms, in which lordly horses' posteriors reigned over rutting humanoid creatures, called Yahoos, which latter were devoid of morals or speech:³² an apt picture of the British Isles' aristocrats and lower classes at that time. It is relevant to emphasize here, that that is also a fair satire on the Eighteenth-Century depravity to which the British population has been returned, since the onset of those pestilences known as the Harold Wilson and Margaret Thatcher governments.

The chief practical expression of the issue which underlies the incurable hostility between all U.S. patriots and the present British oligarchy, is the interrelated issues of popular education, popular employment, and popular physical standard of household incomes. Summarily: If each man and woman is made, equally, in the image of God, by virtue of those sovereign cognitive potentials of the individual mind, by means of which man increases our species' power over nature through such means as new, validated discoveries of physical

and his friends. The scandal around Anton Schindler and the conversation books, exposed the fact that Beethoven, despite his close association with the imperial family, was also targeted by the *Geheimpolizei* under Metternich. The ascription of "pimp" to Metternich, is historically precise. Metternich and his *Geheimpolizei* managed the Congress of Vienna chiefly in the bedrooms, where the entertainment of the distracted celebrities by assigned countesses and peasant-girls was arranged by Metternich, and the quality of entertainment provided, closely supervised and documented by the secret police.

31. e.g., Lyndon H. LaRouche, Jr., "What Economics Must Measure," *Executive Intelligence Review*, Nov. 28, 1997.

32. In the U.S.A. today, "Yahoo" is more readily recognized as the mating-call of that Confederate tradition cherished by Nashville, Tennessee's Agrarians.

principle, then the education, employment, and conditions of family and community life of each and all persons must be ordered accordingly.

In such a society, which our Leibnizian 1776 Declaration of Independence, and the Preamble of our 1789 Federal Constitution, define this republic of ours to be, there can be no superior social classes, nor any institution by means of which any form of usury—financier usury or slavery—is allowed as means by which one group of persons can subjugate, or otherwise loot another. Each newborn personality must be cultivated to the utmost degree possible, in the development of those powers of cognition which define each as made in the image of God. Each must be afforded, to the degree possible, the opportunities of useful employment which are consistent with such developed cognitive powers. Each household, and community within society must be afforded the opportunities which are consistent with these other requirements.

Not only must we desire this naturally lawful state of affairs for our nation itself. We can not be happy unless we are working to ensure the same rights for all humanity, for all nations.

Here, on these two points, we part company with our foremost traditional enemy, the British Venetian-style financier oligarchy and its representative instrument, the imperial monarchy.

The question is then often posed, "Can we not persuade such wretches as poor lackey H.G. Wells, that our desire is in their best interest as human individuals?" "Can the British not be brought to understand, that we wish nothing so much for them, as that they might enjoy the same preconditions of happiness we defend for our own nation?" Why not? Perhaps a miserable wretch like Bertrand Russell, belongs to the criminal class his title and outlook define his loyalties to be? But, what of the ordinary, poor Brit, or simply one of unpretentious circumstances: Why should he or she not see the wisdom of abandoning his nation's long-established policy of destroying the liberties of one's own people?

With such questions, one touches upon the existence of a principle of evil, like that which gripped the poor Confederate soldier, almost in a condition of slavery, and illiteracy, like the African-American slaves, himself. Why should he fight for the cause of his actual oppressor? How can a miserable wretch such as lackey H.G. Wells exist? Wells would recognize the answer to that question: "Eros!" Will Shakespeare's friend, Christopher Marlowe, wrote elegantly of this in his *Dr. Faustus*. John Milton's Satan, like Bertrand Russell, would rather reign in Hell, than serve in Heaven. Wells, like Adolf Hitler, another of the same pedigree, would rather be Satan's lackey in Hell, than a citizen in Heaven; on both counts, both Russell and Wells succeeded. You will not bring them back, nor, likely, any of their kind. They have been destroyed by the culture of which they are a part.

That should be warning to those who are reluctant to give up the acquired traits of the 1964-1972 youth-counterculture.

History is so composed, that bad cultures tend to eliminate, or, at least, greatly weaken themselves. Although several thousand years were required to crush the degraded Semitic culture which grew up in Mesopotamia, when the crucial blow was finally struck, by Alexander the Great, the way was cleared for the role which Christianity began to play just over three centuries later. Archeology and related studies warn us, that it is by the weakening of a bad culture, which would otherwise be an impediment to human improvement, that mankind has progressed. Thus, if we do not willingly purge ourselves of a bad culture, one which, like that 1964–1972 youth-counterculture, has brought this civilization to the presently ongoing systemic collapse, this generation now in topmost positions of power, and its children and grandchildren, will pay the horrid price suffered by any culture, whose virtual extermination is a prerequisite to further human progress. Similarly, if we allow the British cause, as represented by Wells, Russell, and their like, to continue to dominate the course of current history, we and our posterity shall be in large degree, soon obliterated, as the levels of global population are reduced, through the “Four Horsemen of the Apocalypse,” to the range of not more than the several hundred millions world population which Europe’s Fifteenth Century encountered.

The central issue of all known human existence to date, and the essential issue which prompts all U.S. patriots to recognize the British oligarchical system as our republic’s first, continuing, and principal mortal adversary, is this issue of establishing a form of society consistent with the inborn, cognitive potential of each and all human individuals. The issue is to eliminate all expressions of multi-tier society, in which those beneath serve as virtual human cattle to landlord or financier above.

What moves a Russell, is not the desire to exploit, as much as it is to have the status of an exploiter. What moves a Wells, or a Henry A. Kissinger, is, similarly, the passion to be a lackey, rather than live in a world where lackeys do not enjoy the privileges accompanying patronage by an oligarchy. There is, as the cases of the public sexual advocacies of both Russell and Wells attest, something Freudian, or similarly debased, in the proximate motivations of these despicable types of Englishman — and others like them. Indeed, the entirety of empiricism’s history, is a history of degraded eroticism. Not merely strange sexual appetites, although those abounded; but, erotic in the more inclusive sense of placing the sense-perceptual experience of intense pleasure-pain at the highest rank of motivating passion. Exemplary, is the smell of homosexual rape in the slave’s subjection by the master. It is not by our objective interests, but, by our motives, our passions, that we are ruled.³³

33. See Helga Zepp LaRouche, “How Aesthetical Education Determines the Moral Character,” *New Federalist*, Sept. 15, 1997, address to Autumn 1997 Schiller Institute conference, in Reston, Virginia. Friedrich Schiller, in motivating, in 1793, what became the philosophy of the German Classical Human-

Russell’s referenced expostulation, “. . . it is difficult to feel at home in a world of . . . American supremacy,” sums up the point adequately. The kind of republican society represented by the U.S. in its best moments, is a kind of society in which a Russell loses his desire to live. Thus, he must destroy that kind of society. It is that simple a motive. Wells wishes to be a butler to a Russell; a world without Russells, Milners, and so on, is a world which gives a Wells no pleasure, a world in which he would not care to live. He, too, must destroy that kind of society.

Thus, if we do not willingly purge ourselves of a bad culture, one which, like that 1964-1972 youth-counterculture, has brought this civilization to the presently ongoing systemic collapse, this generation now in topmost positions of power, and its children and grandchildren, will pay the horrid price suffered by any culture, whose virtual extermination is a prerequisite to further human progress.

The British oligarchy’s horrid fascination with the persistence of the American Revolution, impelled that oligarchy to look at this phenomenon more deeply. Rather than simply attempting to crush the existing United States, it reckoned that it must uproot the seedling, destroy the seed, and salt the fields, such that this planet might be secured against new growth of such an undesirable plant, at last, and forever. To accomplish that, Britain must eliminate the existence of the institutions upon which the existence of modern European civilization depends. It must turn back the clock of history, accordingly. It must eliminate the nation-state, to return to a kind of global *Pax Romana*, or a world government approximating that. It must eradicate forms of economy which depend upon the development of the cognitive processes of the general population. It must create a world ruled by the horses’

ist educational reforms of his friend and follower Wilhelm von Humboldt, emphasized that the degeneration of the French Revolution of 1789 into the Jacobin Terror, reflected a moral defect in the French population. This danger, he warned, must be remedied by recognizing the vital role of Classical forms of artistic composition in the moral education of the population’s passions. Thus, today, the near obliteration of Classical artistic culture from the U.S. population, and its replacement by the most debased expressions of Dionysiac revels, is the major internal security threat to the continued existence of our republic.

posteriors depicted by Swift's satire, a world in which the illiterate masses are kept amused, as Wells proposed,³⁴ and as Newt Gingrich admirer Lord William Rees-Mogg has implicitly proposed, by rutting with one another in bushes and ditches, when they are not fully occupied with menial chores of a sort which a virtual beast might accomplish.³⁵

So, the one-time partners of Lincoln's legacy, France, Germany, Russia, Japan, and so on, were put against one another's throats, in World War I. Not sufficient. Some nations, among the victors, survived! Worst of all, the hated U.S.! Try again, put Hitler into power in Germany, and soon, we shall have another wonderful war on the continent! Not good enough; the victor nations still exist. Try nuclear-fission weapons; and pit the biggest victors, the U.S.A. and U.S.S.R., against one another, "With we Brits managing both sides in the middle." Stalin is a bother; as Russell said, during that period, that is a medical problem, which can be solved accordingly, that we might deal on better terms with those successors whom we think we have waiting in the wings. Russell's discussion-partner Khrushchev will cooperate. We shall bring the powers to their knees, in sheer terror of going to the brink of total nuclear warfare! Then, they will beg for world government. Then, we shall win.³⁶

So, beginning 1964, young university students of increasingly doubtful literacy, began to imitate the rutting Yahoos of Swift's fable, in the corridors, basements, and bushes of the campuses. Some challenged then, "What about reality?" The voices from bushes retorted, "We don't go there!" One might have imagined that he heard Wells giggling from his grave: "In a world where pressure on the means of subsistence was a normal condition of life, it was necessary to compensate for the removal of traditional sexual restraints, and so my advocacy of simple and easy love-making had to be supple-

34. Toward the end of the 1939-1940 academic year, Bertrand Earl Russell was invited to become a professor at the College of the City of New York. A woman whose daughter attended the college, brought suit against the Municipality of New York, claiming that the employment of Russell would be dangerous for her daughter's virtue. The lawyer for the plaintiff pronounced Russell's works to be "lecherous, libidinous, venereal, erotomaniac, aphrodisiac, irreverent, narrow-minded, untruthful, and bereft of moral fiber." A New York City judge found for the plaintiff, against further employment of Bertrand Earl Russell at City College.

35. See Lord William Rees-Mogg, London *Times*, Jan. 4, 1995: "It's the elite who matter; in future, Britain must concentrate on educating the top 5%, on whose success we shall all depend."

36. By the early part of 1950, through his advocacy of "preventive war" against the Soviet Union and the creation of "world government," Russell states in his autobiography that "... I had become so respectable in the eyes of the Establishment that it was felt that I should be given the O.M. [the Order of Merit, the highest military award]. This made me very happy, for, though I daresay it would surprise many Englishmen and most of the English Establishment, I am passionately English, and I treasure an honour bestowed on me by the Head of my country. I had to go to Buckingham Palace for the official bestowal of it." Earl Russell notes that during the investiture, King George VI remarked favorably upon his cousin, Lord Portal, who was the only holder of both the Knight of the Garter and the O.M.

mented by an adhesion to the propaganda of the Neo-Malthusians."

Nuclei and geopolitics

To understand how the images associated with the 1901-1928 writings of the lackey publicist H.G. Wells, could have become, as they did, the prevalent characteristics of belief among the university student population of the 1964-1972 interval, we must understand how modern European civilization works. In other words, we must identify the mechanisms by means of which a chiefly unsuspecting population is so subtly encumbered, even suddenly, with a new mind-set, that it is, afterward, scarcely aware of the fact, and might even deny vehemently that its mind-set has undergone an induced change to such effect. To understand that, we must discover how to discover how modern European civilization works. In other words, we are obliged to examine history in the same way we ought to study any branch of physical science.

Decades ago, the present writer, then engaged in consulting to various branches of industry, was struck by the implications of something which most relevant business managers and their consultants appeared, to him, at that time, simply to take for granted as a cruel fact of business life. In a time when the rudiments of successful industrial society were rather widely known, one of the most interesting, and important facts respecting production, was the fact that it was possible to foresee, even years in advance, a general change in popular taste for products and product-designs. We, whose treatment of the productive processes themselves must take into account the fact of changing consumer tastes, must ask ourselves, how was it possible, that the business executives who planned the new designs of products to emerge even a specific number of years later, could effectively foresee what public tastes would be. During the writer's early adulthood, this was the characteristic problem of manufacturing garments; the distinctive feature of the rise of power of Wall Street's General Motors over the industrial philosophies of Henry Ford and Walter Chrysler, was General Motors' emulation of the New York garment center. How, for example, did we foresee, what typical women, in identified social strata, would prefer, as a style change, not only months, but even years ahead. What does this phenomenon say about the human mind, the opinion-making of those customers? What does this tell us about the manipulability of public opinion generally?

This same question bears upon the ability of the British to foresee the induced changes in cultural-paradigm which they, and their confederates brought about with the hegemonic trends among the university student populations of 1964-1972. It was not quite as simple a matter as shortening skirt-lengths almost to the hips; but, as H.G. Wells would have been greatly pleased to observe, there was a connection.

As one might recognize, from study of my writings on the function of time-reversal in physical-economic processes, this question, which I have just summarized, touches

upon the most profound and important philosophical questions respecting mankind's efficient relationship to nature.³⁷ The question thus posed by industrial experience, is simply a reflection of a much larger domain: *What is history?* Not "history" as chronology, or chronology enhanced by mere academic commentary upon commentary, but living, real history, as history makes itself. To render comprehensible a valid representation of the connection between Wells of 1901-1928 and the university Baby-Boomer population of 1964-1972, the following summarized considerations are indispensable.

When some among us were children and adolescents, the raw idea of history made its impact on our awareness in chiefly two ways: the living genealogy in which our own existence is situated, and the antiquity of the process of emergence and development of the language we use.³⁸ In the present writer's time, and for earlier generations, these two impressions converged upon one another to relatively strongest effect about the time we approached adolescence, and were exposed, in that time, to not only foreign languages, but to the importance then attached to the study of both Latin and Classical Greek. The timing of the appearance of that effect upon our young selves, had to do with our developing sense of the evolution of modern mathematics and physical science out of origins more than two thousand years earlier. The attempt to put together, in some coherent way, these three considerations: genealogy, language, and the transmission of a developing body of scientific ideas, is the rudimentary basis for a modern study of human history.

The point of this, is the urgency of freeing mankind from our species', unfortunately, commonly displayed habit, of blindly following current changes in public opinion, a habit of viewing opinions impressed upon us, in our role as victims, as unchallengeable, sacred gifts of pagan gods, of some Hegelian or Savigny *Weltgeist*, *Zeitgeist*, or, for the case of the most pitiable class of dupe, the populist, the *Volksgeist*.³⁹ Is

37. See, for example, *Executive Intelligence Review* entries: "The Essential Role of 'Time-Reversal' in Mathematical Economics," Oct. 11, 1996; "What Economics Must Measure," Nov. 28, 1997. See, also, "The Classical Principle in Art and Science," *Fidelio*, Winter 1997.

38. For example, the present writer's grandparents were born in the 1860s. One great-grandparent was known directly, during the writer's 1920s childhood. The most celebrated maternal ancestor, Quaker abolitionist and "Underground Railroad" station-manager Daniel Wood of Delaware County, Ohio, was a contemporary of Abraham Lincoln. It is now nearly the close of this century, and Daniel Wood was born early in the previous century. Thus, a span of nearly two centuries was represented in the dinner-table conversation of the maternal grandparents' household. This same principle is extended to the families of our acquaintances. Thus, we gain an intimation of filling some necessary place in a "simultaneity of eternity."

39. These three, closely interrelated types of formally Romantic irrationalisms, are chiefly the donation of such neo-Aristotelian madmen as Immanuel Kant, G.W.F. Hegel, and Metternich asset, and official Prussian state philosopher Hegel's post-Vienna Congress accomplice at the university in Berlin, Karl F. Savigny. Like the axiomatically irrationalist dogma of libertarianism-

there some comprehensible principle of Reason, which we might observe as the underlying metric of a science of history? Is there a comprehensible ordering-principle underlying what a Socratically self-critical, well-informed mind might wish to identify as "history"?

Of course there is; that is the subject-matter to which the present writer has devoted the principal amount of his adolescent and adult life: the nature of human progress as measurable in the human species' often successful efforts at increasing power over the universe. In other words: measurable in the sense of those subjective processes of valid discovery of new principle, by means of which mankind increases our species' per-capita power over the universe. This led this writer, relatively early in adult life, to focus his life's efforts on enhancement of an admired Leibniz's discoveries in the science of physical economy. However, economy is only a facet and reflection of the more general process of practice of ideas, a practice of mankind's total relationship to the universe, a total relationship which the realities of physical economy best typify. From this vantage-point, one may identify what ought to appear to be rather obvious clues to those mechanisms, by means of which the influence of a 1901-1928 publicist might have become the prevailing ideology among a university student population of 1964-1972.

As most of the present writer's published work on physical economy and related matters, emphasizes this, mankind's relationship to the universe, and to our species itself, bears no similarity to that of any other living species. The distinctive—"ecological," if you will—relationship of man to the universe, is man's increasing power, as a species, over that universe. This power is located in the manner in which the properly developed, sovereign, innate cognitive potentials of the individual human mind, discover new, valid principles of the universe, both physical principles, and the principles which govern this remarkable subjective potential of the individual human cognitive processes themselves. In short, history is a history of orderable sequences of discovery and practice of ideas, in Plato's specific, anti-empiricist sense of *idea*.⁴⁰

For us, as members of European culture, we must first master the history of our own culture, as from the inside. Only after we have applied the Socratic method to smoke out the hidden, usually perverse assumptions underlying our own, naive beliefs, have we established the intellectual foundations for examining the process of history in a more general way, the competence to pass judgment upon cultures not our own, that competence which is typical of a true science, capable

cum-free trade, these Romantic ideas sprung from the pages of Kant's famous three *Critiques*, impute to history some incomprehensible principle of action, a mystical principle impervious to reason, which must be simply, blindly obeyed as "current trends in public opinion." This, of course, was the essential assumption underlying fascism generally, and Nazism in particular. It is otherwise known today, in such locations as the University of Pennsylvania, as "political correctness."

40. See references given in the preceding footnote.

of judging everything. The beginning of that initial subject-matter, European civilization, is the emergence of Classical Greek culture, as typified by the passage from Homeric epics through Solon, through the great Classical tragedians, and through the foundations for modern civilization supplied by Plato and the following century or two of his Academy after him. The essence of this process of initial internal development of European civilization, is the Greek image of *Prometheus*, as that image is typified by the work of Aeschylus.

Classical Greek culture, thus viewed, is a process of freeing the Greeks from submission to the assumed power of pagan gods, a process of freeing mankind, as an idea of mankind, from any notion that the human species is anything but the noblest, most beautiful existence within all known Creation. There is a connection, of this sort, between the Odysseus of the *Odyssey* and the Prometheus of Aeschylus' *Prometheus Bound*. Aeschylus' Prometheus is prepared to endure immortal torment, for the sake of keeping secret the forecastable, self-induced doom of Zeus and his fellow-gods of Olympus, a secret which Prometheus keeps, so that the noble human species might at last be freed from the rule over their minds by those evil pagan gods.

So, as it is written in *Acts* 17:22-23, the Apostle Paul comes to the place in Athens dedicated to the "Unknown God." Paul speaks: ". . . I found an altar with this inscription: 'To The Unknown God.' Whom ye therefore ignorantly worship, him I declare unto you."⁴¹ Thus, Jesus Christ's mission was expressed, as the establishment, in practice, for the first time in all known human existence, of a universal equality and oneness of all mankind, an equality rooted in no lesser consideration, than the fact each man and woman is made the noblest creature in the universe, because made in the *cognitive* image of God, a creature, by nature, beloved of God, to exert dominion in this universe. The Christian Apostles' takeover of the richest contributions of Classical Greek culture, as Christianity's most suitable garment for its continuing mission in this world, and the fight of Christianity against that Rome which the Apostles knew as variously "Babylon" and "Whore of Babylon," is the central feature of European civilization's unfolding history since the day the Apostle Paul stood upon the Athens hill.

However, until the Fifteenth-Century aftermath of the 1439-1440 sessions of the great ecumenical Council of Florence, there existed no form of society consistent with such a Christian principle. Over ninety percent of the population of each nation lived in the estate of human cattle, or in the debased, oligarchical status of brutish human-cattle-herders.

41. Compare: Lyndon H. LaRouche, Jr., "Whose God Does Pat Robertson Serve?" op. cit. Not by accident, the hill on which the Apostle chose to speak, the Areopagus, was always famously associated with the reforms of Solon, which had rescued Athens from its own self-destruction in 594 B.C., and with the Solon-Aeschylus-Plato tradition since. In Classical tragedy, Athena created the Court of Areopagus to untie the bloody knot of murder and revenge at the culmination of Aeschylus' *Oresteia* trilogy, saying, "I shall establish this law for all time" (*Eumenides*, line 484).

Man in the image of God had no recognized rights under Diocletian or his followers of Byzantium or feudal western Europe. The principle which, to date, the Leibnizian Preamble of the U.S. Constitution represents with an *exceptionally* good approximation, exemplifies what the founders of the Council of Florence intended by their sponsorship of the first approximation of a Christian form of society, the France reconstructed under Louis XI.

That is to say, a form of society in which the accountability of the state for the promotion of the natural rights of all persons, as persons, was, for the first time in feudal history, placed above, and in opposition to the feudal rights of the land-owning and financier oligarchs and their lackeys. Since Louis XI lacked the power to eliminate the oligarchs, he placed himself as representative of the sovereign-state, above them, and thus, by virtue of the sovereign state's accountability for principle, made the sovereign state under his reign an efficient agency for that Christian principle, in opposition to the pagan principle intrinsic to feudal forms of society.

That is to imply the corollary point, a point which we may be certain France's Louis XI would have acknowledged as a measure of his reign's uncompleted work. The essential problem of modern European civilization, is that it has yet to free itself from the institutional heritage of what the Christian Apostles rightly named "Whore of Babylon," the Latin imperial, bureaucratic Rome of Augustus Caesar: from the pagan form of state bureaucracy. Here lies the key to the transmission of Wells' fantasies of 1901-1928 into the behavioral code of university students of the 1964-1972 period of "cultural paradigm-shift."

This, as codified by Diocletian, persisted as the evil inherent in Byzantium. This Roman imperial bureaucratization is expressed, by intent, as the permanent civil-service bureaucracy of the British Crown. It is a tradition of imperial corruption by bureaucracy, which an Anglophile spawn of the Confederacy, President Grover Cleveland, fostered, in the abused name of "reform," for the United States. It is the rot within our republican institutions, an imitation of the British permanent, civil-service bureaucracy, which has degenerated into the ruling U.S. Federal bureaucracy and judiciary of today.⁴²

This continuing role of bureaucracies, and bureaucratized judiciaries, in imitation of the principle of Augustus Caesar's Roman imperial bureaucracy, is a crucial, pervasive flaw in the existing institutions of modern European civilization, world-wide. The kernel of the problem of administrative practice so ordered, is the existence of systems of rules which acknowledge no principle, but have, rather, the nature of the terms of a commercial contract, or what some terribly mis-

42. As has been noted and argued in several published locations, U.S. Associate Supreme Court Justice Antonin Scalia epitomizes, by his pattern of decisions, precisely that sort of Romantic law of Savigny, Carl Schmitt, et al., which harks back to the worst features of Rome. Cf. Lyndon H. LaRouche, Jr., "Michael Novak, Calvinist? — 'Not by Marketplace Alone!,'" *Executive Intelligence Review*, July 4, 1997.

guided theologians and others identify as a “covenant.”

This, of course, is directly opposed to all Christian principle, as Paul’s celebrated *I Corinthians* 13 exemplifies the working point. The quality which identifies the person as in the image of God, is identified by Plato, and by the Apostle Paul as *agapē*. *Agapē* is expressed, in Plato, as the passion for truth and justice, as the governing cognitive principle, the informed quality of passion which guides one’s cognitive processes and will for action. So it is with the Apostle Paul and the Gospel of John.

When a body of law is informed by this passion, we may speak of “natural law.” By “natural law” we should signify the impact of an efficiently served agapic passion for man, as a sacred life of a being made in the cognitive image of God, a view of man’s nature which must inform the cognitive processes of administration of society, especially those functions associated with justice. It is that conception of man, which is to be served in all legislative and other conflicts respecting positive law: “Does this decision coincide with those requirements which an agapic notion of the individual person implicitly imposes upon the society as a whole?”

This was Abraham Lincoln’s conception of the law, as expressed in his Presidency, in all leading matters. No such conception is to be found in representatives of the philosophy of government among his oligarchical adversaries of that time: none among the followers of John Locke, such as the southern slave-owners; none among those New York bankers in the spirit of the Bank of Manhattan’s treasonous Aaron Burr, Martin van Buren, or treasonous August Belmont; none, among the New England families of the British East India Company’s opium-trafficking tradition. Lincoln’s central point of concern was to ensure the existence and durability of those qualities of institution, especially of sovereign nationhood, without which human freedom, and natural human rights can not exist. This notion of essential institutions was governed by the Christian notion of natural law, of *agapē*. Among his oligarchical opponents and rivals, there was no principle, only cognitively sterile commercial contracts, mere covenants.

The characteristic of a positivist notion of “contract law,” is an indifference to the existence of such principle of natural law. For the merely positive law, or the Romantic law, a stated, or at least implied, narrow putative, absolute or relative, intent, is attributed to the literal text, a text read as akin to a Babylonian commercial contract. Today, the prevailing practice, under U.S. Associate Justice Antonin Scalia, as under the Romantic school of law of the Nazis, is that what the bureaucracy, or justice chooses to perceive as contemporary trends in opinion—e.g., *Volksgeist*, provides the interpretation of the text of the law, and thus becomes a depraved, erotic substitute for all principle of law. Under the sway of such combined bureaucratic and judicial travesties, there is no provision for the existence of actual rights of the individual person, under law.

It is the quibble of some misguided souls, including per-

haps even most of that ignorant popular opinion which reigns, on the highest judicial benches, and elsewhere, inside the U.S.A. today, that the merely positive law is only “objectively” indifferent to the issues implied by *agapē*. Indifferent? Yes, precisely as much as the despicable William of Ockham was indifferent, as Adam Smith’s empiricist employers, the British East India Company of slave- and opium-traders, were indifferent to principle, as Mandeville was indifferent to principle, as François Quesnay’s *laissez-faire* expressed his Frondist’s absolute hostility to morality. Is such indifference not to “close out,” to “exclude,” to “deny,” those considerations which are the victim of indifference? Can we not speak of the murderer as a person whose actions were indifferent to the principle of individual human right to life? What would we say of a man who professed, archly: “I simply do not choose to breathe”? Indifference means, in this case, exclusion, means denial, means *lawless law*, like Roman law, like the mob rule of Savigny’s, Carl Schmitt’s, and Nazi Justice Roland Freisler’s *Volksgeist* law, like the popular law of Nero’s Roman arena.

By reestablishing such a bureaucratic tradition in the administration of public affairs in the United States, we surrounded the individual citizen with denial of his, or her humanity. The positive law, and related infantilely bureaucratic rules of the game, were axiomatically blind to the essential quality of the individual person; they denied each such person his, or her most essential right, the right to be human in the sense Christianity recognizes each person’s sovereign cognitive potential as that of a being made in the image of God.

In a correlated matter, by destroying the practice of those forms of Classical culture which express *agapē*, and replacing them with entertainments premised on erotic, even overtly satanic principles, we transformed many of the noblest creature in creation into those forms of degenerates we call “existentialists,” degenerates in the sense of Nazi philosopher Martin Heidegger and such degraded cronies of his as Jean-Paul Sartre, Theodor Adorno, and Hannah Arendt, all moral and intellectual degenerates in the sense of Hermann Hesse’s *Steppenwolf*.

For the ordinary person, caged within such bureaucratic and judicial indifference to principle, what this has done, is to instruct that victim, again, and again, and again, that the principle associated with *agapē* has no efficient command over the society within whose bureaucratized rules that victim is trapped. The result of such a prolonged condition, as the U.S. population has been more or less continuously subjected to this since the untimely death of President Franklin Roosevelt, is a corrosive process, of descent into what is called “cultural pessimism.” When this same corrosive process is aggravated by a reversal of a previous commitment to fostering the benefits of scientific and technological progress, as usually accompanies deep and prolonged economic depressions, such as in post-Versailles Weimar Germany, the result is an upsurge of the erotic impulse in its worst expressions, as

Wells and Russell epitomize that correlation between debased rampant eroticism and cultural depravity in all other dimensions.

The U.S. veteran of World War II, returned to his, or her United States, which had accomplished economic and related miracles, in emulation of the Carey-Lincoln economic miracle of 1861-1876. By mid-1946, it seemed to that veteran, that the U.S. had resumed the Great Depression of the pre-war 1930s. The sudden introduction of the theme of a nuclear war with the Soviet Union, introduced by Bertrand Russell and his crew, as much as Winston Churchill, by mid-1946, and the explosion, that same year, of a "political witch-hunt," plunged the overwhelming majority of these veterans into deep, erotically nasty cultural pessimism. Excepting the quickening of the optimism and reawakened morality, by the veterans' generation's President John F. Kennedy, by the role of the Rev. Martin Luther King, leading into President Johnson's actions on two civil-rights bills, and the inspiring accomplishments of the 1960s space-program in progress, there was no point during the 1946-1966 interval, at which the notion of truth and justice had principled authority in government, or in customary social relations within the society in general. The 1950s flight from truth, became the generation of the "Organization Man," who could say of his marriage, as almost anything else, "Nothing personal; I'm just doing my job."

The nature and effects of this process, are illustrated by the explosion of degeneration within such diverse institutions as the Christian churches and the military officer corps, during the course of the 1960s. A summary of the clinical case for each helps to clarify the way in which Wells' 1901-1928 propaganda erupted in the university student population undergoing the 1964-1972 cultural paradigm-shift.

The 1946-1960 takeover of society by a banning of commitment to truth and justice, had a monstrous effect within those Christian churches, whose viability depends entirely upon precisely those commitments. The degree to which the churches made themselves an accomplice, in the name of "anti-communism," and the related degree to which the churches retreated from the real world into shibboleths respecting social relations in the small, emptied the churches of actually practicing Christians, during the 1950s, an opportunistic soiling of sanctity during the 1950s, with the result the pews also began to empty during the 1960s. Then, strange, new paganist cults, as "new religions," not accidentally "from below," took over the field.

The assassination of President Kennedy, followed by the folly of McGeorge Bundy's and Robert McNamara's Vietnam Grand Guignol, destroyed the morals of the military officer-corps much as the abandonment of *agapē* had rotted out so much of the clergy and laity from the Christian denominations. The way in which a process of détente was imposed by effects of the 1962 missile-crisis, and the disgusting hoax of military policy under McNamara at Defense, all compounded by the

protracted, mass-murderous farce of post-modernist "cabinet warfare" in Indo-China, were reflected in the accelerated rates of break-up of marriages among members of the officer corps, and by the spread of deep cultural pessimism and moral corruption among the professionals. To their wives, their children, and themselves, these professionals were no longer heroes, but prospective, or even actual mercenaries.

The words often, from among these two strata, were, increasingly, "I no longer believe." They no longer believed in themselves, in even the possibility of the efficient existence of truth and justice. They had lost the passion for such things, and, thereby, lost their own souls.

In such an environment, the so-called "Baby Boomer" generation, those born during, or during the decade following the war, was conditioned during the span 1946-1962. For the overwhelming majority among those family households of that interval, neither truth nor justice existed as efficiently controlling principles of either government or private life. So, those "Baby Boomers" received the shock of, first, the 1962 Cuba missiles crisis, standing at the brink of total thermonuclear war, and, just over a year later, the assassination of President Kennedy. As a result, from 1964 onward, the morale, and morals of a generation went to Hell. The self-drugged Yahoos rutting on the university campuses of 1964-1972, warned any sensible person that our civilization had reached the outskirts of something which would pass for those doomed, Biblical cities of the Plain, Sodom and Gomorrah.

The essence of the moral and intellectual degeneration of the generation of World War II veterans and their families, during the 1946-1966 interval, was Roman-imperial-style bureaucratization of every imaginable facet of life. There were few nooks and crannies of even private life which were not invaded, and permeated by a quality of bureaucratization which one-time H.G. Wells protégé George Orwell depicted in his novel *1984*. Orwell used "1984" as a symbolic reference to 1948, when the spirit of what he described in that novel was already rampant. In that sense, the world of 1946-1960 was already pretty much a fascist world in Orwell's sense of the matter. The popular morality expressed even in the minutiae of interpersonal relations was predominantly disgusting; "hypocrisy" was the gentlest among those terms which could be honestly employed to describe the personal morality pervading life during that time. For personal life, and political reality, too, a substitute was being provided in the flourishing role of the television entertainment medium. Thus, the Eisenhower 1950s became the age of the Organization Man.

Put the same point another way. Look at this matter again, this time from the standpoint of what should have become my familiar explications of the significance of linearization in the small, with respect to the notions of entropic versus not-entropic orderings of social as well as non-living and living processes. Let us summarize the argument, and then its implication, as follows.

It has been repeatedly documented, that all generally accepted teachings of economics in textbooks, university classrooms, and correlated occasions, share in common, a single, fatal, axiomatic flaw. These teachings share in common, the delusion that we might account for the appearance of net physical-economic profit in a society considered as a whole, without considering the role of the creative cognitive processes of the mind of the individual operative in agriculture, industry, and so on. In effect, these teachings, from Adam Smith, through Karl Marx, and John von Neumann, make no functional distinction between a society whose processes employ human beings, and those which might employ monkeys.⁴³

It is demonstrated, in practice, that the physical-economic profitability of modern industrial macroeconomies, must satisfy the following restriction. The argument, in summary, is as follows. A certain level of per-capita consumption, by infrastructure, by agriculture, by manufacturing, and so on, is a precondition for maintaining a constant or improved rate of per-capita physical productivity of the society as a whole. This required rate of increase of such consumption levels, corresponds to “energy of the system” of that economic process. Any gain in output, in excess of replenishing the required increased amount of energy of the system, is relative “free energy.” The precondition for profitability, is that the ratio of “free energy” to “energy of the system,” must either increase, or not decline, despite the requirement that the per-capita value of “energy of the system” must increase.

It is shown, in these relevant locations, that the origin of what appears as the anti-entropic generation of net physical-economic profitability, lies within the capacity of the individual human mind to generate validated discoveries of new principle, and to transmit those discoveries to other minds by methods of cognitive replication. This is effected through the generation and dissemination for practice of valid discoveries of principle, discoveries which are originally generated, and replicated, within the sovereign cognitive processes of the individual mind. This social process of scientific, technological, and related progress has, as indicated in these locations, a Riemannian characteristic. This latter characteristic correlates with anti-entropy.

Thus, the sole source of sustainable physical-economic profitability of economies in their entirety is this anti-entropy, as generated by the characteristic features of cognition by individual minds.

More profoundly, it is this same cognitive anti-entropy which defines the anti-entropic relationship of the human species to the universe at large.

As indicated in those earlier locations, the characteristic emotion of this anti-entropic, cognitive process, is the passion identified as *agapē*, the same passion which Plato associates

with the motive for truth and justice. This is the same quality associated with those forms of ideas unique to Classical forms of art.

The suppression of *agapē*, as by eliminating the factor of Classical art, at the same time we suppress emphasis upon scientific and technological progress, while allowing negative physical-economic decline, tends to produce a degenerative process in the morals and intellectual qualities of the affected population. The result, as Wells, in his own way, points toward this, is a form of escapism into synthetic “virtual realities,” converging on erotically motivated forms of moral and intellectual degeneracy, such as so-called “rock music,” or increases in membership of a Nazi party, and so on. If this cultural depression persists, the general result may be that society’s temporary, or even permanent loss of the moral fitness of that society to survive.

A typical example of a morally degenerate form of culture is the world-outlook of Seventeenth-Century English empiricism, that of Ockhamite Paolo Sarpi and such of his assets as Francis Bacon, Thomas Hobbes, and, by derivation, John Locke, Bernard Mandeville, David Hume, and Adam Smith. These cultures, are characteristically linear, thus excluding all consideration of those qualities, all non-linear, which set mankind apart from both mechanical contrivances and lower beasts. For example, in the present time, notions associated with the cults of “information theory” and “systems analysis,” or positivist forms of so-called psychology and sociology, are examples of such degenerate, linearized cultural traits.

As indicated in an earlier source,⁴⁴ the very notion of “geopolitics” is an example of such linear pathologies. Generally, all of these pathologies are associated with pathological qualities of erotic states. The fact that both Russell and Wells were erotic degenerates, is no coincidence; although not all degenerates of this culturally depressed type necessarily exhibit such flagrant expressions of erotic pathologies as these two unfortunates. Each such pathology expresses a degenerate conception of God, man, and nature. By denying, or simply excluding by means of disinterest, concern for those “non-linear” (i.e., anti-entropic) qualities of individual cognition which define actual human nature, the relations among persons and nations are bestialized, as the very notion of a geopolitics, or related “balance of power” doctrine expresses such bestiality.

Curiously, it was Oscar Wilde who gave the show away, with his “The Picture of Dorian Grey.” By fostering Dorian’s increasing depravity, he was self-destroyed. That was essentially what the British monarchy has done to those nations, the United States included, which threatened to overwhelm the London-centered international financier oligarchy. We were set up, and, then, through our own folly of seeking pleasure instead of happiness, we permitted London to orchestrate

43. Cf. Lyndon H. LaRouche, Jr., “What Economics Must Measure,” *Executive Intelligence Review*, Nov. 28, 1997, passim.

44. Lyndon H. LaRouche, Jr., “Tweedledum Goofs Again,” op. cit.

the 1962 shock of going to the brink of general thermonuclear war; then, out of terror, we capitulated to that shock. Our promising children, entering universities then, the children on track to assuming future positions of leadership in society, were almost destroyed. Now, we are running out of chances. Perhaps, only if the Baby Boomers themselves will face the reality of the way in which they were “brainwashed,” will the new shocks of a disintegrating global financial system, prompt them to throw away the shackles they put upon their own minds, approximately thirty-odd years ago.

Documentation

Wriston hails advent of ‘information standard’

Former Citibank Chairman Walter Wriston lauded the replacement of “money” with “E-cash,” and the inauguration of a new “information standard,” in a speech to the Cato Institute’s 15th Annual Monetary Conference on Oct. 14. The conference was titled “Money and Capital Flows in a Global Economy.” Noting the enormous expansion of financial flows in recent years, he emphasized that this has destroyed the sovereignty of the nation-state—which he considers a positive development. (See p. 12 for Lyndon LaRouche’s comment on Wriston’s own mental state.)

During the postwar period, Wriston said, a “sea-change” took place, as the explosion of world trade and capital movements overwhelmed the existing financial system. “Most people don’t remember that in 1968,” he said, “the New York Stock Exchange choked, and ground to a halt, on a volume of 16 million shares a day.” Today, if 450 million shares change hands, the talking heads on TV say that trading was “moderate.” Indeed, the market can handle 2 billion shares, he said.

“Today, with the [foreign exchange] market at about \$1 trillion a day, central bank intervention can only result in expensive failure, as there is simply not enough money in any central bank to influence the exchange rates on anything but a momentary basis.”

Reviewing developments in the financial system since World War II, Wriston concluded, “Today, I would argue that we have a wholly new situation. The marriage of computers with telecommunications, has created a truly global market in everything, from money, to commodities, to stocks. . . .

“Perhaps the beginning of a truly global market was [the development of the Eurodollar market in the 1960s]. . . . The market gravitated toward London, because of the City’s reputation for maintaining a free and open market. . . . The advent and explosive growth of the Euromarket, empowered by tele-

communications, permitted people all around the world . . . the added benefit of keeping [dollars] outside the United States, away from possible seizure. The market grew exponentially [sic], and has become the greatest floating pool of capital in the history of the world.”

What would happen, Wriston asked, “if a small event, like the failure of a bank somewhere, severed the weakest link in the chain? Would the whole system come crashing down? Or, to use a Washington term, would we have a ‘systemic failure’?” This nightmare came true on Friday, June 28, 1974, triggered by the failure of a small German bank, Herstatt.

“We got the news that Chase Manhattan, which was acting for Herstatt, had stopped all payments, in the Clearing House Interbank Payments System [CHIPS]. The main problem was, how do you restart the system, and let payments clear, so that the participants in the world banking system could know what their liabilities were?”

As a result of developments since that time, Wriston said, CHIPS now has a procedure in place to cover the simultaneous failure of the two largest participants in the New York Clearing House.

These changes occurred alongside a sea-change in the world’s monetary system, Wriston said. For the first time in history, no major currency is tied directly to a commodity like gold or silver. The gold standard, gold exchange standard, furnished, for a time, a discipline in the creation of money. “But now, with the uncoupling of money from any commodity, these old arrangements have been replaced, by an even more draconian device, which I call the ‘information standard.’” This is being administered by a completely new system of international finance; it was not built by economists, central bankers, or by any high-level conference which produced a master plan. The new system was built by technology: It consists of more than 200,000 electronic monitors, in trading rooms all over the world.

“The market is so huge, that intervention by central banks has just become an expensive exercise in futility. Indeed, the market has overpowered one of the most important aspects of national sovereignty.”

We now have multiple forms of digital cash, or “E-cash,” Wriston said. Electronic networks are gnawing away at the powers of state. “While sovereigns posture on trade policy . . . business networks are beginning to operate almost independently of trade policy.”

In conclusion, Wriston said: “Some mechanism must be able to absorb the unexpected shocks that will occur. So far, the market has the best track record in handling these events, ranging from the oil shock to the Gulf War. Markets may overshoot or undershoot, and it may take time to restore equilibrium. But unlike governments, which are reluctant to admit mistakes, markets adjust to their mistakes very quickly. . . . The process is irreversible. The networks only speed this process, and nations and companies can only ignore this sea-change in the way the world works, at their peril.”

Wells et al., in their own words

The following was compiled by Scott Thompson and Michael Minnicino.

H.G. Wells first came to the attention of Britain's literary elite at the end of the 19th century. As many critics noted at the time, he was not considered a particularly skillful prose writer, but the didactic "message" of some of his early works—in particular, *The Time Machine* (1895), *The Island of Dr. Moreau* (1886), and *The War of the Worlds* (1898)—perfectly fit the political objectives of Edwardian England. It was decided to call Wells "the English Poe," a praise so grotesquely inappropriate, that even Wells refused it.

Wells' passport to the highest levels of British imperial policymaking came in 1901, with the publication of *Anticipations of the Reaction of Mechanical and Scientific Progress Upon Human Life and Thought*. Here, for the first time, Wells stated his theory of one-world government, which he called "the New Republic" (a concept that would later inspire the American magazine of the same name). What made Wells' version of global imperialism particularly appealing, was its emphasis on racial hygiene, then called eugenics. Excerpts follow:

"And the ethical system which will dominate the world-state will be shaped primarily to favour the procreation of what is fine and efficient and beautiful in humanity—beautiful and strong bodies, clear and powerful minds, and a growing body of knowledge—and to check the procreation of base and servile types, of fear-driven and cowardly souls, of all that is mean and ugly and bestial in the souls, bodies, and habits of men, the method that has only one alternative, the method that must in some cases still be called in to the help of man, is death. For a multitude of contemptible and silly creatures, fear-driven and helpless and useless, unhappy or hatefully happy in the midst of squalid dishonour, feeble, ugly, inefficient, born of unrestrained lusts, and increasing and multiplying through sheer incontinence and stupidity, the men of the New Republic will have little pity and less benevolence."

Wells' call for racial mass-murder was harsh, even by the standards of Edwardian England. Arthur Conan Doyle (hardly a racial liberal himself) denounced the book as vile and villainous; G.K. Chesterton led scores of critics in attacking the piece. But, the Fabian policymakers loved it. Fabian Society founder Beatrice Webb called *Anticipations* "the book of the year," and wrote that it was full of luminous hypotheses and worth careful study by those trying to look

forward. Beatrice's husband, Sidney, wrote Chesterton, claiming that, while Wells might have "fallen over the edge" in his zeal, the book's message of eugenics and neo-Malthusianism had to be supported by right-thinking Britons. *Anticipations* went through eight printings in one year, and netted Wells an invitation to join the Fabian Society.

From 1901 until his death in 1946, Wells wrote about 60 more books. However, almost all of them are really the same book rewritten over and over again: a tale of world civilization destroyed by catastrophe or war (the "war to end all wars," as Wells wrote), and then rebuilt as a "scientific" one-world dictatorship. In 1913, Wells added a nasty twist to the format: that the most efficient method of world destruction would be through the use of "atomic bombs." Wells claimed that the inspiration for this came from physicist Frederick Soddy, who had worked under Baron Ernest Rutherford.

(It was Rutherford's lectures on the atom that inspired Lord Bertrand Russell to write a short story in 1902, which he never published, about a bomb that was capable of destroying all mankind.)

Soddy gave a series of lectures on radium and radioactivity in Glasgow, Scotland in 1908, and then published them in 1909 under the title *The Interpretation of Radium and the Structure of the Atom*. Although Soddy emphasized the positive uses of atomic power, Wells was inspired by its terroristic possibilities. He wrote *The World Set Free* in 1913 (published 1914), and dedicated it "To Frederick Soddy's *Interpretation of Radium*. This story, which owes long passages to the eleventh chapter of that book, acknowledges and inscribes itself." Soddy himself appears fictionalized as "Professor Rufus."

With this book, Wells inaugurated the era of nuclear terror and "mutual and assured destruction." Excerpts follow:

"A certain professor of physics named Rufus was giving a course of afternoon lectures upon Radium and Radio-Activity in Edinburgh. They were lectures that had attracted a very considerable amount of attention.

"'And so,' said the professor, 'we see that this Radium, which seemed at first a fantastic exception, a mad inversion of all that was most established and fundamental in the constitution of matter, is really at one with the rest of the elements. It does noticeably and forcibly what probably all the other elements are doing with an imperceptible slowness. It is like the single voice crying aloud that betrays the silent breathing multitude in the darkness. Radium is an element that is breaking up and flying to pieces. A little while ago we thought of the atoms as we thought of bricks, as solid building material, as substantial matter, as unit masses of lifeless stuff, and behold! These bricks are boxes, treasure boxes, boxes full of the intensest force. This little bottle contains about a pint of uranium oxide; that is to say, about fourteen ounces of the element uranium. It is worth about a pound. And in this bottle, ladies and gentlemen, in the atoms in this bottle there slumbers at least as much energy as we could get by burning a hundred and sixty tons of coal. If at a word, in one instant I could

suddenly release that energy here and now it would blow us and everything about us to fragments; if I could turn it into the machinery that lights this city, it could keep Edinburgh brightly lit for a week. But at present no man knows, no man has an inkling of how this little lump of stuff can be made to hasten the release of its store.’

“[Given that knowledge,] he said, ‘mark what we should be able to do! We should not only be able to use this uranium and thorium; not only should we have a source of power so potent that a man might carry in his hand the energy to light a city for a year, fight a fleet of battleships, or drive one of our giant liners across the Atlantic; but we should also have a clue that would enable us at last to quicken the process of disintegration in all the other elements, where decay is still so slow as to escape our finest measurements. Every scrap of solid matter in the world would become an available reservoir of concentrated force. Do you realise, ladies and gentlemen, what these things would mean for us?’

“ ‘It would mean a change in human conditions that I can only compare to the discovery of fire, that first discovery that lifted man above the brute. We stand to-day towards radio-activity as our ancestor stood towards fire before he had learnt to make it. He knew it then only as a strange thing utterly beyond his control, a flare on the crest of the volcano, a red destruction that poured through the forest. So it is that we know radio-activity to-day. This — this is the dawn of a new day in human living. At the climax of that civilisation which had its beginning in the hammered flint and the fire-stick of the savage, just when it is becoming apparent that our ever-increasing needs cannot be borne indefinitely by our present sources of energy, we discover suddenly the possibility of an entirely new civilisation.’ ”

As the story proceeds, atomic power is mastered in 1953, and “atomic engines” are created. The dislocations caused by this new power collapse the oil, coal, and steel industries; strikes and social chaos ensue, and ultimately world war begins in 1956. The war is fought with “atomic bombs.” By 1956, every major city in the world has been reduced to rubble:

“And now under the shock of the atomic bombs, the great masses of population which had gathered into the enormous dingy town centres of that period were dispossessed and scattered disastrously over the surrounding rural areas. It was as if some brutal force, grown impatient at last at man’s blindness, had with the deliberate intention of a rearrangement of population upon more wholesome lines, shaken the world. The great industrial regions and the large cities that had escaped the bombs were, because of their complete economic collapse, in almost as tragic plight as those that blazed, and the country-side was disordered by a multitude of wandering and lawless strangers. In some parts of the world famine raged, and in many regions there was plague. . . . The plains of north India, which had become more and more dependent for the general welfare on the railways and that great system

of irrigation canals which the malignant section of the patriots had destroyed, were in a state of peculiar distress, whole villages lay dead together, no man heeding, and the very tigers and panthers that preyed upon the emaciated survivors crawled back infected into the jungle to perish. Large areas of China were a prey to brigand bands. . . .

“The catastrophe of the atomic bombs which shook men out of cities and businesses and economic relations shook them also out of their old established habits of thought, and out of the lightly held beliefs and prejudices that came down to them from the past. To borrow a word from the old-fashioned chemists, men were made nascent; they were released from old ties; for good or evil they were ready for new associations.”

From fiction to geopolitics

British Round Table/Fabian Society propagandist Wells’ fictional tale of nuclear armageddon and “benign” one-world dictatorship formed the core of British geostrategy from the moment that Wells’ book was released to the public. Following World War I, the British elites moved to put their scheme into practice. Their sponsorship of Hitler and the Nazis, and the imminent outbreak of another “war to end all wars,” provided the moment of opportunity to launch the nuclear-war era. Wells’ protégé, physicist Leo Szilard, and Lord Bertrand Russell ally Eugene Wigner, approached Albert Einstein, and induced him to press President Franklin Roosevelt to launch an American atom bomb project, based knowingly on the false claim that Hitler’s scientists were working on the same program, and that it was vital to “beat the Nazis” to the atom bomb.

The following letter was drafted by Szilard with the assistance of Russell’s Princeton epigone, Wigner. Einstein signed it after Szilard and Wigner falsely assured him that the Nazis were about to obtain the main source of uranium in the world and begin work on an atomic bomb. This letter to President Roosevelt started U.S. involvement in an atomic bomb project. Einstein had nothing to do with the subsequent “top secret” U.S. bomb project, and when he heard a bomb had been dropped on Hiroshima, he exclaimed, “*Oy Vey!*” The letter read:

“Albert Einstein
“Old Grove Rd.
“Nassau Point Peconic, Long Island
“August 2nd, 1939

“F.D. Roosevelt
“President of the United States
“White House
“Washington, D.C.
“Sir,

“Some recent work by E. Fermi and L. Szilard, which has been communicated to me in manuscript, leads me to expect



Physicist Leo Szilard, a protégé of H.G. Wells, was the model for the film character “Dr. Strangelove.”

that the element uranium may be turned into a new and important source of energy in the immediate future. Certain aspects of the situation which has arisen seem to call for watchfulness and, if necessary, quick action on the part of the Administration. I believe therefore that it is my duty to bring to your attention the following facts and recommendations.

“In the course of the last four months it has been made probable through the work of Joliot in France as well as Fermi and Szilard in America—that it may become possible to set up a nuclear reaction in a large mass of uranium, by which vast amounts of power and large quantities of new radium-like elements would be generated. Now it appears almost certain that this could be achieved in the immediate future.

“This new phenomenon would also lead to the construction of bombs, and it is conceivable—though much less certain—that extremely powerful bombs of a new type may thus be constructed. A single bomb of this type, carried by boat and exploded in a port, might well destroy the whole port together with some of the surrounding territory. However, such bombs might well prove to be too heavy for transportation by air. . . .

“In view of this situation you might think it desirable to

have some permanent contact maintained between the Administration and the group of physicists working on chain reactions in America. . . .

“I understand that Germany has actually stopped the sale of uranium from the Czechoslovakian mines which she has taken over. That she should have taken such early action might be understood on the ground that the son of the German Under-Secretary of State, von Weizäcker, is attached to the Kaiser Wilhelm-Institut in Berlin where some of the American work on uranium is now being repeated.

“Yours very truly,
“Albert Einstein”

Russell picks up Wells’ dream

Even before the radioactive cloud had dissipated over the ruins of Nagasaki, Russell began his public campaign to convince the world that the threat of atomic war meant that nations must give up their sovereignty to a one-world dictatorship which must ruthlessly exterminate any resistance. The following is an excerpt from a commentary entitled “The Bomb and Civilization,” published in the *Glasgow Forward*, a Scottish newspaper, on Aug. 18, 1945. The article was written one or two days after the bombing of Nagasaki on Aug. 9, but before the announcement of Japan’s surrender on Aug. 14. Excerpts include:

“The prospect for the human race is sombre beyond all precedent. Mankind are faced with a clear-cut alternative: either we shall all perish, or we shall have to acquire some slight degree of common sense. A great deal of new political thinking will be necessary if utter disaster is to be averted.

“For the moment, fortunately, only the United States is in a position to manufacture atomic bombs. The immediate result must be a rapid end to the Japanese war, whether by surrender or by extermination. The power of the United States in international affairs is, for the time being, immeasurably increased; a month ago, Russia and the United States seemed about equal in warlike strength, but now this is no longer the case. This situation, however, will not last long, for it must be assumed that before long Russia and the British Empire will set to work to make these bombs for themselves. Uranium has suddenly become the most precious of raw materials, and nations will probably fight for it as hitherto they have fought for oil. In the next war, if atomic bombs are used on both sides, it is to be expected that all large cities will be completely wiped out; so will all scientific laboratories and all governmental centres. Communications will be disrupted, and the world will be reduced to a number of small independent agricultural communities living on local produce, as they did in the Dark Ages. But presumably none of them will have either the resources or the skill for the manufacture of atomic bombs.

“There is another and a better possibility, if men have the wisdom to make use of the few years during which it will remain open to them. Either war or civilization must end, and if it is to be war that ends, there must be an international

authority with the sole power to make the new bombs. All supplies of uranium must be placed under the control of the international authority, which shall have the right to safeguard the ore by armed forces. As soon as such an authority has been created, all existing atomic bombs, and all plants for their manufacture, must be handed over. And of course the international authority must have sufficient armed forces to protect whatever has been handed over to it. If this system were once established, the international authority would be irresistible, and wars would cease. At worst, there might be occasional brief revolts that would be easily quelled.

“But I fear all this is Utopian. The United States will not consent to any pooling of armaments, and no more will Soviet Russia. Each will insist on retaining the means of exterminating the other, on the ground that the other is not to be trusted.

“If America were more imperialistic there would be another possibility, less Utopian and less desirable, but still preferable to the total obliteration of civilized life. It would be possible for Americans to use their position of temporary superiority to insist upon disarmament, not only in Germany and Japan, but everywhere except in the United States, or at any rate in every country not prepared to enter into a close military alliance with the United States, involving compulsory sharing of military secrets. During the next few years, this policy could be enforced; if one or two wars were necessary, they would be brief, and would soon end in decisive American victory. In this way a new League of Nations could be formed under American leadership, and the peace of the world could be securely established. But I fear that respect for international justice will prevent Washington from adopting this policy.

“In view of the reluctance of mankind to form voluntarily an effective international authority, we must hope, and perhaps we may expect, that after the next world war some one Power will emerge with such preponderant strength as to be able to establish a peaceful hegemony over the rest of the globe. The next war, unless it comes very soon, will endanger all civilized government; but if any civilized government survives and achieves supremacy, there will again be a possibility of ordered progress and the utilization of science for happiness rather than for destruction.”

In October 1946, Russell wrote the following policy statement for the *The Bulletin of the Atomic Scientists*:

“... There is only one way in which great wars can be permanently prevented, and that is the establishment of an international government with a monopoly of serious armed force. When I speak of an international government, I mean one that really governs. . . .

“An international government, if it is to be able to preserve peace, must have the only atomic bombs, the only plant for producing them, the only air force, the only battleships, and its infantry regiments must each severally be composed of men of many different nations; there must be no possibility of the development of national feeling in any unit larger than

a company. Every member of the international armed force should be carefully trained in loyalty to the international government.

“The international authority must have a monopoly of uranium and of whatever raw material may hereafter be found suitable for the manufacture of atomic bombs. It must have a large army of inspectors who must have the right to enter any factory without notice; any attempt to interfere with their work must be treated as *casus belli*. . . .

“The monopoly of armed force is the most necessary attribute of the international government, but it will, of course, have to exercise various governmental functions. It will have to decide all disputes between different nations, and will have to possess the right to revise treaties. It will be bound by its constitution to intervene by force of arms against any nation that refuses to submit to the arbitration. . . .

“There is one other method by which, in theory, the peace of the world could be secured, and that is the supremacy of one nation or of one closely allied group of nations. By this method Rome secured the peace of the Mediterranean area for several centuries. America at this moment, if it were belligerent and imperialistic, could compel the rest of the world to disarm, and establish a world-wide monopoly of American armed forces. But the country has no wish for such enterprises, and in a few years the opportunity will be gone. In the near future, a world war, however terrible, would probably end in American victory without the destruction of civilization in the Western Hemisphere, and American victory would no doubt lead to a world government under the hegemony of the United States—a result which, for my part, I would welcome with enthusiasm.

“But if, as seems more likely, there is no world war until Russia has an adequate supply of atomic bombs, plans for world peace will have to reckon with Russia and America as roughly equal powers, and an international government, if it is to be established before the outbreak of an utterly disastrous war, will have to be created by agreement rather than by force.

“Short of actual force, however, the government of the United States, with the support of Great Britain and a number of other powers, could do a great deal toward the creation of an international government. An alliance should be formed, consisting in the first place of all North and South America, the British Commonwealth, France, Belgium, Holland, Scandinavia and Spain (after dealing with Franco). This alliance should proclaim certain international purposes, and declare its willingness to be joined by any power that subscribed to these purposes. There should be both military and economic inducements to join the alliance; military, in that the alliance as a whole would undertake the defense of all its members; economic, in a lower tariff for trade within the alliance than for trade with countries outside it, and also in advantages as regards loans and access to raw materials. There should be a gradual increase in closeness of the alliance and a continually greater amalgamation of military resources. Every possible

effort should be made to induce Russia to become a member of the alliance. In this way international government might grow up gradually. . . .

“Russia, since it is a dictatorship . . . can be dealt with only on the governmental level. Stalin and Molotov, or their successors, will have to be persuaded that it is to the national interest of Russia to permit the creation of an effective international government. I do not think the necessary persuasion can be effected except by governments, especially the government of the United States. Nor do I think that the persuasion can be effected by arguments of principle. The only possible way, in my opinion, is by a mixture of cajolery and threat, making it plain to the Soviet authorities that refusal will entail disaster, while acceptance will not. . . .

“If the atomic bomb shocks the nations into acquiescence in a system making great wars impossible, it will have been one of the greatest boons ever conferred by science.”

Szilard at Pugwash

In 1954, both the United States and the Soviet Union developed the H-bomb. On Aug. 3-5, 1955, as a result of an invitation from Russell to Soviet General Secretary Nikita Khrushchev, four Soviet scientists joined their Western counterparts for a discussion of the implications of the arms race, at a meeting of the Association of Parliamentarians for World Government (APWG, with headquarters in London). The conference voted in favor of The Russell-Einstein Manifesto, which called for cooperation among scientists. Russell drafted this manifesto for signature by scientists of the East and West blocs after the development of the H-bomb, and Einstein approved putting his name to it in a letter written two days before his death. Eight scientists, mostly Nobel Prize winners, signed the statement, and it was released in a press conference on July 9, 1955. After the APWG also approved the manifesto, Russell started work that led to the founding of the Pugwash Conferences, whose initial funder was the Canadian industrialist Cyrus Eaton, as a way for scientists from the East and West blocs to meet on a regular basis. Pugwash continues to the present day, but, by 1960, Russell considered it superfluous and moved on to other methods.

The excerpts below are from a document based on a speech by Szilard (the person on whom the character “Dr. Strangelove” was modelled), that was first presented to the second Pugwash Conference at Lac Beauport, on March 31-April 11, 1958; its topic was, “The Dangers of the Present Situation, and Ways and Means of Diminishing Them.” Szilard’s speech, as it appeared in the February 1960 *Bulletin of the Atomic Scientists*, was titled, “How to Live with the Bomb and Survive: The Possibility of a Pax Russo-Americana in the Long-Range Rocket Stage of the So-Called Atomic Stalemate”:

“In the years that followed the dropping of the bomb on Hiroshima, men of good will have from time to time thought that the problem posed by the bomb could be solved by getting

rid of it in the foreseeable future. At this point, I am not at all certain that this is, or that it ever really was, a promising approach to the problem. . . .

“I believe the time has come to face up to this situation and to ask in all seriousness whether the world could learn to live for a while with the bomb. The purpose of this paper is to examine what it would take to accomplish this.

“In the present transitional phase of the so-called atomic stalemate the situation is changing rapidly. If Russia were to stage a sudden attack against America’s bases at some point in this transitional phase, she might seriously cripple America’s capability for striking a major counterblow. The fear that this could happen induces America to build submarines which are capable of launching intermediate-range rockets that may carry hydrogen bombs. For the same reason America is prepared to keep—in an acute crisis—an appreciable fraction of her strategic bombers in flight. . . .

“The next stage of the ‘stalemate’ toward which we are now moving will be rather different from the present transitional phase. . . .

“The long-range rocket stage will present a much simpler and clearer picture than the present transitional phase. In that stage the bomb will manifestly pose a wholly novel problem to the world, and it will be obvious that the statesmen do not have at present an answer to this problem. The problem may be phrased as follows: The threat of force has hitherto always played a role in the dealings of the great powers with each other. At present there is no substitute in sight, and therefore it may be assumed that in the long-range rocket stage the threat of force will continue to play, at least for a while, its traditional role.

“In the past, the great powers have always regarded war as the ultimate resort, and ‘war’ meant a contest of strength, to be resolved by the exhaustion or total collapse of one of the two parties to the conflict. . . . In that stage America and Russia could no longer engage in a contest of this sort with each other without both being destroyed. Between them ‘war,’ in this sense of the term, will no longer be practicable, and thus one of the basic premises of their traditional foreign policy will cease to be valid. What is going to take its place?

“The possession of bombs, large ones and small, will continue to present an implied threat. Perhaps Russia and America might be able to retain the use of the ‘threat of force’ and yet avoid an all-out atomic catastrophe, but only if there is a major change in the character of the ‘threat.’ Thus we are led to ask what kind of ‘threats’ may remain ‘permissible’ in the long-range rocket stage, if that stage is to be ‘metastable.’ By ‘metastable’ we mean a state in which an international disturbance may lead to a change, but would not trigger a chain of events leading to greater and greater destruction. . . .

“What is needed at present is not for Russia and America to reach agreements on concrete issues, but rather to reach a meeting of the minds on what it would take to render the long-range rocket stage a ‘metastable’ situation, so that an initial

disturbance may not trigger an all-out atomic war. . . .

“What kind of an international disturbance is likely to lead America and Russia into an all-out war in the long-range rocket stage?

“In the first few years following the Second World War America and Russia found themselves locked in a power conflict. Conflicts of this kind have repeatedly arisen in the course of history. The conflict between Athens and Sparta which preceded the Peloponnesian War and led to the destruction of Greece was a conflict of this kind. . . . Just as in Greece, the opponents attempted to strengthen their position by forming alliances, and gradually more and more nations were drawn into one or the other of the two camps. This was the setting in which the ‘cold war’ arose. . . .

“It is my contention that, as the world moves into the next stage, the vicious circle of classical power conflict will cease to operate between America and Russia.

“During the early post-war years Russia and America looked upon other nations as potential allies, and upon every ally as a potential asset. In the long-range rocket stage they will increasingly look upon allies as potential liabilities. The controversial issues that have arisen between America and Russia in the early post-war years will not retain any substantial strategic significance, and therefore, they may become negotiable. . . .

“It is conceivable that America and Russia may be able to go one step further, that they may be able to agree on a revision of the map, and that they may subsequently act in concert with each other, should other nations attempt to change the map by force or the threat of force. Could such a pax Russo-Americana conceivably evolve during the next stage?

“A few years after Hiroshima, when America was in possession of the bomb and Russia was not, America adopted a policy of threatening massive retaliation against the cities of Russia, were Russia to intervene militarily in Western Europe. Winston Churchill was the first statesman who proclaimed the belief that, were it not for the possession of the bomb by America, freedom in Western Europe and perhaps in the whole world would perish. Subsequently many people in America came to believe that this was true. . . .

“The prevailing school of thought in America holds that Russia has a propensity for expanding her rule and that she would bring about changes in the map if she were able to do so at comparatively little cost to herself. But for an effective ‘deterrent’ in operation, so these people believe, Russia would have kept on expanding in the post-war years.

“Adopting for the moment such views, for the sake of argument, we may accept the thesis that the threat of massive retaliation may have functioned as an expedient—even though morally unacceptable—‘deterrent,’ as long as Russia was herself in no position to strike back. In the next stage, however, when Russia may be capable of destroying America to any desired degree, just as America may be capable of

destroying Russia to any desired degree, the threat of massive retaliation on the part of America would be tantamount to a threat of ‘murder and suicide.’ . . .

“Among those who believe that Russia needs to be ‘deterred’ . . . [the most important group] believes, however, that a policy of ‘Keep them guessing!’ will not work, and that Russia must be left with no uncertainty concerning the price that may be exacted from her, should she make an aggressive move. These men say that America must resist a possible Russian invasion of any area which she is committed to protect, by being prepared to fight a local war in the contested area. They also believe that America may use small atomic bombs against troops in combat in such a ‘limited’ war. . . .

“A limited war need not deteriorate into an all-out war if America and Russia realize that the objective of such a war cannot be anything approaching ‘victory,’ not even victory in the contested area, to which the fighting may be limited. The objective of such a limited war would rather be to exact a price, and thereby to make it costly for the enemy to extend its rule. America and Russia would need to impose upon themselves certain far-reaching restraints, proclaimed well in advance. They could do this, for instance, by both declaring unilaterally at the outset that they would use atomic bombs only against troops in combat and only within their own side of the prewar boundary.’ . . .

“At some point, either Russia or America could decide to respond to the threat of ‘limited’ war, not by a counterthreat of the same kind, but by the threat of demolishing—if need be—a specified number of cities, which have received adequate warning to permit their orderly evacuation. This would then represent a novel method of ‘exacting a price’ which might be quite appropriate—if a price has to be exacted at all. . . . From the moral point of view it would be no minor advance were the threat to destroy property to take the place of the threat of killing soldiers or civilians. . . . It might, however, be necessary to have a catalogue, giving the number of inhabitants for all Russian as well as American cities, which is acknowledged as valid by both nations. Otherwise, a dangerous dispute could arise in an acute crisis as to how the principle of ‘one-for-one’ applies to the particular case. . . .

“Let us now assume, for the sake of argument, that in the long-range rocket stage there may occur some major disturbance affecting the Arabian Peninsula which threatens to cut off Western Europe from its Mid-Eastern oil supply. Let us further assume that America is on the verge of sending troops to Iraq and Saudi Arabia, that Turkish troops are poised to move into Syria, and that Russia is concentrating troops on her Turkish border for the purpose of restraining Turkey. Let us suppose further that at this point America may declare that she is prepared to send troops into Turkey and to use small atomic bombs against Russian troops in combat on Turkish territory and perhaps, in hot pursuit, also beyond the prewar Turkish-Russian boundary.

“Russia would then have to decide whether she wants to fight an atomic war on her southern border and take the risk that such a war might not remain limited. Assuming that Russia has a substantial stake in the Middle East at that time, she might then decide to proclaim that she would not resist an American intervention locally in the Middle East, but would, if need be, exact a price from America, not in human life, but in property. She might proceed to name some twenty American cities and make it clear that in case of American troop landings in the Middle East she would single out one of these cities, give it four weeks’ warning to permit its orderly evacuation and to enable the American government to make provisions for the feeding and housing of the refugees, and then demolish that city with one single long-range rocket.

“In order to make this threat believable, Russia would have to make it clear that she would abide by the principle of ‘one-for-one’ and that she would tolerate—without threatening any reprisals—America’s demolishing Russian cities having the same aggregate population. She could make it clear that she expects these cities to be given advance warning also, and that for any additional city which America might choose to demolish in Russia would demolish one and just one city of a similar size in America. . . .

“What would be the American response to a Russian threat of this sort, provided the threat were properly qualified and therefore believable? Presumably, the twenty cities named would be lobbying in Washington against the projected armed intervention in the Middle East and perhaps force a re-examination of the whole Mid-Eastern issue. People might well ask: ‘In view of the fact that there is no other market for Mid-Eastern oil, is Western Europe really in danger of losing the supply of oil from the Middle East? Could not the oil from the Sahara replace, if need be, the oil from the Middle East, and if this were so, just how high could the Mid-Eastern countries raise the price of oil?’

“As a result of such a re-examination, America might perhaps decide against an intervention in the Middle East. Contrariwise, if America, being willing to lose one of her major cities, were to decide in favor of intervention, then both Russia and America would lose the same amount of ‘property destroyed,’ and America would be free to occupy Iraq and Saudi Arabia without having to fear any further Russian reprisals. . . .

“Even today, hardly anyone in governmental circles in France or Western Germany, for instance, really believes that America could be counted upon to sacrifice a substantial number of her cities in order to live up to a commitment made by her at the time when she needed military bases in Europe, and was able to extend protection to nations in Western Europe without risking the loss of her own cities. Sooner or later, doubts of this sort will inevitably lead nations like France and Germany to want to possess their own bombs, if they choose to put their faith in them. . . .

“At this point it may be necessary to say that the loss of

an evacuated city could mean a good deal more than just a ‘loss of property’ and this would hold true in Europe perhaps even more than anywhere else in the world. People have a strong emotional attachment to the city in which they live, and certain cities are in fact irreplaceable. The destruction of a city would cause dislocation of population and may destroy much of the social fabric; thus the damage cannot be expressed in purely monetary terms. In Europe, perhaps even more than anywhere else, people might rebel at the thought that their city might be sacrificed on the altar of more or less irrational national goals. . . .

“Occasionally there are hints in speeches of officials who should know better, that there is work in progress on a defense system aimed at destroying long-range rockets in flight. Such a defense system is not in fact in sight. What may be in sight is a novel type of futile arms race. One nation, say, America, may acquire means which would permit her to destroy in flight a small fraction of the incoming long-range rockets and the fraction of rockets which she could thus destroy may gradually increase over the years. Russia may then respond by correspondingly increasing the number of rockets ready to be launched. Only a small fraction of these rockets would need to carry a hydrogen bomb; the rest could carry dummies.

“Such an arms race would be futile, with the capability of the offense always keeping ahead of the capability of the defense, and yet it could become a major economic burden. In these and similar circumstances, an agreement on arms limitations might at some point become necessary. . . .”

Both Russell and Szilard kept up a correspondence with Khrushchev, from approximately the time of Khrushchev’s decision to send four top Academician scientists to attend the 1954 meeting of the Association of Parliamentarians for World Government in London. As is documented in the book *Toward a Livable World: Leo Szilard and the Crusade for Nuclear Arms Control* (Cambridge, Massachusetts: The MIT Press, 1987), the correspondence between Szilard and Khrushchev was particularly heavy in the early-1960s, including during the Berlin Crisis and the Cuban Missile Crisis. In an Oct. 4, 1961 letter addressed to “Dear Mr. Khrushchev,” Szilard proposed the following solution to the Berlin Crisis, when the Soviets walled off their zone of the city:

“When I was recently interviewed on television, they asked me if I thought that there would be an all-out war over Berlin. I answered that I didn’t see why it would be necessary for America to drop hundreds of H bombs on Russian cities and for Russia to drop hundreds of H bombs on American cities to settle the Berlin issue, when clearly the issue could be settled by dropping just two H bombs—both of them on Berlin. They asked me thereupon why one H bomb would not be enough to demolish Berlin, and I said that this would not work, because if only one H bomb were to be dropped, then Russia and America would not be able to agree on who should drop that one bomb.”

Russell and the Cuban Missile Crisis

Russell reflected on his 1946 call for preventive war and world government during a 1959 interview on BBC:

BBC: “Is it true or untrue that in recent years you advocated that a preventive nuclear war might be made against communism, against Soviet Russia?”

Russell: “It’s certainly true, and I don’t repent it now. What I thought all along was that a nuclear war in which both sides had nuclear weapons would be an utter and absolute disaster. There was a time, just after the war, when the Americans had a monopoly of nuclear weapons and offered to internationalize nuclear weapons by the Baruch proposal [to the UN], and I thought this was an extremely generous proposal on their part, one which would be very desirable that the world should accept; not that I advocated a nuclear war, but I did think that great pressure should be put upon Russia to accept the Baruch proposal, and I did think that if they continued to refuse it might be necessary actually to go to war. At that time nuclear weapons existed only on one side, and therefore the odds were the Russians would have given way. I thought they would—”

BBC: “Suppose they hadn’t given way?”

Russell: “I thought and hoped that the Russians would give way, but of course you can’t threaten unless you’re prepared to have your bluff called.”

During the 1962 Cuban Missile Crisis, Russell tried to insinuate himself as the go-between for President John F. Kennedy and Khrushchev, to further the primary goals of: 1) using the threat of potential thermonuclear obliteration to advance the cause of one-world government through the United Nations; 2) orchestrating rules of thermonuclear engagement on the basis of *quid pro quo*; and, 3) generating a shock, through thermonuclear terror, that would occasion a cultural paradigm shift in future generations.

Russell condemned President Kennedy as “insane” for refusing to play by the rules that he was setting, while he praised Khrushchev to the skies for saving humanity by responding to his intervention. Although recently declassified documents from the JFK Library show that President Kennedy did consider a trade of missiles in Italy and Turkey for those being located in Cuba, the evil Russell makes it abundantly clear that President Kennedy did not cooperate with his goals.

The Cuban Missile Crisis erupted on Oct. 22, 1962, when President Kennedy imposed a blockade on Cuba. Kennedy then announced that Soviet missiles had been discovered on the island, and that unless these were dismantled forthwith, the United States would wage war to remove the threat to its security. On Oct. 23, 1962, Russell cabled President Kennedy as follows:

“Your actions desperate. Threat to human survival. No conceivable justification. Civilized man condemns it. We will not have mass murder. Ultimatums mean war. I do not speak for power but plead for civilised man. End this madness.”

At the same time, Russell cabled Khrushchev:

“I appeal to you not to be provoked by the unjustifiable action of the United States in Cuba. The world will support caution. Urge condemnation be brought through United Nations. Precipitous action could mean annihilation for mankind.”

On Oct. 24, while Russell had gathered large crowds before the U.S. Embassy in London through his Committee of 100, he released the following thermonuclear terror leaflet that was picked up by news media worldwide:

“You are to die

“Not in the course of nature, but within a few weeks. And not you alone, but your family, your friends, and all the inhabitants of Britain together with many hundreds of millions of innocent people elsewhere.

“Why?

“Because rich Americans dislike the government that Cubans prefer, and have used part of their wealth to spread lies about it.

“What can you do?

“You can go out into the street and into the market place proclaiming: Do not yield to ferocious and insane murderers. Do not imagine that it is your duty to die when your Prime Minister and the President of the United States tell you to do so. Remember rather your duty to your family, your friends, your country, the world you live in, and that future world which, if you so choose, may be glorious, happy and free.

“And remember

“Conformity means death—

“Only protest gives a hope for life.”

On Oct. 24, Russell was inundated by the press after they learned that Khrushchev had responded to his cable with a letter, which was simultaneously released in excerpts through the Soviet news agency TASS, before the letter was in Russell’s hands. In the letter, Khrushchev expressed “sincere gratitude” for the concern Russell had displayed “in connection with the aggressive actions of the United States.” Khrushchev gave assurances that “the Soviet Government will not take any reckless decisions . . . will do everything to prevent war from breaking out.” Khrushchev called on President Kennedy to “display reserve and stay the execution of its piratical threats.” He proposed “a top level meeting to remove the danger of unleashing a thermonuclear war.” Russell immediately cabled Khrushchev as follows:

“Thank you for your heartening reply. I congratulate you on your courageous stand for sanity. I hope you will hold back ships in Cuban waters long enough to secure American agreement to your proposal. Whole world will bless you if you succeed in averting war. If there is anything I can possibly do please let me know.”

And, Russell cabled Kennedy at the same time:

“I urge you most strongly to make a conciliatory reply to Khrushchev’s vital overture and avoid clash with Russian ships long enough to make meeting and negotiations possible.

After shots have been exchanged it will probably be too late. I appeal to you to meet Khrushchev. If there is anything I can do please let me know.”

On Oct. 24, Khrushchev ordered some 12 ships that were apparently carrying weapons, to turn back and not challenge the U.S. blockade of Cuba. After Russell received news that the Soviet ships had altered course, he issued the following press statement:

“Premier Khrushchev is personally responsible for the avoidance of a war of nuclear devastation. He has acted with the greatest restraint in a crisis of the first magnitude.

“He has carried out every letter of the promise contained in his message to me. He promised to do nothing rash and nothing which would risk conflict and twelve Russian ships turned back from their destination at Cuba. He stopped all further shipments. This leaves Cuba blockaded. Mr. Khrushchev’s desperately important moderation makes it incumbent upon President Kennedy to accept his offer to meet and discuss outstanding issues at the highest level. The blockade violates international law. It is illegal. It is immoral. If the blockade is defensible when applied to Cuba then it is just as applicable to Great Britain. America should consider the war of 1812. If nuclear bases are intolerable in Cuba they are intolerable everywhere. This is the heart of what I have been saying to the British people for the length of our campaign for nuclear disarmament. Nuclear bases threaten the peace of all. Now is the moment for us to realise that we have been on the very edge of the end of human life on our planet. Mr. Khrushchev’s offer to meet and discuss the source of conflict must be supported by every sane man and woman.”

On Oct. 25, Russell received a response from President Kennedy, which read:

“I am in receipt of your telegrams. We are currently discussing the matter in the United Nations. While your messages are critical of the United States, they make no mention of your concern for the introduction of secret Soviet missiles into Cuba. I think your attention might well be directed to the burglars rather than those who have caught the burglars.”

Russell responded to Kennedy:

“Thank you for your reply to my cables. I understand your anxiety about nuclear missiles. My point is that a blockade which threatens the sinking of Soviet ships brings mankind to the edge of annihilation. I beg you not to invade Cuba or to risk nuclear war. Could you accept United Nations inspection of bases and offer bases in Turkey in exchange?”

“The removal of any bases from the Russian perimeter would immensely strengthen America’s stand on behalf of peace and would bring a comparable Soviet response.

“I am appealing to Dr. Castro to accept United Nations inspection in exchange for your solemn pledge that Cuba will not be invaded by the United States. It is in your hands to transform a situation of grave crisis into one of immense hope. Peaceful initiative from you now would bring the world’s gratitude.”

Russell next cabled Khrushchev:

“May I humbly appeal for your further help in lowering the temperature despite the worsening situation. Your continued forbearance is our great hope. With my high regard and sincere thanks.”

On Oct. 28, Russell cabled Castro:

“In light of America’s total and dangerous unwillingness to respond to moderation, could you make a gesture for humanity and agree to dismantle the bases? The fate of mankind rests with your decision. . . .”

On the same day, Russell cabled Khrushchev:

“The U.S. rejection of your proposals to trade Soviet installations in Cuba against NATO installations in Turkey is totally unjustifiable and is a sign of insane paranoia. Stripped of diplomatic verbiage, the position of the U.S. government is this: ‘unless everybody everywhere does exactly what we wish, we’ll exterminate the human race.’ They have the power to do this and it seems they also have the will. What are sane people to do in view of this armed madness?”

“I think, though with great reluctance, that sane people ought to yield as far as necessary to avoid catastrophe. The end of the human race would be definitive, whereas American insanity may be temporary. It seems to me, therefore, that you ought to dismantle the Soviet installations in Cuba under the guarantee of inspection by UNO demanding only, in return, that when UNO gives the necessary guarantee, the American blockade of Cuba would be lifted. I think it should be made evident to world opinion that this action is only taken in response to a kind of blackmail which is neither sane nor morally justifiable.”

Later that day, the Soviets announced they would dismantle the nuclear bases in Cuba, if only the United States would respect the sovereignty of Cuba. Russell issued the following release:

“. . . I cannot praise sufficiently the sanity and magnanimity, the willingness to do all required to solve this overwhelmingly grave crisis. . . . President Kennedy is under a moral obligation imposed on him by humanity, and has an absolute duty to meet with Mr. Khrushchev and to earnestly pursue the removal of NATO and the Warsaw Pact, to achieve disarmament, and, as Mr. Khrushchev has said, to consider all issues of peace and war. If ever words have been matched by deeds, they have been so by the Soviet Union. The concrete deed is ending the crisis. If the United States has ever been sincere in its claim to be willing to agree to end the Cold War, on the condition that Russian deeds matched their words, then now is the time for the United States and for Mr. Kennedy to prove it.”

Russell next cabled his gratitude to Khrushchev:

“I should like you to know of my personal feelings about your solving the Cuban crisis. I have never known any statesman act with the magnanimity and greatness that you have shown over Cuba and I wish you to be clear that every sincere and honest human being pays you homage for your courage.”

The scam that London calls ‘privatization’

by Dennis Small

Around the world, over the ten-year period from 1988 through 1997, desperately indebted Third World and former Soviet bloc nations were forced to sell off nearly a quarter-trillion dollars’ worth of state-held assets, in order to try to pay off their foreign debts and to cover their growing government budget deficits.

This global fire-sale frenzy was ushered in with the advent of the Bush-Thatcher era in the late 1980s, and it was promoted as a key component of the “new world order” by the International Monetary Fund (IMF), and by the financial oligarchy’s propagandists more broadly, under the code-word, *privatization*.

Privatization was pioneered in Margaret Thatcher’s England in the 1980s, on the policy design of the lunatic Mont Pelerin Society (see box). Some sources estimate that, under Thatcher’s hand, as much as \$100 billion in state-held industry and infrastructure was stripped down and dismantled, leaving the country a post-industrial rubble heap. The Mont Pelerin Society’s American cheerleaders, such as Newt Gingrich and other Conservative Revolutionary fanatics, have been imposing similar policies on the United States, where “privatization” has also become the code-word under which deindustrialization is proceeding. New Zealand, Australia, and other supposedly “developed” nations have also been prime targets.

But it is in the developing sector and former Soviet bloc countries, that this process has gone the furthest, with devastating consequences for the very existence of these nations and their people.

In a word, privatization is a scam. It is the means by which the London-centered financial oligarchy is carrying out a highly successful raid on the world’s most significant raw

materials deposits; on strategic electrical and other utilities in developing nations; and on communications, transportation, and other vital infrastructure the world over. In short, they are buying up the world for a song, positioning themselves to come out on top of the ongoing disintegration of the world financial system.

The London oligarchs’ strategic objective in this is threefold:

1. Seize these assets to bolster their own highly unstable financial positions, by using them to generate an income stream—which is then often “securitized,” i.e., used to generate a new mountain of debt—to feed their global derivatives bubble. They “invest,” not for production, but for speculation.
2. Deny these physical assets to the nations that today own them, in order to ensure that they can never develop as sovereign, industrial nations. Asset-stripping and other physical disinvestment frequently follow quickly after the sale.
3. Dismantle not only the state’s role in the economy, but the very existence of the sovereign nation-state itself.

London’s marketing of this policy of genocide is, of course, couched in different terms:

- *Privatization* will cut your government budget deficit, because you will sell off unproductive state assets to more efficient private owners, Third World governments are informed by the financial media.
- *Privatization* is the key to ending statist waste, former socialist nations are lectured by pompous visiting Harvard economists.
- *Privatization* will generate resources to pay off your public debt, they are all assured by their international creditors.
- *Privatization* is so good, the IMF swears, that if you do

it, foreign investors will soon be tripping over each other to invest billions in your economy.

But the sales pitch aside, what is privatization really all about?

‘Piratization’: Ibero-America leads the way

EIR founder Lyndon LaRouche has quipped that *privatization* should actually be called *piratization*—since it amounts to the sort of robbery on the high seas that earned Britain’s Sir Francis Drake his reputation. Take just one recent example: the auctioning of Brazil’s Companhia Vale do Rio Doce (CVRD) in May of this year.

CVRD is the largest mining company in all Ibero-America, and the third largest in the world. It produces prodigious amounts of minerals of all sorts (it is the top iron producer in the world, for example), and owns very large deposits of many of these minerals, most of which have not even been fully quantified. It owns six seaport facilities, 22 ocean-going ships, and 2,000 kilometers of railroads. It has the country’s most significant reservoir of scientific and technological know-how in most fields of engineering. It was founded in the 1940s (with the help of U.S. President Franklin Delano Roosevelt), and quickly became the very heart of the Brazilian national economy.

And yet, it was sold off in May 1997 to an international financial consortium—headed by the drug-promoting megaspeculator George Soros, investment banker to the Queen of England—for the insulting sum of \$3.3 billion (for a controlling 30% share). This, the nation was told, would help Brazil “reduce the government budget deficit” and “pay its foreign obligations.”

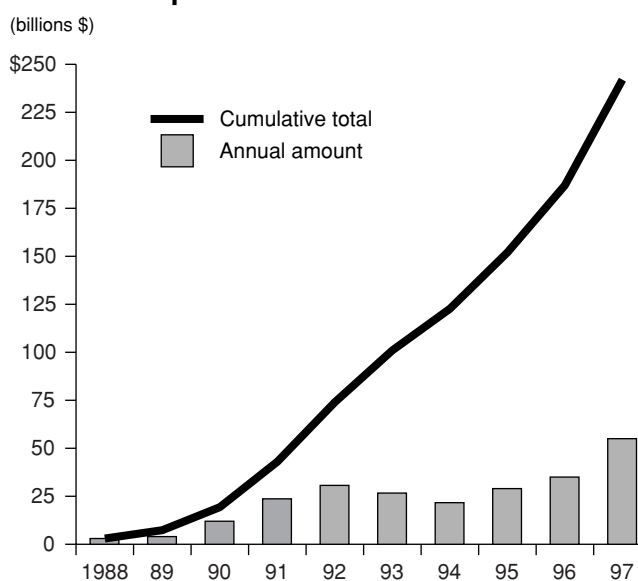
CVRD is probably worth 100 times what was paid for it, if a price can be put on it at all. Moreover, as more than one Brazilian patriot has noted, \$3.3 billion is approximately the amount by which the Brazilian government’s public debt grows *every ten days*. At these prices, the government would have to privatize CVRD or its equivalent 37 times over, to take care of their public debt problem—which is pretty much what the government of President Fernando Henrique Cardoso is now trying to do.

Thus, *piratization*.

Once in charge, Soros et al. promptly began to asset-strip and dismantle CVRD’s nation-building capabilities. For example, Docegeo, its prized geological and R&D unit, which was set up 26 years ago, is laying off 70% of its 300 highly skilled employees. In total, over 5,000 CVRD workers will have been laid off by the end of 1997.

In **Figure 1** we see that the world privatization process began in earnest in the late 1980s, quickly rose to generate annual revenues of over \$30 billion in 1992, and settled in at the \$20–25 billion per year range through 1995. Then, in 1996, it rose again to about \$35 billion; and in 1997, it took off like a rocket, as London and the IMF used the global financial crisis to force through a major wave of privatizations, in Aus-

FIGURE 1
World total privatizations



tralia, Brazil, and Russia, in particular. It is projected that the total dollar value of 1997 privatizations will come in at about \$55 billion—close to double the annual rate of 1995—with about a third of the total coming from Australia, and another third from Brazil. By Dec. 31, 1997, the cumulative total of privatizations over the last decade will have reached \$242 billion. Over the last two years of crisis-induced developments, world privatizations have been growing by more than 25% per year.

It has to be underscored that this is simply the monetary price that the governments received for the physical assets they sold—it doesn’t come close to reflecting their actual economic value, as the CVRD case exemplifies.

More than a third of these privatizations have occurred in Ibero-America, with East Asia and the Pacific, and Europe and Central Asia, following behind.¹ Ibero-America was the first region to be assaulted with this new form of looting, and through 1992, the lion’s share of all world privatizations occurred there (see **Figure 2**). Special mention must also be made of New Zealand in this early stage of privatization, which, under Mont Pelerin tutelage, sold off close to \$5 billion in state-sector companies, from 1988–90 alone (see *EIR*, June

1. These are the standard regional definitions used by the World Bank in its *Global Development Finance* yearbook, which was one of the primary sources for data covering 1988–95 used in this study. This was then cross-checked, modified, and updated by more detailed individual country reports, where these were available. The World Bank yearbook data do not include Australia and New Zealand, however, presumably because these are considered “developed” nations, which fall outside their purview. We have, nonetheless, included them in our world totals.

FIGURE 2
Privatization, by region

(% of world total)

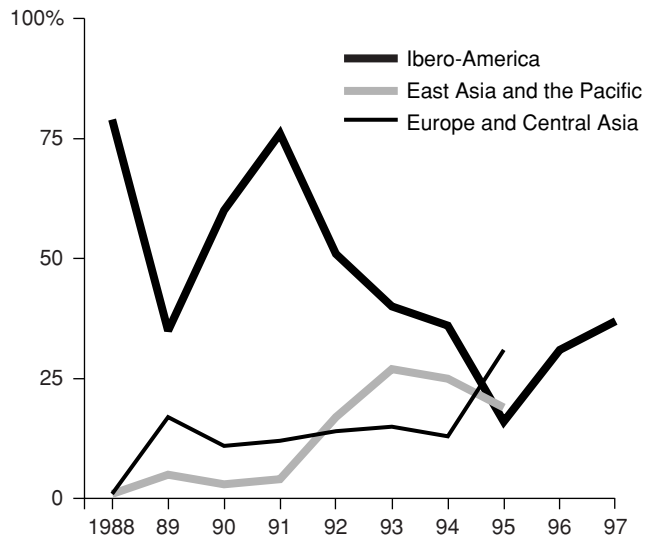
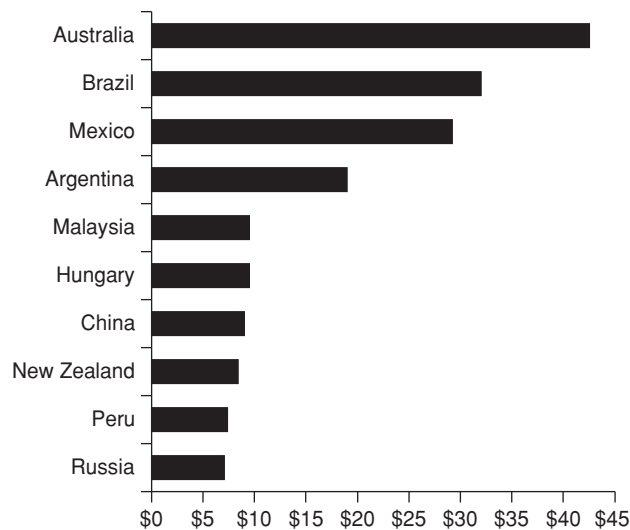


FIGURE 3
Top 10 countries in privatizations, 1988-97

(billions \$)



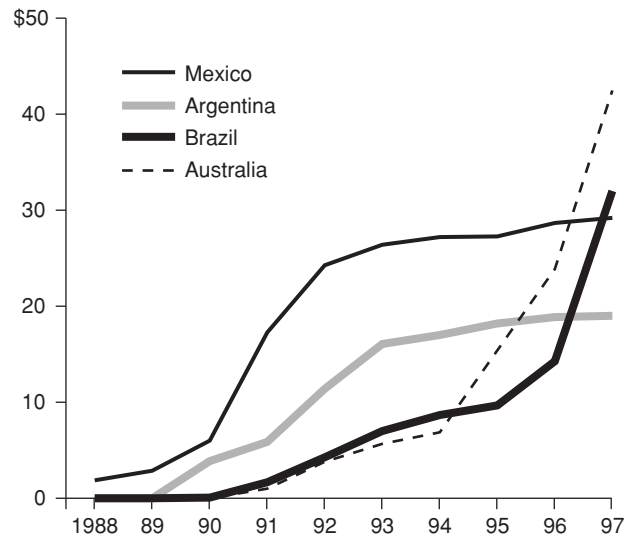
13, 1997 for a full study of the New Zealand case). Beginning in 1992-93, the London raiders moved aggressively on East Asia and the Pacific (especially Malaysia, the Philippines, and China), and also on Europe and Central Asia, including former Soviet bloc nations such as Hungary, Poland, Russia, and the Czech Republic. In 1995, both of these regions briefly surpassed Ibero-America in annual privatizations; but in 1996 and 1997, Ibero-America again became the preferred looting ground, along with Australia, which became a major victim of privatization over the last few years.

In fact, Australia is, at this writing, the leading privatizer worldwide, with a cumulative total to date of nearly \$43 billion. The next three countries are all Ibero-American: Brazil, with a cumulative total over the decade of more than \$32 billion; Mexico, with \$29 billion; and Argentina, with just under \$19 billion (see **Figure 3**). Malaysia, Hungary, China, and New Zealand are all back with “only” about \$8-9 billion each, but Russia is high on London’s hit list, and may well surpass these four in another year or so.

The most dramatic shifts are occurring in Australia and Brazil (see **Figure 4**). Australia sold off over \$8 billion in assets in each of 1995 and 1996, and in 1997 has privatized nearly \$19 billion—including the telecommunications giant, Telstra, for over \$10 billion. As for Brazil, after a relatively slow start in the early 1990s, the London privatizers finally got their claws into Brazil in a big way. From January 1996 through late November 1997, Brazil was forced to privatize an additional \$22.4 billion in assets, and is scheduling to sell off a staggering \$60-65 billion more over the coming three years, according to the government’s projections.

FIGURE 4
Privatization revenues, cumulative totals

(billions \$)



This is a good example of how financial manipulations are used to carry out piracy. The same Brazilian companies that are today listed for privatization by the year 2000, were given a total “market valuation” of \$85 billion as recently as mid-October 1997. But then, the Brazilian stock market

crashed by over 30%, as part of the global Black Monday, and this collapsed the quoted asset value of the companies targeted for privatization by about \$20-25 billion. So now, Brazil will hand over the same physical assets, but will get \$20-25 billion less for them—unless the market plummets further, of course, by the time they are sold.

Not all nations have gone along readily with London's plans. Nigeria, for example, Africa's most populous nation, has so far successfully resisted attempts at significant privatization of its public sector. The IMF-World Bank and their

"free-market" supporters in Nigeria have gone after large state-sector companies, like the National Electric Power Authority (NEPA), Nigerian Telecommunications (NITEL), the country's four oil refineries, and even the National Nigerian Petroleum Corp. (NNPC), which is responsible for 90% of the country's foreign exchange earnings. A small component of NNPC was privatized in 1993, for \$500 million. But total cumulative privatizations through 1995 were still under \$1 billion.

The world map (Figure 5) gives a bird's eye view of the

Mont Pelerin, Thatcher, and privatization

Lyndon LaRouche recently remarked that the British often "first infect themselves with a disease, and then kiss the United States" and other nations, that they seek to destroy. That is the true story of the doctrine of "privatization."

The policy of privatization is most widely associated with the 1980s reign of Margaret Thatcher in Great Britain. But where did the "Iron Lady" herself catch the disease? From a Satanic outfit called the Mont Pelerin Society.

The Australian newspaper *New Citizen*, put out by associates of LaRouche in that country, earlier this year published a March 1996 interview with Lord Ralph Harris, a former president of the Mont Pelerin Society, who was, for decades, the executive director of Mont Pelerin's main think-tank, the London-based Institute for Economic Affairs (IEA). Asked what generated the "reforms," including privatization, which swept Thatcher's Britain, among other places, Harris replied, "There is this outfit called the Mont Pelerin Society. It was started in 1947. The Mont Pelerin Society created the IEA, which comes to be called 'Thatcher's think-tank,' but we were running long before Thatcher. We weren't Thatcherites, but she was an 'IEA-ite.'" From Thatcher's Britain, Harris said, these ideas spread around the world. The most honored Mont Pelerin-ite, Harris emphasized, whom the Queen dubbed one of only 60 "Companions of Honor" of the British Empire, was its seminal thinker, Friedrich von Hayek.

The Society was founded on the slopes of Mont Pelerin in Switzerland in 1947. That first meeting was a regroupment of some of the leading families of the ancient European oligarchy, most of whom, like von Hayek, carried the prefix "von" before their names, indicating "noble" origin. These included: Otto von Hapsburg, of the ruling dynasty of the now-expired Austro-Hungarian Empire; Max von Thurn und Taxis, whose family, originally Venetian (Torre e Tasso), relocated to Germany in the 15th century, where

it headed up the postal and intelligence services for the Hapsburg Empire for centuries; and Ludwig von Mises, the leader of the bitterly anti-Renaissance "Austrian School" of economics. From Britain came Sir John Clapham, a senior official of the Bank of England and the president in 1940-46 of Britain's pre-eminent intellectual body, the Royal Society. Milton Friedman, from the Fabian-founded University of Chicago, was also present; he was to become a chief salesman of Mont Pelerin's dogma.

Von Hayek's 1944 book *The Road to Serfdom* set the tone for the "Conservative Revolution" which the new society championed—that of a return to feudalism: "We shall not rebuild civilization on the large scale. It is no accident that on the whole there was more beauty and decency to be found in the life of the small peoples, and that among the large ones there was more happiness and content in proportion as they had avoided the deadly blight of centralization." Von Hayek cynically denounced the nation-state as "tyrannical," even while he called for the establishment of a one-world empire: "An international authority which effectively limits the powers of the state over the individual will be one of the best safeguards of peace."

"Privatization" of the state and its assets, was a critical component of this strategy.

Mont Pelerin soon moved from Switzerland to London, where the chief sponsor of its radical free trade and other lunatic nostrums was City of London financier Harley Drayton, who managed the private fortune of the Queen. Drayton financed all the early personnel and the first headquarters of the IEA.

Though von Hayek was the Mont Pelerin Society's chief intellect, he in turn drew his essential ideas from Bernard de Mandeville (1670-1733), particularly from Mandeville's *The Fable of the Bees: Private Vices and Public Benefits*. Mandeville, whom von Hayek worshipped, was the founder of the devil-worshipping Hell-Fire Clubs of the 18th century; his *Fable of the Bees* is a naked glorification of the "Seven Deadly Sins."

—Allen Douglas

scope of completed major privatizations in nations around the world, giving some indication of the range of physical assets that they have lost.

Infrastructure and raw materials

What are the principal assets that these nations are handing over, and who are the new owners?

Infrastructure heads the list, with electricity and telecommunications each accounting for more than 20% of the world total over the last decade (Figure 6).

Over \$54 billion in *electricity* generation and distribution companies have been sold off so far—30% of the total by Australia, and another 25% by Brazil, mainly over the last 2-3 years. Although Electricité de France and various American and German utilities have been involved in a number of the takeovers, a particularly aggressive role is being played in the Americas by an interlocking group of Spanish and Chilean electricity companies, which recently moved to merge under the name of Endesis. As we will document in an upcoming *EIR* feature, this Spanish-Chilean group is actually run by London-controlled banking interests, including Spain's Banco Santander (see Dennis Small, "British Banks Establish Death Grip Over Ibero-America," *EIR*, Aug. 22, 1997), and it today holds the lion's share of electricity generation and distribution in the southern half of South America.

Despite the fact that a lot has already been privatized worldwide on the electricity front, major additional activity is expected in the near future as well: in Argentina, the giant Yacyretá hydroelectric plant (priced at \$1.8 billion) and the country's two operational nuclear plants (\$1 billion); in Brazil, over \$50 billion worth of national and state electricity companies (see below for details); and in Russia, the giant

FIGURE 6
Leading country totals and mega-privatizations
 (billions \$)

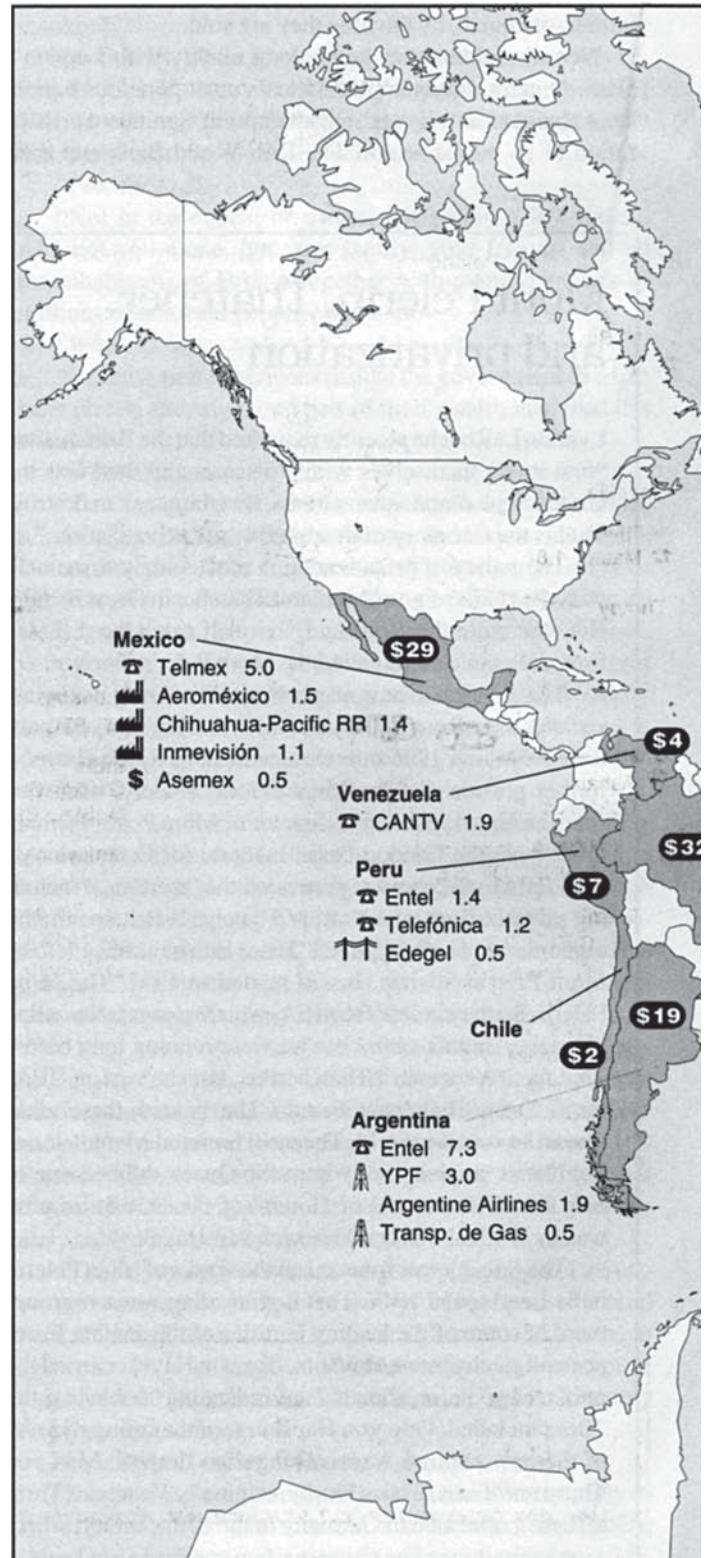
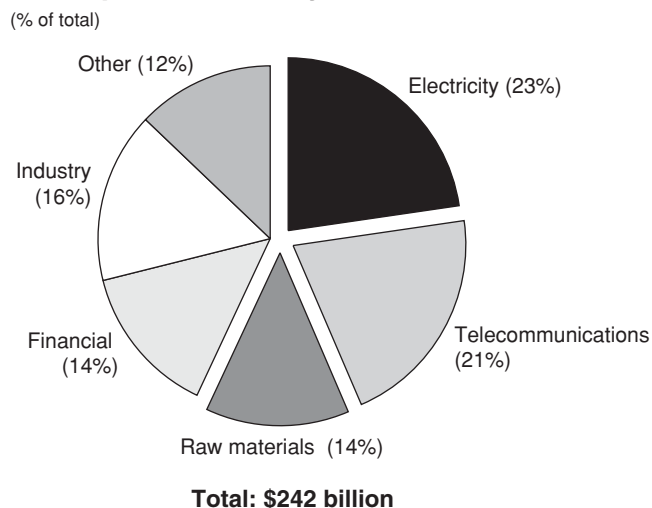
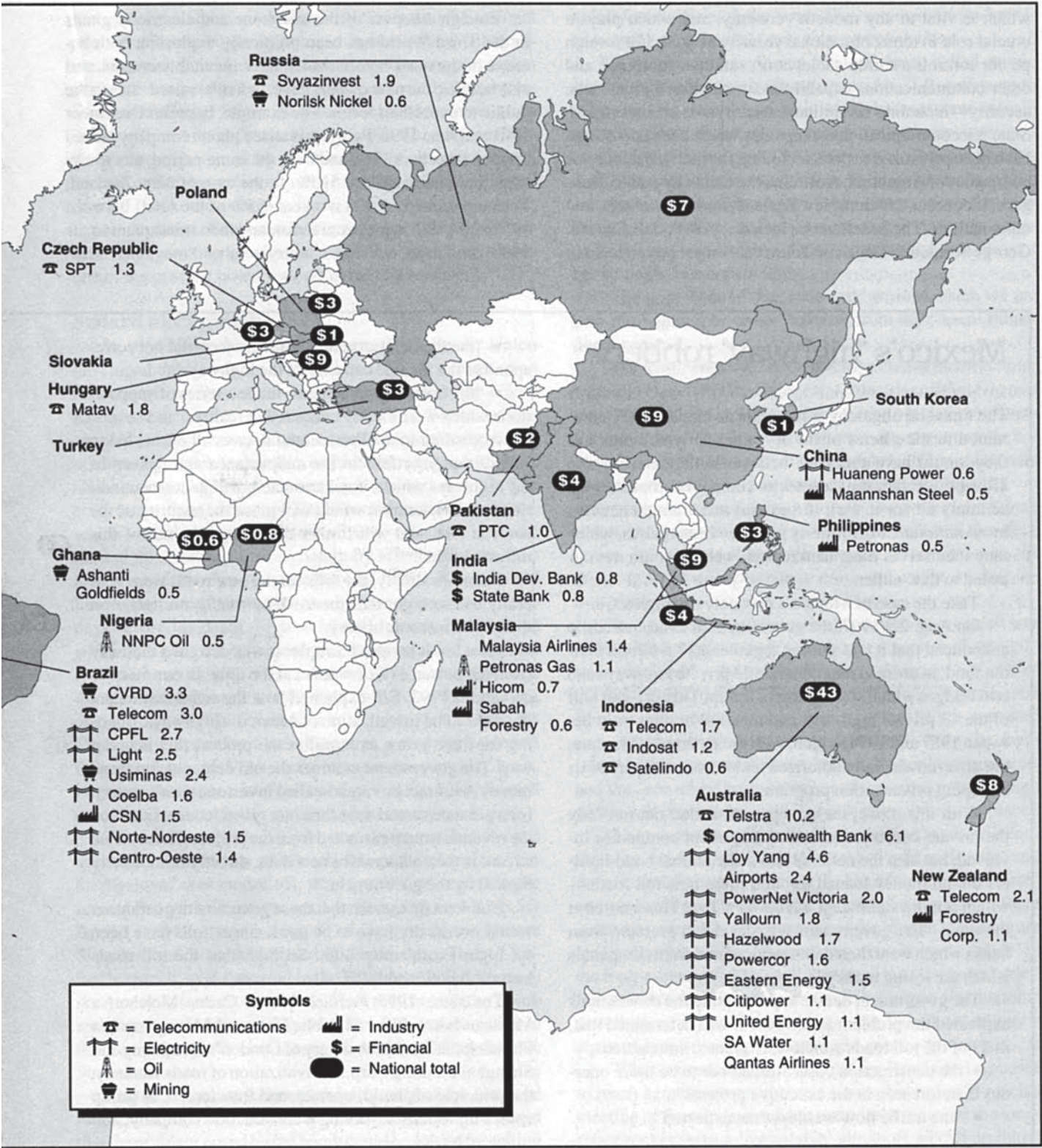


FIGURE 6
World privatization, by sector, 1988-97





Unified Energy System (UES) electricity company, which is estimated to be worth as much as \$200 billion, but which will surely be auctioned off at far less than that amount.

Telecommunications is another infrastructure capability which is vital to any modern economy, and which plays a crucial role in terms of national security as well. If a foreign power controls a nation's telephone, satellite, computer, and other communications capabilities, that nation's most basic security—including its military security—is compromised. State telecommunications companies worth over \$50 billion have been privatized to date, including the national telephone companies of Argentina, Australia, the Czech Republic, Hungary, Indonesia, Mexico, New Zealand, Peru, Venezuela, and other nations. The beneficiaries include AT&T, Bell Canada, George Soros, and Deutsche Telekom. Not yet privatized, but

expected to be put on the chopping block over the next year, are Brazil's giant Telebras (priced at about \$17 billion); Russia's Svyazinvest holding company, which controls 38% of the country's telephone enterprises; and others.

Foreign takeover of the telephone and electricity giants in the Third World has been politically explosive, both because of the mass layoffs which have inevitably ensued, and also because the new owners have, as a rule, raised rates to the public to exorbitant levels. For example, between December 1991 and June 1996, Peru's privatized phone company jacked up user rates by 873%; and over the same period, electricity rates there increased by 510%. In the case of New Zealand, Telecom sacked 15,900 workers (65% of the total) between 1987 and 1996, in preparation for, and then subsequent to, its 1990 privatization. That country's other "mega-privatiza-

Mexico's 'highway' robbery

The financial oligarchy is not quite as ideologically committed to the glories of the so-called "private sector" as they would have everyone believe. If they can make a killing by privatizing state-sector companies, then they are certainly all for it. But, if they can make another killing by *re-nationalizing* formerly privatized enterprises, which they themselves have bankrupted, well, they are not opposed to that, either.

Take the case of Mexico's privately run highways.

On Aug. 22, 1997, the government of Ernesto Zedillo announced that it was putting together a \$7.5 billion bailout fund, in order to renationalize 23 private highways and two bridges which were going belly-up. This is about half of the 43 private highways and nine toll bridges built between 1987 and 1994, which, with great pomp and fanfare, the government had authorized and licensed as part of its sweeping privatization program.

With this move, the government bailed out not only the private construction and management companies involved, but also the national and international bondholders on the money loaned to build these new toll roads—which is more significant. As the *New York Times* noted at the time: "The government is under direct pressure from banks which want their debts serviced and from companies which are losing money."

The government decree expropriating the concessions explained the problem as follows. It was determined that, in 23 of the toll roads which were granted concessions,

- the construction costs "turned out to be more onerous than foreseen in the executive projects";
- "the traffic flow was less than expected";

- "the financial structure of the projects did not correspond to the income capacity of the highways";
- "the licensing agreements made a series of suppositions which were clearly exceeded in reality," and so on.

According to the Presidential decree, all of this led to "significant shortfalls in the maintenance and upkeep of the highways which, if not corrected, will generate conditions of deterioration which will place the security of the users at risk, and will further discourage the use of this infrastructure."

Put more simply, the tolls for the new roads were generally set so high, that there was virtually no traffic on them. The rest was history.

How did it happen? Simple: It was designed that way from the outset, as *EIR* warned at the time. In our *Feature* on Oct. 8, 1993, *EIR* explained how the scam was meant to work: "The privatization of Mexico's highways, ongoing for three years, exemplifies the process that is under way. The government assumes the old debt, puts up 'seed money' to attract private so-called investors, who, in return for a pittance spread over time, are given 'concessions' on the revenue stream extracted from the project. The revenue stream is the collateral for new debt, directly or indirectly backed by the government."

EIR went on to warn that these government guarantees would eventually have to be used, since "tolls have been set high, exorbitantly high. So high that the toll roads haven't functioned."

The same 1993 *Feature* quoted Carlos Melcher, a Mexican-born officer of Public Financial Management, a Philadelphia-based subsidiary of London's Hongkong and Shanghai Banking Corp.: "Privatization of roads works on the principle of 'build, operate, and transfer. . . . A group comes in, usually involving a construction company, and

tion,” of the Forestry Corporation, led to 4,473 layoffs (63% of their total labor force).

Two other sectors of privatizations should be noted: *financial* institutions, and *raw materials* companies (which includes both oil and mining). In an earlier study (*EIR*, Aug. 22, 1997), *EIR* exhaustively documented the role of British Commonwealth companies in seizing control over the banking and mining activities in Africa and Ibero-America, in particular. As for oil and natural gas, the British resource grab in the developing sector and the former Soviet bloc nations, has only just begun. Argentina’s national oil company, YPF, was privatized in 1993 (for a pathetic \$3 billion), as have been Peru’s PetroPeru and Russia’s Lukoil. But the international vultures now have their sights set on Mexico’s Pemex, Brazil’s Petrobras, Venezuela’s PDVSA, half a dozen major Rus-

sian oil companies (Rosneft Oil, Eastern Oil Co., and others), and Russia’s natural gas giant, Gazprom, whose assets are estimated to be worth from \$100 billion to \$1 trillion, and which they intend to seize control of, whether by privatization or other means.

To get an idea of what this means in physical terms, consider that Pemex, Petrobras, and PDVSA, respectively, produce oil at the rate of 2.9 million barrels per day (bpd), 1.0 million bpd, and 3.0 million bpd. Together, this adds up to about 85% of the total output of Saudi Arabia. Similarly, investigative journalists in Russia have estimated that the handful of Russian oil companies targeted for privatization in the near future, jointly produce 2.4 million bpd of crude, or 41% of the national total. These sources pro-rated these output figures by the percentage share of each company being

they build a road. . . . If the construction company operates the road, then this is a concession. The term of the concession can run 10 or 12 years, but now they’re getting longer, and concessions are running up to 20 years. . . . The concessionaire gets the revenues for running the roads. The concessionaire keeps the tolls.”

In hearings called by then-chairman of the U.S. House Banking Committee, Rep. Henry Gonzalez (D-Tex.), on Sept. 8, 1993, additional aspects of the arrangement were revealed. The income stream extracted from the highway projects, which is in pesos, has to be converted into dollar-denominated bonds on behalf of the foreign private investors who are supposedly investing in the “build, operate, and transfer” projects.

These were the infamous “highway bonds,” which were the first step toward the establishment of other paper instruments which were called “NAFTA bonds” or “NAFTA dollars.” This is a reference to George Bush’s North America Free Trade Agreement (NAFTA) among the United States, Mexico, and Canada, one of whose principal objectives was to establish a new “monetary zone” in the northern Western Hemisphere.

‘Garden variety’ corruption

As can be seen, the Mexican Presidential decree of August 1997, which announced the re-nationalization of the privatized toll roads, is the “light” version of what actually happened. Besides the mentioned “securitization” of the income stream related to the tolls, there were other, more garden varieties, of corruption involved.

The general “concession” scheme, most of which was put in place between 1988 and 1991, invariably consisted of the construction company estimating a cost for the project, toward which it “contributed” one-third of the total.

The rest of the financing was lined up from some commercial banking institution, from among those “recently privatized” by the Salinas de Gortari government (1988-94). According to a Mexican Senate investigation, what actually happened, was that the majority of the resources were coughed up by the Federal government itself, through the National Bank for Public Works and Services (Banobras), and by the Federal Toll Road department of the Ministry of Finance, which administers Mexico’s highways. In all of this, there was precious little so-called “private investment.”

Thus, the much-touted “four-lane highways” that were presumably built, in many cases boiled down to adding two new parallel lanes to existing (free) two-lane highways, and then imposing tolls on the “new” highways, thereby effectively eliminating the constitutional guarantee to all Mexicans of the right to free transit throughout the country. Furthermore, the “concessions” were generally granted when the “highways” were still under construction.

The incredible part of all of this, is that the “superhighways,” which were never really used, due to their stratospheric tolls, may now require emergency maintenance by the government — also at taxpayer expense. On one stretch under construction, in San Juan de Los Lagos, Jalisco, a bridge collapsed before it was opened; and another bridge, also in Jalisco, came crashing down after barely three months of use. One last fact: The highways which the Federal government is currently building, cost about half as much as the “superhighways” built under the Salinas government — and this, despite the fact that, after the December 1994 debt crisis, the peso was devalued by over 40%, leaving about 200% inflation as a result.

—Carlos Cota Meza



A Pemex facility in Veracruz, Mexico. Pemex is a principal target of the privatizers, but so far, nationalist resistance has blocked any selloff of the state-owned oil company.

privatized, to conclude that about 1 million bpd of crude capacity, or 16% of Russian national output, is going to be sold off for a mere \$8 billion.

Who's in charge here?

Official government reports on privatization, as well as those of the multilateral institutions that promote it globally, such as the World Bank, often emphasize that more than just foreigners are involved in privatization, and that a significant share of the companies that are sold, ends up in the hands of local investors. This, they argue, strengthens the domestic private sector, and prepares them for the future of “globalization.”

Although there are some instances where this may be the case, such as Malaysia, in the majority of privatizations, the new local “owner” either turns out to be a front-man for powerful international financial interests, which are actually pulling the strings; or else, he is himself bought out, soon enough, by a foreign entity. This picture comes into sharper focus as we look at a few case studies. London emerges unmistakably as the driving force behind privatization, and also its main beneficiary.

Similarly, the privatization valuations and bidding processes are run by large financial houses which “advise” the victim governments, while rigging the operation to benefit City of London and related financial interests. Prominent among these is Crédit Suisse First Boston, which has orchestrated a large part of the privatizations, from Russia, to New

Zealand, to Ibero-America. CS First Boston is tied to Sir George Bush’s interests in the United States, including the blueblood Weld family of Boston.

Mexico

Mexico has the dubious distinction of being the first Third World nation to be thrown in the privatization barrel — where it was joined in the late 1980s by the Mont Pelerin Society’s showcase, New Zealand. Mexico was singled out for this treatment by London, because of its long, and strong, tradition of state involvement in national economic development. The British wanted to prove the point that state-sector dirigism was a thing of the past; “globalization” had arrived, and with it privatization. If Mexico could be whipped into line, the rest would follow.

Furthermore, in 1982, Mexican President José López Portillo had followed crucial elements of Lyndon LaRouche’s outlined steps for overturning the IMF system and establishing a new international financial system. So, the Thatcher-Bush crowd wanted to make a bloody example of the country for this as well, to destroy the economic and political institutions on which nationalism depends for its social base of support.

In 1988, Mexican President Miguel de la Madrid, on the orders of the City of London and Wall Street, privatized \$1.9 billion in state-held assets — about 60% of the world total for that year (see **Table 1**). This mainly consisted of the two national airlines, Mexicana de Aviación and Aeroméxico, a

TABLE 1

Ibero-America: revenues from privatization

(millions \$)

Country	1988	1989	1990	1991	1992	1993	1994	1995	1996*	1997**	88-97
Argentina	28	0	3,841	1,981	5,567	4,732	890	1,208	628	80	18,955
Bolivia	0	0	0	0	9	13	0	789	87	NA	898
Brazil	0	8	44	1,635	2,564	2,718	1,697	992	4,690	17,683	32,031
Chile	278	302	98	364	8	106	128	13	341	NA	1,638
Mexico	1,915	971	3,160	11,289	6,924	2,132	766	167	1,400	450	29,174
Peru	0	0	0	2	212	127	2,840	1,276	2,544	408	7,409
Venezuela	0	0	10	2,278	140	36	8	39	165	866	3,542
Others	309	154	144	439	382	797	1,490	140	1,000	1,000	5,855
Sub-total, Ibero-America	2,530	1,435	7,297	17,988	15,806	10,661	7,819	4,624	10,855	20,487	99,502
Total, World	3,221	4,061	12,177	23,784	30,841	26,795	21,688	28,995	35,000	55,000	241,562

* Brazil, Peru full year; others through 9/96.

** estimate through 11/97.

handful of secondary petrochemical plants, and a string of state-run hotels. Although the principal purchaser was nominally Mexican, the Brenner family (widely known to be on close terms with President De la Madrid), actual control passed to the late Sir Jimmy Goldsmith, a top City of London financier, who put up most of the money for the Brennens.

The next major development came in 1991, under the baton of the notorious President Carlos Salinas de Gortari, Sir George Bush's partner in crime (including the running of crack cocaine from Central America up through Mexico into the United States). In 1991, Salinas "re-privatized" Mexico's banking sector, which had been totally nationalized by President López Portillo in 1982, as part of López Portillo's war against the IMF. Salinas's move netted the government about \$9 billion (out of \$11 billion total that year—the largest yearly amount for any country, until Australia and Brazil's \$18 billion each in 1997).

The buyers, all Mexicans, came to be known as "neo-bankers," because almost none of them (the exception was Agustín Legorreta) had been an owner of a banking institution before the 1982 nationalizations. All of these "neo-bankers" had the additional distinguishing characteristic of having owned stock brokerages, each of which had undergone a scandalous collapse at the time of the world stock market crash of October 1987, followed by a highly profitable rescue operation at the hands of the Mexican government.

Thus, Agustín Legorreta, who had owned Banamex before the nationalization, in 1991 became the new owner of the privatized Inverlat banking group. Banca Serfín was turned over to Adrián Sada of the Monterrey Group. And the Bital group was bought up by Antonio del Valle.

But the December 1994 explosion of the debt bomb in Mexico, followed by the IMF measures imposed upon the

country, pretty much bankrupted the Mexican banking system, and forced the new Mexican owners to sell off over 60% of the country's banking assets to foreign owners, over the next 2-3 years. Legorreta's Inverlat is now owned by the Bank of Nova Scotia, of Canada; Banca Serfín was taken over by the London-based Hongkong and Shanghai Banking Corp. (HSBC), known as the "central bank" for Dope, Inc.; and Bital is controlled by Spain's Banco Central Hispano, which has a strategic alliance with HSBC throughout Ibero-America.

It may have taken them 15 years and a couple of intermediate steps along the way, but the British have now succeeded in "privatizing" the Mexican banking system right out from under the country, and into the City of London's pocket. As of this writing, over 60% of the banking system's total assets are controlled by foreign interests—specifically by London.

The third and final big round of privatization in Mexico occurred in 1992-93: the sale of the state telephone monopoly, Teléfonos de México (Telmex), for about \$5 billion. The purchaser, again, was nominally a Mexican: Carlos Slim. Slim is one of the richest men in Mexico, but no one quite knows where he made his money. He was on intimate terms with the Salinas family (including brother Raúl, today jailed in Mexico on murder charges, and under investigation in at least three countries for drug-money laundering). The very least that one can say about Slim, is that he is an essential part of the Salinas-Bush cartel, and thus answers to their British controllers.

To London's dismay, Salinas's successor, Ernesto Zedillo, has so far failed to deliver on the next—and final—target of the privatizers: the national oil company, Pemex. Even the preliminary move to achieve this, the sale of Pemex's downstream petrochemical operations, hasn't gotten off the ground, due to strong nationalist resistance in the country.

Russia

Compared to other former Soviet bloc countries, such as Hungary and Poland, Russia got off to a relatively late start in privatizations. In part, this was because the IMF and London had to first sufficiently weaken the country, both economically and politically, before the former superpower would submit to the humiliating fire-sale to foreign interests of vital national assets. But now, to quote the eager words of a well-informed official at the IMF-World Bank enforcement apparatus: "The prospects for privatization in Russia are huge."

Phase one of Russia's privatization began in late 1992, when the government distributed to citizens privatization vouchers. Each voucher, for which the citizen had to pay a fee of 25 rubles, had a face value of 10,000 rubles (dollar equivalent: \$84, or about six weeks' pay, when the voucher law was passed; only \$24 in November 1992, when the program began; less than \$10 by March 1993 — but, the vouchers continued to be used for acquisition of state property at pre-inflation book value). Most vouchers were sold for cash, then pooled for use in privatization auctions, during which close to 70% of Russian industry — many entire small and medium-sized companies, and portions of some large firms — shifted to private ownership.

It was through this voucher privatization, that many of

today's conglomerates and clans, such as Oneksimbank and the infamous Boris Jordan, then working for CS First Boston, accumulated their assets. Jordan, for instance, reportedly acquired 17 million vouchers on the secondary market. So even in this first phase of Russian privatization, there was de facto foreign asset-acquisition through front-men—even though the official statistics may indicate otherwise.

Russia's first major privatizations for cash, with the direct participation of international bidders, came in 1995, when just over \$1 billion in assets were sold, mainly from Lukoil and other petroleum and natural gas companies. A sizable chunk of Lukoil went to Atlantic Richfield Co. Despite ambitious plans for 1996, privatizations dropped off to an estimated \$850 million for the year: There was general political upheaval in the country, and the pro-privatization team of Anatoli Chubais et al. were not able to proceed as rapidly as they would have liked.

Chubais's political fortunes improved again in March 1997, and consequently privatization activity in 1997 has stepped up markedly, to a targetted \$5 billion for the year—although late 1997 financial turmoil has made it doubtful whether those objectives will be met. Already, 25% of the Svyazinvest telecommunications giant was sold over the summer, to a consortium headed by George Soros. Others involved included Morgan Stanley, Deutschebank, and Russia's Oneksimbank, headed by Vladimir Potanin. Shortly thereafter, 38% of Norilsk Nickel, the world's leading producer of platinum, among other strategic metals, was sold for \$618 million, to an affiliate of the same Oneksimbank which had teamed up with Soros on Svyazinvest.

On Nov. 4, Russian President Boris Yeltsin signed a decree, lifting the 15% ceiling on foreign ownership of Russian oil companies that had been in effect since 1992, and allowing a full 100% foreign ownership. His expectation was that this would pave the way for the quick sale in late 1997 of four oil companies, priced at \$2.5 billion, with the proceeds going to pay the government's delayed 1997 wage bill for soldiers and others. However, when the first of these, Eastern Oil Company, was put up for auction, there was only one bidder, and the deal had to be called off.

For 1998, according to Maksim Boiko, who was the country's privatization tsar for a few brief months in late 1997, thirty-seven companies have been listed for sale, which are expected to fetch at least \$5.2 billion in revenue. Top among them are:

Rosneft Oil: 96% of the company, for \$1.5 billion; British Petroleum and the ubiquitous Oneksimbank are reported to be among the leading bidders;

Svyazinvest: another 25%, for \$1.8 billion; presumably Soros et al. will have the inside track;

Aeroflot: 51% of the national airline, the world's largest carrier;

Moscow airport: 100%;

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Left to right: international speculator George Soros, whose consortium now owns 25% of the Russian Svyazinvest telecommunications giant; Russian President Boris Yeltsin, who signed a decree allowing 100% ownership of Russian oil companies; First Deputy Premier Anatoli Chubais, the Russian government's most fanatical advocate of privatization.

Energiya space corporation: 25%; and
Unified Energy System (UES): 7.5% for \$300 million.

The last case bears closer attention, as it starkly demonstrates the most shocking feature of the privatization program: that Russia is being more vastly underpaid for its physical assets, than probably any nation in the world.

UES, the national electricity company, is still 51% owned by the state. It has 110 gigawatts of generating capacity, and transmits power across 11 time zones. Its plant and equipment comprise 600 thermal electric power plants and 100 hydroelectric power plants (nuclear power is administered separately, by the Ministry of Atomic Energy), and 2.5 million kilometers of transmission lines. Estimates of the value of these assets approach the range of 1 quadrillion rubles, or almost \$200 billion.

And yet, the asking price for 7.5% of UES is a paltry \$300 million — meaning that the whole company is being implicitly valued at about \$4 billion. That is about 50 times less than its actual worth, according to reasonable estimates.

Piratization!

Such highway robbery is, of course, not limited to Russia. Take the case of neighboring Kazakhstan's 4-gigawatt Ekibastuz power station, built in the middle of a coal basin that was a major Soviet-era energy project, which was sold last year to AES of Virginia . . . for \$3.7 million! Admittedly, the plant was in disrepair, working at only 20% of capacity, and in dire need of maintenance; but the price was *two orders of*

magnitude below the \$300 million the same AES paid for a power plant in Northern Ireland, which, at 800 megawatts, has only one-fifth the capacity of Ekibastuz.

Brazil

Tens of thousands of workers and others took to the streets of downtown Rio de Janeiro in early 1993, when the Cardoso government moved to ram through its first major privatization, that of the National Steel Company (CSN). They held noisy protest rallies in front of the Rio stock exchange, arguing that the CSN, especially its flagship Volta Redonda steel mill, was one of the great achievements of Brazil, and that economic sovereignty demanded that it remain with the nation.

The demonstrators were right. Volta Redonda was founded in the 1940s, as part of the wartime agreements between U.S. President Franklin Delano Roosevelt and the nationalist President of Brazil, Gen. Getúlio Vargas. Roosevelt also backed Brazil's 1942 expropriation of Great Britain's Itabira Iron holdings, which then became the basis for the formation of the CVRD mining complex. Volta Redonda and CVRD, combined, laid the basis for Brazil's industrial development in subsequent decades.

In forcing through the privatization of CSN, the British were as interested in denying this industrial capability to Brazil, as they were in seizing it for themselves — a strategic consideration which guides their entire approach to privatiza-

tion. London, in its Malthusian fervor, is intent on making sure that no nation has a sufficient density of high-technology capabilities, to make actual sovereign economic development possible. Thus, a frequent first step with a recently privatized company, is that it will be *asset-stripped* and effectively dismantled as an economic capability, by the vultures that have taken it over—all in the name of “financial efficiency.”

When CSN was sold for \$1.5 billion, the winning bidder was, to the surprise of many, a failing Brazilian *textile* group, the Vicunha Group. Vicunha is headed by Benjamin Steinbruch, whom some have described as “the Carlos Slim of Brazil”—in other words, a smart operator who has parlayed his close friendship with the President into untold millions. Steinbruch is a childhood friend of Paulo Henrique Cardoso, the President’s oldest son. As soon as CSN was privatized, Steinbruch set up Cardoso, Jr. as the company’s “communications adviser.”

Like Slim, Steinbruch is also, in effect, a front-man for major foreign financial interests. Which interests? Consider the following: When CVRD was privatized in May 1997, the winning bid was placed by a partnership of Steinbruch’s CSN, the U.S. bank NationsBank (which also loaned Steinbruch \$1.2 billion to fulfill his part of the package) . . . and George Soros. It later turned out that Soros had been the actual lender of half the \$1.2 billion that Steinbruch borrowed for the deal. So Soros and Steinbruch are tight; in fact, there has been speculation in the Brazilian press that Steinbruch is little more than a front-man for the mega-speculator and drug legalizer, in service to the Queen.

Steinbruch’s Vicunha Group also took a strong holding in the May 1996 privatization of the Rio electrical utility, Light, for \$2.5 billion. And, it is reported that he also has the inside track for the upcoming 1998 privatization of the highly sought-after “B Band” cellular phone concession.

Table 2 is a listing of all the major Brazilian state-sector companies that have been privatized to date, as well as of the \$60-65 billion more that are scheduled for the chopping block over the next three years. (The listed amounts add up to \$85 billion, as the itemization was prepared by the Brazilian government before the late-1997 stock market crash reduced their projected sales prices.) It is important to note that the column marked “revenue” refers only to the cash price paid for the company in question. In many cases, an included feature of the privatization deal was that the Brazilian state *transferred debt* from these companies to the new owners. So, in that sense, the Brazilian government got the additional benefit of ridding itself of debt it was carrying on its books.

The amounts are not trivial. For example, in the case of CVRD, the cash price paid was \$3.3 billion for about 30% of the company, but an additional \$4.3 billion in CVRD debt was assumed by the new owners. Brazil’s BNDES bank, charged with handling privatizations, has reported annual figures for

TABLE 2
Brazil: major privatizations
(millions \$)

Year	Company	Sector	Revenue	Transferred debt
1991	Usiminas	Steel	1,941	369
1992	Piratini	Steel	102	2
	Petroflex	Petrochemicals	234	21
	Copesul	Petrochemicals	862	9
	CST	Steel	354	483
	Fosfértil	Fertilizer	182	44
	Acesita	Steel	165	232
1993	Açominas	Steel	599	122
	Ultrafértil	Fertilizer	206	20
	CSN	Steel	1,495	533
	Cosipa	Steel	586	884
1994	Usiminas	Steel	480	0
	Embraer	Aircraft	192	263
	CVRD steel	Steel	138	0
	PQU	Petrochemicals	287	41
1995	Escelsa	Electricity	400	2
	Copene	Petrochemicals	270	475
	Salgema	Petrochemicals	139	44
1996	Light	Electricity	2,507	586
	Malha Centro-Leste	Railroad	316	0
	Malha Sudeste	Railroad	870	0
	Malha Sul	Railroad	209	0
1997	CERJ	Electricity	587	NA
	CVRD	Mining	3,299	4,287
	Coelba	Electricity	1,573	NA
	Cachoeira	Electricity	255	NA
	Dourada			
	Telecom	Telecommunications	2,950	NA
	Norte-Nordeste	Electricity	1,486	NA
	Centro-Oeste	Electricity	1,372	NA
	CPFL	Electricity	2,740	NA
	Enersul	Electricity	570	NA
Cemat	Electricity	353	500	
Pending (1998-2000)				
	Banda B	Telecommunications	6,000	
	Embratel	Telecommunications	6,000	
	Telebras	Telecommunications	17,000	
	State electrical cos.	Electricity	28,700	
	Furnas	Electricity	5,800	
	Eletrosul	Electricity	2,300	
	Chesf	Electricity	7,500	
	Eletronorte	Electricity	6,200	
	Fepesa	Railroad	2,100	
	Malha Nordeste	Railroad	11	
	Escelsa, part 2	Electricity	85	
	CVRD, part 2	Mining	2,000	
	Light, part 2	Electricity	1,600	

FIGURE 7

Brazil: revenue and transferred debt

(cumulative, billions \$)

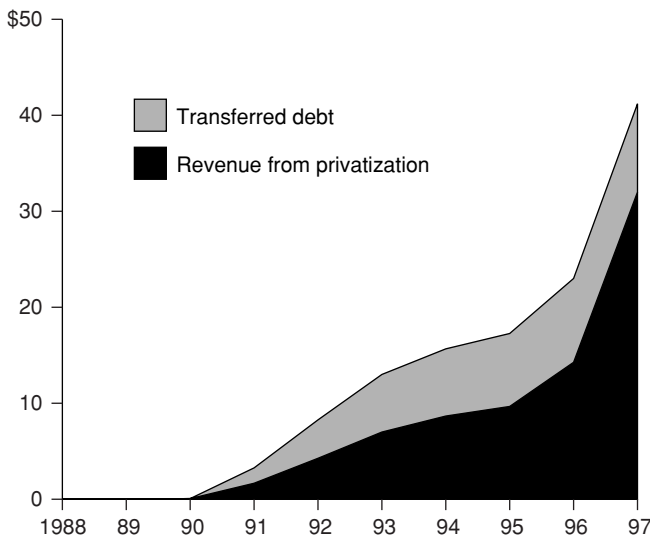
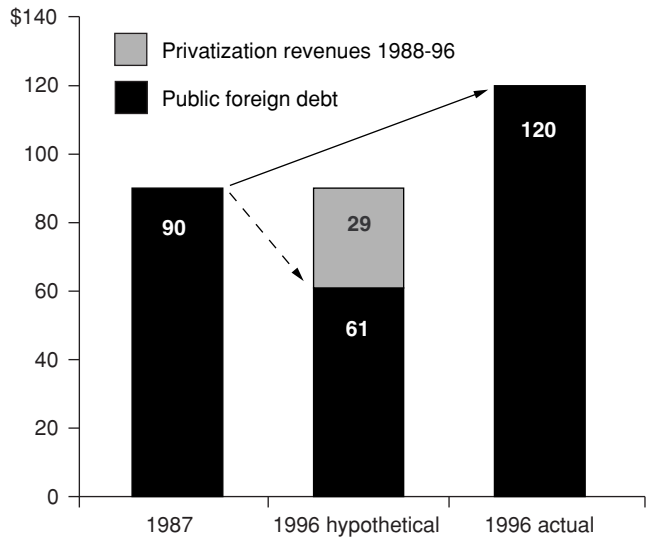


FIGURE 8

Mexico: public foreign debt

(billions \$)



such “transferred debt,” which add up to over \$9 billion over the last decade. If this figure is added to the total cash received, the actual figure for total Brazilian privatizations reaches \$41.4 billion—just under Australia’s cumulative total of \$42.5 billion (see **Figure 7**).

No similar considerations arise in the cases of Mexico, Argentina, or most other Ibero-American nations, for the simple reason that, in those countries, all of the state companies were first restructured and “cleaned up” (“saneados”)—i.e., their debts were assumed directly by the government—before they were offered up for sale. In the case of Russia and other former East bloc nations, there is some “transferred debt” component, but the available data are incomplete and unreliable in this regard.

‘Bankers’ arithmetic’ revisited

Since the victim nations have by and large been forced by the IMF to use their privatization revenues, not for internal development, but to pay off their public debt (both domestic and foreign), one might think that said debts would have been proportionately reduced. Think again. The reality is that privatization revenues have risen; debt payments have risen; but the total debt owed has also risen.

This is what *EIR* has identified as “bankers’ arithmetic”: The more you pay, the more you owe. What it points to, is the fact that the rules of today’s economy simply don’t work any more the way London and the IMF insist that they do. Let us look more closely into this matter.

One of the standard arguments used to justify privatiza-

tion, is that 1) it reduces inefficient state-sector spending, which 2) allows the country to control its government budget deficit, and 3) thereby combat inflation. This is a lie on all three counts.

First, as often as not, the companies targeted for privatization are not even in the red. This was the case with Brazil’s CVRD, which, the government was forced to admit, was net profitable and expected to become increasingly so in the foreseeable future. And often when these companies do show monetary losses, it is because of their heavy debt burden (about which we will say more below), or because they are operating with relatively backward technologies—thanks to London’s technological apartheid policies, to which these nations are also subject.

Second, most government budget deficits are not caused by state-sector company losses, but by the oppressive burden of debt service (both domestic and foreign) that these budgets are forced to carry. For example, Mexico today spends about 30% of its budget on debt service; Brazil is spending over 25%; and in Russia, over a quarter of the federal budget goes to debt.

And third, inflation has next to nothing to do with state-sector performance. Inflation in the developing sector is essentially an imported disease: It comes from the parasitical effect of the global derivatives bubble on these economies and their foreign debt; and it is a result of forced devaluations of their currencies, which the international oligarchy periodically imposes to facilitate their looting of the nations’ physical wealth.

FIGURE 9

Argentina: public foreign debt

(billions \$)

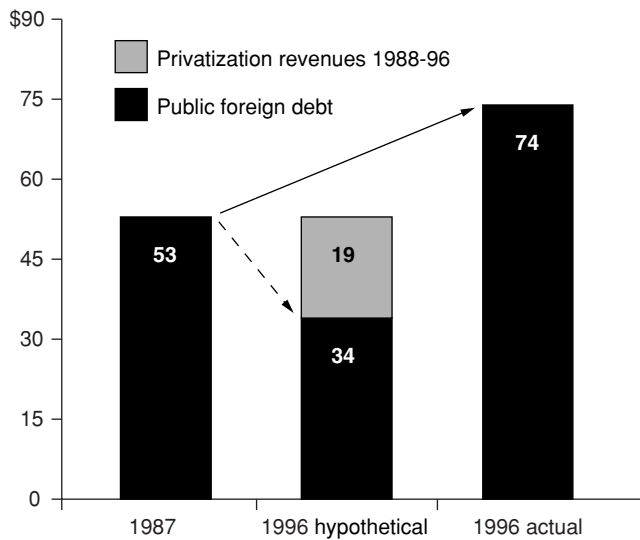
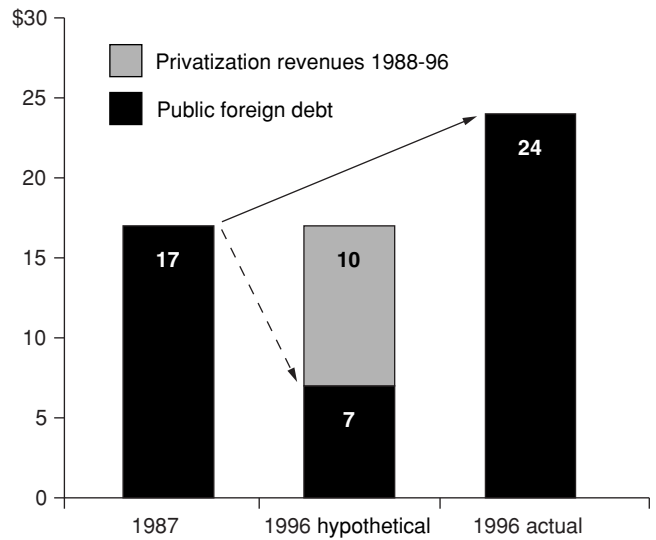


FIGURE 10

Hungary: public foreign debt

(billions \$)



Even more common than the “budget deficit” pitch, is the constantly repeated argument that privatization will generate revenues for the government, which will help it to reduce the public-sector debt (thereby driving down interest rates, making the country more creditworthy, and so forth and so on). A recent, typical World Bank essay on privatization, reports happily that “the bulk of the proceeds from privatization have been earmarked for reducing public debt in most countries.” In some countries, they have been used to pay the foreign portion of the government’s debt directly; in others, they have been used to write down the domestic component of the public debt, which in turn freed up other government revenues to meet its foreign debt obligations. (In the case of Russia, they have gone to neither. Instead, privatization revenues have been channeled directly to cover the government’s gaping deficit in its operating budget, e.g., to pay wages of state workers, soldiers, and others.)

Let’s look at how well this supposed debt-reduction scenario has worked in Mexico, which has the world’s second-largest foreign debt, and is the second-biggest privatizer (see **Figure 8**). In 1987, Mexico’s public foreign debt was already a staggering \$90 billion (private foreign debt was an additional \$20 billion at the time). According to the arithmetic of Mexico’s creditor banks—not to mention their strident demands—the \$29 billion garnered from privatizations was to be used to pay down Mexico’s public debt. (Although not all of the purchasers were foreigners, and therefore a portion of the privatization revenues were collected in local currency, the peso, the Mexican government

was nonetheless in a position to convert those pesos into dollars for foreign debt repayment.)

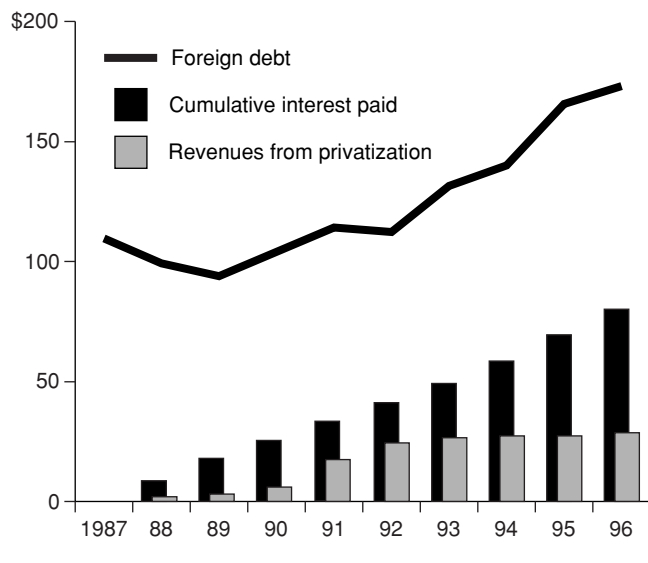
This, in general terms, is what in fact did happen. Except, instead of *reducing* the \$90 billion public foreign debt by \$29 billion over nine years—which would have led to a hypothetical public foreign debt level of \$61 billion in 1996—the public foreign debt *rose* to \$120 billion in that year, twice the amount it hypothetically should have been reduced to. In other words, despite paying off \$29 billion (which is 32% of the debt owed in 1987) with invaluable national assets, the Mexican government ended up owing one-third more than it did at the beginning of the swindle. By this logic, we have the following “bankers’ arithmetic”²:

2. It is true that this account of the matter leaves certain secondary features out of consideration—but the abstraction does not alter the truth of the account. First, there were obviously other payments made against the public debt besides the privatization revenues, which presumably would have led to an even lower hypothetical total in 1996. And second, operating in the opposite direction, one might argue that the rise in public foreign debt over these nine years could, hypothetically, have been the result of *new* credits given to the Mexican government, for its productive investment. Although theoretically possible, this did not occur in reality—as any person familiar with Mexico’s recent financial history will admit. Throughout this period, the Mexican government was getting *no* fresh money: All of its new debts were simply refinanced old loans, and/or the capitalization of unpaid interest, which took the form of new indebtedness.

Thus, this account of “bankers’ arithmetic,” although simplified, does closely reflect the reality of what has been going on with the privatization fraud, in Mexico and elsewhere.

FIGURE 11
Mexico: privatization revenues and interest paid on foreign debt

(billions \$)



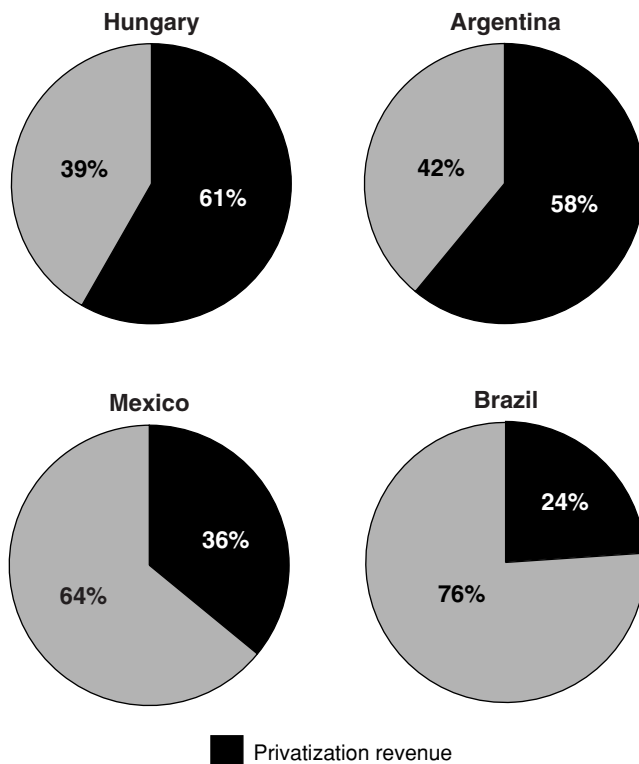
\$90 billion – \$29 billion = \$120 billion.

The similar cases of Argentina and Hungary are shown in **Figures 9** and **10**. Argentina presumably shovelled \$19 billion in privatization revenues to pay down its \$53 billion public foreign debt, which instead rose to \$74 billion. And Hungary privatized and paid off about 60% of its 1987 public foreign debt, only to see it rise from \$17 to \$24 billion.

How is this possible? It would seem that, under the rules of today's IMF system, the faster you run, the more rapidly you move backwards. What is happening is that the privatization monies, by and large, do not go to amortize principal on the public debt (foreign or domestic), but rather to pay interest on the total foreign debt. At the same time, that total foreign debt is expanding wildly out of control, because of the growth of the speculative derivatives bubble globally, no matter how much interest or other income streams are paid against it.

Among the main devices used to foist this uncontrolled cancer on developing-sector and former Soviet bloc nations, are: 1) forced devaluations of their currencies; and 2) rapidly deteriorating terms of trade for their exports. Both mechanisms make their foreign *financial* debts grow, relative to their domestic *physical* economies, at a more rapid rate than they can possibly increase the physical loot they ship abroad, or hand over to foreign controllers through privatization. In other words, the more you feed the cancer, the more rapidly it grows, and the more quickly you destroy the remaining

FIGURE 12
Privatization revenue as a percentage of interest paid, 1988-96



healthy components of the nation's physical economy.

Mexico is the classic example of how this process has laid waste to a nation (see **Figure 11**). Over the last decade alone, the country has paid about \$80 billion in cumulative interest payments on its total foreign debt (public and private), which, over this same period, rose from \$110 billion, to \$173 billion. Interestingly, the cumulative privatization revenues over this same period were about \$29 billion—schematically, those \$29 billion amounted to about 35% of the total interest payments sent abroad.

While this debt looting was going on, IMF policies imposed on Mexico over the last 15 years have contracted its physical economy by about 30-35%, as we have documented elsewhere (see *EIR*, Feb. 28, 1997).

Figure 12 shows that privatization revenues were also a significant proportion of cumulative interest payments in Hungary, Argentina, Brazil, and Mexico—which points to the real story behind the privatization scam.

It is high time that such *piratization* be banished, along with London's financial and political order that is using such robbery to perpetuate itself in power.

Mubarak slams London for harboring terrorist groups

by Joseph Brewda

Egyptian President Hosni Mubarak has continued to publicly denounce the British policy of harboring terrorists responsible for massacres throughout the Mideast, in the aftermath of the Nov. 17 shootings in Luxor, Egypt which killed over 60 people, mostly foreign tourists. The group claiming credit for the massacre, the Islamic Group, has its international headquarters in London. In an interview with the German magazine *Der Spiegel*, published on Dec. 8, President Mubarak exclaimed, "I do not understand, why people on whose hands there is blood, are granted asylum in England. Why they are being granted the freedom to call, in interviews and newspaper articles, for the assassination of people who think differently?"

The reason for this harboring policy, as *EIR* has emphasized, is that the core of British imperial method has always been to rule through orchestrating conflict and war, made possible by systematically organizing, funding, protecting, and deploying the most irrational and violent, opposing, sides, of each and every important conflict, anywhere in the world. For example, every opposing, insurgent group in Lord Palmerston's 1848-49 revolutions launched against Britain's rival Austrian Empire, was headquartered and deployed out of London. Operating from this same standpoint, Britain today, has fostered all important, and competing, terrorists groups in the Mideast, whether fraudulently termed "Islamic," "Arab," or "Jewish."

President Mubarak began his campaign on Nov. 23, when he told a press conference in Aswan, that the Islamic Group leaders who took credit for the massacre, were based in London. Among these, is Yassir al Sirri, who told the British press that the massacre was "justified."

"Why is the convicted assassin of a girl, Yassir al Sirri, being allowed to move and act freely?" President Mubarak asked *Der Spiegel*. "London asked us for documents on his criminal record. Well, we sent those documents, but nothing

has moved, so far."

President Mubarak also emphasized that economic development is required to combat terrorism, because social problems are used as pretexts for terrorist recruitment. "Land reclamation of the desert must be pursued with the greatest urgency," he said. "The Toshka Project which has been begun in southern Egypt is the first step in a decades-long plan which in the future will provide new living space for millions of Egyptians." (See article, p. 60.)

A contrary view, put forward by al Sirri's London-based Islamic Group sidekick, Abu Hamzah al Masri, shows how Britain's "Islamic" patsies are controlled. Justifying the Luxor massacre, Masri told the Egyptian daily *Rose al Yusuf* on Dec. 1, "We believe in the principle of establishing *Shariah* [Islamic law], even if this means the death of all mankind." This suicidal mentality, also typical of "Jewish" terrorists in Israel, shows how London keeps the Mideast pot boiling.

For his part, the financier of Egypt's Toshka Project, Sheikh Zayed al Nahyan, President of the United Arab Emirates, has also expressed concern over British harboring of terrorists. Speaking at a press conference in Cairo on Nov. 25, Sheikh Zayed said of the British: "We Arab nations should in unison tell states that harbor terrorists, to stop cooperating with them. By doing so, they close the door of cooperation and friendship with us." The sheikh noted that the British tried to undermine the U.A.E., but, "the Union survived, while the Sun of the British Empire did set."

What London's terrorists have to say

The London-based terrorists responsible for the Luxor massacre are acutely aware of President Mubarak's anti-British campaign. In an Dec. 6 interview made available to *EIR*, London-based Islamic Group leader Yassir al Sirri denounced President Mubarak, and said that his campaign against Britain



This cartoon appeared in the Egyptian official daily Al-Ahram on Dec. 11. It shows John Bull at Luxor, riding on Satan, on whom is written the word "terrorism." The international community tells Britain: "Tomorrow, your turn will come, and your head will roll."

for safehousing himself and other terrorists, is guided by the United States.

"Mubarak is acting hysterically," Al Sirri said. "He is focussing a campaign on Britain. But he's only acting within the larger framework of the United States' policy, acting as a dog, or agent, of America. His campaign is part of a comprehensive U.S. plan and general policy to unleash its dogs against Britain."

By contrast, al Sirri praised his British masters for protecting him. "The Egyptian government demanded many times that I be extradited to Egypt. But, Britain, every time, demanded they submit proof against me," he gushed. "The only proof that the Egyptian regime could present, was a sentence against me by an Egyptian military tribunal."

Al Sirri's statements (see *Documentation*) also betray another essential feature of British imperial method: to blame its crimes on others, and rally its colonial victims, such as the Arabs, against the United States. In fact, the grave injustice which characterizes the Mideast, is a result of British policy, and finds its origin in the manner in which Britain carved up the region following World War I, and its sponsorship and deployment of its Israeli puppets, typified by Prime Minister Benjamin Netanyahu, after World War II. Britain's main aim in its current terrorist offensive, is to provoke a new Arab-Israeli war, leading to a "Cuban missile"-style crisis meant to break the back of the Clinton administration, thereby making it impossible for President Clinton to deal with the onrushing systemic global financial collapse.

Unfortunately, not everyone in Washington understands this reality, or thinks that the United States is, or should be, in conflict with the British Empire.

At a State Department press briefing on Dec. 9, *EIR* correspondent William Jones asked State Department spokesman James Foley, whether the U.S. government was prepared "to put pressure in the form of sanctions on the British to stop" its harboring of terrorists. Foley responded: "I really think that's a preposterous assumption on your part. We have a thoroughgoing and very productive security and terrorism dialogue with the British authorities, who face the same kinds of threats in other arenas as we do around the world."

Egyptian press exposés

Al Ahram, the Egyptian government daily, considerably assisted President Mubarak's campaign against Britain for harboring terrorists, in a Dec. 7 feature entitled "How Can We Surround and Extradite London's Lords of Terror?" The article describes the numerous terrorist groups enjoying British hospitality.

"London's share of terrorist sects alone, according to security sources, is 1,400," the paper reports, "which include 4,000 members who are active. Security sources describe these people, as 'the lords of terrorism of England.' They live a life of luxury, preying on the money donated by the millionaires and terrorist organizations, both in Britain and abroad, for their terrorist operations."

Al Ahram reports that London became the "Islamic" terrorist Mecca following the war in Afghanistan, when "legions" of unemployed Afghan mujahideen, who had been drawn to Afghanistan from all over the Islamic world, flocked to London for protection, and for new assignments. Among them, was the Islamic Group's al Sirri.

The government paper quotes an unnamed security source, in its analysis of British motives in making London the world's terror capital, which partially describes British thinking: "The British expect to reap a great advantage through controlling the most dangerous terrorists on its soil," it quotes the source as saying. "The growth of such entities on its soil, provides British institutions and relevant organs, with a clear picture of the nature of the situation and political attitudes of the nations from which these terrorists came, without the need for on-the-spot activity."

"Through this logic," the source continues, "British intelligence works contrary to all its counterparts in the world. The information British intelligence has acquired about these groups and its members, is an invaluable card, which it can use to either negotiate, or put pressure on, Middle East states."

Al Ahram adds, that part of the purpose, is to manipulate these terrorists, and take them over, on behalf of British geopolitical aims. "The flexible Anglo-Saxon justice system provides a good ground for penetration and manipulation," it notes. Britain's Israeli puppet also play this game. An article

in the Dec. 4 *Jerusalem Post* notes that the “Mossad’s principal function in Britain is to recruit Arab agents,” emphasizing that there are more Arabs in Britain, than Israel and the Occupied Territories combined. Through such recruitment, Netanyahu finds the Arab dupes to launch atrocities against Israeli targets, to justify his British-backed military adventures.

Al Ahram’s source concludes: “London’s ‘permanent interests’ have always converged with the lords of terrorism who live in Britain, and who never underestimate what their existence represents for British interests.”

Meanwhile, other Arab and Islamic governments are joining up with President Mubarak’s campaign. According to the Egyptian press, the interior ministers of all the Arab states will gather in Tunisia in January. Included on the agenda will be London’s safehousing of international terrorists. The issue was also raised by Malaysian Prime Minister Dr. Mahathir Mohamad, at the Dec. 9-10 summit of the Organization of Islamic Conference, in Teheran, Iran, where he decried “Western democracies,” meaning in this case, Britain, which “give refuge to those of our people who promote disruptive activities in our countries,” even while accusing Islamic nations of promoting “terrorism.”

Documentation

Islamic Group praises Britain, condemns U.S.

Islamic Group leader Yassir al Sirri spoke about his group’s views and policies in the aftermath of the Luxor atrocity, in an interview at his home in London on Dec. 6. The interview was made available to EIR. Also taking part in the interview was his sidekick, Mohammed al Masari, the London-based Saudi terrorist who praised the June 1996 bombing of the U.S. Army barracks in Dharhan, Saudi Arabia, which left 19 U.S. soldiers dead, in an interview with the British Broadcasting Corp.

The Islamic Group is part of the network which killed Egyptian President Anwar Sadat in 1981. It has killed 92 tourists in 25 attacks in Egypt since 1992; in possibly its most savage attack, it shot 62 to death on Nov. 17, in Luxor. The Islamic Group is also responsible for the Feb. 26, 1993 World Trade Center bombing in New York City, which left six dead. Al Sirri’s associate, Sheikh Omar Abdul Rahman, is now imprisoned in the United States, following his conviction for that incident.

According to published statements of the U.S. State Department, both al Sirri’s and al Masari’s groups are funded by Saudi terrorist moneybags Osama bin Laden, who also

works out of London, and who has called for a jihad to expel the United States from the Mideast. Their comments show why U.S. President Bill Clinton must impose sanctions on Britain, rather than on innocent third parties, for harboring and sponsoring such terrorists.

Q: In the aftermath of the Luxor incident, the Egyptian government seems to have adopted a policy of further repression of the Islamic Group. Where are things heading?

Al Sirri: It was the regime which started the violence. Before the violence started, we operated through charity organizations, through helping orphans and widows. We did that without carrying weapons. But the Egyptian regime started killing youth in the streets.

Al Masari: From the Islamist side, Mr. al Sirri himself made an initiative yesterday, calling for a cease-fire for the next two months, which includes [the holy month of] Ramadan, ceasing all activities, military activities, obviously. There were contacts on the Egyptian side, through mediators, suggesting that they would welcome something like that. They were even making some very positive suggestions, that they might release those who have finished their detention period.

But what Mr. al Sirri has received from his sources in Egypt, that there is a detention wave now ongoing against the younger generation of Islamists, does not indicate very great wisdom on the Hosni Mubarak government side.

Q: There’s a new wave of detentions in Egypt?

Al Sirri: In four big “governates,” there is a big campaign. It’s in the hundreds. There’s no numbers yet; it just started a couple of days ago. All of them are young people, from the universities, a very qualified section of the population. Universities, and also poverty areas, are targeted. For example, government forces ransacked the veterinarian college in Asyut, and an agricultural college, simply because some of the people who were killed in the Luxor affair [that is, the terrorists killed there] were students at those campuses.

Al Masari: So, it does not look like the regime is coming to its senses. I doubt that the mediation going on last week and this week, was serious. Or else, there may be different wings fighting within the government. We might have a split, because one wing may be mediating, and another one acting like the Algerian exterminators.

Q: What’s the Egyptian government’s objective?

Al Sirri: The situation is not the same as Algeria, but it is similar. There are different wings. For example, Abdelrahim Musa, the past interior minister, was one of the rationalists—he was there from 1989-94. He started a dialogue with us, with a green light, obviously, from Hosni, because you cannot, as a minister, act on your own. And he contacted Abbud Azzumar.

Al Masari: Abbud Azzumar is the real leader of Islamic Group and Islamic Jihad, the grand old man. Sheikh Omar Abdul Rahman is the scholar, the clergyman, but Abbud Az-

zumar is the real commander. He used to be a secret service man, a high-ranking secret service man, once. So, he's a very sophisticated man. He's been detained since the Sadat affair, condemned to 40 years.

Al Sirri: So, Abdelrahim contacted Abbud Azzumar, and there was very positive signs coming forward. But suddenly, the extermination wing moved, and Abdelrahim was kicked out of the government.

So, we have two wings. One thinks it can exterminate the opposition, by killing them, and forcing others to repent. And the other, thinks that there are some midway solutions. The liquidation wing is coming back to life again, and trying to mess with the situation. But nevertheless, the offer is still on the table, it has been publicized for two months, to give the government sufficient time to come to its senses.

There was also an Islamic Group initiative six months ago. But the initiative was weak, since the people who issued it, may have been high-ranking, but are in jail. Being in jail, means you cannot be considered a proper leader or respectable. So, their initiative was not received with warmth at that time.

Moreover, their initiative was one-sided. It offered to cease all of the Islamic Group's activities, but it did not ask the government to do anything. And even this was mocked by the ex-minister of interior, Hasan al-Alfi, who was fired, and then it ended in this disaster. So, hopefully, the rationalists will get the upper hand.

However, if, two months after this cease-fire, the regime does not respond to our demands, we will hold a press conference, and present evidence proving that Hosni Mubarak lied in his statements to international media recently, in which he denied the existence of any dialogue between his regime and us in the period from 1981-93.

Q: What about foreign pressures on Mubarak to have a hard line against the Islamic Group?

Al Sirri: This is quite likely. It is now clear that Hosni Mubarak is acting hysterically. He is focussing a campaign on Britain. But he's only acting within the larger framework of the United States' policy, acting as a dog or agent of America. His campaign against Britain is part of a comprehensive U.S. plan and general policy to unleash its dogs against Britain.

Al Masari: You know that there are certain circles in the United States which would like to weaken Britain more, to marginalize it more. There's a world struggle between the big powers.

Al Sirri: American policy is to support Hosni Mubarak officially and substantially. The U.S. is the only state which still allows its tourists to visit Egypt [following Luxor]. The U.S. is sacrificing the lives of its citizens, through supporting the Egyptian regime. The U.S. is still giving support to Mubarak, despite his violations of human rights. We appeal to the U.S. administration to stop its support to Mubarak, and to put pressure on him, until he regains his senses and respects human rights.

Al Masari: Mr. Sirri believes that American appeals for human rights are just for international public consumption. The American government is still very firmly behind Hosni Mubarak; it gives intelligence support, and also torture support — the equipment comes from America.

Q: Do you think the reason Mubarak is denouncing the British, is because of fighting between the U.S. and British governments?

Al Sirri: That's what I said.

Al Masari: That's also what I believe. Because these are two cousins, they speak the same language, and come from the same roots. So it is very difficult to fight face to face directly, especially because they are in the same alliance. So, if they can find someone like Mubarak to be their barking dog, it is much more convenient for them. But, I think the British know that. The American public may not know that, but the relevant people in every quarter know what's going on.

Al Sirri: The Egyptian government demanded many times that I be extradited to Egypt. But, Britain, every time, required they submit proof against me. The only proof that the Egyptian regime has presented to the British authorities, was a sentence against me by an Egyptian military tribunal. Mubarak is trying to cover his failure internally by attacking other states. Mubarak tells Britain that "law is the creation of man and not a divine revelation, therefore it can be changed." Mubarak is used to changing policy, and he demands these governments, like Britain's, change theirs, too. [Al Sirri is referring to Mubarak's demands that Britain change its laws, which permit plotting foreign terrorism from its soil.]

Al Masari: The Egyptian government has made several diplomatic protests, I think three or four times, to deliver Mr. al Sirri. And every time the British ask, "What is the evidence against the man? There's no evidence." Sometimes they bring the court ruling against him, the accusation that he was involved in the [Prime Minister] Atif Sidqi assassination attempt affair. So the British government said, "Okay, if you have other evidence which British courts or British police could check, we would do that. Even though there is no exchange treaty for criminals, we can still accommodate you." The Egyptians were at a loss every time, to bring forward anything respectable, which could withstand the scrutiny of Scotland Yard or any British court.

Q: What is the Islamic Group's view of an acceptable form of Egyptian society?

Al Sirri: What we are demanding, is next to nothing. We are demanding the removal of the infamous laws, the law on journalism and unions, and the one on the transfer of power. Of course, the implementation of Islamic *Shariah* [Islamic law], is the ultimate hope of every Egyptian. Amnesty International, in its communication with us, told us that what we are demanding is not something impossible, that they are simple, human demands. . . .

Mubarak: Toshka Project opens way toward 'new civilization' in Egypt

by Marcia Merry Baker

Egyptian President Hosni Mubarak, in an interview with the German weekly *Der Spiegel*, published on Dec. 8, drew attention to the Toshka Project for land reclamation in southern Egypt, as the kind of priority national task deserving of international backing. In response to *Der Spiegel* reporter Volkhard Windfuhr's question about whether social problems were the basis for terrorism in Egypt, President Mubarak gave an emphatic reply.

Spiegel: "The social problems help the radicals to find recruits. What are you doing against this?"

Mubarak: "Land reclamation of the desert must be pursued with the greatest urgency. The Toshka Project which has been begun in southern Egypt is the first step of a decades-long plan, which in the future will provide new living space for millions of Egyptians. We are currently going through a shift in Egypt's history, and I am devoting no less energy to this, than I am to combatting terrorism and solving the Mideast problem."

The location of the Toshka Project is shown near the center of the map of Egypt and Sudan, to the west of the Aswan Dam and Lake Nasser, where the Toshka Depression is located. The project involves diverting Nile waters, from the Toshka overflow basin, through a 360-kilometer-long canal, into the desert, to create the basis for thousands of hectares of new agricultural land, and new towns for hundreds of thousands of people. Construction began in January 1997.

Sabotage of development projects

President Mubarak's stress on the Toshka Project, as a counter-perspective to terrorism, throws a new spotlight on the fact that over the past two decades, this kind of economic development approach in Egypt has been deliberately thwarted by International Monetary Fund (IMF)-connected forces, centered in London, which are opposed to national economic advancement, and instead, are backing financial looting and geopolitical dirty tricks, including assassinations.

Along with the famed Aswan High Dam (formally inaugurated on Jan. 9, 1960), there were many kinds of infrastructure projects for land reclamation and other improvements, on the agenda for both Egypt and Sudan, over the 1970s, '80s, and '90s. But, one by one, these were stalled or cancelled under vicious outside pressure and intervention.

This sabotage of national development efforts is epitomized by the shutdown of a conference on economic develop-

ment, which had been scheduled for Cairo in the fall of 1983, at which Lyndon LaRouche was scheduled to speak. Wide participation was expected; Mrs. Indira Gandhi, the prime minister of India and leader of the Non-Aligned Movement, had indicated her interest in attending.

The 1983 conference was jointly sponsored and prepared by the Ministry of Agriculture of Egypt, directed then, as now, by the famous agronomy expert Dr. Youssef Wali; and by the Club of Life, founded in 1982 on the initiative of Helga Zepp LaRouche as an international pro-development counter-pole to the anti-development drive by the Club of Rome, and other Malthusian propaganda instruments serving the IMF.

The Cairo conference agenda included topics concerning bringing about a *new, just world economic order*, and discussion of key high-technology and infrastructure development programs to raise the standard of living around the world.

At the last minute, the entire conference was cancelled. Subsequent indications showed that, at the least, Egypt was threatened with cut-off of food imports, if the conference were to proceed.

The circumstances surrounding the sabotage of the conference indicated the direct involvement of Henry Kissinger, whose credentials for such threats include the formal drafting of a policy of using *food as a weapon*, in the 1970s.¹

In issuing ultimatums and threats, Kissinger was operating as part of the international alignment of the IMF, World Bank, and related financial circles, to oppose needed large-scale infrastructure development projects, and force austerity and poverty on developing nations.

Over the 1980s, projects that were on the drawing boards, or even under construction, were forced to shut down. **Figure 1** shows a selection of the priority projects of Egypt and Sudan, all of which were targeted.

- Qattara Depression. This energy project in northwestern Egypt was actively under study in Egypt in 1982-83, by a committee whose members included the ministers of Industry, Petroleum, Electricity, Agriculture, and Tourism, who

1. In December 1974, when Kissinger was U.S. National Security Adviser, a classified 200-page study, "National Security Study Memorandum 200 (NSSM 200): Implications of Worldwide Population Growth for U.S. Security and Overseas Interests," was completed over his signature. It identified 13 "key countries," including Egypt and India, which were considered foreign policy targets for population reduction and food and economic control.



Egyptian President Hosni Mubarak (pointing), and Prime Minister Dr. Kamal al-Ganzouri, on Jan. 9, 1997, on the inauguration of the Toshka Project, look over a model of southern Egypt development. President Mubarak said, "A new era is opening in Egypt—the era when we go out of the confines of the narrow Nile Valley."

were to determine the best way to develop hydro-power potential. Engineers from Sweden and Germany were involved in studies; and also, some years earlier, studies of the Qattara energy and water potential were conducted by the Japanese Global Infrastructure Fund (1977), and in the 1950s, by the U.S. "Project Plowshare" of the Atoms for Peace program.

In an interview with *EIR* on Dec. 17, 1982, Egypt's Electricity Minister Maher Abaza, still today a government minister, said that the Germans estimated in the 1980s that it would cost \$3 billion to build the Qattara canal-tunnel project using peaceful nuclear explosives, and \$6 billion using conventional excavation. The project was shelved.

- Nuclear power. In December 1982, Energy Minister Abaza described to *EIR* the goals for developing nuclear power in Egypt by the year 2000. He said: "At the end of the century, hydro-power will be the source of 10-15% of energy, 10-15% will be gas-powered stations, 15% will be coal-powered stations, and 15% diesel-powered stations. The rest, which is 40%, we expect to be nuclear power stations. We do not want to have all our eggs in one basket." This was thwarted.

- Jonglei Canal, Sudan. This project, partially excavated, involves digging a straight cut of 360 km through the Sudd swamplands in southern Sudan (from Borr to Malakal), which would channel the flow of the White Nile so efficiently, that the savings of water from evaporation, would increase the flow of the Nile downriver by 5-7%, for use by Sudan and Egypt. Moreover, the canal would give the surrounding area a vast improvement in usable farmland, transportation, and reduction in breeding grounds for mosquitoes, flukes, and other parasites. The canal was begun in 1978, using the gigantic "Bucketwheel" excavator, and as of 1981, was chewing a

channel at the rate of 2 km a week. But in 1984, all work stopped. A length of 180 km, the northern portion of the canal, has been completed, but remains undeveloped; the Bucket-wheel digger lies disabled. In the 1980s, a coordinated operation was conducted by IMF, World Bank, and London circles to close down the project. Civil strife was instigated; propaganda was spread about the canal's harm to the environment, and similar dirty operations were mounted against Sudan. In 1994, Sudan's President, Gen. Omar Al Bashir, reiterated his desire to resume the Jonglei Canal Project, to develop the region.

Death toll from stalled projects

The above are just the most prominent of infrastructure development plans that were prevented by the international regime of the IMF. The damage and death toll from this obstruction has been huge over the past 20 years.

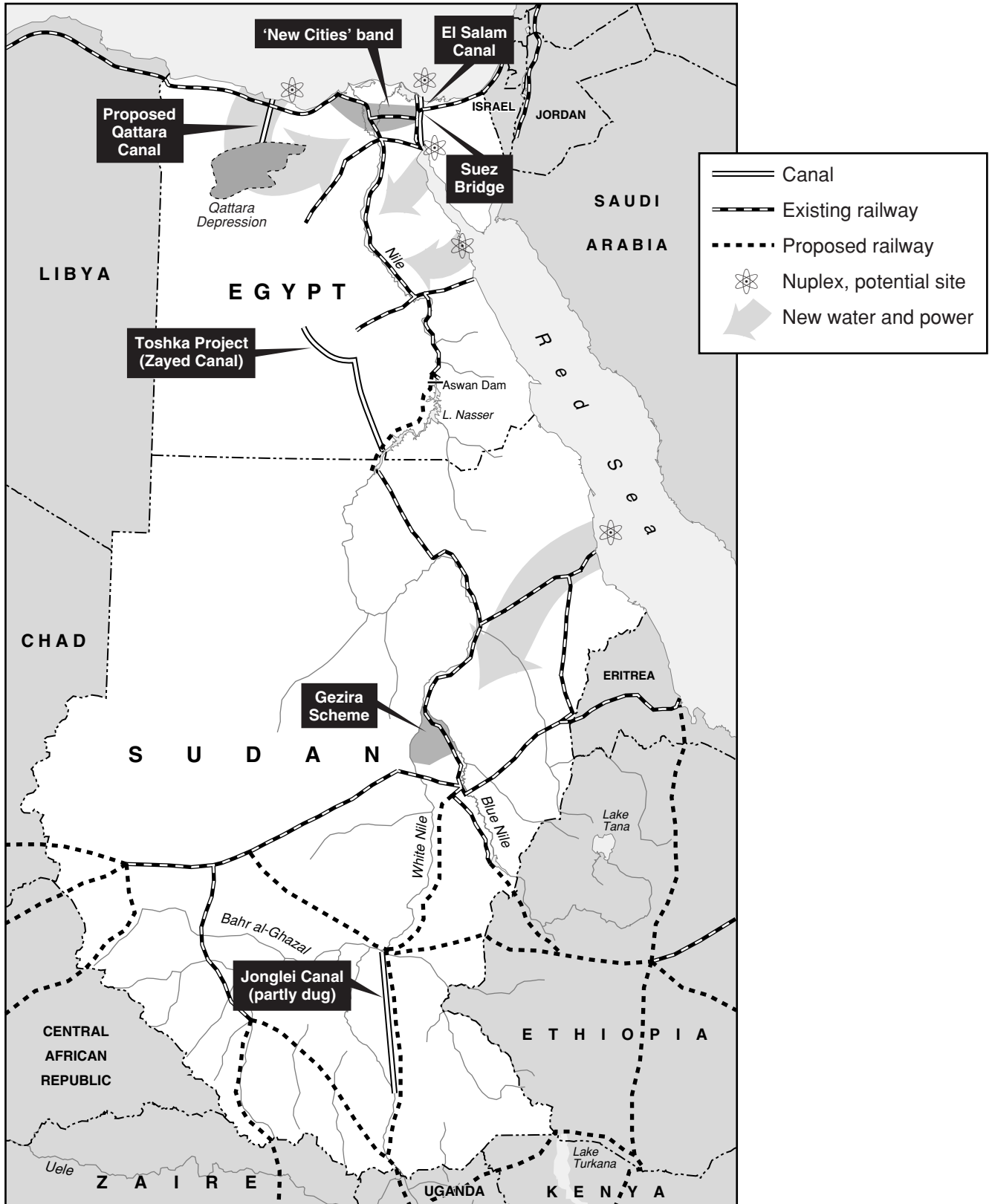
In Sudan, over the 1980s, an estimated *1 million lives have been lost*, due to the dislocation, warfare, and starvation because of preventable lack of food. In 1985, a famine took thousands of lives. During the entire 1980s and 1990s, the IMF has acted to oppose any development initiative, and to isolate Sudan.

In Egypt, over the 1980s and 1990s, the population has become more and more dependent on food imports each year, after centuries of food surpluses and exports. In 1974, Egypt became a net food importer; as of 1990, Egypt depended on imports for over 40% of its annual basic cereal grains. This food dependency is not dictated by any lack of resource base, but came about because of the anti-infrastructure moves forced on Egypt over the past 25-30 years.

Given the basic factors of climate, soils, and water poten-

FIGURE 11

Egypt and Sudan: selected infrastructure projects, present and proposed, 1997



tially available in the Egypt-Sudan Nile corridor of northeast Africa, this rich agricultural region could feed hundreds of millions of people in Africa and the Middle East, with abundance. Egypt, with 60 million people, and Sudan (the largest country in Africa), with 28 million people, occupy the strategic gateway between Africa and the Eurasian continent, where link-up with the Eurasian Land-Bridge projects could mean a 21st century of development.

Toshka Project: ‘Out from the Nile’

The Toshka Project was officially inaugurated at a ceremony on Jan. 9, 1997 by President Mubarak.² Thirty-seven years earlier to the day, President Gamal Abdel Nasser attended the opening ceremony for the Aswan High Dam. The official name of the Toshka Project is the National Project for Developing Upper Egypt (NPDUE). Toshka is the name of the depression near the Nile, at the point near the beginning of the new canal, designed to take water from the Nile along a length of 310 km to new communities in the desert.

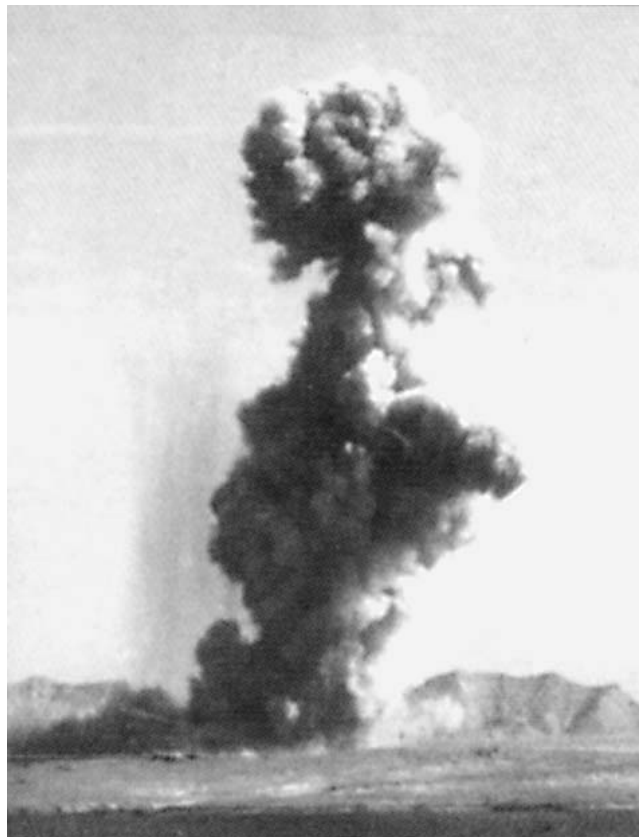
The aim is to “go out from the Nile Valley,” and to set up new agro-industrial population centers in the central Western Desert. The town of New Tiba, built on an area of 700 feddans (one feddan is about an acre), is to have a population of 35-150,000; the proposed town of New Aswan (to be built on an area of 250 feddans), is intended for 50-75,000 people.

The goal is to reclaim some 1 million feddans (420,000 hectares) of land for farming, irrigated equally by groundwater and by canal-borne water from the Nile. Water from the Nile will be diverted north-westward, pumped out at a station on Lake Nasser, just north of the Toshka outfall. The Nile water will run along a route that some geologists believe was the former western branch of the Nile. Its course follows underground aquifers. There is the possibility that water used to irrigate reclaimed land, will additionally have the benefit of contributing to recharging the aquifers.

The Toshka Project is sometimes also called the “New Delta” project. Similar plans for a “New Valley” were put forward in the recent past. President Nasser had backed development of Western Desert oases, based on drawing water from the Nubian aquifers. These are the same types of water deposits lying beneath the Sahara, that are being tapped for the source of Libya’s Great Man-Made River Project.

Egyptian geologist Dr. Farouk Al Baz, director of Boston University’s Remote Sensing Department, has carried out satellite mapping of the patterns and geologic history of underground water in the Western Desert of Egypt.

In the 1970s, President Anwar Sadat’s administration backed the idea of permanently filling the Toshka Depression,



A symbolic explosion, on Jan. 9, 1997, marking the start of excavation on the site of what will be the world’s biggest pumping station, lifting water out of the Aswan High Dam Lake, into the Toshka Depression.

which is designed to take overflow from Lake Nasser, and build a canal to irrigate projects in the New Valley. The first time the Toshka overflow canal, completed in 1978, came into use, was on Oct. 6, 1996, when the level of Lake Nasser, behind the Aswan Dam, reached the record high of 178.10 meters (584 feet) above sea level.

With the new Toshka Project, the government plans on taking some 5 billion cubic meters of water out of Lake Nasser yearly. Under the terms of the 1959 Nile-watersharing agreement with Sudan, in which Egypt’s annual entitlement is 55.5 billion cubic meters, Egypt would then offset the Lake Nasser withdrawals by limiting use elsewhere, which the government has said can be done by a number of means, including recycling treated wastewater, and improving agricultural methods in the Delta.

A centerpiece of the construction to date is what is known as the “world’s biggest bulldozer,” a 750 horsepower earth-moving machine. The canal channel is 30 meters wide, being dug out of sand and rock. The channel is called the Sheikh Zayed Canal, after Sheikh Zayed al Nahyan, President of the United Arab Emirates, which is financially backing the project.

2. See Marcia Merry Baker, “‘Out from the Nile’: New Rivers, New Civilization in Egypt, Sudan,” pp. 132-145, in *Peace through Development in Africa’s Great Lakes Region: Proceedings of a Seminar in Walluf, Germany, April 26-27, 1997*, a special report published August 1997 by EIR News Service.

International Intelligence

Spain cracks down hard against ETA terrorists

Early in December, the Spanish Supreme Court found 23 leaders of Herri Batasuna, the political arm of the Basque terrorist/separatist gang ETA, guilty of collaborating with the ETA, and meted out sentences of seven years, and hefty fines. The court action is the result of close collaboration with European, U.S., and Ibero-American governments, which the Spanish government had been intensifying on all fronts since last summer, when ETA-authored murders sparked demonstrations by millions of Spaniards all across the country.

Thanks to much closer cooperation between the French and Spanish, the French government made significant inroads against leading ETA members who were operating from French soil, including the arrest of several top Etarras, and the break-up of a major sympathizer network in Brittany.

National Guard Gen. Santiago López Valdievielo told the newspaper *ABC*, that the victory against the “international support structure” of ETA, stemmed from the intensified cooperation among Spain, France, Mexico, and the United States.

British protect Italian neo-fascist terrorists

British intelligence agencies are protecting and manipulating a “London center” of Italian extremists in exile, according to Guido Olimpio, writing in Italy’s *Corriere della Sera* of Nov. 24. Olimpio’s story takes off from a report in the London *Sunday Telegraph*, on a London chain of “Catholic” charities that were used as a funding cover for neo-fascist groups. According to the *Telegraph*, Roberto Fiore—who was accused in the 1980 Bologna train station bombing, which killed 85 people, and who has since lived undisturbed in London—was suspended as a trustee of the St. George Educational Trust by the British Charity Commission. The commission also suddenly (after long years of turning a blind eye) froze the assets of the “Catholic” Trust of St. Mi-

chael the Archangel, which had raised £50,000 through four “charity shops.” The money was to go for the creation of a “neo-fascist” village in Spain where “nationalists” from all over Europe could live as part of a “new order.” A Catholic Church spokesman stated, “We have no connection with these people.”

But, continued Olimpio, “there is more than the creation of a ‘black paradise’ in Spain, behind the alliance between Italian and British fascists. . . . The neo-fascists are working to broaden a European network that supports right-wing subversion, a network connected to the world of the Western secret services, to the dark world of the mercenaries and to paramilitary formations. The plot revolves around some private investigative firms that have been opened in London. According to investigations, these ‘firms’ enjoy excellent relations with Her Majesty’s 007. And they reportedly also enjoy the protection of the British intelligence services. . . .

“Reportedly the London ‘center’ is the pivot of broader clandestine and propagandistic activity. . . . Using firms and companies as cover, last year, the neo-Nazis recruited volunteers for the Croat militia” in Herzeg-Bosna.

Fight heats up in N. Ireland peace process

Launching a week of diplomatic contacts concerning the slow-moving peace talks, John Hume, the leader of Northern Ireland’s moderate nationalist Social Democratic and Labour Party (SDLP), met on Dec. 8 with U.S. President Bill Clinton. At a press conference afterward, Hume praised the President’s “commitment to economic support for Northern Ireland” as the most “crucial factor . . . in building trust among all sections” of the community. Hume mentioned that Clinton’s Northern Ireland economic envoy, Jim Lyons, had just spent a week meeting with all parties in Northern Ireland.

On Dec. 11, Sinn Fein President Gerry Adams was scheduled to have his second meeting with Britain’s Prime Minister Tony Blair. Adams, the *Irish Times* reported, “will tell Blair . . . that it is time for Britain to end

its constitutional claim on the North.” However, the U.K. Unionist Party, at its Dec. 6-7 conference, bridled at the proposal for Britain to relinquish its (unlawful) claim on the North, with party leader Robert McCartney calling for “a moratorium on the . . . unity of the Union” issue, which is at the heart of the constitutional claim.

Unionist Party President Conor Cruise O’Brien, an unabashed partisan of the British Empire, gloated over the fragile situation in the effort to find a settlement position acceptable to both nationalists and unionists. “If the unionists stick together,” said the man who fought to keep Germany divided after 1989, any peace proposal presented to voters of both North and South can be defeated.

Islamic Conference unites 56 nations

The Dec. 9 opening in Teheran, Iran of the annual Organization of the Islamic Conference (OIC) struck the promising note of potentially overturning 30 years of British efforts to maintain an “arc of crisis,” throughout the regions spanned by OIC’s members. The summit brought together leaders of 56 Islamic nations, representing more than 1 billion people. The main issue is the reorganization of relations among the Muslim nations, and between the Islamic world and the West, in accordance with “dignity, dialogue, and participation,” as the summit’s organizers put it.

Discussions included the deadlocked peace process and the threats to peace from the Israeli regime of Benjamin Netanyahu, stopping international terrorism, establishing an Islamic common market, improving relations with the West, and ending the war in Afghanistan. Despite the alleged opposition by Iran to the Mideast peace process, the Iranian organizers included a draft resolution to be ratified by the participants calling on Israel to implement the agreements brokered with the Palestinians and other Arab nations.

Reconciliation among the Muslim nations was most poignant, when Iran, which suffered a devastating eight-year war with Iraq, received Iraqi Deputy Prime Minister

BRAZIL'S former President, Gen. João Baptista de Oliveira Figueiredo (ret.), has signed the Open Letter to President Clinton calling for the exoneration of Lyndon LaRouche. Earlier this year, President Figueiredo signed the call to President Clinton to convoke a New Bretton Woods monetary conference.

TULLIO GRIMALDI, a parliamentarian in Italy's Rifondazione Comunista, exposed a "bipartisan," anti-constitutional plot to allow Victor Emmanuel IV of Savoy and his family into the country, ending a 50-year exile established by the Italian Republic. The Savoys have never accepted the Constitution and never renounced their claim to Italy's throne.

INDIA'S LOK SABHA, the lower house of parliament, has been dissolved, and will be reconstituted by March 15, with new elections to the chamber to be complete well before then. President K.R. Narayanan issued the keenly awaited order on Dec. 5, on the basis of his conclusion that "the people of India need a reprieve from political instability," after no combination of parties could arrive at a governing coalition.

A FRENCH APPEALS court in Bordeaux has turned down the U.S. extradition request for fugitive Ira Einhorn, who was convicted *in absentia* for the grisly murder of his Philadelphia girlfriend in 1977. In a bizarre twist of French logic, Einhorn's lawyer, Dominique Delthil, said, "The United States has realized today, to its distress, that it still has lessons to learn from old Europe in the area of human rights."

QUEEN ELIZABETH "is to be offered a high-profile role" when Britain assumes the presidency of the European Union on Jan. 1. The proposal came from Prime Minister Tony Blair's Minister without Portfolio Peter Mandelson, who argued that using the monarchy in European diplomacy would "help to transform the government's image in Europe."

Correction regarding Defence Systems Ltd.

In the short, captioned "London's 'Dogs of War' Make Millions in Africa," which appeared on page 46 of the Nov. 7, 1997 edition, *EIR* misquoted in several regards the article from the Oct. 19, 1997 *Sunday Times* of London upon which it relied in composing the short. Additionally, certain of the content of the *Times* article was subsequently corrected by the *Times* in a statement printed on Oct. 26, 1997. Wherefore, *EIR* retracts the report that the *Times* article "detailed the role of the mercenary army from Defence Systems Ltd. in supplying more than 1,000 well-paid soldiers to the Angolan government to wage the civil war against Jonas Savimbi's UNITA, and to back up Gen. Sassou Nguesso's recent takeover of nearby Congo Brazzaville." *EIR* retracts the report that the *Times* article identified "One DSL mercenary who had conducted SAS covert operations in Northern Ireland and Bosnia, before 'retiring' to join DSL. . ." as commenting cynically, "These people cannot seem to get enough of war, but it doesn't bother us. The more trouble there is, the more money we make." Additionally, *EIR* retracts any additional material in the short which was presented or understood as relying on any material in the original *Times* article which was subsequently retracted or corrected by the *Times* in their piece captioned "Defence Systems Limited" which stated:

"Our report last week, 'SAS Veterans Make a Killing in Angola,' contained some errors due to a breakdown in communications with Defence Systems Ltd. (DSL).

"We now understand that DSL was not set up five years ago by Richard Bethell, but in 1981. We have also been asked to point out that Mr. Bethell is not the son of Lord Bethell. Nor did he see action in Bosnia; he was there on mine clearance. DSL is not involved in 'mercenary' operations in Angola, but in security work and clearing mines."

We apologize for the errors and for any damage to DSL's reputation which may have been caused by the inaccuracies contained in the short.

Taha Yasin Ramadhan, with official ceremonies. The call by Iraqi Foreign Minister Mohammed Said Al-Sahhaf to normalize relations with Iran and exchange POWs was prominently featured in the Iranian official press.

Dashing British hopes that the Teheran summit would turn out to be a platform for anti-Americanism, opposition to Mideast peace, and Islamic revolutionary propaganda, the resolutions adopted by the OIC foreign ministers were positive and uplifting.

Jordanian scores Iraq sanctions as 'holocaust'

Dr. Musa Keilani, a prominent Jordanian politician, reported that "a Jordanian delegation which visited Baghdad returned a few days ago speaking of the brutal, nearly genocidal war that the sanctions declared on a defenseless population," according to the *Jordanian Perspective* of Dec. 5. Melhem Tell, secretary general of Jordan's Constitutional Front Party, confirmed official UN reports that over 1.5 million Iraqis, mostly elderly and children, have died since 1990.

Keilani blasted the UN's continued politicking with human life, asking, "Now that the UN Security Council has renewed the Iraqi oil-for-food deal, but refused to double the amount to include the badly required medical needs, we still wonder, what sort of a human conscience could tolerate this new manifestation of genocide?" Keilani added: "No matter what public relations gimmicks are used now to justify the collective death of Iraqis, the whole world should not repeat the same apathy it showed when millions were sent to gas-oven camps years ago in Europe."

The reports from Baghdad confirm data published by Rick McDowell of Unicef in November, showing that 27.5% of Iraq's 3 million children risk acute malnutrition. "More children have died of starvation and disease since 1991 than the combined toll of atomic bombs on Japan or ethnic cleansing in Serbia," he said. A team from Voices in the Wilderness, which had also visited Iraq, reported that, in 1995 alone, some 567,000 Iraqi children died.

New evidence emerges in Princess Diana murder plot

by Jeffrey Steinberg

Photographs published, for the first time, in this issue of *EIR*, may shed further light on the Aug. 31, 1997 murders of Princess Diana, Dodi Fayed, and driver Henri Paul. The three were killed in a vehicular homicide in the Place de l'Alma tunnel in Paris shortly after midnight on Aug. 31, when their car was rammed by at least one other vehicle, and crashed into the 13th pillar in the tunnel. Fayed and Paul died instantly; Princess Diana died nearly two hours later, after French authorities, under the personal supervision of Paris Police Chief Philippe Massoni and Interior Minister Jean-Paul Chevènement, failed, incredibly, to transport her to a hospital in a timely manner for life-saving surgery.

After nearly a month of cover-up, following the fatal crash, French officials finally were forced to admit that at least one other car had been involved. They are still looking for a 1984-87 Fiat Uno turbo, which collided with the Mercedes carrying Princess Diana, and then escaped from the crash site. On Dec. 3, the Associated Press published a news wire, describing a sketch, prepared by police investigators on the day of the crash, that clearly identified a "probable collision zone" inside the tunnel, where the Mercedes collided with a second vehicle. The sketch identified parts of a rear-light cover from the second vehicle that were found at the crash site. This sketch, leaked to the Associated Press by French investigators who apparently were angry at the persistent official cover-up, confirmed *EIR*'s Nov. 21 account—that French authorities knew from the outset that the Mercedes had been a target of a professional, vehicular attack. The fatal crash had not, as the French insisted for a month, been the result of reckless, drunk driving by Henri Paul.

The photos that appear in this issue of *EIR* add more pieces to the puzzle of precisely what happened in the early moments of Aug. 31. The photographs that appear on the cover and with this article, were provided to *EIR* by Paris sources close

to the ongoing investigation. They come from closed-circuit television footage, taken by cameras near the Ritz Hotel, where Princess Diana and her friend Dodi Fayed ate their last meal together.

As *EIR* first reported on Nov. 21, Princess Diana and Dodi Fayed were under constant surveillance and harassment from the moment that they arrived in Paris on Aug. 30. A seven-person team is believed to have been surveilling them, from the moment that they returned to the Ritz Hotel at approximately 9 p.m. on Aug. 30. Diana and Dodi had left the Ritz, which is owned by Dodi Fayed's father, Mohamed Al Fayed, and had not planned to return. However, continuing harassment by paparazzi forced the couple to return to the hotel, where they dined in a private suite. They had apparently planned to return, ultimately, to Dodi Fayed's apartment, not far from the Place de l'Alma, just a few miles from the Ritz Hotel.

Having been dogged and threatened by paparazzi throughout the day, Dodi Fayed reportedly decided to attempt to elude the harassment by using a different car and a rear exit of the hotel. Shortly after they returned to the Ritz, arrangements were made to bring a Mercedes 280-S to the rear exit.

Diana and Dodi left via an employees entrance at the rear of the Ritz Hotel, shortly after midnight, while a group of 30-35 paparazzi milled around the front of the hotel, near the Mercedes and Land Rover, the vehicles the couple had used during their brief Paris visit. The attempted diversion proved fatal.

As *EIR* exclusively reported on Nov. 21, one of the seven mysterious individuals surveilling the hotel, posted just up the street from the rear exit, saw the back-up Mercedes speed off, and immediately made a call on a mobile phone, apparently setting in motion the fatal vehicular attack just moments later at the Place de l'Alma tunnel.



Photos from the closed-circuit television footage taken by cameras near the Ritz Hotel in Paris, where Princess Diana and Dodi Fayed ate their last meal together.



The surveillance photographs

The photograph on the cover was taken by a surveillance camera in front of the Ritz Hotel on the Place de Vendôme. The Ritz Hotel is part of a group of adjacent buildings looking out on the plaza. One of the other buildings is the Ministry of Justice. The entire area is ringed with state-of-the-art surveillance cameras. Despite the non-stop bird-dogging of Princess Diana and Dodi Fayed throughout the day of Aug. 30, French authorities made no effort to provide any added security. There was no attempt to impede the swarms of paparazzi, even as they gathered in the Place de Vendôme in front of the hotel, waiting to descend on Diana and Dodi.

The two men in the rear of the cover picture (also shown here), wearing sport clothes, were *not* among the paparazzi. They arrived at the Place de Vendôme shortly after Diana and Dodi returned to the hotel, according to closed-circuit TV footage and eyewitnesses. They stayed in the plaza for more than two hours. According to sources close to the French probe, they remain unidentified to this moment. All of the paparazzi, and the handful of well-dressed chauffeurs who were waiting in front of the hotel, have been identified by the authorities and other investigators, according to *EIR*'s sources. However these two men have not been identified.

Of the four individuals, suspected to be part of the surveillance team, who were inside the Ritz Hotel during the period that Diana and Dodi were in the building, two remain unidentified, and are still considered suspect. They were moving about the hotel lobby, attempting to appear as if they were among the paparazzi. However, they were never identified by any of the news photo services that employ the paparazzi.

The two men seated in the lobby bar, identified in the Nov. 21 *EIR* as English-speakers, were subsequently interrogated by French police, according to sources. They came under

suspicion because they were positioned so as to monitor the hotel security personnel and spot any movement by Diana and Dodi. They have been tentatively cleared by French authorities of involvement in the hotel stake-out, but their presence in the lobby still raises suspicions among other investigators. A seventh, critical person, still unidentified, was posted at the rear corner of the Ritz Hotel; he placed what is believed to have been the fateful call, activating the vehicular chase.

The white car

The picture of cars that appears here was taken from a surveillance camera looking down from a nearby building at the rear of the Ritz Hotel, near the exit used by Diana and Dodi. According to sources close to the Paris probe, the large, white sedan was parked at the rear of the hotel, with a driver behind the wheel for a period of time, while Diana and Dodi were dining in the hotel. Seconds after the Mercedes 280-S, with Henri Paul behind the wheel, pulled out from the rear of the Ritz, the white sedan also took off.

Investigators leave open the possibility that the white vehicle may have been the car later described by eyewitness Gary Hunter. He and his wife were staying at a hotel near the Place de l'Alma. Hunter, a London attorney, heard the crash inside the tunnel, at exactly 12:25 a.m. A moment after the crash, according to his account to *EIR* (see Nov. 21, p. 53), Hunter saw a small, dark-colored car and a larger white car turn onto the street in front of his hotel. The two cars, driving bumper-to-bumper, sped off at 60-70 mph, away from the tunnel, past his hotel, before disappearing out of sight. Hunter was convinced that the two cars were fleeing the scene, and that the larger, white car, was protecting the dark car. He assumed the two cars were somehow linked to the crash he had heard just moments earlier.

Crown makes strategic blunder, deploys Rowland against Al Fayed

by Allen Douglas

At the end of November, the former boss of the British multinational Lorrho, Roland Walter “Tiny” Rowland, filed writs in Britain’s High Court against Mohamed Al Fayed, the owner of the posh Harrod’s department store in London, and against five of Al Fayed’s associates. Rowland claimed that Al Fayed and the others had conspired to break into Rowland’s safe deposit box at Harrods, and had stolen documents, audio tapes, and assorted other items, including rare gems. Rowland charged that Al Fayed personally directed the break-in, because he was searching for material with which to blackmail Rowland into corroborating Al Fayed’s claim, that Rowland had paid a bribe of £1.5 million (\$2,500,000), to former Department of Trade and Industry (DTI) official and later Home Secretary Michael Howard in 1987, for Howard to launch a DTI investigation into Al Fayed’s acquisition of Harrods.

Rowland’s charges received sensational play in the British press on Dec. 4 and Dec. 5. One of the most high-stakes battles in Britain of the late 1980s and early 1990s—Rowland versus Al Fayed—had re-ignited, and was promising to be more sensational than ever. Though Rowland has hated Al Fayed with a passion, ever since he lost control of Harrods to the Egyptian billionaire in the late 1980s, he is not his own master in this affair.

Rather, Rowland’s writs are merely one part of a multi-pronged offensive that the House of Windsor has mounted against Al Fayed, which includes an attempt to damage his reputation through a press slander campaign; to strip his security; and to ruin him financially. The campaign is being coordinated by the MI6 intelligence agency, for which Rowland has worked since World War II; MI6 is answerable, not to the British government, but only to the Crown. Destroying Al Fayed, the Windsors have concluded, is crucial to the success of their cover-up of the assassinations of Diana, Princess of Wales, her companion Dodi Fayed, and their driver, Henri Paul, because Al Fayed demands answers to what really happened in Paris in the Place de l’Alma tunnel on Aug. 31. In addition, the Windsors also intend to punish Al Fayed—a “wog” in the eyes of the British establishment—for having dared to interfere with the monarchy, through fostering his son Dodi’s relationship with Diana. As for Rowland, upon learning of Dodi’s death, he said, of Mohamed Al Fayed, “I send no words of condolence on the death of his son. That man is Al Capone.”

The MI6 campaign against Al Fayed is hardly a secret. The London *Evening Standard*, which is helping to spearhead the press attacks on Al Fayed, charged on Dec. 5, that Al Fayed was being “paranoid,” because his security staff had recently “identified members of MI5 and MI6 carrying out . . . surveillance and training exercises” in Harrods, exercises which the newspaper claimed were merely “routine”!

More importantly, according to the *Sunday Mirror* newspaper of Aug. 31, MI6 had been scheduled to present a dossier on present and proposed actions against the Al Fayed, father and son, to a special meeting of the royal household’s “Way Ahead” group scheduled for early September. *EIR* has previously recounted some highlights of this campaign, including the taps on Dodi’s phone, the surveillance of Dodi and Diana the evening of Aug. 30-31, and the almost-certain involvement of MI6 personnel, through the agency’s station in Paris, in the vehicular attack in the Place de l’Alma tunnel. The *Mirror* emphasized that Prince Philip, in particular, had been in a murderous rage against the Al Fayed for months. The early September meeting was cancelled after Dodi and Diana were assassinated, but the MI6 campaign against Al Fayed continues, most visibly focussing on his security.

Rowland’s lawsuit charged virtually all of Al Fayed’s top associates, with particular emphasis on his security staff, with complicity in the alleged break-in, including Mark Griffiths, his assistant; Paul Handley-Greaves, his personal security director; John Macnamara, the Director of Security at Harrods; and John Allen, his Senior Security Manager. Almost the same day as Rowland’s writs hit the press, another notorious MI6 stringer, Ambrose Evans-Pritchard, ran a nasty piece in the *Daily Telegraph* (the Crown’s favorite newspaper) which profiled, in detail, Al Fayed’s personal security arrangements, including the individuals responsible for them—precisely those whom Rowland had filed suits against. Such combined media and legal attacks are a standard security-stripping procedure, one part of the multi-pronged assault on Al Fayed, which, U.S. intelligence sources have told *EIR*, is designed to break him, and to drive him from Britain.

The ‘crown jewels’ of British intelligence

But, by deploying Tiny Rowland, the wounded House of Windsor has thrown caution to the winds. First of all, despite Rowland’s involvement in numerous such writs over the

by Rowland's relations with Popov, and with the royal household.

On Her Majesty's Service

In 1948, Tiny Rowland suddenly emigrated from Britain to Africa, one step ahead of the taxation authorities, according to sources who knew him at the time. During the 1950s, he hooked up with the Rio Tinto Company, the mining giant which had been closely associated with the Crown, and with MI6 for decades.³ According to Rowland, he was Rio Tinto's "finance and commercial director for Africa." Certainly, Rio Tinto backed him in his early mining ventures, and he remained a well-paid consultant to the company until 1969, eight years after he took charge of Lonrho.

In the late 1950s, Rio Tinto, the Oppenheimer family's Anglo American Corp. and the British South Africa Company, the still-existing company set up in 1889 under Crown charter by Cecil Rhodes, were co-owners of a sleepy little mining company, the London and Rhodesia Mining Company, based in what was then the British colony of Southern Rhodesia. As part of the "Winds of Change" policy announced by Prime Minister Harold Macmillan in Cape Town in 1960, the British intended to grant nominal independence to their African colonies, while maintaining control over everything that mattered—access to international finance, the new countries' civil services, the prices at which the new nations could sell their raw materials, etc. As part of this new, "privatized" empire, the London and Rhodesia Company was to be geared up in a pattern typical of the British minerals cartel, in which a relatively unknown "junior" is sponsored as a front for the "majors," who would prefer not to be caught engaging in certain kinds of activities. In the case of London and Rhodesia, soon to be known as Lonrho, this involved financing and running guns to various "liberation armies" favored by British intelligence for the "Winds of Change," bribing heads of state, etc.

The chairman of London and Rhodesia at this time was Sir Joseph Ball, a former deputy chief of MI5, and the head of the Conservative Party's in-house "dirty tricks" department from the 1920s on. To gear up his company, Ball tapped a ruthless, dynamic young man whom he had deployed in intelligence activities in World War II—Tiny Rowland. An-

3. In 1962, Rio Tinto would merge with Consolidated Zinc Co. to become Rio Tinto Zinc (RTZ). It recently merged with its Australian offshoot, CRA, to become the world's largest mining company, and is once again known as Rio Tinto. Regarding its Crown and MI6 ties, besides the Queen's huge investments in the company, Rio Tinto's chief in the 1920s was Lord Alfred Milner, a founder of the Royal Institute for International Affairs (RIIA, known as Chatham House); the company had financed the British Special Operations Executive in New York during World War II of the famous "Intrepid," Sir William Stevenson, and then financed the postwar regroupment of British intelligence activities in Bermuda, where Stevenson set up a compound, and which spawned the Permindex apparatus which killed John F. Kennedy and made two dozen assassination attempts on France's Charles de Gaulle.

glo American chairman Oppenheimer looked into the background of the proposed new Lonrho chief executive and was aghast: Rowland had been interned as a pro-Nazi security risk to Britain for the early part of the war. Oppenheimer attempted to veto the appointment. But, in stepped City of London financier Harley Drayton, the controller of the British South Africa Company, and forced Rowland's appointment through. As a Rowland associate since the 1940s put it, "To his credit, Drayton stuck up for him. And fought Anglo and stood his corner. And I think he threatened Anglo, God knows with what, but he did. Drayton was a toughie. And Anglo backed down."

How could Drayton overrule the chief executive of what was then the largest mining company in the world? Because he, and his 116 Old Broad Street Group, *personally supervised the huge investments of the Crown, and of the Church of England*. The personnel in his 116 Old Broad Street Group reflected the royal money: His chief assistant since the 1930s had been Col. Sir Robert Deane, of a family which had provided key retainers for the Windsors for decades, including Baron Michael Adeane, private secretary to King George VI for many years, and the private secretary to Queen Elizabeth II (1953-72). Adeane recruited a favorite of Queen Elizabeth's, Angus Ogilvy, as Drayton's personal assistant. Ogilvy soon married Princess Alexandra, first cousin to the Queen.⁴

The deployment of some of the Crown's wealth into Lonrho was not unusual. The Crown often invested some of its immense riches in the mining companies which looted its colonies. The Queen invested so heavily in Rio Tinto itself, that its former chairman, Sir Mark Turner, once commented, "You're running into problems of what the government is going to say about the Queen's involvement." As for Lonrho, as Rowland later told DTI investigators, Harley Drayton told him the company was to be run by a troika of himself, Joseph Ball's son Alan, and Angus Ogilvy. Ogilvy was the royal family's representative on the board.

With this backing, and under Rowland's unscrupulous leadership, Lonrho soon became the dominant Western company in postwar Africa. Scandals followed Lonrho's rise, such as the time in 1971, when Lonrho treasurer Fred Butcher and two other company officials were arrested in South Africa for fraud. As a Rhodesian monthly, *Property and Finance*, reported at the time, "The British Royal Family is directly involved in the affair. The Hon. Angus Ogilvy, an executive director, was its representative on the Lonrho board; and Sir Basil Smallpeice . . . who is a close adviser to the Royal Family, was appointed to the board last year at the insistence of the Bank of England." The arrests triggered a severe liquidity crisis for Lonrho, and the company would have collapsed, save for the intervention by Duncan Sandys, former Secretary of State for the Commonwealth and for the Colonies, who

4. For more on Tiny's royal connections, see *EIR*, Nov. 21, 1997; and, *Tiny Rowland: The Ugly Face of Neocolonialism in Africa*, by an *EIR* Investigative Team (Washington, D.C.: *EIR*, 1993).

convinced the South African government to drop charges. Shortly after his intervention to save Lonrho, Sandys joined Lonrho's board; he served as chairman until 1984, after which he was appointed "president for life." As his obituary in the London *Guardian* emphasized, Lord Duncan Duncan-Sandys was the "key figure" responsible for implementing the "Winds of Change" policy enunciated by Prime Minister Macmillan.

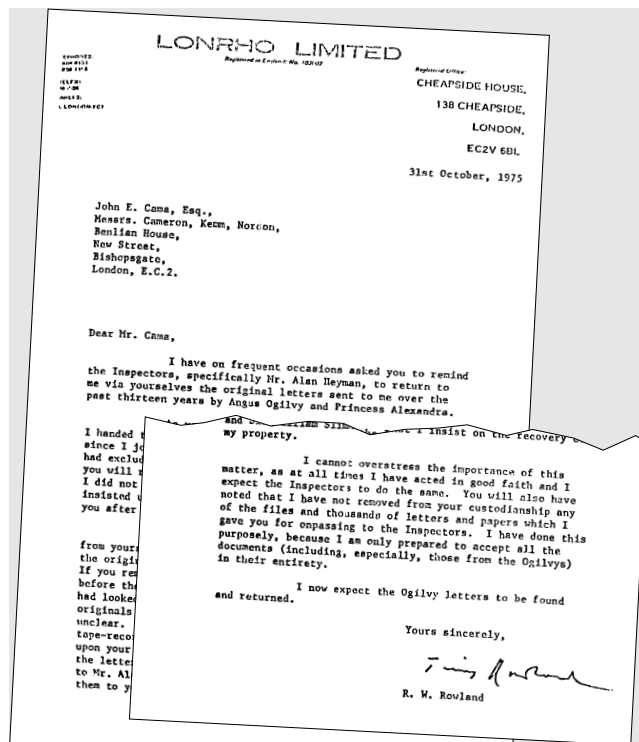
These, then, were the circumstances under which Tiny Rowland and his emeralds happened to cross the path of the Queen Mother, in or around 1960. And this was the protection which was to save his *derrière*, repeatedly, over the years.

Bribes for all

In the court papers Rowland filed against Mohamed Al Fayed, he claimed that Al Fayed broke into his safe deposit box in December 1995, in search of information that he could use to blackmail Rowland to testify—falsely, Rowland said—to the House of Commons Standards and Privileges Committee, that Rowland had bribed former Home Secretary Michael Howard for £1.5 million to have the DTI investigate Al Fayed:

"After the breakin, in or about March 1996, during a lunch meeting between the plaintiff and the defendant on the fifth floor of Harrod's Store, the defendant [Al Fayed] claimed he had information and/or documents damaging to the plaintiff [Rowland], showed him a brown envelope which he claimed contained such material, and told him that he could have the contents of the envelope, together with ownership of Turnbull & Asser (a business owned or controlled by the defendant) and a cash payment of £10 million, if he gave evidence to the aforesaid committee." Rowland told the *Evening Standard* of Dec. 4 that some of the documents he claimed Al Fayed had stolen from his safe "related to his activities on behalf of the British Government in India at the time of partition in 1947 and in Africa subsequently." Rowland had told associates decades ago, that he worked for the British government in India postwar, selling guns. The guns would have facilitated Hindu-Muslim fighting, the purpose for which Lord Mountbatten, the last British viceroy of India, orchestrated the partition of the subcontinent into Pakistan and India.

Rowland claimed that he had never bribed Home Secretary Howard. Notwithstanding the finding of the House of Commons committee that no such bribe had been given, a body of evidence has emerged, that Rowland *did* bribe Howard, through Howard's cousin Harry Landy, president of a Lonrho subsidiary. Certainly, bribing people was Rowland's usual method for getting his way. After the DTI investigated Rowland from 1973 to 1976, David Tudor-Price, counsel to the Department of Public Prosecutions, summed up the 1,000-page DTI investigative report, "This Report reveals *prima facie* evidence of criminal offences in a very clear form," among which, he said, was "£836,499 . . . admitted to have been paid as bribes, the majority of which was channeled through Rowland's personal account." And, said Al Fayed,



This letter from Tiny Rowland to his lawyer, John E. Cama, gives an indication of Rowland's intimate relations with the royal family. Princess Alexandra is the Queen's first cousin; her husband, Angus Ogilvy, is a favorite of the Queen, who in 1960 personally helped recruit Rowland to run Lonrho, then controlled by the Queen's financial manager, Harley Drayton.

in a letter of Dec. 1 to Lonrho directors: "It is a matter of public record that Lonrho paid a bribe of £600,000 to Graham Jones, the disgraced former Finance Director of the House of Fraser Group. Mr. Tiny Rowland admitted this to me in person and produced the supporting documentary papers. On Lonrho's behalf he offered an even larger bribe to Royston Webb, former Legal Director of House of Fraser Holding PLC. The bribe offered was £5,000,000 which Rowland subsequently confirmed could have been increased to £10,000,000 had Mr. Webb shown any willingness to accept a bribe." As for Graham Jones, he left Harrods Investments plc, and secretly went to work for Lonrho.

Al-Fayed continued: "Mr. Rowland also admitted to me in the course of various conversations that a substantial payment had been made to Michael Howard during the mid 1980s at a time when Mr. Howard was Government Minister. In one particular conversation with me he put the figure as high as £1,500,000 when he used the words, 'Michael Howard's got a million, a million and a half, whatever it is.' "

It seems that Al Fayed was not the only one to whom Rowland claimed that he bribed Howard. David Solomon, a lawyer for Al Fayed in various matters, submitted an affidavit to the Committee on Standards and Privileges, in which he said that Rowland called him on Oct. 26, 1994,

to try and settle possible litigation between himself and Al Fayed over the Graham Jones case, and other matters, including the Michael Howard case. In the course of that, Solomon said, "His final remark was that it was 'impossible to persuade me to say publicly that any Cabinet Minister . . . and so forth has received payments from me.' I recall particularly that Mr. Rowland placed clear emphasis on the word 'publicly.'" Solomon further stated that his notes taken during the phone call were typed up by his secretary the following morning.

Then, there was the meeting which Solomon had on Nov. 29, 1995 with Anthony Cardew, an adviser and confidant of Dieter Bock, the chief of Lonrho who replaced Rowland. Solomon was trying to see if a meeting could be arranged between Al Fayed and Bock. Solomon's notes on the meeting included the following:

"AC [Anthony Cardew] told me that DB [Dieter Bock] had been having a considerable amount of research undertaken into what Rowland had done during his time at Lonrho. There were difficulties because of the great volume of material, and the fact that Rowland was adept at covering his tracks. He then said that DB and his colleagues believed that Rowland had, through Harry Landy, bribed Michael Howard to secure the appointment of the DTI Inspectors. He did not tell me on what evidence this view was based, but it was implicit that there was evidence of which DB, and perhaps AC, were aware."

Harry Landy, who allegedly delivered the bribe to Howard, has had an interesting track record with Rowland over the years.

Robbing banks for MI6

On Sept. 23, 1974, the Israel-British Bank (IBB) declared bankruptcy, with over \$103.3 million in losses to its creditors. Seventy international banks and the U.S. Federal Deposit Insurance Corp. were shaken by the shockwaves from its fall. It was the largest collapse of a British bank since the South Sea Bubble in the 18th century, and it caused a major international diplomatic incident among the United States, Great Britain, and Israel. Smack in the middle of it all, sat Tiny Rowland and his pal, Harry Landy.

The proximate cause of the IBB's collapse was that two of its officers, Landy and one Joshua Bension, siphoned off tens of millions of dollars in loans to dummy corporations in Liechtenstein. The results of an investigation by the British government were suppressed. No one knows where the \$100 million went. But, Tiny Rowland wound up in possession of many of the fragments of IBB. He became the chairman of the IBB subsidiary London City and Westcliff Properties, one of the largest real estate companies in London.

A British court convicted Landy of fraud, fined him £350,000, and sent him to jail for five years. The sentence was overturned on appeal, when a superior court judge ruled that the trial judge had been "too technical" in his final instructions to the jury. In Israel, a court sentenced Bension to 24

years in jail for his role in the IBB swindle, but the term was cut to 12 years. Bension served two years, before getting out of jail for "health reasons," after the intervention of Justice Minister Menachem Begin. Bension's daughter Leora was married to Begin's nephew, and Begin was godfather to one of Bension's children.

Rowland put up £100,000 bail for Landy. Members of Landy's family have been on the Lonrho payroll, while others were Lonrho shareholders. In the period in which Landy and Bension were siphoning off the funds from the IBB, Lonrho was having a severe liquidity crisis, in part brought on when its finance director, Fred Butcher, was arrested in South Africa. A London reporter who spent hundreds of hours investigating the case, summed up the IBB-Rowland connection: "The group [Lonrho] grew quite quickly under Rowland's direction. He was always doing deals, here, there, and everywhere, and as a result, the company faced liquidity problems. And at the same time as Lonrho was suddenly getting very much bigger, the IBB went bankrupt for a huge amount of money. And no explanation was ever given in the court case for where the money went. . . . It seems perfectly clear to me that he has ripped off . . . the Israel British Bank and taken over all that company at virtually no cost to himself. Enormous assets, in what could only be a criminal conspiracy. And he has never been prosecuted."

The lost \$100 million from IBB was never recovered, though the Official Receiver in charge of closing out IBB, found that much of it had been diverted into two Liechtenstein companies, which were controlled by Harry Landy and Bension. According to one investigator, a "director of at least one of the companies was also a director of a Lonrho Liechtenstein subsidiary."

A former associate of Rowland commented about the IBB affair, "You do not blow up a bank that size without assurances that there won't be repercussions." The IBB certainly went out with hardly a whimper. Through at least the early 1990s, it was the only fully authorized British bank ever allowed by the Bank of England to collapse. The DTI carried out an investigation into its failure, but the report was suppressed. Even Members of Parliament could not get their hands on it.

But, the name of Harry Landy was soon to pop up again, and in connection with Michael Howard. In 1987, DTI chief Paul Channon recused himself from major responsibilities in the department, because he was a distant cousin of the Guinness family, whose brewing empire was then under investigation for fraud. Much authority fell into the lap of the DTI's number-two man, Minister of Corporate Affairs Michael Howard. Abruptly, Howard accepted the charges made by Rowland against the takeover of the House of Fraser by the Al Fayed brothers, which several successive DTI heads had deemed not actionable, and an investigation was launched into the Al Fayed's. Why had Michael Howard, in effect, acted on behalf of Tiny Rowland? Curiously, Harry Landy, the man whom Rowland bragged had carried his bribe to Michael Howard, is Howard's first cousin! Ties between the Landy

and Howard families go back to the early part of this century, to a Welsh town from which both families come. Rabbi Morris Landy, Harry's cousin, performed the marriage ceremony for Michael Howard's parents. Like Harry Landy, Rabbi Morris Landy has been a big stockholder in Lonrho. When one of the Landy clan died in the late 1980s, Michael Howard and his family inserted a sympathy notice in the London *Times*.

Rowland's hob-nobbing with Landy and Bension also brought him into liaison with U.S.- and Israeli-based organized crime figures. According to sources familiar with the Bension family, Joshua Bension was on such terms with the late underworld kingpin Meyer Lansky, that Lansky was a guest in Bension's home during his early 1970s stay in Israel.

And, if anyone's financial dealings concerning the House of Fraser need investigating, it is Rowland's. In January 1981, Lonrho launched a bid for the House of Fraser, and awaited a go-ahead from the Monopolies Commission, at which point it would need massive funds to augment its 29.9% stake in the company. In September 1981, then-Lonrho chairman Edward DuCann was trying to raise \$1.1 billion, part for the House of Fraser, and part for other Lonrho business. You would think that the chairman of one of Britain's top 40 companies would go to a reputable bank to secure the funds. DuCann went instead to a shadowy company in Liechtenstein, Linscher Anstalt, which had a share capital of just 20,000 Swiss francs. The controller of Linscher Anstalt was Joseph J. Hirsh of New York. In a resumé Hirsch used to hand around, he listed nine personal references, among whom were Richard Amsterdam, Raymond Johnson, Jack Pearlman, and Max Gross—all reputed associates of organized crime boss Meyer Lansky! Curiously, some of the money which Landy and Bension looted from the IBB, was "invested" in the Seeburg Corp. in New York, part of Lansky's corporate empire.

An earlier bank heist

According to the now-deceased spy Dusko Popov, Rowland was involved in an earlier bank heist, as well, which, at the time, was Europe's largest. An Aug. 4, 1996, London *Sunday Times* article reported the gist of the case. It seems that a London businessman named Ernst Raven struck a deal to ship 620 tons of copper to Poland, at a time when trade in strategic metals with the East bloc was restricted. The Poles paid 1.95 million Swiss francs in advance into the Luscher Bank in Basel, Switzerland. On Nov. 20, 1954, Ernst Raven showed up at the Basel bank with shipping invoices and other documents proving that the metals had been shipped. He received the cash, stuffed it in a briefcase, and walked out. The documents, it turned out, were phony, and Raven disappeared into the mists of time.

Then, in September 1967, the *Times* reported, "The bank believed it had found Raven. It sensationally accused Rowland, by then one of the most influential businessmen in Europe, of being the mastermind of the swindle." The bank had a prominent law firm write to Rowland. Their letter said, "Our clients are aware of the gravity of the allegation which is

made, but they are satisfied of the truth of it." Then, suddenly, and with no explanation, the bank backed off. The following year, Popov wrote to the lawyer of one of Rowland's business associates, Stefan Klein, who, two decades later, was to work with him in matters related to the IBB affair. Popov wrote, "You know as well as I do, that Rowland is Raven and that it is Klein who organized every detail of 'Operation Raven.'" In some fashion, Rowland had apparently drawn Popov into the matter. Popov concluded to Klein's lawyer, "Fourteen years ago, I lost my fortune, my reputation and almost all my contacts for not having exposed Rowland" in the Raven affair.

Rowland's masters in British intelligence may have had something to do with the whole business. Said the Swiss prosecutor in his report, "The supposition expressed by Popov himself that the British secret service was the author of the document forgeries and of the fraud sounds somewhat fanciful, but it could not be completely excluded." For reasons never explained, the *Sunday Times* concluded, Rowland paid at least £8,000 over the next two years to Popov.

Rowland refused to discuss the matter with the *Sunday Times*, other than to issue the following written statement: "My only comment is that since the 1940s among my friends were Captain Stefan Klein, Nicholas Elliott and the celebrated intelligence officer Colonel Popov." That short statement spoke volumes—all were leading figures in British intelligence's "Double Cross Committee"! And, with the exception of Popov, all were later to be intimately involved with Lonrho. To appreciate the significance of those facts, we must pick up the track of the young Tiny Rowland in the 1930s.

A Nazi for the Crown

Tiny Rowland was born "Roland Walter Fuhrhop" in a British internment camp in India in 1917. He and his family emigrated from Germany to Britain in 1934. Rowland has kept all details of his past in Germany shrouded in a welter of half-truths and lies. However in 1988, a journalist and photographer for the London *Daily Mail* travelled to Hamburg, Germany, to visit the widow of Tiny Rowland's older brother, one of the few people alive who had intimate knowledge of his past. Rowland was furious when he found out, and claimed that his sister-in-law was a "confused old lady," who "couldn't be taken seriously." The *Daily Mail* journalist wrote a 2,000-word article based on that afternoon's talk with Mrs. Fuhrhop. That article, and copies of some of Mrs. Fuhrhop's photos made that day, now sit locked in a safe in the *Daily Mail*, waiting for Rowland's death. According to a source who has seen it, one of the photos shows Rowland in his Hitler Youth uniform, swastika and all. "You can't mistake Tiny. His face really hasn't changed at all," the source said.

Rowland joined the Hitler Youth in 1933, well before it became mandatory to do so. That he was indeed fiercely pro-Hitler, was testified to by two of his fellow soldiers after he joined the British Army in 1939-40. The first, James W.D. Anderson, in a 1985 affidavit, summed up his impression of Rowland, whom he had known well:

“There is no doubt in my mind that Rowland was pro nazi and I wouldn’t think that without good reason. He was a nazi sympathizer and you know if your a sympathizer you dont shout it from the roof tops, but you indicate it by a lot off things. He was no use to man nor beast and he was certainly no use to Britain, a fascist and complete and utter sham” (spelling and punctuation as in original).

A second affidavit, by Kenneth Calderbank, recorded how Rowland, thinking he was unobserved, cheered when he heard Nazi propagandist Lord Haw Haw’s account of the sinking of the British ships *HMS Prince of Wales* and *HMS Repulse* in December 1941.

After the incident described by Calderbank, Rowland was taken away by MI5 to an internment camp on the Isle of Man, where both of his parents were also being held. There was a rumor at the time that Rowland had been infiltrated into the camp by British intelligence. He had certainly tried to join the Secret Intelligence Service (SIS) in 1939, according to an old schoolmaster of his, who said Rowland had asked him for a reference. At any rate, according to sources in British intelligence, Rowland joined SIS well before the war’s end, working for the Double Cross Committee. His control agent, said one source, was the same as Dusko Popov’s — Nicholas Elliott.

One of the people who established the Double Cross Committee was Sir Joseph Ball, who was deputy chief of the Security Executive at the outset of the war, which was charged with reorganizing Britain’s intelligence services for the war. Ball, an intimate of Neville Chamberlain, was unabashedly pro-Nazi, and ran a network of agents promoting the Nazi cause, many of whom, like himself—and like Tiny Rowland—were homosexuals. One of them was Guy Burgess, his agent in the Anglo-German Fellowship, later notorious as a Soviet agent. Ball clearly knew Rowland during the war. Later, as Lonrho chairman from 1950-58, it was he who would recruit Rowland to replace him as Lonrho boss.

To this day, virtually nothing regarding the Double Cross Committee’s activities has been declassified; Rowland’s wartime record is highly classified as well, as the DTI found out in the mid-1970s, when it tried to get access to it. The Double Cross Committee’s ostensible purpose was to capture German agents in Britain and “turn” them, so they could be used to send back false information to the Third Reich. But, there was something much more sinister afoot. Some key Double Cross agents were used to maintain contact with the Nazi military and intelligence circles to profile—in order to forestall—the possibility of an anti-Hitler coup. As historian Anton Chaitkin has documented, powerful elements in the British establishment, aided by their cousins and co-thinkers on Wall Street, such as George Bush’s father, sponsored Hitler’s rise to power, including transferring the funds to make that happen.⁵ Yet, the massive support for Hitler within the British

5. Webster G. Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography* (Washington, D.C.: EIR, 1993).

establishment was of two different kinds: one group, including King Edward VIII (later the Duke of Windsor) genuinely supported Hitler, while others, such as Winston Churchill, did all they could to keep Hitler in power, not necessarily because they loved him, but because they wanted to see a drawn-out German-Russian war in which the two countries would bleed one another to death. When anti-Hitler officers came to Churchill in 1938, when he was in opposition, he coldly turned down their pleas for help, as he was to do during the war, as well. When the time came for war, the “genuine” Hitler lovers—such as Edward VIII—had to be dumped.

Through family connections in Germany, and through British intelligence, the British royal family maintained ties to Germany throughout the war. No one was more knowledgeable about these connections than George VI’s wife, Queen Elizabeth, the former Elizabeth Bowes-Lyon. As Kitty Kelley has recently documented in her book *The Royals*, Queen Elizabeth, now known as the Queen Mother, was allowed, even encouraged by the King, to “do the boxes” daily with him—i.e., to read the most sensitive intelligence dispatches from all corners of the world. At the end of the war, the royal household dispatched their trusted retainer, Anthony Blunt, on a secret mission to Germany, to retrieve all evidence of their ties to the “Hitler project.” And, at the war’s end, it was Queen Elizabeth who gave one of the royal family’s Modigliani paintings to Dusko Popov, for his extraordinary wartime services.

Yet, as American intelligence specialists have revealed over the past several years, there was one small problem with the Double Cross apparatus: *Many, even most of them were Soviet agents as well.* Blunt, for instance, was a key figure in Double Cross. So was Guy Burgess, and so was Nicholas Elliott, whose closest friend was Kim Philby, and who tipped off Philby to flee to the Soviet Union in 1963, when Elliott went to Beirut to “interrogate” him. And, according to the testimony of one shocked associate, Rowland was shamelessly pro-Soviet as well, and poured money and arms into the same guerrilla movements in Africa that the Soviets backed.

Had the Soviets put something over on the legendary British spymasters, or was there a deeper game afoot? To understand the Double Cross work vis-à-vis Hitler, and then its Soviet dimension, takes one into some of the deepest secrets of the 20th century.

The Trust

In November 1994, this author and colleague Scott Thompson, *EIR*’s specialist on the monarchy who had corresponded with Princess Diana regarding *EIR*’s October 1994 exposé, “The Coming Fall of the House of Windsor,” attended a book launch at Georgetown University in Washington for Anthony Cave Brown’s *Treason in the Blood*, a biography of Kim Philby and his father, St. John Philby. Cave Brown had earlier done extensive histories of British wartime intelli-

gence, including *Bodyguard of Lies and C*, a biography of Sir Stewart Menzies.

After some remarks by the panel, we asked Cave Brown two questions. First, whether it were not true, as Lyndon LaRouche had first charged, and as Russian newspapers were then reporting, that Kim Philby et al. were, in fact, “triples,” working for British intelligence all along. Replied Cave Brown, “Yes, I have come across a good deal of, at least some proof, that you may be barking up the right tree.” Further, he emphasized, “If you make a study of the Philby case, you must ask yourself how it was that he managed to become the golden lad of the British Secret Intelligence Service. You must ask yourself how it was that he became so close to ‘C,’ who was a great practitioner of that old intelligence saw, ‘All men must count with you, but none too much.’” Philby had been sent to Washington, as first CIA chief Allen Dulles once said, with a single purpose: to establish connections with Soviet intelligence, in order to feed them, Double Cross-style, false information.

The second question put to Cave Brown was, given the abundant evidence that British intelligence had helped overthrow the Tsar in 1917, and that British agent Robert Bruce Lockhart had worked with a faction in the early Soviet secret police, the Cheka, in the legendary “Trust” intelligence operation, to strengthen the hand of Bolshevik “internationalists” such as Trotsky, to the detriment of “nationalists” such as Lenin, as in the “Lockhart Plot” of 1918, and that Lockhart and geopolitician Halford Mackinder had recruited Philby into British intelligence, wasn’t the coherence of Philby operating both as a “Soviet agent” and, ultimately, still for the British, tied up with the question of British grand strategy for control of Eurasia?⁶ Cave Brown replied that the two key figures who had arranged for Philby to go to Franco’s court as a correspondent for the *Times*, which directly opened the door for his recruitment by British intelligence, were Robert Bruce Lockhart, who had employed Philby on a part-time basis in 1936, and “Karl Haushofer, the German geopolitician.” “Subsequently,” said Cave Brown, “we were able to establish that Sir Robert Bruce Lockhart was the *first* person to have named Kim Philby as a likely lad for employment with the British secret service.”

“Now, as to the question of grand strategy and the British secret service angle,” he continued, “people will denounce you if you pursue this, but the simple fact is that that is *exactly*

6. In 1986 and 1987, Lyndon LaRouche directed a multi-lingual team of dozens of investigators who plumbed the archives of a dozen nations on the subject of who sponsored the Bolshevik Revolution. The results of this task force are summarized in “The Roots of the Trust,” by Allen and Rachel Douglas, 1987 (unpublished ms., 685 pp.). In November 1988, *EIR* issued a shortened version of one chapter of that manuscript, focussing on the famous “Lockhart Plot” of the summer of 1918, in which British intelligence agents Sidney Reilly, Capt. George Hill (the founder of Red Army intelligence and Cheka counterintelligence), and Robert Bruce Lockhart worked with an anti-Lenin faction of the Bolsheviks. Reprints are available from *EIR*.

what it was all about. Ever since the days of the Halford Mackinder theory—nobody remembers that, but the Heartland will rule the world and that this must be carved up—that was the way people *thought*. Certainly it was the way Menzies thought. I discussed this aspect with him. And certainly Kim Philby, through his father, was very much interested in, and concerned with, exactly that type of outlook.”

As LaRouche and associates have documented, the British were terrified, at the end of the 19th century, of an emerging alliance of nation-states, including Russia, Germany, and France, which was committed to building grand railroad projects across Europe and into Eurasia, along the model of the U.S. transcontinental railroad, around a grand design elaborated by Lincoln’s economic adviser, Henry C. Carey.⁷ The British purpose in launching the First World War (and the included Bolshevik Revolution) was to break up that mortal threat to the British Empire. And then, at Rapallo in the early 1920s, when the young Soviet government allied with Germany, and the specter rose once again, Britain’s answer was to foster the rise of Hitler, and the bloody carnage of World War II.

Brown concluded by observing that “Nicholas Elliott, Philby’s running mate, was in what one might call strategic deception operations, that is the kind of thing he was deployed to do.” Elliott was Rowland’s case officer in World War II, later became MI6 station chief for Africa, and, still later, joined Tiny Rowland on Lonrho’s board. When *EIR* was investigating the October 1984 assassination of Indian Prime Minister Indira Gandhi, we found that one of the persons who openly coordinated the assassination effort from London was one Jagjit Singh Chauhan. With an introduction supplied by one of Chauhan’s friends, this author called him, and, after some discussion, asked him who were his closest associates. He replied, “Nicholas Elliott, one of the old boys of British intelligence.” With some prodding, Chauhan volunteered the number of Elliott’s flat in London. Reached soon after, Elliott confirmed, that he had indeed been working with Chauhan, but that these things could not be discussed further “over the phone.”

Rowland’s ties to British intelligence’s dirty business in India, which he claimed began in 1947, and which his friend Elliott was clearly engaged in at the time of Mrs. Gandhi’s assassination, were brought into question once again by the findings, announced in November 1997 by the Jain Commission in India, of its five-year investigation of the assassination of Rajiv Gandhi in May 1991. The commission named one of Rowland’s closest associates in India as involved in the plot, the guru Chandraswami, noting that Chandraswami had been in touch with “foreign intelligence agencies,” and that he had been involved in a 1987 plot to topple Rajiv Gandhi, as well.

7. Anton Chaitkin, “‘The Land-Bridge’: Henry Carey’s Global Development Program,” and William Jones, “How the British Empire Torpedoed Russia’s 19th-Century Land-Bridge,” *EIR*, May 2, 1997.

Kennedy-Gephardt initiative won't remobilize party base

by Suzanne Rose

In an attempt to stake out a new direction for the Democratic Party in preparation for the 1998 election cycle, two of the nation's leading Congressional Democrats have advanced proposals designed to turn party activity away from the "centrist" policies, associated with disgraced political consultant Dick Morris and former Party Chair Don Fowler—widely credited for the loss of the House in 1996, and the Virginia gubernatorial campaign in 1997—and more toward a mobilization of the party's traditional base.

House Minority Leader Richard Gephardt (D-Mo.), in a speech delivered at Harvard University on Dec. 2 entitled "What Unites Us: Our Core Democratic Values," and Sen. Edward Kennedy (D-Mass.), in an address at the National Press Club on Dec. 11 entitled "America Should Work for All Americans," revived some of the issues of the short-lived Kennedy, Daschle, Bingaman proposals of 1996, namely, the declining incomes of the vast majority of the American people; they did so, however, without their earlier, pointed attacks on rampant speculation as a cause of the problem. As a matter of fact, in sharp contrast to the original platform, Gephardt and Kennedy, in their recent remarks, refused to even acknowledge the existence of depression conditions.

The 1996 initiatives, which borrowed heavily from portions of the economic recovery plan forwarded by Lyndon LaRouche during his campaign for the Democratic Presidential nomination, would, by themselves, be inadequate in the face of the whirlwind financial collapse hitting the world today. But, these more recent proposals, falling far short of even those put forward in 1996, can only be described as a flight into virtual reality.

Gephardt acknowledges the need to mobilize the base of the party, an effort that was lost during the 1996 campaign, when President Clinton followed Presidential campaign ad-

viser Dick Morris's disastrous advice and signed the Welfare Reform Bill. But Gephardt's proposals for just how to do that are woefully inadequate to the task of providing the party with an election-year strategy in the midst of a financial meltdown. Still, to his credit, he correctly recognizes the need for Democrats to break with the suicidal Morris strategy, which was to advise Democrats to try to "out Gingrich" the Gingrich Republicans. The results were calamitous.

Since then, Gephardt and other party leaders have been attacking Morris, and the group in Congress with whom Morris's ideas resonate, the so-called "New Democrats." These Democrats, who number around 40 in the House, want the party to cater to the concerns of the suburban middle class, around the issues of crime, education, and welfare. They have made the Wall Street demands for deficit reduction their overriding economic concern. The think-tank of this group, the Democratic Leadership Council (DLC), advocates "entitlement reform," through the privatization of Social Security and Medicare, as proposed by Wall Street, to make more public monies available to bail out the collapsing markets.

Supporters of LaRouche have repeatedly demonstrated the ability to mobilize the party's base, because of their willingness to address the reality of the ongoing world financial collapse. In 1994, when other Democrats were caught with their pants down by the Gingrich onslaught, LaRouche Democrat Nancy Spannaus led a drive that brought Virginia GOP Senate candidate and Conservative Revolution poster boy Oliver North down in a humiliating defeat, despite his massive campaign war chest. Systematic attempts by a faction in the Democratic party's leadership, led by former Democratic National Committee (DNC) Chairman Donald Fowler, to exclude LaRouche Democrats from party activity, have been repeatedly turned back by constituency-based party leaders.

In instances where the exclusion policy temporarily succeeded, as the case of the recent Virginia gubernatorial campaign shows, it has proved suicidal for the party.

'We need a movement for change'

In his speech on Dec. 2, Gephardt attacked the "New Democrats" for lacking "core" values and presenting themselves to the electorate as a more "compassionate" version of the "other side," i.e., Conservative Revolutionary Republicans. In a blast at the Fowler-Morris faction at the DNC, which concentrated on raising money from Hollywood and other cesspools for campaign advertising, as a substitute for mobilizing the base of the party, Gephardt said, "We need a Democratic Party where principles trump tactics. We need a Democratic Party that is a movement for change and not a money machine."

But, the proposals of Gephardt et al., by their refusal to face up to the realities of the global financial collapse and its effects on the American people, are not up to the task of retaking the party. These are traditional Democrats, who are oriented toward traditional Democratic constituencies, such as labor, but prefer to call themselves "progressives" rather than liberal Democrats, for fear that they will be "tainted" by the media for their ties to "big labor." A group of them, led by former Presidential pollster Stan Greenberg and Economic Policy Institute Chairman Jeff Faux, released a book, *The New Majority: Toward a Popular Progressive Politics*, at a press conference in October, which was attended by year 2000 Presidential hopefuls Gephardt and Sen. Paul Wellstone (D-Minn.). They emphasized the economic squeeze on the middle class, and called for defending the government's social safety net against the budget-cutters and Wall Street's demands for privatization, while being careful not to identify themselves too closely with "big government."

Compare this to the proposals circulated by Democratic leaders in 1996, which included "Scrambling to Pay the Bills; Building Allies for America's Working Families," a report issued jointly by Democratic Sens. Jeff Bingaman (N.M.) and Tom Daschle (S.D.), and a House Democratic Policy Committee Staff report, "Who Is Downsizing the American Dream?" commissioned by committee chairman Gephardt, and Rep. David Obey (D-Wisc.).

The Daschle-Bingaman report, which was subtitled "A Set of Comprehensive, Specific Democratic Proposals to Address Wage and Income Stagnation — to Produce Long-Term, Higher Rates of Economic Growth, Shared with Working Families, in the United States," addressed the causes of the growing income disparities in the United States. It cited a lack of long-term investment in R&D, worker training, and so on, which is necessary to ensure productivity increases in the economy. A speculative, or "shareholder," mentality of increasing short-term profits at the expense of overall productivity, was distinguished from the "stakeholder" mentality of the corporation which sees itself as a part of society to which

rising levels of wages and productivity are welcome. They proposed a transaction tax on short-term, "speculative" profits, which would provide funds for education and training of the workforce. Businesses which qualified as "A-corps," that is, which make new net investments in the United States; which fund employee training, pension, and health care plans; and which reduce disparities between executive and worker compensation, would receive favorable tax, regulatory, and government contract treatment. This approach used to be known as the American System of economics.

"Who Is Downsizing the American Dream" documented that a powerful oligarchy of families and their think-tanks, such as the Heritage Foundation, is behind the attacks on American living standards, through their attacks on government and their promotion of the downsizing and outsourcing of production. The report documented a declining standard of living for 80% of American workers since the 1970s. In a speech on Feb. 27, 1996, Gephardt referred to "making our economy grow faster, and reversing the almost 50% decline in economic growth that America has experienced since 1973."

Accepting the 'economic recovery' myth

By contrast, both Gephardt and Kennedy began their recent speeches by praising the "economic recovery" and "job creation" of the past six years of the Clinton administration. But, only two years ago, on Feb. 8, 1996, Senator Kennedy rightfully told an audience at the Center for National Policy, that the United States and the world had "entered into a quiet depression." Gephardt announced that he was opening a "major policy debate . . . about the condition and direction of our country." However, even the feeble economic measures he proceeded to outline would require a major mobilization against the international bankers. Now, nowhere is such a fight envisioned; instead, he offers appeals to the safer buzzwords of "family," "values," and "children."

Kennedy offered a 10-point prescription in his version of Democratic priorities, starting with a premise he knows is false, that "we have met and mastered the challenge of eliminating the deficit and restoring the strength and vitality of an American economy that is once again unquestionably the most successful economy in the world."

The fact is, the economy which could provide the tax base for the programs Senator Kennedy is demanding, programs that address the increasing income disparities between rich and poor, was destroyed by the post-industrial policies ushered in following the assassination of his brother John. By focusing on such issues in the small, Ted Kennedy and the Democrats with whom he is allied are abdicating responsibility for solving the problems our society faces. The only way to go, as LaRouche has emphasized, is to put this system out of its misery, and go back to the kinds of policies which Democrats like President Franklin Dr. Roosevelt developed for getting this country out of a depression. It is the only chance the Democratic Party, and more importantly, the nation, has.

National News

Kissinger hypes Brits' 'arc of crisis' line

In his latest syndicated commentary on Dec. 7, Henry Kissinger thumps the tub for continued confrontation between the U.S. and Iraq—i.e., Britain's strategy to maintain as much conflict in the Middle East "arc of crisis" as possible. Under the headline "No Carrots for Saddam," Kissinger (who is notorious for boasting of his closeness to the British Foreign Office) bashes President Clinton for allowing France and Russia to mediate a resolution to the crisis with Iraq over Americans in the UN inspection team.

Fat Henry advises Clinton to steer clear of French policy on North Atlantic relations, which he says is focussed on "bringing about a European identity by distinguishing its policy from America's." Rather, the President should embrace Britain's policy, "which seeks to develop a common policy through cooperation and consensus—as it demonstrated by its support of the United States throughout the [Iraqi] crisis. It is in the American interest and in the interest of the future of the North Atlantic alliance that the cooperative approach prevail."

Rather than mediate the conflict with Iraq, rails the would-be Metternich, the United States should have been willing to impose "an unconditional return to the precise inspection system that had existed when the inspectors were expelled," and demonstrate by "action, word, and nuance, its determination to impose this solution, if necessary by unilateral American action."

High court may speed up California executions

According to the *Los Angeles Times* of Dec. 6, the U.S. Supreme Court has granted "an appeal from California prosecutors . . . that it will consider allowing the state to put death row inmates on a new fast track toward executions." Such a move would overturn a lower court ruling barring the state from

setting deadlines for death row appeals. The Federal fast-track system had been suspended in California by a ruling by U.S. District Judge Thomas E. Henderson, that "California officials were not providing 'competent counsel' for all death row inmates during their appeals. Therefore, the state was not entitled to the fast-track process in Federal court." In August, the U.S. Ninth Circuit of Appeals upheld that decision on a 2-1 vote.

Some 500 death row inmates now await execution in California. If the U.S. Supreme Court overturns the Ninth Circuit decision, then "fast track" executions could begin as early as July 1998.

Tavistock quacks smear LaRouche in new book

A new book by Jerrold M. Post and Robert S. Robins, *Political Paranoia: The Psychopolitics of Hatred* (Yale University Press), contains a number of attacks on Lyndon LaRouche, based on Dennis King's 1989 book-length smear-job. One of the authors has been associated with the Tavistock Institute, Great Britain's premier psychological warfare strategy center.

The book compares a LaRouche campaign exposé on "The Aquarian Conspiracy," to a "manifestly disturbed" lunatic passing out fliers in Washington about government mind control. The difference, say the authors, is that "the warnings of the man with the sandwich board were discounted (he was dismissed as mentally disturbed), while Lyndon LaRouche was able to gain and sustain a substantial following." Why? LaRouche, "rhetorically persuasive and not obviously mentally ill, has the interpersonal and political skills to build an organization and appeal to a particular constituency."

The book's cover identifies the authors: "Robert Robins was a visiting scientist at the Tavistock Clinic and an honorary research fellow at the Wellcome Institute for the History of Science, both in London, as well as a participant in the New Orleans Psychoanalytic Applied Analysis Seminar. These institutions provide a stimulating intellectual en-

vironment during an important phase of work on this book."

Post had a grant from the Carnegie Corp. of New York for research which went into the book, and is described as having founded the U.S. government's Center for the Analysis of Personality and Political Behavior. Published sources describe Post as the "the head of the Political Psychological Division at the CIA" (Bob Woodward's *Veil*), and as "the father of the CIA's program on political psychology" (Mark Perry's *Eclipse*).

In an interview with the "EIR Talks" radio program on Dec. 10, LaRouche said that Post's characterization of him was committing "outright fraud—and [he] admits it shamelessly," by offering up Dennis King's misrepresentations of LaRouche's autobiography as facts, and "uses that, to make his *quod erat demonstrandum*. This guy's a quack; he obviously is *politically motivated*; he has no professional morality whatsoever. But," added LaRouche, "that's typical of what I'm up against."

Rep. Burton tries to set up Freeh-Reno fight

Rep. Dan Burton (R-Ind.) succeeded in making a fool of himself in the first day of his Congressional hearings, on Dec. 9, in which he had hoped to use FBI Director Louis Freeh to discredit Attorney General Janet Reno's decision not to recommend appointment of an independent counsel to investigate President Clinton and Democratic Party fundraising. In fact, all that Burton succeeded in doing was proving that he and other Clinton-bashing Republicans are dependent upon news media, such as the *New York Times* and *Washington Post*, for their marching orders on how to attack President Clinton.

In the wake of a torrent of leaks to the news media from Freeh or other FBI officials about their disputes with Reno and Justice Department officials, Burton and the media were predicting that Freeh and Reno would carry on an open fight in front of the television cameras, at hearings by the House Government Reform and Oversight Committee.

IDAHO SOUP KITCHENS and food banks are getting double and even triple the number of requests in the wake of the state's "welfare reform." Idaho's new program cuts off aid to families after 24 months, and limits cash assistance to a flat \$276, regardless of the number of children at home. The old, inadequate program provided a single parent with three minor children only \$382 a month.

GAMBLING addictions have spread rapidly over the past 20 years, especially among teens, says a Harvard Medical School study which was financed by "the gambling industry," according to the *New York Times* on Dec. 7. The proliferation of legalized casinos and lotteries in the United States and Canada was said to be a key factor in the spread.

VIRGINIA Governor-elect James Gilmore (R) set up a "bipartisan" task force to advise him on his government, including former Gov. Doug Wilder (D); Pat Robertson; "homeschooling" icon Mike Farris; the head of the state NAACP; state Sen. Charles Colgan (D), who is sponsoring legislation to replace the "car tax" with a 1% increase in the sales tax; and lesbian novelist Patricia Cornwell.

MICHIGAN'S Senate has passed a bill banning "physician-assisted suicide," in Jack "Dr. Death" Kevorkian's home state. The bill must still pass the House. The bill's sponsor, William Van Regenmorter, is also proposing legislation to address the problems of chronic and intractable pain, whose sufferers, he said, "are more vulnerable to assisted suicide than terminal patients."

NEWT GINGRICH and Maggie Thatcher gushed over each other at an Atlantic Richfield-sponsored event in London on Dec. 5, where Gingrich was the featured speaker. Wrote the *Washington Times* on Dec. 7: Newt and Maggie plotted "the future of Anglo-American civilization." They "could barely stifle their shared joy, whispering asides and trading compliments as the faithful looked on."

In fact, no such thing happened, and Reno aggressively stood her ground, insisting on the correctness of her decision not to seek a special prosecutor.

The stage was set for the hearing, when Freeh's private memorandum to Reno was leaked to the *New York Times* on Dec. 1, in an effort to undercut Reno's anticipated announcement the next day that she would not seek appointment of an independent counsel. On Dec. 3, the *Times* praised Freeh for making his dispute with Reno public, editorializing that "it was a momentous act of duty." White House sources quickly accused Freeh of attempting to curry favor with Congressional Republicans.

But after Burton had demanded the Freeh memo, and had threatened to cite Reno for contempt of Congress for refusing to hand it over, Freeh himself joined Reno in a Dec. 8 letter to Burton telling him he could not have the memo. The effect of the joint letter was to severely undercut those Republicans, who are trying to make Freeh a hero, while portraying Reno as a lackey of President Clinton.

Millions of uninsured children in California

The fact that nearly 2 million children of working families have no health insurance, was denounced as "shameful," in the Sunday *Los Angeles Times* "Column One" commentary on Dec. 6. The article opens with an apocryphal scenario: "The fever climbs, the calculations begin. How bad is it? How bad will it get? Won't Tylenol do the trick? or a cool bath? . . . It has to work . . . there is just no money for a doctor right now.

"It's painful. So shameful. Your daughter is burning up and there you sit wondering: Pawn the TV set to pay the pediatrician. . . ? Such are the calculations of the uninsured."

Some 20% of California's children lack health insurance, the *Times* points out, adding that their families are not officially identified as poor. Over 60% of Californian families have at least one parent who works full time, year round. Of uninsured children nationwide, 55% have a parent who works full

time, and 63% live in two-parent families. In California, 43% of uninsured children come from families in agriculture; 34% in construction; 26% in retail; 25% are self-employed (categories overlap).

According to the Los Angeles County Department of Health Services, 11% of children between the ages of 0-5 years have not seen *any* health-care professional in over a year; 20% between the ages of 6-12, and fully 38% of children between 13-16 "have not seen a health-care provider for a year or more." As *EIR* has reported, the county has already begun to shut down the County/University of Southern California medical facility, the principal source of emergency care for area's poor.

'Transforming Defense' panel issues report

The National Defense Panel, an advisory panel created by the 1996 Defense Authorization Act, released its report on Dec. 1 entitled "Transforming Defense: National Security in the 21st Century." The panel was given a mandate to look ahead at defense needs 20 years hence. The report calls for a "transformation" of the U.S. military away from Cold-War-era infrastructure and organization, and especially away from the two-regional-war strategy that began under Secretary of Defense Les Aspin, and toward greater emphasis on defending against what panel chairman Philip Odeen termed "asymmetric assaults." Such assaults would be directed against U.S. weaknesses, rather than strengths, and also would include terrorist attacks with weapons of mass destruction against U.S. territory.

Odeen argued that the transformation should begin soon, and that we should accept greater near-term risk, which he said is relatively low, anyway, so that U.S. military forces are ready for the new kinds of threats that will arise by the year 2020. Odeen wouldn't discuss possible scenarios, but he did say that the current two-war strategy is a "low probability scenario" which diverts resources away from making the necessary transformation.

Bankrupt the gold speculators

Hedge fund speculators, backed by the British financier-oligarchy, are betting on declines in the price of gold, shattering the gold market, causing suckers to dump their gold. In addition, the speculators are attempting to block the realization of a gold-based, fixed-exchange-rate New Bretton Woods monetary system, such as Lyndon LaRouche has proposed. As a result, on Dec. 9, gold fell to an 18-year low, closing at \$282.75 per troy ounce in trading in New York City. On Jan. 1, 1997, gold's price was still \$365 per troy ounce, and it traded at \$320 per troy ounce on July 17. Thus, in less than 12 months, it has fallen 23.5% in value. Up until the beginning of this year, gold's price usually hovered at \$400 per ounce or above.

It is time to wipe out the hedge fund operators. What if a number of governments were to get together to drive the price of gold back up? Let's say that Russia were to tax gold exports, preventing gold from freely leaving the country, to be used in speculative ventures. Let's say further, that Switzerland were to announce that it will not sell any of its gold reserves. A few well-timed moves by governments, and the price of gold would swiftly rise to \$325 or \$350 an ounce, bankrupting the hedge fund operators. The speculators would be caught short: They sell gold through forward hedge contracts, anticipating that they can buy it at a lower price, when it comes time to deliver the metal to fulfill the contract.

Now is the time for nations—instead of passively watching the speculators' attack against their gold, their currencies, and their national sovereignty—to finally stand up and use the sovereign powers that inhere in them as nation-states, to put these speculative criminals out of existence permanently.

There is no reason that, with the biggest financial disintegration in 650 years, the gold price should fall. This is a rigged market.

The oligarchy of the British Commonwealth's raw materials cartel anticipates the seismic collapse of the world financial system, in which the value of financial paper, including derivatives, rapidly approaches zero. This oligarchy has been stampeding out of financial

instruments into hoarding precious metals, strategic metals, energy supplies, and increasingly scarce food supplies. The raw materials cartel includes such mining giants as Anglo American, Sir George Bush's Barrick Gold, and Rio Tinto. The cartel intends, when the smoke from a crash clears, to own and control the production process of 80% of the goods upon which human existence depends. It will have finger-tip control, to squeeze off the flow of these goods, reducing populations and crushing nations.

The hedge funds are the oligarchy's attack dogs. By driving down the price of gold, they bankrupt many gold producers who can not remain profitable at a price below \$320 per ounce. The large cartel companies will snap up these bankrupted producers for a song. Barrick Gold Chairman Peter Munk told the July 10 *New York Times*, that the benefit of the gold price drop is that it "would breed a Darwinian consolidation in the industry, much like an earlier shakeout in the steel industry. There is going to be a . . . rapid consolidation."

Furthermore, the fall in the gold price hoodwinks the suckers into getting out of gold and other hard commodities, and, instead, into the very bloated financial paper, from which the oligarchy is fleeing.

In a discussion with *EIR* on Dec. 11, an officer of the World Gold Council, which accounts for about 80% of world gold production, said, "Objectively, were normal supply-demand in effect, there would be no reason for the fall in the price of gold. For the third quarter, world gold demand reached 707 tons, which is a record. The reason the price is falling, is the hedge funds. They borrow gold and then sell it, which is putting a large amount of gold onto the market. They are forcing the price down, and making profits from it. They have targeted a price of \$285 per ounce, which they achieved."

The criminal hedge funds have made normal physical production almost impossible. Sovereign governments, starting with the actions suggested here for Russia and Switzerland, but involving the United States as well, can crush the hedge fund operators. They have the power; now, they should use it.

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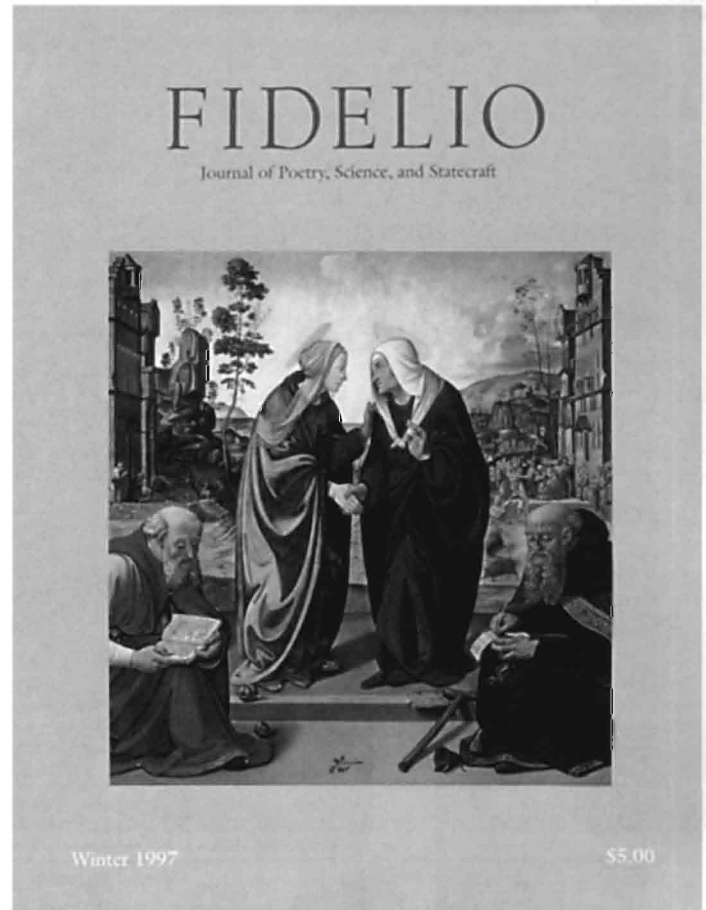
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