

# EIR

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Second financial quarter starts with a bang  
Bankers are whistling past the graveyard  
New efforts launched to end DOJ tyranny

**Brits caught with pants down;  
Jones lawsuit is thrown out**



*The cults of 'political correctness,' the world of make believe into which the frightened '68'ers had fled, are no longer the unchallenged wave of the future. The back-to-reality cultural paradigm-shift, is the changed political opportunity to which wise statesmen will hitch the destiny of their nations.*

—LYNDON H. LAROCHE, JR.  
March 5, 1998

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## From the Associate Editor

This is our last issue before the Willard Group meeting of 22 nations in Washington, at which the question of reorganizing the bankrupt world financial-monetary system will be either resolutely faced, or cravenly avoided, with tragic consequences. I remind our readers of the editors' preface to an article by Lyndon H. LaRouche in our Feb. 6 issue, the preface titled "John Paul II and the Ides of March." We wrote:

"An announced outbreak of suicides among some officials in Japan lends dramatic irony to the desperate efforts of the Japan government, and others, to pretend that Japan now has its part of the pulsating, ongoing, global financial crisis under control. The currently preferred policy of bankers and most governments, to pour monetary gasoline on the fires of financial holocaust, is feeding an early new round of explosions, soon to become more devastating than those of late 1997. Indeed, this year, although the timing of matters is not yet certain, it is fair to say that the 'ides of March' are once again menacing, and that the current Caesars of world finance appear to have learned nothing from Shakespeare's drama, or other appropriate past tragedies."

Now, the Ides of March have passed, taking a toll of human livelihoods and lives from Tokyo to Indonesia to Kosova. We are moving into the second financial quarter, a period fraught with the utmost danger, as our reports in the *Economics* section show.

In this strategic context, the dismissal of Paula Jones's lawsuit against President Clinton is very good news indeed: a potentially devastating setback to the British oligarchy's assault against the Presidency. Clinton, on tour in Africa, greeted the news with the comment that he is looking forward to "getting back to work." The world urgently requires that he do so.

A vital aspect of that job of "getting back to work," is to roll back the treasonous, British-controlled permanent bureaucracy in the U.S. Justice Department. Our *Feature* presents Congressional testimony submitted by the Schiller Institute, documenting the outrageous prosecutorial abuses perpetrated against LaRouche and associates. Cleaning out this corrupt apparatus is essential for the nation's future; so, too, is the full exoneration of LaRouche.

*Susan Welsh*

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## April global financial shock begins with Japan

by William Engdahl

Since late 1997, with the collapse of Japan's fourth-largest securities house, Yamaichi, and a series of bank and company failures, the government of Prime Minister Ryutaro Hashimoto has passed a dazzling array of emergency measures designed to prop up Japan's rotted banking system as well as to try to jump-start its depressed economy. The March 31 end of Japan's fiscal year was a deadline-point in these attempts to achieve an aura of solvency. In fact, it augurs new financial shocks ahead.

The various Japanese government measures to date, along with the lack of the right kind of emergency international efforts, has only made matters worse. Japan is at the brink of a full-blown systemic crisis, with Weimar-style hyperinflation of money supply, and a simultaneous depression collapse of the real economy. Such a process threatens not only the outbreak of a new Asia crisis, but of a global monetary and economic breakdown, in the absence of any effective governmental collaboration to create a new Bretton Woods orderly reorganization of the global system.

The message that Japan, Inc. is on the verge of collapse was delivered loud and clear on April 2. First, the Bank of Japan released its quarterly economic survey of 700 leading industrial firms, the *tankan* survey, which forecast a dismal collapse in production. The release of the report accelerated the fall of the Nikkei stock market index and the yen.

Later the same day, Sony Corp. Chairman Norio Ohga proclaimed at a press conference, "The Japanese economy is on the verge of collapsing." He chastised the Hashimoto government for fixating on budget deficit-slashing, while the economy was facing a deflationary collapse. He described Hashimoto as "worse than Herbert Hoover."

While the spotlight is on Japan, April also sees new waves of crises throughout East Asia, in Brazil, Russia, and else-

where. In South Korea, during 1998's second quarter, more than \$20 billion in corporate debt to foreigners comes due, plus there are due dates for large amounts of domestic-held debt before June 30. This portends chain-reaction defaults. Physical-economic activity is contracting by the hour. On March 26, the South Korean Labor Ministry announced that 500,000 workers were laid off during January and February alone, bringing the total number of officially unemployed to 1.24 million, or 6% of the labor force. By May, there may be 2 million workers—or 10%—officially jobless, according to Chang Sang-soo, economist at Samsung Economic Research Institute.

In Indonesia, production and trade are at a standstill, and vital import supplies, including food and medicines, are being handled on ad hoc financing terms, on "humanitarian grounds." On April 1, even the World Bank met on this subject in Washington, D.C. Indonesia has over \$74 billion in private-sector debt obligations, which since January have been in de facto debt moratorium. The rough breakdown is: \$13.66 billion from state-sector firms (power, transport, cement, minerals); \$9.41 billion from private banks; and \$58.91 billion from non-bank enterprises, including foreign investment companies. Not reflected in these figures are another \$20 billion of foreign exchange-related derivatives contracts—a ticking time-bomb, ready to blow.

Though these dire events are occurring in Asia, the fact that the crisis is *global*, not Asian, is dramatically reflected, among other ways, in the recent move to sell off Asian-held U.S. Treasury securities (see box). Over the fourth quarter of 1997, Japan and other Asian nations cut *net* holdings of U.S. Treasury securities by over \$17 billion. In the last quarter of 1997 alone, Japan sold a net \$8.48 billion of U.S. Treasury securities.

## Japan: 'a bailout too far'

The government-announced "rescue" packages for Japan have so far flopped, in parallel to the failure of the bailouts by the International Monetary Fund (IMF) for South Korea, Indonesia, Thailand, and others.

On Dec. 25, 1997, the Tokyo government announced plans to create a 30 trillion yen (\$240 billion) bank rescue fund for the Deposit Insurance Corporation to prevent a meltdown of the world's second largest banking system. Of this, some 13 trillion yen would go to permit government buying of special preferred stock shares in troubled banks, to give the banks a capital injection.

On Feb. 20, the government announced 35 deregulation measures, including easing restrictions on pension funds' buying of stocks, and allowing banks the highly dubious option of upvaluing their real estate holdings to market value, to boost bank capital further. Banks were also given the bizarre right to decide whether to evaluate their permanent stock holdings, the core of the postwar Japanese system of corporate interlock with bank groups or Keiretsu, at either the original purchase price or the current market price, whichever is more favorable to the bank's balance sheet.

Finally, on March 26, the Liberal Democratic Party (LDP), leader of the government coalition, announced a large economic stimulus package. The package, announced with great fanfare days before the end of the March 31 Japanese fiscal year, was obviously timed to spark a wild buying rally on the Nikkei stock market, with calls for "economic measures worth more than 16 trillion yen [\$124 billion], including necessary and sufficient fiscal spending centering on expanding domestic demand."

That would make it Japan's largest-ever stimulus package. However, the plan, to date lacking on details, puts priority on traditional public works stimulus, and has no provision for widely urged tax cuts to spur domestic spending. Reportedly, of the 16 trillion yen, fully 8 trillion yen will come from carryover funds from past budget allocations which the government hadn't yet spent.

## What stimulus?

The ludicrous debate over domestic "stimulus" aside, the Hashimoto government, for the moment, has unfortunately staked its political life on European Maastricht-style budget austerity. This rules out any significant tax cuts for fear of revenue loss and widening budget deficits. Last November, Hashimoto got the Diet (parliament) to pass the Fiscal Structural Reform Act, which mandates cutting the annual budget deficit to no more than 3% of GDP by January 2003. Japan faces the worst demographic collapse of any major OECD country, far worse even than Germany or Italy. The prospect of an explosion of aging citizens drawing public pension support and a disappearing younger population to support those pensions, is one of the most socially controversial political issues in Japan. This makes it very difficult for Hashimoto to repeal the austerity act without losing face.

Today, Japan's budget deficit is estimated at 8-9% of GDP and rising. As a result of the November law, severe new budget austerity has begun on April 1, with the new fiscal year. This, at a time when Japan's economy is in its worst recession since 1974. The deepening government austerity in the midst of a growing economic depression, the worst unemployment in 45 years, and a growing economic depression among Ja-

## Asians dump U.S. Treasury securities

Led by Japan's selling off \$17 billion of its holdings of U.S. Treasury securities in the fourth quarter 1997, many Asian nations also dumped their holdings, as **Table 1** shows. The total selloff by these Asian nations was \$26.2 billion in three months.

On the other hand, some nations, led by Britain, increased their holdings of U.S. Treasury securities during this period, possibly as a means to gain leverage. On Dec. 31, 1995, Britain held \$123.8 billion of U.S. Treasury securities; by December 1997, Britain had more than doubled its holdings.

Overall, based on the purchases by Britain, Germany, and Netherlands Antilles, total foreign holdings of U.S.

TABLE 1  
**Holdings of U.S. Treasury securities**  
(billions \$)

	Sept. 31, 1997	Dec. 31, 1997	Change
Japan	317.7	300.7	-17.0
Taiwan	31.6	29.8	-1.8
Singapore	35.1	34.9	-0.2
South Korea	9.6	5.2	-4.4
Thailand	10.8	9.9	-0.9
United Kingdom	266.2	287.6	21.4
Germany	80.3	91.4	11.1
Netherlands Antilles	50.8	61.6	10.8

Source: U.S. Treasury Department, Economic Policy/International Financial Analysis Division.

Treasury securities rose from \$1,266 billion in September 1997 to \$1,278.6 billion in December 1997.

—Richard Freeman

pan's Asia trading partners, have prompted U.S. Treasury Secretary Robert Rubin and Ambassador Tom Foley in recent weeks to make repeated pleas to Japan to implement some effective tax stimulus to reverse the economic slide, in effect to postpone the austerity timetable.

### And now, the 'Big Bang'

The present situation can euphemistically be described as a lack of consensus in leading Japanese policy circles. Some would call it chaos. The scandals, arrests, and suicides of numerous leading Ministry of Finance and Bank of Japan officials in recent weeks, have effectively destroyed the traditional agencies which have directed Japanese economic policy in the postwar period, leaving a huge policy vacuum, being filled at present by squabbles among divided political party fractions, in and outside the LDP.

To make matters worse, the Hashimoto government has decided to go ahead with a long-debated series of financial deregulation measures, ostensibly aimed at making Japanese finance a "global player" again. The deregulation measures, called in Tokyo the "Big Bang," in reference to the deregulation of the City of London's financial rules in October 1986, will have the effect of pouring kerosene on the smouldering ashes of the Japanese banking system and the economy.

Under the Big Bang rules, which went into effect April 1, companies or individuals, for the first time, will be able to engage in foreign exchange transactions offshore, without prior permission from the Finance Ministry. Anyone can hold dollar or other foreign currency bank accounts, and buy foreign securities without restriction. The Big Bang rules all aim at liberalizing capital flows between the Japanese yen and offshore markets. This will mean a flood of money out of the yen into the dollar, or into Europe, where it can earn much more in interest than in Japan. Ten-year Japan Government Bonds today offer a miserly 1.5% return, the lowest since the 16th century. U.S. Treasury securities pay some 5%.

However, that flight out of the yen threatens to detonate another crisis. With the domestic economy already depressed, banks have been squeezing loan clients, especially smaller businesses, to repay loans, not roll them over. This, in order that banks can meet the 8% Bank for International Settlements minimum capital reserve against possible bad loan losses. This process has created a "credit crunch," which in turn is forcing record business failures, and rising unemployment, hitherto unknown to Japan.

The physical economy is reeling. On March 30, the Ministry of International Trade and Industry (MITI) announced that industrial production fell 3.3% in February alone. Official unemployment rose a record rate of 3.6%. Projections are that in March and April, industrial production will drop by at least 2.5%.

Little wonder that with capital lining up to leave Japan; with banks facing competition, under the Big Bang, from foreign banks and firms; and with the Asian crisis now enter-

ing a new, deeper economic collapse phase (some 40% of Japan's exports last year went to Asia), the Tokyo Nikkei stock market is falling sharply. On April 2, the Nikkei closed at 15,700, the largest one-day drop since January. The trigger reportedly had been a Bank of Japan *tankan* survey of business confidence, revealing a catastrophic plunge in that confidence compared with the December survey. Masatoshi Kikuchi of Daiwa Research Institute commented, "If there is no announcement of large income tax cuts soon, the Nikkei average could fall as low as 15,000."

Given present trends, that may be wildly optimistic. Market insider reports are that various speculative foreign hedge funds have taken out futures positions betting on a Nikkei of 14,000. One British financial firm, Fleming Securities, is betting the Nikkei will hit 12,000. In December 1989 it was at 39,000, before the bubble economy burst.

"Normally the Japanese government doesn't take decisive action unless things reach crisis proportions," noted Dresdner Kleinwort Benson economist Geoff Lewis. "Well, the *tankan* survey is saying, here it is, this is the crisis. This is the starkest possible warning the Japanese have to get their act together." Whether they do, and move decisively in the direction of the earlier hint by Vice Finance Minister Eisuke Sakakibara, and back a call for convening a new Bretton Woods conference, remains to be seen. What is clear is that Japanese "business as usual" is over.

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## Documentation

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### World press calls for a New Bretton Woods

#### Argentina

The newspaper *Clarín* on April 1 published an article by financial journalist Carlos Scavo, headlined "A Crisis and Four Lessons," with a kicker which asks: "What should a Central Bank do: Rescue the financial sector, or look after the real economy? This question poses another one: Is it not time that a 'Bretton Woods II' redefine what a Central Bank is?"

The article came out the same day that *EIR* held a conference on the New Bretton Woods in Buenos Aires.

The article reviews an analysis of the Asian crisis prepared for "Conjoncture (Paribas)," by Pierre Blanque, described as an OECD expert, which appears, from *Clarín's* report, to warn against hyperinflationary "bubbles within megabubbles."

Blanque's four lessons, as conveyed by *Clarín*, are:

1. Central Banks and the IMF insist on bailouts through the financial markets, but this just adds to speculation, and



thus “shifts problems in time and space, which, in the end, tends to intensify them.”

2. The “irrational exuberances” of the stock market, fed by monetary expansion of the past years, has created a big bubble. Historically, Blanque warns, bubbles have never been handled well, “and the blood reaches the river.”

3. Because the United States is over-indebted to Asia (which holds its Treasury bills), and runs a trade deficit with the region, “the current danger is essentially North American, not Asian.”

4. How long can central banks co-exist with globalization? Blanque asks.

*Clarín*’s Scavo adds, as his conclusion: “Is it not time to get serious about a Bretton Woods II?”

## Australia

Economics commentator Kenneth Davidson wrote a commentary attacking globalization, in the Melbourne daily *The Age* on March 30. Describing the Bretton Woods controls as restoring “real national sovereignty,” Davidson calls for “another Bretton Woods” to solve the problem of out-of-control financial capital, and attacks globalization as an excuse to roll back the welfare state and workers’ rights. Davidson points out that globalization is not new, and that in terms of trade and capital flows, the world under the 1800s gold standard era was just as much integrated as it is today. The difference, he says, is “the nature of capital flows. Then, capital movements were closely associated with real investment. Now, they are increasingly short-term, highly speculative and unrelated to the business of financing investment in trade and industry.”

Describing the economic chaos surrounding the Great Depression and World War II, Davidson writes: “The solution was the creation of the IMF, which imposed an international regime of regulated capital flows and fixed exchange rates, based on the U.S. dollar, to prevent destabilizing movements of speculative capital. These controls restored real national sovereignty so that individual countries could manage their own credit and the level of domestic demand, without fear of a run on their national currency.”

Davidson describes the 1971 abandonment of the Bretton Woods system as letting financial capital off the leash again, which created more pronounced boom and bust business cycles, bringing higher unemployment, greater inequality, etc. The existence of the welfare state in the West, he writes, has “arguably prevented” a complete social explosion, but “the welfare cushion is not available in East Asia.” Asking whether the previous week’s \$124 billion Japanese budget stimulus will be enough to avoid recession in Japan and full-scale depression in the region, Davidson concludes, “Even more importantly, for how much longer will the world economy continue to limp along before the political will is created for another Bretton Woods and measures to tame financial markets?”

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## Interview: Lyndon H. LaRouche, Jr.

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# Save nations, don’t bail out the banks

*The following is excerpted from a March 24 “EIR Talks” radio interview with Lyndon H. LaRouche, Jr. The interviewer is Tony Papert.*

**EIR:** What are the prospects for the 22-nation Washington meeting April 16, on the world monetary system?

**LaRouche:** Well, there are some good signs, but overall I’d say, as of now, the situation is lousy. It looks like we’re going into the deepest depression ever, and a dark age in the next century, as it stands now. That is, if you were a betting man, as the man says, eh?

Now, I’m doing everything I can to change this. But, if you take me out of the situation, you take the effort that my friends and I are doing out of the situation, I can guarantee you that the Clinton administration will fail; it will fail to take the kind of leadership that is needed, required from the U.S. government to save the world in this crisis. The *Titanic* will sink; the *Titanic* being the present world civilization, which is heading right for the icebergs, and they can’t get the captain to change the direction. Only the President of the United States has behind him the potential forces to bring other forces to bear, around the world, so that collectively those forces, led by the President of the United States, could change this thing, and save the world system.

Otherwise, what we’re going into is the worst financial and monetary crisis in all known history of European civilization to date, that is, back, almost from Roman times. The only thing that’s comparable to this in the recent 1,000 years, or 600 years or so, is the Dark Age which occurred in Europe with the bankruptcy of the Lombard banking system. . . .

## LaRouche’s policies must prevail

Now, the President, especially with Robert Rubin as the Treasury Secretary, seems inclined to do *some* of the many things which must be done, *as a package*, to deal with the present situation. There’s an increasing clamor around the world for measures in that direction. However, so far, at this point, I am the only international spokesman who has put forth *a package* which is adequate to the situation.

So the question of whether my voice is heard in shaping the agenda within the Willard Group meeting on April 16, is going to decide whether this planet goes into a deep, deep, deep economic depression, or not.

We're looking at the trigger, the kind of depression—For people who want the scenario, the most probable one is the derivatives collapse: We have over \$130 trillion equivalent of derivatives, the short-term obligations of a highly speculative side-bet nature, on the world financial market. Most of these are off-balance-sheet. This dominates the financial turnover in all markets, daily. This is several times, in terms of short-term obligations, the annual GDP of all nations of this planet, combined. And, therefore the whole system is bankrupt. . . .

In the past period, especially since the events of October and early November, the policies of the Federal Reserve System, and, to some degree, the U.S. government, too, as well as the policy of Japan and others, have been to go into a kind of hyperinflation which few of us alive still are old enough to remember, that of the 1921-1923 financial crisis collapse in Germany, the Weimar hyperinflation.

We are now going into a spiral of attempted bailout of unpayable debt, which is similar to the effect of the Versailles Treaty on the post-Versailles Germany, that is, the 1921-1923 collapse. The IMF, essentially, is acting like the Versailles Treaty debt. And even Keynes, who was not a very good economist, correctly warned of this result at the time of the Versailles Treaty, talking about the economic consequences of the peace, this kind of tragedy.

So, as long as the IMF is able to run a rampage around the world, and dictate these silly ideas which it gets from the Mont Pelerin Society and things like that, the same thing we're getting from Gingrich and from the Heritage Foundation in the United States; as long as that goes on, the pressure is to bail out the banks. And the only way to bail out the banks and the financial markets, to keep them from collapsing, is to pump in massive amounts of liquidity. Every time you pump in liquidity, you increase the instability in geometrical proportion. And that leads to a hyperinflation in which the amount of money that you require to keep the system from collapsing tomorrow, keeps galloping ahead at geometric rates. And that's what happened, of course, in the case of the Weimar hyperinflation. That's what's happening on the New York market now, the financial market now. That is what the Japanese government is doing right now. That is what the IMF, in effect, is ordering to occur around the world.

### **'Reverse financial leverage'**

So, if, at some point, because of the hyperinflationary effects, that somebody doesn't put that extra amount of cash in, what happens? You introduce into the market what is called reverse financial leverage. Now, reverse financial leverage in a hyperinflated market, like the present one, with these derivatives, wild derivatives—Remember, several times the obligations of the world's banking systems are implicitly, through the derivatives bubble, many times greater than the total GDP of all nations combined. That means that essentially, with maybe a rare exception here and there in number, that every banking system in the world is implicitly bankrupt.

Once a reverse chain reaction occurs, reverse financial leverage occurs, you have an *implosion* of the financial system, based on people *being unable to cover* their obligations on these short-term obligations. That would wipe out most of the New York City banks. That would effectively bankrupt the New York Federal Reserve System, insofar as its banking base is concerned.

Now, that kind of thing, if it starts to go, an implosion of that type on a bubble of this kind, could, within a period of two to three days, as little as two or three days, could blow out the entire world financial system. In other words, you could be standing on a street corner talking about the Wall Street stock exchange, New York Stock Exchange prices on Monday, and by Wednesday and Thursday, there could no longer be a New York financial market. It's that kind of hurricane, that kind of tornado of implosion sweeping through the system. And we're on the edge of that right now.

That's where we stand.

The point is that you *must not* bail out the banks. You must put them through bankruptcy reorganization, the way we would with any ordinary bank in bankruptcy. Don't try to bail out what can not be bailed out. As Bob Rubin said, not a nickel for the banks! You must not do that. You must not put government reserves, and other reserves into trying to bail out banks.

What you do, is you step into the bank. You decide what has priority, what are the greatest social obligations, such as pensions, and savings, and so forth. You must save those *at the expense of those creditors whose investment, or whose claims are based on speculation, and wipe out the speculators.*

So, that's what you have to do. If we do that—We're going to have to do that anyway. There's no way we can avoid that. If you're a speculator, if you're engaged in derivatives, the governments *have to wipe you out financially.* They have no choice. Because the alternative is to send the whole planet into a Dark Age.

You are trying to take play Monopoly money, and cash it at the bank. And you're demanding that you get your interest, your so-called interest in the bank protected by the government. No. That was Monopoly play money which you brought to the bank, and we're not honoring it. You're just going to have to *eat your losses, buddy!*

We have to make sure that governments are stable, that nations are stable, that the savings deposits of ordinary citizens are protected, and that our businesses continue to function, our industries, our farms, our commercial traffic continues to function. That the food arrives at the grocery store, that people can buy it there, that sort of thing. That medical care is available. All the things that are necessary to maintain life. Our obligation is to people first. And I think that Bob Rubin has expressed that, which is commendable on his part, as far as I'm concerned.

But, that's the kind of crisis we're in the middle of.

# Brazil's 'Real Plan' masks hyperinflation

by Lorenzo Carrasco

The decision by the Brazilian government to inject enormous amounts of liquidity into the economy, especially starting last November with the crash of the "Asian Tigers," was a desperate effort to forestall a chain reaction of bank bankruptcies. But it could easily lead to a hyperinflationary explosion in the very near future, an explosion which would lay bare the perverse nature of that monetary stabilization plan known as the "Real Plan," named after the Brazilian currency, the *real*. The only way such a scenario could be averted would be if a major earthquake in the world financial markets were to overturn the Brazilian economy, and, with it, President Fernando Henrique Cardoso's re-election aspirations for this coming October. As U.S. economist Lyndon LaRouche has indicated, Brazil is a probable candidate, after Russia, to be hit by the next round of the world financial crisis.

## Putting out the fire with gasoline

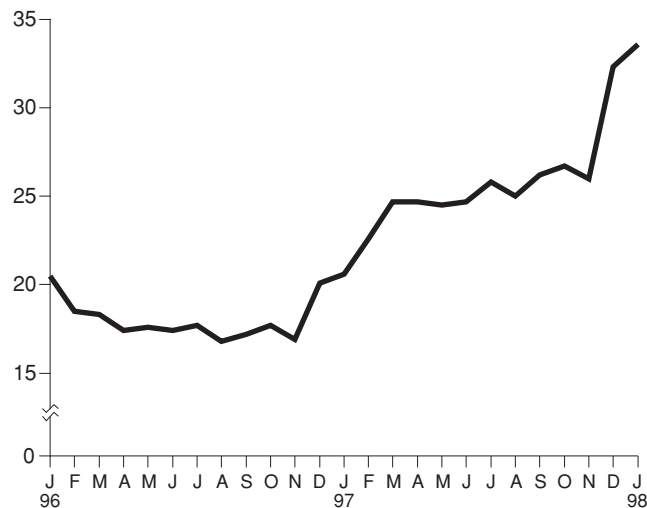
Following the panic of last October and November, when more than \$10 billion in foreign exchange reserves fled the

country and Brazil was staring bankruptcy in the face, the Cardoso government succeeded in restoring "confidence" to speculative capital by offering interest rates of more than 40% a year, imposing dramatic cutbacks in the government budget, and promising to deliver over the nation's communications and energy assets, including the state oil company Petrobras, through privatization. By these means, Brazil had raised reserve levels to \$60 billion by February, back to where they were before the Asian economic meltdown in October 1997.

This process of super-high interest rates and budget slashing did not trigger another wave of bank bankruptcies, only because the government used the Central Bank to inject massive amounts of liquidity into the banking system. As can be seen in **Figure 1**, the growth of the monetary base—which measures all financial paper issued as well as banking reserves—was 63% between January 1997 and January 1998, going from 20.6 billion to 33.5 billion *reals*, equivalent to a little less than \$30 billion (the exchange rate today is approximately 1.1 *reals* to the dollar). The greatest injection of liquidity occurred at the start of the Asian crisis last November, when the monetary base grew nearly 30%. This tidal wave of liquidity was used especially to increase bank reserves, which increased by 200% in the course of the year.

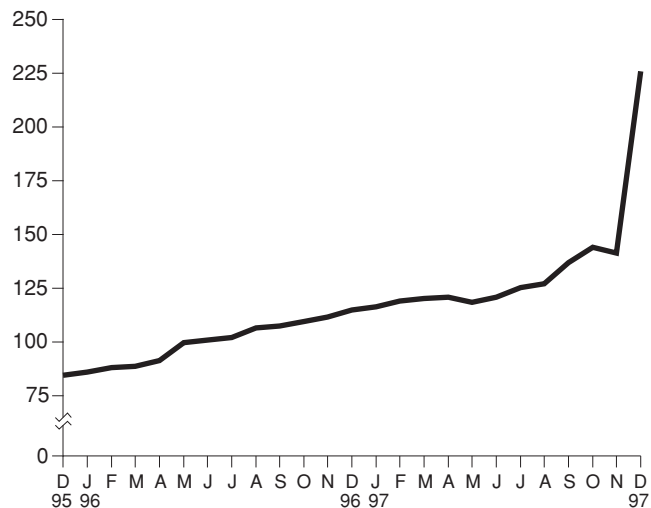
The mechanism employed by the monetary authorities to get funds to back this injection of liquidity, was to issue national treasury bonds. One result of this insanity can be seen in **Figure 2**. In January 1997, the total emission of treasury bonds reached 116.3 billion *reals*. During 1997, this emission grew 94%, reaching a record 225.7 billion *reals* by December (equivalent to \$190 billion). Obviously, the most dramatic

FIGURE 1  
**Brazil: growth of monetary base**  
(billions of reals)



Source: Central Bank.

FIGURE 2  
**Treasury bonds outstanding**  
(billions of reals)



Source: Central Bank.

change occurred in November, when it grew 59% in one stroke.

This, of course, is public debt, and it is growing like a cancer. A large portion of it comes due every 60 days, and the national economy cannot sustain it.

## The un-real plan

As we have repeatedly explained, the Real Plan, launched in June 1994, is little more than a monetary ruse. It disguises the ongoing hyperinflationary process, by deferring the impact of the costs of the soaring financial and banking pyramid through constant increases in the rate of growth of public debt, and by increased looting of the physical base of the national economy. Stated another way, these monetary mechanisms have created a dam to contain a growing hyperinflationary potential, but whose future collapse will wipe out the national economy and public finances.

The idea of the Real Plan from its inception was to create a fiction of currency stability, a “subjective” stability, transferring the process of global indexation of costs to indexation of purely speculative financial costs. This was achieved through two ruses: first, through the overvaluation of the *real* relative to the dollar, which today stands at around 30%; and second, the precipitous rise in interest rates, which presupposes “sterilization” of the currency by taking it out of circula-

tion with attractive interest rates. As of 1995, Brazil had already won the distinction of having the highest interest rates in the world. For example, today, the government is paying 30% interest to place its bonds on the financial market; private companies pay 76% for working capital; and, private individuals pay 247% for personal loans or credit cards, while the annual inflation rate is around 7%.

Through these cruel means, monetary stability — the *real*-dollar exchange rate — is made to depend on the massive entrance of foreign capital into the country. In this sense, the Real Plan is comparable to “convertibility” in neighboring Argentina.

Under this policy of very high interest rates and a radical trade opening, the physical economy of the country has contracted dramatically, through a massive transfer of resources to the financial sector. For example, growers, who saw the price of their products arbitrarily frozen, suffered an increase in the cost of their inputs by 30-40% in the past two to three years, not to mention the increase in financial costs. It is estimated that this transfer of resources is on the order of \$40 billion, minimally, in the space of a little less than three years. This brought about the shutdown of hundreds of thousands of productive rural enterprises — de facto, a reduction of 31% of these establishments — and eliminated 400,000 jobs directly, and more than 1.5 million indirectly.

The industrial sector, especially that based in the state of São Paulo, also finds itself in a state of bankruptcy. More than 300 important private companies, in the most diverse areas, have passed into the hands of foreign capital, while more than 450,000 industrial jobs have disappeared in São Paulo alone, where unemployment as of the end of 1997 had reached an historic level of more than 8%. This does not even include the more than 20% of the economically active population who subsist in a state of underemployment. In the past two months, industrial decline reached 6.5%. At the same time, the number of São Paulo businesses undergoing bankruptcy reorganization grew by 170% from February of last year to February this year. There are more than 5 million instances of overdue loans to business customers.

As a reflection of the economic calamity, the Brazilian government in 1997 produced a fiscal deficit of more than 5% of Gross National Product, despite record-high tax collections, which will be difficult to replicate because of the wave of bankruptcies.

## Consumption bubble

Despite the physical destruction of the economy, the government presents us with a picture of apparent growth, mainly induced through the injection of consumer credit. For example, from January 1996 through November 1997 — that is, 20 months under the Real Plan — total credits from the financial sector to the private sector grew by 27%; credits to the industrial sector grew 30%; to the rural sector, 7%; to the trade sector, -2%; to housing construction, 12%; and to individuals,

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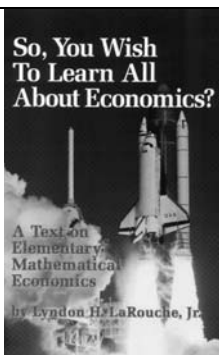
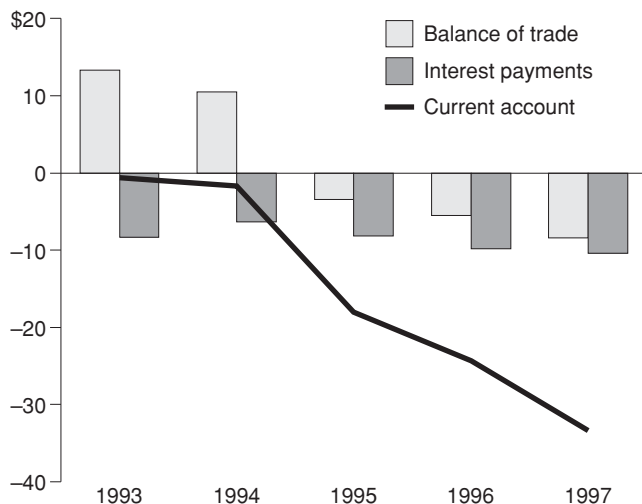
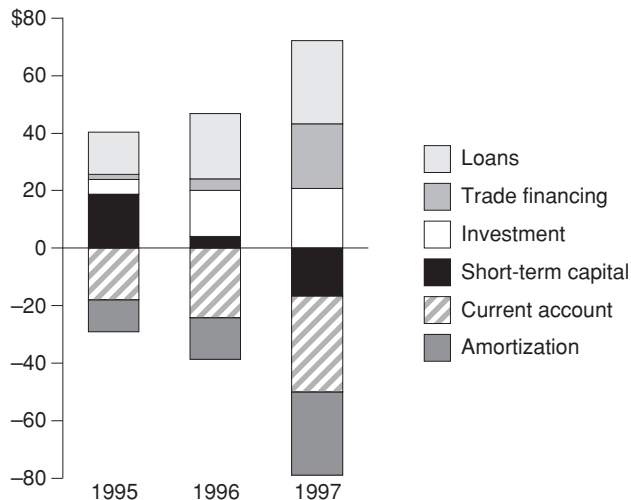


FIGURE 3  
**Brazil's current account deficit**  
 (billions \$)



Source: Central Bank.

FIGURE 4  
**Brazil's capital imports and exports**  
 (billions \$)



Source: Central Bank.

152%. That is, 15% of all loans to the private sector today are for direct consumption, while the flow to the industrial and housing sectors have fallen: each only captures 25% of all credits granted to the private sector today, down from earlier, higher levels.

This so-called “growth” of the economy is also linked to the growing trade and current account deficits, provoked by, among other things, the import of consumer goods for the bubble.

As can be seen in **Figure 3**, the trade balance went from a positive level of more than \$10 billion in 1993 and 1994, to a deficit of more than \$9 billion in 1997, while payment of interest on the foreign debt reached on the order of \$10 billion. Thus, the current account, which in 1993 and 1994 was nearly zero, fell successively, reaching a deficit of \$33.4 billion in 1997—just as *EIR* had forecast.

But, the problem of the current account is only one aspect of the hemorrhaging of the economy. In **Figure 4**, we compare the total import and export of foreign capital—which, by definition, balance out each year through fluctuations in the foreign reserve holdings of the country (putting aside contraband, capital flight, drug trafficking, and other illegal activities). Observe that, in 1997, capital flight was \$80 billion; in addition to the \$33.4 billion of the current account, \$28.7 billion left the country as amortization on the debt, and another \$16.7 billion in short-term capital. This last category is very significant. In 1995, some \$18.8 billion in short-term capital had entered the country, and in 1996, another \$3.9 billion. This flight shows in stark terms the fragility of the whole framework of the monetary scheme in place.

To try to compensate for this flight capital, the government employs the tool of high interest rates to attract capital, in addition to its policy of privatizations and the sell-off of private companies to foreign capital. For example, in 1997, the government managed to draw in \$72.2 billion—\$20.6 billion in investments, \$28.8 billion in loans, and \$18.2 billion in trade financing. Behind this scheme are several frauds. First, a large portion of the so-called investments are no such thing, but rather the seizure of private companies by foreign capital. Second, another portion is capital coming in through the privatization of public companies.

Trade financing, which was minimal in 1995 and 1996, has become a considerable component of capital inflows from abroad. This refers largely to credits for imports—that is, credit for consumption—which means de facto short-term foreign debt, which is necessarily high-risk given the generalized climate of default in the country. And this is called “economic growth”!

At this rate, and only if tranquility reigns on the international markets in 1998 (which is highly improbable), Brazil will need a minimum of \$90 billion to maintain the myth of “economic growth” and avoid national bankruptcy.

### The speculative fest continues

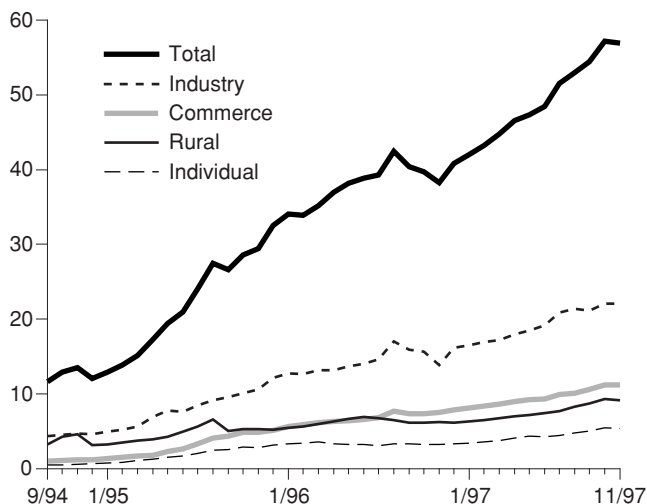
None of this has produced much boasting on the part of President Cardoso’s economic team, or by its presumed spokesman, Central Bank president Gustavo Franco.

The reason is simple. Despite the fact that Cardoso has given substantial guarantees that he is prepared to continue auctioning the country off to foreign capital, and despite the

FIGURE 5

### Financial system loans, in arrears and non-performing

(billions of reais)



Source: Central Bank.

agreement with megaspeculator George Soros, with whom he met during the World Economic Forum in Davos, Switzerland earlier this year, to try to avoid a speculative attack on the *real*, the country's economy has entered a phase of accelerated deterioration. This is primarily due to the exhaustion of the consumer bubble, reflected in the growing levels of bank arrears.

As can be seen in **Figure 5**, the growth of non-performing financial loans and arrears has been one of the characteristics of the Real Plan since it was launched in June 1994. This tendency worsened last year, when the level of loan defaults rose 31% from January to November, going from 42 billion to 57 billion *reals* (slightly less than \$50 billion). Industrial defaults rose 33%, trade sector defaults 38%, rural loan defaults 44%, and private individual defaults 59%. This means that the consumer bubble is about to pop, and the number of defaults will grow.

### The only growth is in debt

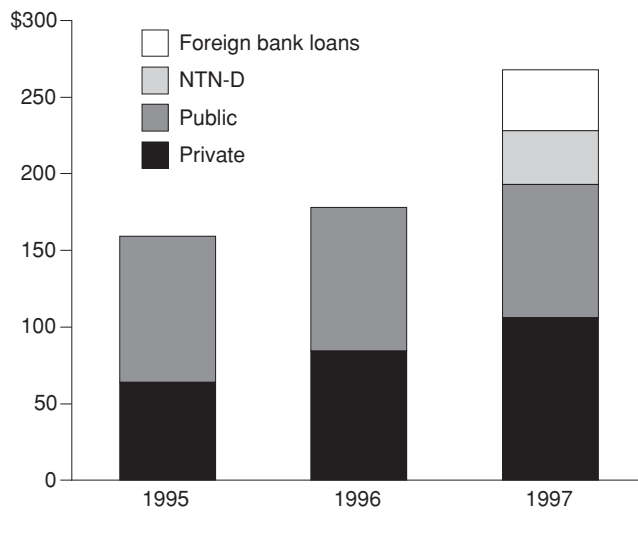
In addition to the exponential growth of the internal public debt, another consequence of the Real Plan is that the foreign debt, too, continues to rise. **Figure 6** gives official figures on the growth of public and private foreign debt. From 1995 to 1997, total debt went from \$159 billion to \$193 billion, of which \$35.4 billion is short term. Growth is primarily due to the private foreign debt, which went from \$64 billion to \$106 billion, while the public foreign debt fell modestly, from \$95 billion to \$86 billion.

But the problem doesn't end there. At least \$35 billion of

FIGURE 6

### Brazil's real foreign debt

(billions \$)



Sources: Central Bank, EIR.

the government debt, which is officially considered internal debt, is in dollar-denominated treasury bonds, so-called National Treasury Notes, Series D (or NTN-D). These are, in reality, foreign obligations. Further, according to the Bank of International Settlements in Basel, Switzerland, foreign banks with branches in Brazil are directly lending on the internal market, which constitutes another \$40 billion of de facto foreign obligations. This means that the country's actual foreign debt is on the order of \$268 billion—and could be even larger, given the myriad subterfuges the government has created to clean up the official figures.

It is this debt pyramid which lies at the base of Brazil's supposed monetary stability, which clearly makes the country extremely vulnerable to a sudden speculative attack. The government is well aware of this possibility, and so offers additional guarantees to international speculators, through the futures exchange market. The Central Bank itself admits that it sold \$10-15 billion worth of futures contracts in January, to try to stabilize the exchange rate, which only exposes the potential for speculation against the *real*. In November 1997, this figure was \$20 billion, which represented half of all futures sales. This was precisely the path taken by the Thai Central Bank in mid-1997, in its doomed attempt to defend its currency, the baht. This did not avoid devaluation, but merely forced the government to swallow the additional losses.

Given the Brazilian government's current policies, the only possible forecast is that, either a new world financial crisis will overthrow Brazil, or an explosion in Brazil will help to collapse the world financial system.

# Bankers whistling past the graveyard

by John Hoefle

It is always amusing to read the quarterly reports produced by the Federal Deposit Insurance Corp. (FDIC) on the health of the U.S. banking system. The FDIC does a good job of collecting and compiling the financial reports of commercial banks, and presenting a quarterly scorecard. Unfortunately, for both the FDIC and the people who read their reports, the banking statistics are full of hot air.

According to the latest FDIC *Quarterly Banking Profile*, released in mid-March, the U.S. commercial banking system had its most profitable year ever during 1997, with \$59.2 billion in net income, an increase of \$6.9 billion—13%—compared to 1996. The banking business has been so good, according to the FDIC, that banks have set record profits every year since 1992, when profits topped \$30 billion for the first time. They topped \$40 billion in 1993, and \$50 billion in 1996, and just barely missed the \$60 billion level in 1997 (**Figure 1**).

Not only that, but during the fourth quarter—the quarter which started with Black October and included the so-called

“Asian” financial crisis—U.S. banks broke the \$15 billion quarterly profit level for the first time, with \$15.3 billion, beating the previous quarterly record (set in the third quarter of 1997) by \$511 million, or 3.5%. They are now making per quarter, nearly what they made per year in the mid-1980s.

The banks also topped \$5 trillion in assets for the first time in 1997, thanks to a record quarterly increase of \$145 billion during the quarter.

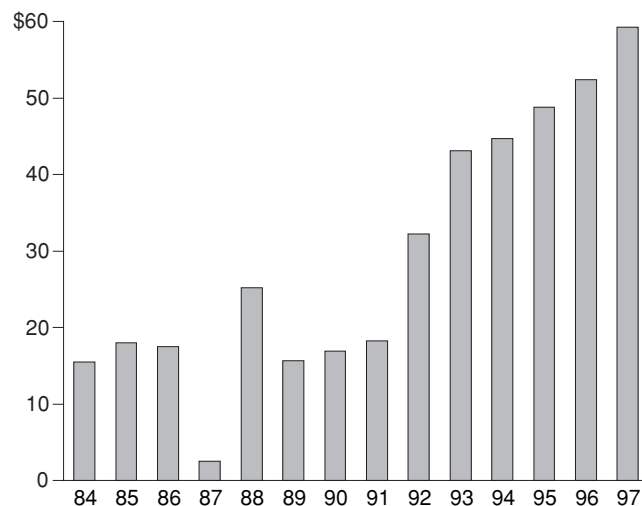
The only problem with these impressive numbers, is that they have nothing to do with the reality that the U.S. banking system is hopelessly bankrupt, carrying trillions of dollars of worthless IOUs on their books, IOUs whose value will evaporate faster than a puddle on a hot summer’s day, when the bubble pops.

## Off-balance-sheets

The problem facing the banks is alluded to at the bottom of Table II-A of the *Quarterly Banking Profile*—a line which shows that U.S. commercial banks have \$25.4 trillion in “off-balance-sheet derivatives,” a figure five times the banks’ assets (**Figure 2**). The fact that the banks are carrying “off-balance-sheet” exposures five times the liabilities they show on their balance sheets makes a mockery of the concept of truthful disclosure, and the fact that their regulators allow them to get away with it makes a mockery of the banks’ continual cries that they are being over-regulated and saddled with “regulatory burden.”

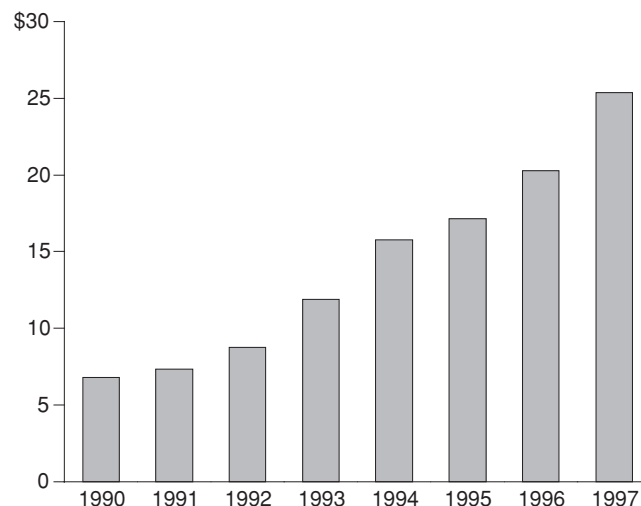
During 1997, the banks’ derivatives exposure rose \$5.1 trillion, 25%, from the \$20.3 trillion reported at the end of

FIGURE 1  
**Profits claimed by U.S. banks**  
(billions \$)



Source: Federal Deposit Insurance Corp.

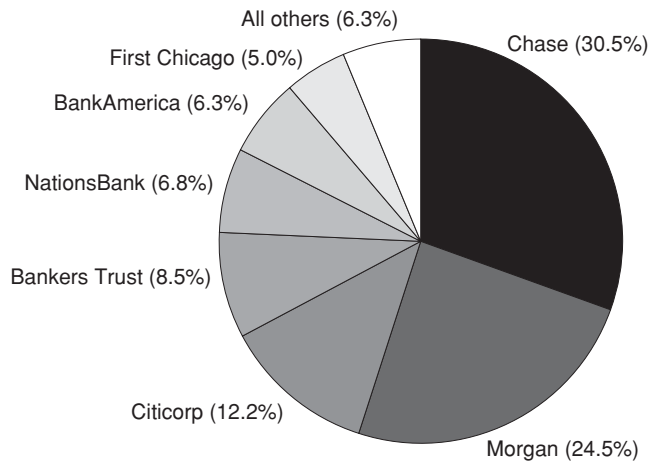
FIGURE 2  
**Off-balance-sheet derivatives at U.S. commercial banks**  
(trillions \$)



Source: Federal Deposit Insurance Corp.

FIGURE 3

**Concentration of derivatives at U.S. commercial banks**



Source: Office of the Comptroller of the Currency.

1996, and a figure \$68 billion higher than the banks' assets at year-end.

When the banking system can add more in derivatives in one year, than the entire banking system has in assets, anyone who speaks of "regulatory burden" is either insane or lying, and probably both.

To make matters worse, these derivatives are concentrated in a handful of banks (Figure 3). At the end of 1997, some 93% of these derivatives, or \$23.8 trillion, were held by seven banks, and 99% were held by 25 banks, according to the Office of the Comptroller of the Currency (OCC). Two banks alone, Chase Manhattan and J.P. Morgan, accounted for a combined \$14 trillion, or 54% of all U.S. bank-held derivatives, backed by \$33.1 billion in stockholder's equity capital, and \$628 billion in assets. On a derivatives-to-assets ratio, Morgan is by far the most exposed among the big U.S. banks, with derivatives holdings 24 times its assets, 545 times its equity, and 5,750 times its loan loss reserves (Table 1).

This is where the banking statistics start to get interesting. With such enormous derivatives holdings, it wouldn't take much of a derivatives crisis to swamp the big U.S. banks. Morgan, for example, would be totally wiped out by a loss equivalent to just 0.02% of its derivatives holdings.

This derivatives explosion is not limited to the United States, either. According to the German Bundesbank (central bank), the level of derivatives at German banks increased 54% during 1997, from 16.8 trillion deutschemarks to DM 25.9 trillion (\$9.3 trillion to \$14.4 trillion, at today's exchange rate). German bank derivatives have more than

doubled since 1995, and now stand at more than seven times that nation's annual Gross Domestic Product. Worldwide, EIR estimates that there are \$130-150 trillion in derivatives outstanding.

**Consolidation**

Another of the techniques used over the last decade to hide the increasing bankruptcy of the banking system, in addition to derivatives and fantasy accounting, has been the rapid consolidation of the banking system into fewer and larger banks. Of the ten biggest banks in 1985, half have disappeared through mergers: both Manufacturers Hanover and Chase Manhattan were taken over by Chemical, which now uses the Chase name; Security Pacific was taken over by BankAmerica; First Interstate was seized by Wells Fargo in a hostile takeover; and First Chicago fell to NBD. The last few years have also seen the rise into the top ten of NationsBank and First Union of Charlotte, North Carolina and Banc One of Columbus, banks which have grown rapidly through smaller acquisitions. Among the second tier of banks, the motto has become, "Eat or be eaten."

The result has been a sharp rise in the number of bank mergers — 599 in 1997, and more than 4,000 during the 1990s (Figure 4) — and a sharp drop in the number of banks, to just 9,143 at the end of 1997 (Figure 5). Many of the mergers are shotgun marriages, arranged by regulators to hide serious losses at the banks involved, while the rise of the super-regional banks permit a rapid consolidation without the political fallout which would occur were the takeovers to be done by New York-based banks.

The banks are also moving in on the investment banks, despite the prohibition against such combinations by the Depression-era Glass-Steagall Act. For a decade, the big money-center banks have operated securities subsidiaries by exploiting what they call loopholes in Glass-Steagall, but even the pretext that such combinations are within the bounds of the law have been dropped. The floodgates were opened in 1997, when Bankers Trust — effectively run by U.S. regulators since late 1994 — acquired the Baltimore-based Alex. Brown brokerage. That deal quickly led to others: BankAmerica bought Robertson Stephens, NationsBank bought Montgomery Securities, Fleet Financial purchased Quick & Reilly, First Union bought out Wheat First, and U.S. Bancorp acquired Piper Jaffray, to name a few.

More mergers are in the works. Chase Manhattan has approached Merrill Lynch, and J.P. Morgan has been rumored to be on the block, with speculation as to who would rescue it, ranging from banks like HBSC Holdings (a.k.a, the British Empire's Hongkong & Shanghai Bank of *Dope, Inc.* fame), to investment banks such as Goldman Sachs, and perhaps even a major insurance company.

Also in 1997, Dean Witter Discover acquired Morgan Stanley, and Travelers Group acquired Salomon. All told,

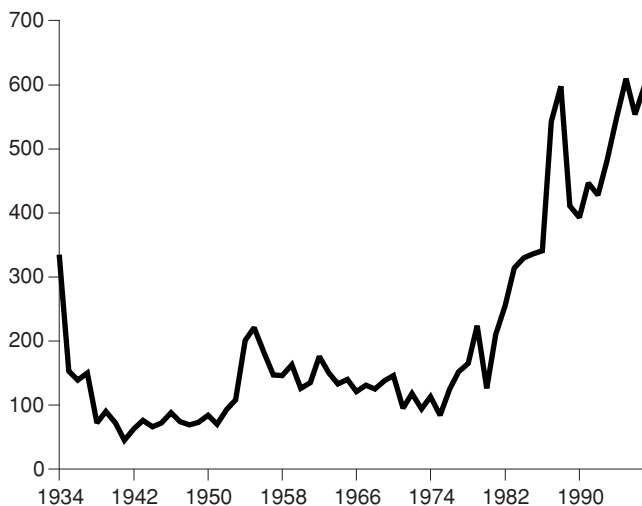


TABLE 1

**Loan loss reserves, equity, assets, and derivatives of the top 10 bank holding companies**

Rank	Bank holding company	State	(millions \$)				Derivatives as multiple of		
			Loan loss reserves	Total equity	Total assets	Total derivatives	LLR	Equity	Assets
1	Chase Manhattan Corp.	NY	\$3,624	\$21,742	\$365,521	\$7,738,234	2,135.3	355.9	21.2
2	J.P. Morgan & Co. Inc.	NY	1,081	11,404	262,159	6,216,123	5,750.3	545.1	23.7
3	Citicorp	NY	5,816	21,196	310,897	3,105,924	534.0	146.5	10.0
4	Bankers Trust New York Corp.	NY	997	5,708	140,102	2,146,525	2,153.0	376.1	15.3
5	NationsBank Corp.	NC	2,782	21,337	264,562	1,720,488	618.4	80.6	6.5
6	BankAmerica Corp.	CA	3,500	19,837	260,159	1,593,504	455.3	80.3	6.1
7	First Chicago NBD Corp.	IL	1,408	7,950	114,096	1,266,676	899.6	159.3	11.1
8	Republic New York Corp.	NY	326	3,438	55,638	274,386	840.4	79.8	4.9
9	Bank of New York Company, Inc.,	NY	641	5,002	59,961	205,659	320.8	41.1	3.4
10	BankBoston Corp.	MA	712	4,610	69,268	149,115	209.4	32.3	2.2
<b>Top ten</b>			<b>\$20,887</b>	<b>\$122,224</b>	<b>\$1,902,364</b>	<b>\$24,416,634</b>	<b>1,169.0</b>	<b>199.8</b>	<b>12.8</b>

FIGURE 4

**Number of bank mergers**

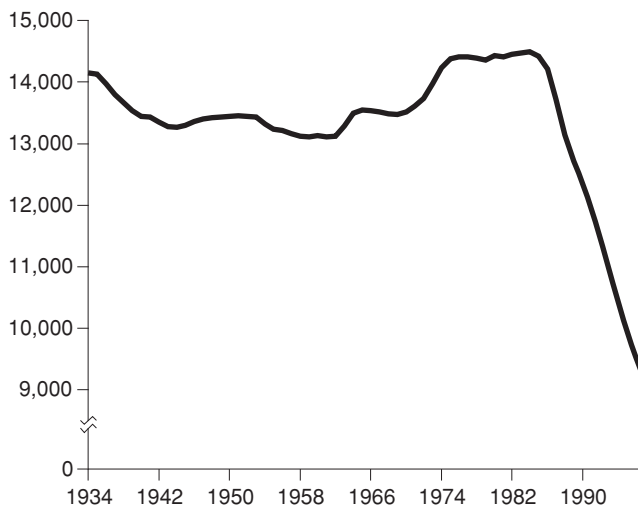
Source: Federal Deposit Insurance Corp.

some \$59 billion in mergers involving investment banks were recorded in 1997, almost 40% of all such deals since 1980.

**Trading losses**

Despite the record profits reported by the banks in the fourth quarter, hints of losses are beginning to surface. According to the OCC, derivatives trading revenues at the big banks dropped 52% during the quarter. Cash and off-balance-sheet trading revenues dropped to \$1.2 billion in the final quarter of 1997, from \$2.5 billion in the third quarter of 1997.

FIGURE 5

**Number of U.S. banks**

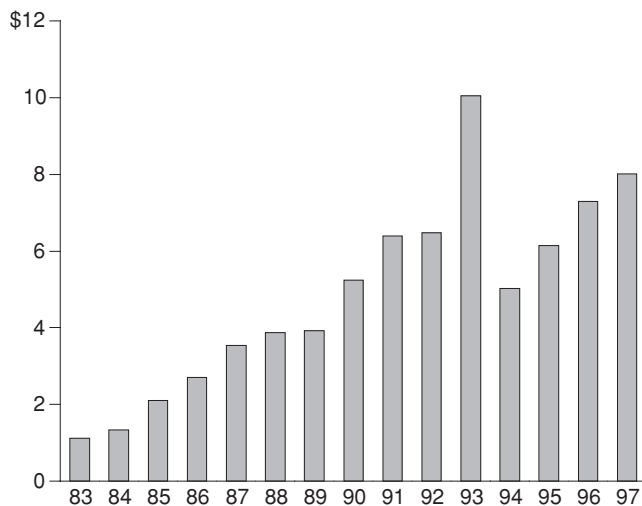
Source: Federal Deposit Insurance Corp.

The banks posted a gain in foreign exchange revenue, from \$1.1 billion in the third quarter to \$1.3 billion in the fourth quarter, reflecting the revenue grabbed in the insider-trading raids organized against Asian currencies, but those gains were more than offset by a sharp drop in revenues on interest rate derivatives, and losses on equity, commodity, and other derivatives. Interest rate trading revenue was just \$534 million in the fourth quarter, compared to \$1.2 billion in the third, while equities posted a loss of \$305 million compared to a profit of \$103 million, and commodity and other

FIGURE 6

**Trading revenue at U.S. commercial banks**

(billions \$)



Sources: Keefe, Bruyette and Woods; Office of the Comptroller of the Currency; company reports.

derivatives posted a loss of \$320 million, compared to a gain of \$125 million in the third quarter.

Even with the fourth-quarter decline, the banks claimed a record \$8 billion in trading revenue in 1997 (**Figure 6**), but as the fourth-quarter results show, those gains came at the expense of blowing up a large section of the world's economy. The banks' books might look good, but people in Indonesia and elsewhere in Southeast Asia are suffering and dying as a result. Killing nations is not a sound long-term investment strategy.

### The case of J.P. Morgan

The effect of this cannibalization strategy can be seen in the fact that both J.P. Morgan and Chase Manhattan are seeking mergers. That Morgan, which has long been one of the British Empire's most important strategic assets in the United States, is now casting around for a bailout, is a sign that serious derivatives losses have either already occurred, or are percolating through the system.

Morgan has always functioned as a financial warfare arm of the British Empire on Wall Street, tracing its roots to a merchant bank set up in London in 1838 by George Peabody, an American, and opening its first U.S. office at the time of the Civil War. The House of Morgan was anti-American from the start, an implacable foe of the American System of Economics and of the potential of the United States to free the world from the grasp of the British Empire, a role it maintains to this day. The House of Morgan played

a major role in the operation to bankrupt the bank of Jay Cooke, which helped finance the Union during the Civil War, and smashed U.S. industry via the creation of industrial conglomerates in the decades after that war. The House of Morgan was instrumental in the 1913 creation of the Federal Reserve System, and was a bitter adversary of Franklin D. Roosevelt's attempt to bring to heel what FDR called the "economic royalists."

In 1933, in the depths of the Depression, the Senate Banking Committee launched an investigation of the activities of the big banks in the lead-up to the Crash of 1929. The hearings, led by special counsel Ferdinand Pecora, revealed how Chase and National City Bank (Citicorp) had engaged in fraudulent stock manipulation, then turned its attention to J.P. Morgan, revealing that Morgan had a "preferred list" of political heavyweights—including many influential government officials—to whom he steered sweetheart financial deals, and a "fishing list" of those who were targeted for bribes.

"The power of J.P. Morgan was . . . a stark fact," Pecora later wrote in his book, *Wall Street Under Oath*. "It was a great stream that was fed by many sources: by its deposits, by its loans, by its promotions, by its directorships, by its pre-eminent position as investment bankers, by its control of holding companies which, in turn, controlled scores of subsidiaries, and by its silken bonds of gratitude in which it skillfully enmeshed the chosen ranks of the 'preferred lists.' It reached into every corner of the nation and penetrated into public, as well as business affairs. The problems raised by such an institution go far beyond banking regulation in the narrow sense. It might be a formidable rival to the government itself."

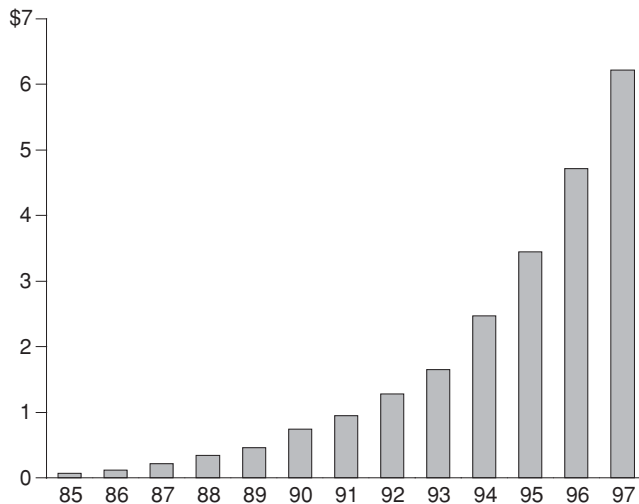
The abuses revealed by the hearings paved the way for the Banking Act of 1933, better known as the Glass-Steagall Act, which prohibited the banks from engaging in the sale of securities. One result was the forced split of the U.S. side of the House of Morgan into two parts: J.P. Morgan & Co., the commercial bank, and Morgan Stanley, the investment bank. The House of Morgan has neither forgotten nor forgiven the U.S. government for this act of sovereign regulation, and, to this day, is the leader in a fight to repeal Glass-Steagall.

In the wake of the revelations of the 1930s, Morgan had chosen to remain in the background, letting others implement its financial warfare against the United States. The junk bond house of Drexel Burnham Lambert, home of convicted felon Michael Milken, was used by the Morgan and Rothschild interests as a battering ram against corporate America. The junk bond-fueled takeover frenzy of the 1980s affected not only the companies which fell prey to these attacks, but also drove potential targets into the arms of the investment bankers, who saddled them with enormous debts as part of "poison pill" anti-takeover strategies. Drexel ultimately

FIGURE 7

### J.P. Morgan & Co. off-balance-sheet derivatives

(trillions \$)



Sources: Office of the Comptroller of the Currency; company reports.

collapsed, but only after laying waste to much of industrial America. This bankers' coup led directly into the derivatives bubble, where Bankers Trust, another Morgan creation, took the lead. Bankers Trust was the poster boy for the international derivatives business, the bank pointed to by bankers and regulators as the proof that derivatives were safe—until 1994, when Bankers Trust blew up, and was taken over by regulators, under the guise of cleaning up fraud (Bankers Trust got caught red-handed cheating its customers on derivatives deals, but the fraud charges, while real, were just a pretext for regulators to take over the bankrupt bank and bail out its derivatives portfolio).

As a result of the 1994 problems at Bankers Trust, Kidder Peabody, and other financial institutions, J.P. Morgan began to take more of an open role in the derivatives market, and its derivatives holdings began to rise sharply (Figure 7). The banks' derivatives rose from 12 times assets in 1993, to 16 times assets in 1994, to 19 times assets in 1995, to 21 times assets in 1997, and nearly 24 times assets in 1997. The result, at the end of 1997, was a bank with \$23.71 in derivatives for every \$1 of assets, and \$545 in derivatives for every \$1 of equity (Figure 8).

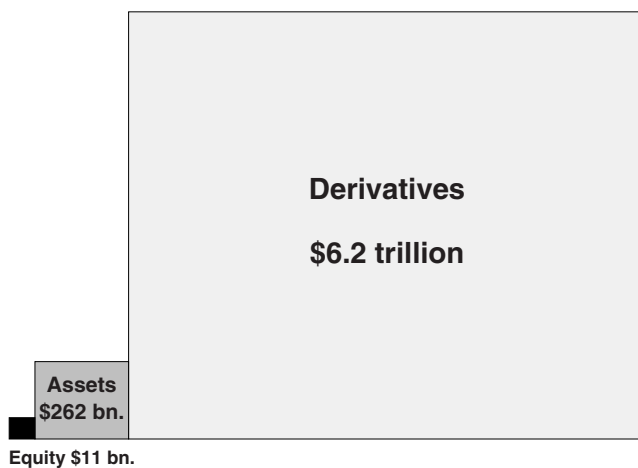
### Bankers are cutting their own throats

Morgan, with its tight relationship with the Fed (Alan Greenspan was a director of Morgan prior to becoming chairman of the Fed) and with the Group of 30 derivatives task force, was the natural choice to help build the derivatives

FIGURE 8

### J.P. Morgan & Co.'s derivatives, assets, and equity compared

(as of Dec. 31, 1997)



bubble and deal with the derivatives crises at Bankers Trust and other U.S. banks, but that role carried a heavy price.

The characteristic of the financial system, is that each attempt to bail out the bubble, only makes the situation worse.

The banks made the decision in the early 1980s to deal with their non-performing Ibero-American loans by forcing brutal austerity upon those nations, with the result that they owe more than ever, despite having paid back more than they owed at the time. This bankers' arithmetic allows the banks to book profits, even as their financial situation deteriorates. During the 1980s, the banks organized real estate and junk bond bubbles to generate even more virtual profits, but both bubbles collapsed in the latter half of the decade. In Texas, the combination of a collapse in the price of oil and the death of the real estate bubble, wiped out virtually the entire banking system; the real estate and junk bond collapse also wiped out much of the savings and loan sector, and led to bank runs in New England.

To counter this, regulators pumped money into the banking system, ignored bad loans, merged bankrupt institutions and helped the banks set up the derivatives bubble. Japan came under serious pressure to rescue the banking system through the creation of an Asian bubble, and the banks rushed to set up "emerging markets" throughout the (formerly) developing sector, helped by the International Monetary Fund (IMF) and its conditionalities. The result was a dramatic increase in the global derivatives market, and the apparent success of the so-called "Asian Tigers," which were touted as economic miracles right up until they disintegrated in 1997.

The reason all these efforts fail is quite simple: The rapid growth of financial markets comes at the expense of the productive sector. Money which should go into building infrastructure and industry, into the education, health, and welfare of the population, is instead siphoned off into the bubble. The result is a hyperbolic growth in financial claims, and a decrease in the productive activity which pays the bills. By sucking money out of the productive sector, the bankers are cutting their own throats—and everyone else's as well.

Now the financiers are pushing for another round of deregulation, to let commercial banks, investment banks, and insurance companies merge into one big "financial services" miasma. But typically, every time a deregulation bill hits Congress, the three sectors start squabbling over who should get to eat whom. Take H.R. 10, the "Financial Services Act of 1998," which was withdrawn by the Republican leadership in the House on March 31, due to heavy opposition from the American Bankers Association. The ABA, while favoring deregulation, came out strongly against the bill, claiming that it gave too much advantage to the securities firms and insurance companies. The securities firms and the insurance companies backed the bill, which Merrill Lynch Chairman David Komansky called "the most profoundly important economic legislation" before Congress.

On March 27, a three-quarter-page ad appeared in the *Washington Post*, supporting H.R. 10. The ad was signed by a bevy of insurance groups, securities firms, and two banks: J.P. Morgan and Banc One. Fittingly, the other quarter of the page was taken up by a story about a Bank of Boston banker who was wanted by the FBI over a series of \$73 million in suspicious loans.

### **The oligarchy is bailing out**

This infighting among the "financial services" crowd reminds one of what must have happened among the dinosaurs, when the climate changed. Unable to comprehend that their world had changed, they were powerful but doomed, fighting each other for control of an increasingly hostile environment. For all their apparent power, they were unable to adapt to a changing world, and disappeared.

That is the situation facing the bankers today. The more they try to hold on, the more loot they extract to keep their coffers full, the more bankrupt they become, and the greater the inevitable explosion. Rolling over unpayable debt doesn't solve the problem, it just creates even more unpayable debt. Printing money doesn't solve the problem, but ultimately leads to hyperinflation, which is precisely where the IMF bailouts are headed.

While the bureaucrats of the banking world—the central bankers, commercial bankers, and investment bankers, whom most people consider to be at the top of the financial food chain—are fighting to keep their doomed system going, their

bosses at the higher levels of the financial oligarchy are bailing out, selling off their paper assets and moving into hard assets.

The maneuverings of the British Empire are exemplary. While the foolish American bankers are rushing to merge, creating bigger, more bankrupt banks, the Brits are selling out. The pattern is striking: one after another, the financial crown jewels of the Empire are being sold to outsiders. The 300-year-old Barings, and other famous institutions of the oligarchy, such as Hambros, S.G. Warburg, Kleinwort Benson, and Smith New Court, have been sold to foreign banks, in a process Lyndon LaRouche has called "selling to the suckers."

A few more savvy Americans, such as Warren Buffett, have also been selling: Buffett sold Salomon to Travelers, and has moved big chunks of his money into Treasury bills and silver, which have more chance of surviving the crash than the IOUs which are touted as such lucrative investments among the dinosaurs.

### **A New Dark Age**

Unlike the bankers, who are mere clerks in the scheme of things (the power belongs to those who own the money, not those they hire to manage it), the upper echelons of the financial oligarchy know a catastrophic crash is coming.

They know, because they organized it.

Ever since the American Revolution, this centuries-old financial oligarchy has been struggling to destroy America and the ideas for which it stands.

The oligarchs consider themselves to be the Gods of Olympus, with the world as their plantation and its people nothing more than slaves and cattle. Britain's pagan Prince Philip has spoken of the need to "cull the human herd," and expressed his desire to be reincarnated as a deadly virus to kill off large sections of humanity. Britain's Lord William Rees-Mogg has stated that only 5% (guess which 5%) of the human race should be educated, with the rest kept at the level of ignorant peasants, too stupid to challenge the power of their masters.

This is the world the oligarchs are planning, a new Dark Age in which the clock is turned back to the days when the empires ruled the world, and the masses knew their place. What we are facing is death and destruction not seen since the Dark Ages, with the Four Horsemen of the Apocalypse riding unchecked.

But it doesn't have to be. As the young United States proved, the nation-state is a superior form of political entity to the empire, because it develops the power of reason among its citizenry, a power against which, if properly wielded, the bestiality of the oligarchy cannot win.

That is the issue which must be on the table April 16, when representatives of 22 nations meet in Washington to discuss the financial crisis. Either the nations stand up and assert their sovereignty, or they and their people will die.

# How to finance the Eurasian Land-Bridge under conditions of financial crisis

by Helga Zepp-LaRouche

*This speech was given to a private seminar on Feb. 22.*

I would like to focus on the question of how to finance the Land-Bridge, no matter what happens with the international financial system.

I think that in the recent period, there has been a complete change in the estimate of the severity of the financial crisis. As a matter of fact, when I and a delegation of the Schiller Institute were in Beijing in September last year, I presented there the analysis of Mr. LaRouche, that by the end of October, the beginning of a global financial disintegration would begin. And, at that point, that was not exactly the dominant view in Beijing. As a matter of fact, you had a very optimistic outlook presented at the 15th Party Congress of the Communist Party, which was not considering the possibility of a financial collapse.

I predicted that by the time of the summit between President Jiang Zemin and President Clinton in October [1997], this crisis would have begun, and would shape the discussion. The collapse did begin, and, since November, there has been a sense of shock among all the leading circles around the world, who generally recognize that the so-called Asia crisis is not a regional crisis or a cyclical crisis, but a systemic global and financial crisis.

Since then, there has been a dramatic shift in the mood of the people, and it is expected that a more severe round of this financial crisis will hit soon, no later than the end of March. In China, there has been, since November, one emergency conference after the other, where the Chinese leadership discussed what lessons to draw out of the Asia crisis. And the government announced 15 measures to protect the Chinese economy from the effects.

In my view, the most important of the measures was what Chinese Vice Premier Li Len-ching announced at the Davos World Economic Forum, that at the center of the countermeasures China is taking, is the plan to invest \$750 billion into infrastructure in the next three years. There will also be strict control, according to this Vice Premier, over the construction of office buildings, auditoriums, and guest houses—in other words, to curb the speculative bubble in the construction sector.

But selectively, there will be an increase of public spending in irrigation and water supply facilities, agriculture, infra-

structure, railways, highway transport, and, also, the housing sector. The focus will be China's interior regions, which will also create numerous job opportunities.

There are supposed to be three sources of funding. One, is the huge domestic savings, which is about \$875 billion. The second source of funding, is improving tax collection, and third, foreign investment. He said that China still expects to attract large amounts of foreign investment.

Now, because this could become problematic, I want to discuss, in this context, the question of a different kind of financing, namely, the question of national banking, in the tradition of the first Secretary of the Treasury of the United States, Alexander Hamilton. Because, as President Jiang Zemin said at a conference in November, if there were to be big financial storms, China might not be able to rely on international financial aid or investments, because China would not submit to the conditionalities demanded by the international financial institutions.

## The crisis deepens

Now, I want to give you, very briefly, some of the elements that show why the line given out at the Davos conference, that everything is under control, is completely ridiculous. None of the IMF packages has worked. In South Korea, the creditor banks were able to roll over \$24 billion in foreign debt, and turn them into two- to five-year bonds, and this was called a big breakthrough, and a solution to the South Korea crisis. The reality is that this covers only 15% of the South Korean debt, and by the end of '98, the total foreign debt of Korea will be \$170 billion. But the much bigger problem is the domestic debt, a \$300-600 billion domestic debt in Korea.

In Japan, despite the mega-bailout of about \$500 billion, there is still a growing danger of a domino collapse of the Japanese banking system. And, naturally, there is the huge exposure of Japan in Southeast Asia. Indonesia is at the point of total disintegration. The debt has become completely unpayable. Fortunately, the idea of a Currency Board has been thrown out the window, because this would have been the death knell for the country. . . .

But, the much bigger problem is the derivatives problem, which is about to explode in Southeast Asia, especially in the case of South Korea, where, because of the collapse of the currency, there are many court cases now in which Koreans are

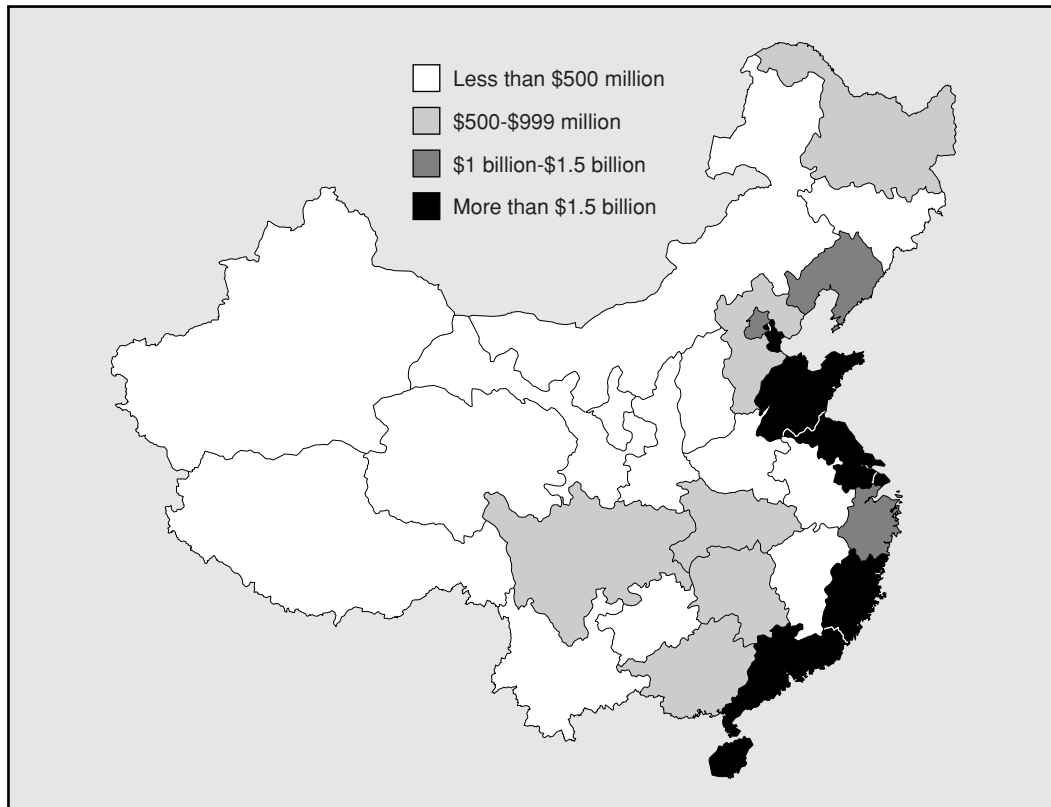


FIGURE 1  
**Realized foreign investment in China, 1995**

suing J.P. Morgan and others, for not having warned them about the danger of the derivatives problem. Many people in the region would buy cheap Japanese credits to buy large amounts of Asian currencies, based on the assumption that these currencies would remain stable, and when they collapsed, all these calculations went out the window. So therefore, the derivatives problem in Southeast Asia is a time-bomb.

### The need for Hamiltonian banking

Now, all of this will, undoubtedly, have a big effect on China. Therefore, the policy of developing the interior region is all the more important, because a lot of the foreign investments in China were only in the coastal and southern parts of China (**Figure 1**), and what will happen to these kinds of investments is now a question mark.

This underlines the urgent need for capital formation in the inner regions. There must be a shift away from reliance upon exporting consumer goods, into long-term development of infrastructure and related development internally. Now, the big question is, will foreign investors invest in this? I have argued that China, under such conditions, is the only safe place to invest. But, it must be into long-term infrastructure development.

So, the question is, how to finance the necessary scale of major infrastructure projects and improvements in industry. Now, the Eurasian corridors — which is not only the question of transport, but the building of new cities, new power plants,

new industrialization along these infrastructure grids — must be financed through a combination of state investment and credit generation by a national bank. Now, in the best case, it will be possible to finance, or get some international loans to finance transfer of advanced technology being imported by China, through such mechanisms as, for example, the Hermes credit in Germany.

But, as a Chinese patriot, you must think about the worst-case scenario. What if these financial storms temporarily mean that there will be *no* foreign investment? In this case, you must stress expanding domestic production, in order to supply the largest portion of the equipment and materials required for the national projects. And, since the Eurasian Land-Bridge is not a project of one country, but of the many countries participating, the credit and banking systems of the various nations must be reorganized to function on the principle of a national bank, in each case.

Now, Hamiltonian banking, or national banking, means nothing other than the expansion of the amount of credit provided for productive investment in infrastructure, agriculture, and industry, through new currency being issued, which then is injected into the economy, which means the national bank has to give low-interest credit for rigorously defined purposes. On a world scale, we are talking about trillions of dollars of such new credit to be created. And this is only for the initial phase of the recovery.

One big argument always used against this form of na-

tional banking, is that it causes inflation. But that depends entirely on how the credit is being used. It is very easy to create credit. Today, you have the injection of an incredible amount of money into the system. For example, the case of Japan: The \$500 billion bailout is purely speculative and inflationary, and will not solve the Japanese problem.

So, if we want to have direct credit generation through national banks, even if the sums sound like a lot, they are only a tiny portion of the bubble which is created through leverage in the derivatives market. What we propose, is to put the power to generate credit and to regulate it back in the hands of the sovereign government, that the generation of new credit must be directly linked to physical production. And large-scale infrastructure projects are an ideal way of doing this.

So, national banking is supposed to provide credit for a science- and technology-driven expansion of the national economy. Each country participating in the Eurasian Land-Bridge, therefore, should adopt appropriate legislation, and should issue a certain fixed amount of new credit. This amount must be limited by the additional employment, and the additional production.

It starts with the national bank giving out low-interest, long-term loans. One channel for these loans is directly to the government, and the government then gives these loans to the different state entities and firms which participate in the production of the process, firms which produce the equipment, the material, and the labor directly employed in these projects. Through private banks, then, parts of this money can go to private and public subcontractors, and also as loans to modernize and expand these firms. This new credit then causes a chain reaction of increased production and employment.

For example, if you imagine the example of a new railroad being built, the financing for this comes in part from the national budget, and in part through credits from the national bank. Now, for example, 40% of this new credit goes to workers' wages; 50% is paid out for the purchase of different materials: rail, concrete, construction, machinery, and so forth; and then 10% is overhead costs of various kinds.

Now, this money creates a new cycle of production and employment. Part of the money goes as salary to the workers, part of it is spent for the raw materials, semi-finished products, and equipment, and part of it goes as profit to the firms. Now, through an improved tax system—and I think this is very important—and various regulatory means, the government must ensure that a large part of the profit is reinvested in the form of improvement in equipment and improved technology. When you do this, this immediately causes a new cycle of production.

The same is true in a slightly different way, in the form of increased employment of labor, because the workers take their wages and buy materials for consumption, families and households, for food, clothing, and other goods related to the living standard. This leads to an increase in production in the

agricultural sector and the consumer goods industry. So, there is a further increase in production and employment in the industries supplying these.

So the net effect of this, is that the credit created by the national bank, causes an increase in the total physical output of the economy. And, it can be proven, in every case of an industrial revolution, that the money coming to the state, in the form of tax revenue, is more than the initial credit given out by the national bank. Where does the additional wealth come from? Well, in the first approximation, by the use of non-utilized labor and non-utilized industrial capacities. On a world-wide scale, there are enormous such capacities. In the European Union alone, there are probably, at a minimum, 40 million unemployed. In the CIS countries, there are millions and millions of unemployed. In the so-called Third World, there are not even usable statistics, because the situation is so bad. In Mexico, there is 50% unemployment. So, by channelling credit to use this labor and to fully use existing capacities, to create new capacities, and to modernize existing ones, you create a chain reaction of production and productivity.

It is, however, important that in each cycle of production the best technological improvement be used. In this way, one raises permanently the level of technology in the production process, and increases the productivity of labor. Because of the dramatic growth in the demand for high-technology capital goods, which is created by these large-scale infrastructure investments, this also accelerates the rate under which scientific and technological progress can be injected into the economy. So the moment this is started, all of these effects start to occur. So, in a certain sense, this costs nothing, because the wealth created, which flows back to the state in the form of tax revenues, is the so-called payback for the initial credit.

Now, this should be done, both in terms of the so-called hard infrastructure, meaning these kinds of corridors, but also in terms of so-called soft infrastructure, meaning health, education, and other improvements of the labor force.

### **The Lautenbach Plan**

Now, every word I have said so far, is obviously completely rejected by the proponents of the free-market economy. But, I want to point to the disastrous consequences, if such an approach is not taken. In particular, I want to refer to the economic policy debate in Germany at the beginning of the 1930s. I do not make a comparison to the 1930s because I say that this crisis is like that of the '30s; it is quite different. But, I raise it, because it is connected to the question of what to do under conditions of a depression and a financial crisis.

Recently, in 1991, the transcript of a secret conference of the Friedrich List Society in 1931, was published. The issue was how to boost the economy under conditions of a world economic crisis. Among the participants in this conference was the president of the Reichsbank, Dr. Luther, and 30 leading economists and bankers.

And, a person who is not very well known, but deserves

to be better known, Dr. Wilhelm Lautenbach, wrote a memorandum for this conference, the title of which was "The Possibilities of Boosting Economic Activities by Means of Investment and Expansion of Credit," in which he said, "The natural course for overcoming an economic and financial emergency is not to limit economic activity, but to increase it."

He pointed out that there are two different kinds of emergency situations. One, is war, earthquakes, other national catastrophes. And then there's a second type of crisis, which is economic and international, emergencies with international dimensions.

In such situations, it would be clear that more should be produced. But, if you only follow the laws of the market, this is not possible, because, in the second case, of a collapse of the financial system, you have a paradoxical situation, where, despite the fact that production already is collapsing, the demand is less than the supply. And this then leads to a tendency to decrease production even more.

If the government then adopts a program of deflation, it will tend to cut the deficit by cutting the state's expenditures, cutting prices and wages, restricting credit, and so forth and so on.

Lautenbach says that it is impossible to reduce taxes under these conditions, because the tax base is already reduced. And all such deflationary measures produce new and large losses of capital for the individual entrepreneur in commerce and industry. It makes them uncompetitive and insolvent, and it causes a reduction of production, and layoffs. It also leads to a deterioration of the banks.

Now, it is exactly this wrong approach which is presently taken by Maastricht, by the European Union, by the IMF, by the whole effort to package and solve this crisis, and not only in Southeast Asia, but in Russia, everywhere. This wrong idea.

The reduction of public expenditures is doubly counter-productive, since the public contracts and mass purchasing powers are further reduced. It leads to a collapse of production, and an increase of unemployment. And it is a downward spiral, which becomes worse and worse, and there is no bottom.

Therefore, Lautenbach says that the deflationary policy will inevitably lead to a complete economic and political catastrophe. But there is a paradox, because in a depression, you have unused productive capacities and unemployed labor. And therefore, the problem is very simple to solve: The state must intervene, and create new national economic demand. The only precondition is that it must be something necessary to the economy, which represents an increase in value, and it must be something which would have been done anyway, if the crisis had not existed.

Now, Lautenbach says that since the long-term capital is available neither from foreign markets nor from the domestic market, how can you finance it, if the capital markets simply do not give you the ability to do this?

Well, then it has to occur through a national bank, because liquidity is just a technical question. It's just an organizational issue: Liquidity immediately exists, if it is backed up by the authority of the state. And again, these projects are not inflationary, because they represent real economic capital formation. They create real economic value. And, because they have a productive multiplier effect, the rate of production is growing at a higher rate than the rate of credit expansion.

So basically, by means of such an investment in credit policy, the disposition of supply and demand on the domestic market will be increased, and the total production, once again, has a direction and a goal. Lautenbach says, "If we neglect to undertake such a policy, we will inevitably be heading in the direction of continuing economic disintegration, and a complete disruption of our national economy, and come into a condition where, in order to avoid a catastrophe, one will be compelled to undertake a strong increase of new, short-term public debt, but that will then only be for consumptive purposes, while today we have the instruments, the means for utilizing this credit for productive tasks."

So, obviously, had the Lautenbach Plan been implemented, the economic conditions which enabled the Nazis to come to power two years later, would have been eliminated. I only want to make this historical reference, to point to the fact that such economic decisions can have *catastrophic* consequences.

### **The moral, cultural issue**

I now want to add one other consideration, and that is the moral aspect of work and unemployment. The Eurasian corridor, which will develop the interior regions of China, is a perfect way to absorb unskilled labor and marginally employed people. Now, it would work best if, in these projects, there were skilled cadres who could serve as an example for the unskilled workers. The cadres should not be political people, but they should be skilled engineers, skilled workers, and, in working on the project, uplift the level of skill of the not-so-skilled.

Jiang Zemin said, at the 15th Party Congress, that by the middle of the next century, all of China will be economically and culturally advanced. . . . I want to focus on the question of what is work for the individual person, because it not only creates the material conditions of life, it is also the way of a continuous advancement of scientific and technological progress.

But, there is an even more important element to it: It is the way for the elevation of the cultural and moral level of society. Creative discovery, applied in the form of work, is one of the characteristics which distinguishes man from the animal. And, work, in this way, has a specific ethical-moral value of its own. There is such a thing as the dignity of work, which becomes obvious when you look at the sufferings the unemployed go through.

One of the crimes of the so-called Manchester capitalism,



was to treat man on the same level as the whole complex of material means of production. But, when it is understood that *man* is the center of the economy, then work, especially skilled work, also gives man fulfillment as a human being. One can even say that work and industriousness enable man to become *more* of a human being, in the following way.

A nation such as China, but also others, represents the great historical and social incarnation of the work of all previous generations which give identity to a person. We just had a beautiful concert in Washington of a German boys' choir, which is 800 years old.<sup>1</sup> This choir's singing is excellent, and it is not only the excellence of that particular group, but of all the generations of boys learning the techniques of singing, over 800 years. So, when one of these boys says, "I represent a choir of 800 years," that is his identity.

In the same way, many Chinese persons say, "I represent 5,000 years of culture." So, man combines the deepest human identity with being a member of a nation. So, when man works, he not only works for himself, but he also increases the common good, together with his compatriots. And his work serves to add to the heritage of his nation, and the whole human family.

So man has two inheritances: one, is the inheritance of the resources of nature, and the second one is the accumulated work of generations and generations, in the form of scientific and technological progress.

Now, in this sense, work is also a human right. Man must work, out of regard for his family, his society, and the community and the nation he belongs to. He is the heir of all previous generations, but also, he contributes to building the future. All of this means a moral obligation to work, and therefore, the state has an obligation to provide this work, because unemployment is a great evil, from this standpoint.

I have stated, at many public conferences, that from this perspective, China has done *more* for human rights, than any other country in the world, in the last years: by eliminating poverty, by providing work, by uplifting larger sections of the population.

Now, because we are not only talking about one country, China, but we are talking about a world crisis right now, there must be international collaboration, necessary treaties and agreements, to provide this. But, while respecting the absolute national sovereignty of each participating country, human work is a fundamental right of *all* human beings, and therefore, these treaties must give similar rights to all who work, so that the living standard of all of mankind is uplifted, and that the exact opposite of what is happening now, can be accomplished. Right now, the gap between rich and poor is becoming wider and wider, and through this policy, we have to make sure that the difference becomes less and less.

From the standpoint of human history, I think we are at a

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1. See Dennis Speed, "St. Thomas Choir Stuns Washington with Beauty of Music," *EIR*, Feb. 20, 1998, p. 26.

very crucial point, where, on the one side, we could plunge into a Dark Age and chaos. But, we could also get rid of what we regard as the biggest evil, namely, oligarchism.

One cannot overcome oligarchism through class struggle. I think the case of the Soviet Union demonstrates that. I propose that oligarchism is overcome through education. And, I want to end by telling you the example of the person who, in my view, invented the best education system in the world: Wilhelm von Humboldt. He was one of the pillars of the German Classical period of about 200 years ago, and he was a close collaborator of Friedrich Schiller, after whom the Schiller Institute is named.

Wilhelm von Humboldt said that the aim of education is not practical skills, but moral beauty of character; that the outcome of education must be a beautiful character. And, also, such a person should be a state citizen, participating in the common good. Humboldt said that in order to accomplish that, there are certain subjects of learning more suited to accomplish this, than others.

The most important, is the mastering of your own language, in its highest form, which means to study the great poetry and literature of your own language, because that is where metaphor is created, where new ideas, where beautiful visions are expressed. In China, this is very easy, because not only do you have a very rich philosophical tradition, but also a tradition of beautiful poetry and literature.

Secondly, each child must learn universal history, because only if you study the work and contributions of all the generations up to this point, do you have a noble desire to make your life so rich that you contribute something to the future generations.

Also, each child must study the crucial scientific and cultural steps of advancement of all of human history. That does not mean that you have to learn all the footnotes of all academics, but the crucial, qualitative advancements.

Then, naturally, the study of Classical music is very important. In a beautiful writing by Confucius, he elaborates what the effect of bad music is on the state, and how good music elevates the people. From a Confucian perspective, the United States is in very bad shape!

The pupil must also learn geography, a foreign language, preferably an ancient foreign language. If all of this is given to each child, then they have a good chance of becoming what Schiller calls a beautiful soul. And, Schiller defines the concept of a beautiful soul, that this is a person who is a genius.

The aim of such an education process, therefore, is to educate millions and millions, and, eventually, billions of geniuses. I would suggest that, apart from what was said before, the two most crucial things which I think China has not yet totally focussed on, are national banking, and the production of geniuses in the interior region of China. In any case, we want to have this approach for the whole world; and if we have, then, soon, something like 5 billion or more geniuses: That is the end of oligarchism.

# Business Briefs

## Russia

### Did Soros loan aid resources takeover?

George Soros's "personal bridge loan" to the Russian government, which he says he made last June, is one of the curiosities of world finance in 1997. In July, Soros moved in on the Russian privatization bonanza, with his takeover of 25% of Svyazinvest, with V. Potanin's Oneksimbank as his partner. Journalist John Helmer, who writes for the *Journal of Commerce* and other publications, has revealed in the English-language *Moscow Tribune*, that investigators from Russia's Accounting Chamber believe the purpose of the so-called bridge loan was another Oneksimbank takeover, of Norilsk Nickel, finalized in August, in which no Soros role had been acknowledged.

Suspicious are raised by the fact that the Russian Treasury was flush with cash in June 1997, having collected Gazprom's back taxes and secured a tranche of its International Monetary Fund credit. There was no evident need for financing from Soros. Valeri Mishalkin of the Accounting Chamber suggests that Soros's money was parked by the government in accounts at Oneksimbank, allowing Potanin's firm the use of it during the Norilsk bidding. It was a several-hundred-million-dollar sale.

## Algeria

### Economic crisis is fuelling social unrest

More than 100,000 workers in the mechanical and electronics sectors demonstrated on March 9 against lockouts and layoffs, the Islamic Salvation Front (FIS) said in a statement released in Europe on March 11. "Although allied to the government, the Algerian general union of workers increasingly expresses disagreement with the government of Ahmed Ouyahia, which scrupulously applies the structural adjustment program of the IMF," the FIS said. "The active forces in the country are beginning to be-

come aware of the dangerousness of the economic policy pushed by Liamine Zeroual."

The FIS estimates that 250,000 workers will be laid off in the next few months, which will lead to "a serious social explosion." Unemployment is 28% officially, but is actually 40%, and twice that in certain provinces. In the rural areas, the FIS says, the standard of living has collapsed to levels below those of 1962. One out of every six families in Algeria (5 million people) live without regular wages. Buying power has continued to decline, effectively wiping out the middle class.

The \$12 billion which Algeria has received since 1994 in foreign loans, the FIS states, has not been invested in the productive sector, but has flown to Swiss bank accounts, speculation, and military spending, including for private militias.

## Israel

### Labor's Barak attacks Netanyahu on economy

Israeli Labor Party Chairman Ehud Barak attacked Prime Minister Benjamin Netanyahu's stalling on the peace agreements with the Palestinians, blaming it for Israel's worsening economic condition, the daily *Ha'aretz* reported on March 23. Appearing before the Organization of Self-Employed in Israel, Barak said that if the policy continues, the situation will worsen.

Barak said that the government could no longer blame Israel's economic crisis on the previous government. "The incumbent government has been in power for two years now, and it has to take the responsibility for its policy and the harsh results of this policy," he said. He documented that the economic slowdown is spreading, the number of job-seekers rising, and investment in education and infrastructure dropping. Investment in infrastructure dropped 12% in 1997, and 14% in 1996, at a time when Israel has had one of the lowest rates of investment in infrastructure, compared to western Europe. He said that it was impossible to separate Israel's current economic condition and the harsh forecasts for coming years from the

freezing of the peace process by the Netanyahu government.

Barak called for the government to reduce payments to non-productive sectors, such as the ultra-Orthodox community, and to shift 5 billion shekels (about \$1.3 billion) a year to education. He said that the unfortunate events that had overtaken the economic "tigers" of Southeast Asia could hit Israel as well, in part because of the political situation with the Palestinians and the resulting economic uncertainty, the freeze in foreign investment, and the drop in tourism.

## Petroleum

### China, India to tap Central Asian resources

China and India signed a memorandum of understanding to establish "an enduring partnership" for tapping oil in Central Asia, All India Radio reported on March 18. "A basic decision has been made to work together to tap these resources in the region. Options have also been kept open to cooperate in other parts of the world," the report said. The memo was signed by India's state-owned Oil and Natural Gas Corp. and China National and Gas Exploration and Development Corp., and allows for third countries to participate to ensure availability of modern technology and equipment, adequate training, and R&D. China is currently oil self-sufficient, but will need to import in the future, and India's demands for oil will also increase rapidly.

China and India have entered into deals with Kazakhstan, and China is planning construction of a 2,000 kilometer pipeline to Xinjiang autonomous region.

The major hindrance to India exploiting resources in Central Asia, where it has good political relations, "is the lack of adequate transport facilities," the report said. "In cooperation with China, India can help in better exploitation of these resources and their transportation to the west or China through pipelines."

"The new agreement marks an extension of the growing bilateral economic and trade cooperation between India and China. Bilateral trade between them has increased seven-

**SINGAPORE** plans to provide \$2 billion in trade guarantees for Indonesia, Prime Minister Goh Chok Tung said on March 26. The funds will come from the money Singapore had pledged as part of the \$43 billion IMF bailout for Indonesia. The Group of Seven rejected Goh's proposal for an \$8 billion fund to jumpstart trade.

**THE EUROPEAN** Monetary Union and the single currency, the euro, will lead to higher unemployment, the destruction of social systems, and further erosion of national tax bases, 70 professors of economics in the Netherlands warn in a new book, the March 26 German daily *Süddeutsche Zeitung* reported.

**THE U.S. COMPUTER** industry has "huge inventory backlog," a European banker told *EIR* on March 26. One study, he said, "estimates that of the present 3.5% GDP growth, fully 2% is from excess inventory accumulation," and that before the Asian crisis fully hits.

**IRAN'S** Ayatollah Khamenei, the supreme leader of the revolution, called for moving to an economy less dependent on oil revenues, in a speech in Mashhad on March 21. The nation must orient "toward non-oil income through an increase of production, and the export of agricultural produce, industrial items, and expertise services," he said.

**INDIA** is facing an attack by the credit rating agencies Moody's and Standard & Poor's, which are expected to downgrade India's sovereign rating from "investment grade" to "speculative grade." One rationale is the alleged "increased risk of operating in Indian markets due to an inexperienced government," a government official said.

**KYRGYZSTAN** Deputy Agriculture Minister Janybek Tumanov said on March 20 that the number of livestock has sharply decreased. The number of sheep has fallen from 11 million to just under 4 million in seven years; mutton is a staple food.

fold from 1990 to reach a level of \$1.4 billion in 1996. The increase has been facilitated by the signing of a trade agreement, which provides for the extension of the most-favored-nation treatment to each other, promotion and diversification of export products, and trade transactions in freely convertible currency. Given the climate of improved relations, it should be possible for the two countries to widen their economic horizons and explore new avenues of cooperation in many areas," the commentary concluded.

## China

### Development of 'Golden Triangle' planned

By the end of the century, China will be investing heavily in the region known as the "Golden Triangle" in southwest China, deputy head of the Chinese Engineering Academy Lu Liangshu said at a symposium in Guiyang, Xinhua reported on March 22. With its resources, the area can play a unique role in the economic growth of three provinces and act as a resource base to develop the middle and lower reaches of the Yangtze (Chang Jiang) and Pearl (Zhu Jiang) rivers, Lu said. The "Golden Triangle" is a 250,000 km<sup>2</sup> area in the provinces of Yunnan, Guizhou, and Sichuan, that was infamous for its role in the drug trade.

The government has begun tapping the region's potential for high-yield, high-quality agriculture, and expects to spend 10 billion yuan in Guizhou to increase grain production by 1.97 million tons annually. The area in Sichuan will become another "grain basket," after low-yield fields are improved and a grain-handling center built. The area in Yunnan will be used to grow tropical produce, half the province's meat, grain, vegetables, and tobacco, and 80% of its flowers.

The Golden Triangle's iron and vanadium reserves account for 20% and 54% of the country's total, respectively. Coal reserves in Guizhou are estimated at 241.9 billion tons. Water resources make up 11% of China's total; the government will spend 34.4 billion yuan to build the Ertan Hydroelectric Power Station in Sichuan. Yunnan

plans to build two large hydro-electric power stations early in the next century, with capacities of 14.4 million and 7.2 million kilowatt-hours. In transportation, Yunnan expects to build a 360 km expressway, and a railway from Liupanshui to Zhuzhou in nearby Hunan; the Nanning-Kunming Railway began operation late last year.

## Central Asia

### Turkmen President: Don't politicize pipeline

President Saparmurat Niyazov of Turkmenistan, in a speech in Ashgabat on March 21, said he hoped that "no foreign power would try to politicize a projected pipeline that is to conduit Turkmenistan's gas to the continent by way of the Iranian soil," the Iranian News Agency reported. Niyazov said he hoped that Turkmenistan's official policy of neutrality would be respected. He did not name any country, but it is assumed he was referring to the United States, which had threatened to block the pipeline across Iran.

Niyazov did, however, accuse Russia of unfair pricing policies. He said Russia was demanding Turkmen gas for \$32 per 1,000 m<sup>3</sup>, instead of \$42, which Ashgabat wants. He said that Russia resells the gas for \$57. He also said that Russia paid only 30% of the price in cash, and the rest in kind, which meant de facto that it was paying only \$10 per 1,000 m<sup>3</sup>. He emphasized that the new pipeline will allow his nation to sell to other markets.

The Turkish state pipeline company, Botas, announced on March 18 that it expects to complete a tender for the 1,215 kilometer Turkish section of the pipeline from Erzerum to Ankara. Seventy-eight bids have been received. Another consortium is working on the 300 km stretch from Erzerum to the Iranian border, which is to link up with the section to Tabriz. Iran is building the 270 km section from Tabriz to the Turkish border. The lowest bids for the Turkish section have come from the Turkish firm Alarko, and from Russian-Turkish and Ukrainian-Turkish consortia. The pipeline is supposed to be finished in 19 months.

## New effort launched to end Justice Department tyranny

by Jeffrey Steinberg

On April 1, the Schiller Institute submitted written testimony to the House Appropriations Subcommittee on Commerce, Justice, State and the Judiciary, calling upon Congress to take “immediate and drastic action against a reign of terror that has been carried out by a group of high-ranking career bureaucrats and prosecutors in the Department of Justice.” The testimony, which will be part of the subcommittee’s published proceedings on the Department of Justice fiscal year 1999 budget, comes at a moment when a growing group of members of the House of Representatives is showing signs of seriously tackling the pattern of abuse by the DOJ permanent bureaucracy, abuse that has now extended into a full-scale insurrection against the Presidency of the United States.

On March 5, Reps. Joseph McDade (R-Pa.) and John Murtha (D-Pa.) introduced H.R. 3396, the Citizens Protection Act of 1998, a bill that would establish “standards of conduct for Department of Justice employees,” and “a review board to monitor compliance with such standards.” McDade, who was himself the target of a protracted frame-up effort by the Justice Department, introduced a statement into the *Congressional Record* on the day the bill was submitted, warning, “The rights and freedoms of our citizens will come under increasing danger if we continue to allow the Justice Department to police itself in secret and exempt itself from regular rules of attorney conduct. We must strengthen oversight of the Department and shine a bright light on prosecutorial misconduct.”

Attached to the statement was a chronology, prepared by the Congressional Research Service, of instances of Justice Department abuse of power, which, although very incom-

plete, did serve to underscore the broad pattern of Justice Department abuse and outright criminality. So far, at least 50 Congressmen, including both Democrats and Republicans, have co-sponsored the bill.

Congressional action against the DOJ reign of terror is long overdue. The Schiller Institute testimony minced no words in reminding the committee that, on numerous occasions since 1993, both the Schiller Institute and *EIR* have provided extensive evidence of the criminality of the Justice Department permanent bureaucracy—in the 1982-89 railroad prosecution and jailing of Lyndon LaRouche and a number of his associates; in the 20-year racist effort to single out African-American elected officials for frame-up, known within the FBI bureaucracy as “Operation Fruehmenschen”; and, in the actions of the Department’s Office of Special Investigations (OSI), the so-called “Nazi-hunting” unit, in the case of John Demjanjuk and others.

The Schiller Institute charged that the failure of Congress to act on its repeated warnings gave license to the DOJ apparatus to launch an illegal covert frame-up campaign against the President of the United States—using some of the same illegal methods, prosecutorial agencies, and personalities that were involved in the 1980s “Get LaRouche” operation.

Here, we publish the Schiller Institute testimony, along with a chronology of previous *EIR* and Schiller Institute submissions to Congress; a report on the McDade-Murtha bill; and a letter of support to McDade and Murtha from Pennsylvania State Rep. Harold James. Last week’s *EIR Feature*, “Any Enemy of LaRouche Is an Enemy of Clinton,” was appended to the testimony submitted to the committee.



*FBI sledgehammer technicians leaving the Leesburg, Virginia offices of Campaigner Publications, one of the offices of the LaRouche movement raided by more than 400 government agents on Oct. 6, 1986. The failure of the Congress to put a stop to the Gestapo-like methods of the U.S. Justice Department in the LaRouche case, made possible a similar attack on the President of the United States.*

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## Documentation

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*The following testimony was submitted by the Schiller Institute on April 1, to the Appropriations Subcommittee on Commerce, Justice, State, and the Judiciary, at hearings on the Department of Justice.*

This is not the first time that friends and associates of Lyndon LaRouche, through either the Schiller Institute or *Executive Intelligence Review* magazine, a publication founded by Lyndon LaRouche, have come before the United States Congress, urging immediate public review of and drastic action against a reign of terror that has been carried out by a group of high-ranking career bureaucrats and prosecutors in the Department of Justice, against countless American citizens of all religious, racial, and political persuasions.

During the spring of 1993, when Lyndon LaRouche was still unjustly incarcerated in federal prison, the Schiller Institute presented testimony to this very subcommittee, then chaired by Neal Smith (D-Iowa), documenting a pattern of grave misconduct by the Department of Justice, in the case of Mr. LaRouche, and of others.

In the summer of 1995, we provided the House Judiciary Committee, which was probing the tragic events at Waco and Ruby Ridge, with a detailed profile of the illegal collusion between the Department of Justice's top career civil servants

and outside agencies, in instigating those needless deaths. When the committee failed to live up to earlier promises to conduct a public review of the railroad prosecution and jailing of Lyndon LaRouche and more than a dozen of his political associates, as part of a far-reaching probe of Justice Department criminality, a group of current and former elected officials and prominent civil rights leaders took it upon themselves to form an independent commission, and hold two days of public hearings. Those hearings, held in Tysons Corner, Virginia, on Aug. 31-Sept. 1, 1995, did not focus exclusively on the abuses in the LaRouche case, although certainly the pattern of criminality by officials of the Justice Department in the LaRouche case could have filled two days of riveting testimony.

The panel, chaired by former U.S. Rep. Jim Mann (D-S.C.) and Alabama civil rights attorney JL Chestnut, also heard extensive testimony about "Operation Fruehmenschen," the Justice Department/FBI campaign to frame-up, jail, and drive from office, literally hundreds of African-American elected officials, because, in the words of one FBI agent, high-ranking officials at the Bureau believed that "black officials were intellectually and socially incapable of governing major governmental organizations and situations."

Operation Fruehmenschen was launched by no later than 1977. Detailed testimony, including the sworn statement of the FBI official from which the above quote was taken, was presented to the House of Representatives in January 1988, at the behest of Rep. Mervyn Dymally (D-Calif.). Yet, 10 years

after that testimony, and more than 20 years after the racially motivated campaign was instigated, there is, today, mounting evidence that Operation Fruehmenschen is alive and well, despite even occasional efforts by the courts to curb this particularly vile pattern of abuse. Recent Justice Department indictments and probes of high-ranking African-American state legislators in Arkansas, Ohio, Maryland, and Massachusetts, and the ongoing DOJ probe of Labor Secretary Alexis Herman, are but a few of the most glaring recent signs of the continuing pattern of politically targeted, and racially motivated actions by the Criminal Division, in hideous violation of both the letter and the spirit of the Constitution.

## Judicial condemnations

This most recent outbreak of racially targeted prosecutions by the Justice Department is all the more damning, because the courts have taken an unambiguous stand against the Fruehmenschen abuses. Eighteen months after the Mann-Chestnut commission hearings, on Feb. 28, 1997, U.S. District Court Judge Falcon Hawkins of South Carolina, issued a stinging 86-page Order, dismissing, with prejudice, a series of frame-up convictions of some of South Carolina's most important African-American elected officials, conducted under the code-name "Operation Lost Trust." In all, 28, predominantly African-American state legislators, lobbyists, and other political figures were indicted under Lost Trust. Judge Hawkins threw out several of the convictions with prejudice, and, in his opinion, singled out the Justice Department's Office of Professional Responsibility, which is supposed to be a DOJ watch-dog against prosecutorial abuse, for failing absolutely to provide defense attorneys with mountains of exculpatory evidence. Judge Hawkins characterized the pattern of abuse in the Lost Trust cases by officials in the U.S. Attorney's office and at Justice Department headquarters in Washington as "repetitious, flagrant, and long-standing." "The withholding of such a voluminous array of discovery," he wrote, "which the government had to know was exculpatory and relevant to the defenses of these defendants is unprecedented before this court. The court finds that these violations are too numerous and too specific to certain issues to be considered simply unintentional or the result of neglect. The constant assurances that 'we have given them everything,' the veracity of which the court had no reason at the time to question, rises to the level of outrageous misconduct. . . . The government acted in bad faith, and its misconduct is not only greatly offensive to this court, but has interfered with this court's duty to insure the proper administration of justice."

The 1995 Mann-Chestnut commission also heard testimony by Yoram Sheftel, the Israeli attorney who defended John Demjanjuk, the Ukrainian-American who was prosecuted, stripped of his U.S. citizenship, and deported to Israel by the Justice Department's Office of Special Investigations (OSI), for concealing his alleged involvement in war crimes at the Treblinka death camp in order to immigrate to the United States. All the while, the OSI had evidence, which it withheld

from Demjanjuk's attorneys, demonstrating that they were knowingly targetting the wrong man. One OSI prosecutor resigned from the Justice Department, when his repeated written warnings that Demjanjuk was not "Ivan the Terrible of Treblinka," were ignored.

When the Chief Judge of the Sixth Circuit Court of Appeals learned, through reading an article in the *New York Times*, of the prosecutorial abuses in the Demjanjuk case, he initiated a review of the case, after Robert Mueller, the head of the Criminal Division at the Main Justice Department, refused even to reply to the Judge's letters and telephone calls, asking for corroboration of the *New York Times* allegations. The Sixth Circuit took the unusual step of appointing a Special Master to probe the conduct of the Justice Department, and, eventually, the Circuit ruled that the DOJ had perpetrated "fraud upon the court" on a grand scale. Demjanjuk's ordeal began in 1978. It led him to death row in Israel. His citizenship was only restored last month—20 years later; and it is still unclear whether the Justice Department's OSI will once again attempt to expel him from the United States.

## A second warning

In April 1997, once again, we submitted exhaustive documentation, this time, to the Senate Judiciary Committee, of a pattern of top-down prosecutorial misconduct, politically and racially motivated frame-ups, and other long-standing patterns of abuse by Department of Justice career prosecutors. We warned at the time that, if the Congress failed to act, the entire foundation of our constitutional system would be in grave danger.

Sadly, there was no appropriate action by the Congress, despite the fact that Attorney General Janet Reno had repeatedly ignored requests for internal review of her bureaucracy-gone-wild made by Mr. LaRouche's attorneys, former Attorney General Ramsey Clark of New York, and Odin Anderson of Boston, and by members of the Congressional Black Caucus. Thus we are now faced, today, with the startling circumstances, of the same career bureaucrats at the Justice Department, using the same illegal methods, to destroy the institution of the Presidency, in what can be justifiably called an insurrection against the Constitution of the United States.

It is not our purpose here to restate the evidence that we have already presented to a number of Congressional bodies. Along with this testimony, we shall make the proceedings of the Mann-Chestnut commission, and other relevant documentation, available to the Committee. It should be noted that the same information—about the frame-up of Lyndon LaRouche, and the other instances of abuse already referenced—was provided to Attorney General Reno, and she chose to ignore even the words of former Attorney General Ramsey Clark, who, in September 1994, stated that the LaRouche case "represented a broader range of deliberate cunning and systematic misconduct, over a longer period of time, utilizing the power of the federal government, than any other prosecution by the U.S. government, in my time or to

my knowledge.”

Former Attorney General Ramsey Clark’s experience with Janet Reno in the LaRouche case, was mirrored in the Attorney General’s handling of the Lost Trust cases. Sen. Ernest Hollings (D-S.C.) went personally to the Attorney General, to seek an independent review of the DOJ and FBI handling of Lost Trust. The Attorney General swore to the Senator that she would personally review the matter; but, she then turned around and handed the review over to the very same permanent bureaucrats who were the guilty parties. The oversight process within the Justice Department has, itself, become a focal point of abuse.

The failure, repeatedly, of the Attorney General to seriously take up the pattern of abuse by her senior aides, is particularly disturbing, given that, when the Clinton administration first came into office in January 1993, cleaning up the Department of Justice was high on the list of priorities. An extensive study of abuses of prosecutorial power by the Department had been prepared by the President’s transition team. However, from the first day that she assumed the post of Attorney General, in the midst of the Waco crisis, Janet Reno has been, in effect, a hostage of the permanent bureaucracy, particularly the tightly knit network of career prosecutors in the Criminal Division.

The inability of Attorney General Reno to curb the abuses of the DOJ is, unfortunately, nothing new. No recent Attorney General can claim credit for having curbed the abuses. The attitude among the inner cabal at Main Justice, particularly in the Criminal Division, is: Attorneys General come and go, Presidents come and go, but the bureaucracy lives on, enjoying a degree and abuse of power that is unprecedented in American history. In fact, the core group of decision-makers at the Department of Justice have all been there for 30 years or more.

Who are the career prosecutors we refer to? Start with John Keeney, the highest-ranking career civil servant in the DOJ. Keeney is a Deputy Assistant Attorney General in the Criminal Division. He joined the DOJ in 1951! On nine separate occasions during his career, Keeney has served as the acting head of the Criminal Division.

Mark Richard, also a Deputy Assistant Attorney General in the Criminal Division, first came to the Justice Department in 1967—31 years ago. Richard is the Attorney General’s liaison to all U.S. and foreign intelligence agencies; he was the founder of the OSI and the Public Integrity Section (PIS), another purported watch-dog unit, which has covered up DOJ criminality.

David Margolis, now Associate Deputy Attorney General, came to the DOJ in 1965. Paul Coffey, the head of the Organized Crime and Racketeering Section, joined the Department in 1967. Lee Radek, the current head of the Public Integrity Section, joined the DOJ in 1969. James Reynolds joined the DOJ in 1967; he ran the Special Litigation section of the Criminal Division, until 1991, when he became the first head of the newly established Terrorism and Violent Crimes

section. John Martin came to the Department from the FBI in 1965, and he has directed the Internal Security section since 1980.

It is this apparatus that *Time* magazine described, in its Feb. 15, 1993 issue, as “the most thoroughly politicized and ethically compromised department in the government. . . . Politics have invaded the Justice Department in many administrations. . . . What is different about the Justice Department that Clinton is inheriting is the depth to which politicization has seeped into the bureaucracy, which includes 92,300 people.”

## Assault on the Presidency

There are six volumes of evidence, on file with the Fourth Circuit Court of Appeals in Richmond, Virginia, cataloguing the massive criminality by the Department of Justice, in its 1983-89 drive to destroy the political movement founded by Lyndon LaRouche. Three federal and state judges have eloquently commented on the abuses.

In 1988, U.S. District Court Judge Robert Keeton of Boston, found “institutional and systemic prosecutorial misconduct” during the federal trial of LaRouche and others in Boston. The case ended in a mistrial.

In 1989, U.S. Bankruptcy Judge Martin V.B. Bostetter found that federal officials had acted in “objective bad faith” and committed a “constructive fraud on the court,” when they illegally put three publishing companies into involuntary bankruptcy as part of the political prosecution of LaRouche and his associates.

In a Feb. 16, 1995 ruling, vacating the convictions of three LaRouche associates in New York court, State Supreme Court Judge Stephen G. Crane found that the conduct of New York and federal government agents “raises an inference of a conspiracy to lay low these defendants at any cost, both here and in Virginia.”

The six volumes of evidence on file in Richmond spell out a decade-long “Get LaRouche” vendetta, implicating senior officials of the Justice Department, along with elements of the national news media, agents of foreign governments, and corrupt officials in various positions within the national security apparatus of the United States. Powerful private sector interests—typified by Henry Kissinger and McGeorge Bundy—demanded LaRouche’s scalp, and viewed the DOJ and the FBI as their “private” enforcement agencies to carry out a political vendetta, by corrupt “judicial means.”

The LaRouche case involved the abuse of Executive Order 12333, a December 1981 document, signed by President Reagan, that gave extraordinary investigative powers to the DOJ and FBI, and allowed those agencies to employ private sector assets, in cases alleged to involve foreign espionage, international terrorism, or international narcotics trafficking targeting the United States.

Under even the most generous interpretation of EO 12333, top ranking officials of the Department of Justice and FBI, in league with then-Vice President George Bush, Na-

tional Security Council staff officer Lt. Col. Oliver North, members of the President's Foreign Intelligence Advisory Board, and others, criminally abused the Order, to conceal an illegal domestic covert operation against the LaRouche political movement, aimed at framing up and jailing LaRouche and others, illegally bankrupting legitimate publishing houses, and even laying the conditions for violent attacks against LaRouche and his political associates, under the color of a criminal probe. Indeed, on Oct. 6-7, 1986, more than 400 federal, state, and local law enforcement officers, backed up by Pentagon anti-terrorist units, carried out a raid on LaRouche's publishing house, and the residence where he and his wife were staying. A Waco-style mass murder was averted, but documents and testimony released during the course of the LaRouche cases, revealed that some DOJ and FBI officials were prepared to instigate a violent attack, at the first pretext.

As part of the "Get LaRouche" effort, a private-sector "salon" was set up, out of the New York City offices of John Train, an investment counselor, frequent contributor to the *Wall Street Journal*, and an active player in the 1980s U.S.- and British-sponsored mujahideen operations in Afghanistan. Several dozen print and electronic media journalists and editors, from the *Wall Street Journal*, NBC-TV, *Business Week*, the *Washington Post*, *New Republic*, and *Reader's Digest*, were brought to the Train salon, where a campaign of major media slanders against LaRouche was devised—in coordination with federal prosecutors. Several officials of the Anti-Defamation League of B'nai B'rith played a pivotal role, coordinating the Train media slander campaign, and working directly with federal and state prosecutors, including in the suborning of perjured testimony. Part of the cost of the Train salon was paid by Richard Mellon Scaife, who has emerged in recent weeks as a pivotal player in the witch-hunt against President Clinton.

It was from the unique vantage point of having survived the "Get LaRouche" EO 12333 concert of action of 1983-89, that Mr. LaRouche and several senior editors and staff at *EIR* began looking into the actions of the Department of Justice, targeting President Clinton, from no later than the period of the 1992 Presidential election campaign. The entire project took on an added degree of urgency, when, it was recently revealed that a law partner of Independent Counsel Kenneth Starr, former Reagan Justice Department official Theodore Olson, was running a media salon out of his home in Great Falls, Virginia. The question provoked by the Olson revelation was: Is there an EO 12333 illegal action being conducted against the President of the United States, similar in form and personnel to the 1983-89 "Get LaRouche" action?

It is already established that, during the 1992 Presidential election campaign period, then-President George Bush's White House General Counsel, C. Boyden Gray, and his Attorney General, William Barr, attempted to instigate criminal proceedings against Democratic nominee Bill Clinton, that

later led to the investigation known as "Whitewater." There are indications that bogus national security "concerns" were also raised, targeting candidate Clinton at that time.

In the effort to answer that question, a team of *EIR* editors and staff researchers assembled a series of grids. All of the institutions and individuals known to have been involved in the 1980s "Get LaRouche" effort were listed, and the form of their involvement broken down into seven categories: civil legal actions, criminal legal actions, IRS legal actions, salon activities, legislative actions, media attacks, and covert operations. A similar list of individuals and institutions was compiled in the case of the concert of activities against President Clinton since 1992. The "Get LaRouche" and the "Get Clinton" maps were overlaid and points of intersection were identified. The documentation is also appended to this testimony [see *EIR*, April 3, 1998].

In many instances there were strong overlaps of personnel, from the Department of Justice—including the DOJ prosecutors now directing the Kenneth Starr and other independent counsel probes—to the media, to the sources of private funding. In recent days, news reports suggest that Richard Mellon Scaife is now under investigation for possible witness tampering, in the ongoing Whitewater probe.

### **Urgent action needed**

For private citizens like Mellon Scaife, criminal misconduct can lead to federal prosecution. The tax-exempt status of his foundations can be reviewed by the IRS. But for the vast apparatus at the Department of Justice, there is at this moment no institutional check on their persistent abuse of power—now targetted at the President of the United States—a President who came into office, publicly committed to a clean out of the DOJ.

Twenty-six members of the House of Representatives have co-sponsored a bill that would create an oversight body, with subpoena power, to probe criminal misdeeds by DOJ prosecutors and bureaucrats. This is an appropriate initiative; however, the stakes today demand far more action by the Congress. Before the Department of Justice is provided with hundreds of millions of dollars in taxpayers' money, the criminal abuses must be thoroughly and publicly probed. The conduct of the permanent bureaucracy of the Department of Justice must be placed under a public spotlight. John Keeney, Mark Richard, and the rest of the abusers must be called to account for their criminality. In particular, the question must be thoroughly investigated: Are officials of the DOJ engaged in an illegal, insurrectionary destabilization of the Presidency of the United States? This is not a partisan issue, as some Republicans are likely to scream. We have catalogued a pattern of abuses by the Department of Justice, targetting, in many instances, citizens with few resources to defend themselves. If the DOJ bureaucratic cabal has now targetted the President of the United States, using the same illegal methods, this is a grave crisis for us all.



# When will Congress finally take action?

*What follows is a timeline of the various filings and interventions on behalf of Lyndon LaRouche, which have attempted to induce the U.S. Congress to exercise its oversight responsibility, and investigate allegations of misconduct by the U.S. Department of Justice.*

**Jan. 27, 1989:** Lyndon LaRouche is sentenced to 15 years in Federal prison and is immediately incarcerated.

**June 1990:** After the Supreme Court denies LaRouche's petition for *certiorari*, associates of LaRouche initiate their first request that the House and Senate Judiciary Committees launch a probe of Department of Justice misconduct in obtaining the convictions of LaRouche and his co-defendants.

**Feb. 7, 1992:** UN Special Rapporteur Angelo Vidal D'Almeida Ribeiro asks the Bush administration and the U.S. Congress to respond to charges that LaRouche's human rights had been violated. "According to information received, U.S. citizen Lyndon LaRouche is reported to have been subjected to harassment, investigation, prosecution, and incarceration solely because of his beliefs."

**Feb. 19, 1992:** The *Congressional Monitor* reports that the Bush administration is stonewalling on the UN request and failed to inform the relevant Congressional committees that the request had been made.

**February 1992:** Seven Ibero-American congressmen become the first of scores of delegations of international parliamentarians, and U.S. elected officials, to travel to Washington, D.C. seeking a Congressional probe of the circumstances surrounding the LaRouche cases.

**March 1992:** The first of a series of appeals, addressed to the House and Senate Judiciary Committees, signed by elected officials from seven continents, asks for Congressional oversight hearings into allegations of misconduct by the Department of Justice in the LaRouche case. The appeal also appears as an ad in the *Washington Post* and the *Washington Times*.

**January 1993:** With the inauguration of President Clinton, Congress takes preliminary steps to probe the LaRouche case. Rep. Jack Brooks (D-Tex.), then chairman of the House Judiciary Committee, assigns the House Judiciary Subcommittee on Constitutional Rights, chaired by Rep. Don Edwards (D-Calif.), to open an inquiry.

**March 1993:** Upon the advice of members of Congress, who say the LaRouche case is "too much of a political hot potato" to probe by itself, associates of LaRouche broaden

their request for Congressional oversight hearings to include other cases indicating a pattern of DOJ misconduct, including political and racial targeting. The request now asks for a probe of possible misconduct in the LaRouche cases, the harassment of black elected officials, and the Office of Special Investigations (OSI) cases, particularly that of John Demjanjuk.

**March 1993:** On request, Chairman Brooks transfers responsibility for the inquiry from Representative Edwards's subcommittee to that of Rep. William Hughes (D-N.J.), after LaRouche associates complain that Edwards, a former FBI agent, cannot conduct an impartial review.

**May 11, 1993:** LaRouche spokeswoman Debra Hanania-Freeman testifies before the House Appropriations subcommittee on Commerce, Justice, State and Judiciary. After providing the members with extensive documentation of "prosecutorial misconduct, including illegal acts" by members of the DOJ involved in the LaRouche case, she requests that the committee withhold any funding for the DOJ "until such time as oversight hearings into this misconduct can be convened."

**Spring 1993:** Then-chair of the Congressional Black Caucus, Rep. Kweisi Mfume (D-Md.), asks Rep. Alcee Hastings (D-Fla.) to coordinate an investigation into the allegations of DOJ misconduct.

**July 20, 1993:** At the request of Congress, LaRouche attorneys Odin Anderson and Ramsey Clark write the first of several letters to Attorney General Janet Reno, requesting a review of government fraud and prosecutorial misconduct in the LaRouche case.

**September 1993:** Anderson and Clark meet with Hayden Gregory, chief counsel to the House Judiciary subcommittee on Judicial Administration, in preparation for oversight hearings.

**Sept. 1-3, 1994:** An independent committee of prominent international jurists reviews six volumes of new evidence, most of it composed of government documents obtained under the Freedom of Information Act. Concluding that "there has been a gross, even conspiratorial, misuse of prosecutorial and investigative powers by officials and agents of the U.S. government . . . to secure criminal convictions of Lyndon LaRouche and his associates to destroy their political movement," they file a formal request for a Congressional investigation.

**Summer 1995:** House Judiciary Committee probe of the incident at Waco, Texas, is supposed to hear evidence of DOJ corruption, including the LaRouche case. Hearings are hijacked by a group of Republican congressmen, whose objective is to pillory President Clinton.

**Aug. 31-Sept 1, 1995:** Public hearings are convened by a group of prominent current and former elected officials to investigate allegations of gross misconduct by the DOJ. The panel, chaired by former U.S. Rep. James Mann (D-S.C.) and civil rights attorney JL Chestnut of Selma, Alabama, agrees to investigate what the House subcommittees refused to hear.

They take testimony on the harassment of African-American elected officials, the OSI cases, and the LaRouche cases. At the close of proceedings, they draft an appeal to Congress. Transcripts of the proceedings are delivered to every member of the House and Senate.

**Dec. 18, 1995:** The National Black Caucus of State Legislators, the nation's largest organization of African-American elected officials, makes public their adoption of Resolution 20, "A Call for Congressional Hearings to Investigate Misconduct by the U.S. Department of Justice." The resolution endorses the call of the Mann-Chestnut Commission and demands that both the House and the Senate exercise their oversight responsibility by conducting investigative hearings. They urge the Congressional Black Caucus to demand such action.

**April 30, 1997:** The Mann-Chestnut Commission appeals to the Senate Judiciary Committee oversight hearing on the DOJ, citing the fact that almost two full years have passed since their original request, and document that, in those two years, "a series of startling new revelations in those cases" reviewed has come to light.

**April 1, 1998:** Testimony submitted to House Appropriations subcommittee on Commerce, Justice, State, and the Judiciary, as attached.

## Bill to curb DOJ abuse introduced in Congress

by Suzanne Rose

Apart from a single commentary in the March 26 *Washington Times* by syndicated columnist Paul Craig Roberts, the major American media have imposed a blackout on the introduction of H.R. 3396, "The Citizens Protection Act of 1998," a bill by U.S. Reps. Joe McDade (R-Pa.) and John Murtha (D-Pa.), introduced in response to growing public outrage at the abuses of the Department of Justice's career prosecutors. In his column, Roberts concluded that "there is no more important business before Congress than passage of the McDade-Murtha Citizens Protection Act." And, he may be right.

At the time that the bill was introduced into Congress on March 5, Representative McDade noted, "There are Justice Department employees who engage in questionable conduct without penalty and without oversight, using the full weight and power of the U.S. government. A win-at-all-costs attitude blinds them into suppressing exculpatory evidence, falsifying evidence, misleading grand juries and other misconduct, which most of the time goes unpunished."

As *EIR* goes to press, at least 50 members of Congress

have signed on as co-sponsors of the bill. The group of sponsors is bipartisan, represents virtually every faction within the Democratic and Republican parties, and is a clear indicator that the moment is ripe for the tyranny of Federal prosecutors—including those working under the even more draconian authorities of the Independent Counsel Act—to be brought to an end.

### Independent oversight, at last

The legislation sponsored by Representative McDade seeks to ensure that the rules of ethics and standards of conduct applied to all other attorneys, also be applied to government attorneys. The bill establishes standards of conduct for Department of Justice employees, defines punishable conduct and penalties, and creates an independent review board to monitor compliance with the standards. The board, the "Misconduct Review Board," would have the power to investigate allegations of abuse, issue subpoenas, and impose punishment. The meetings of the board are to be conducted in public. A person who believes that a DOJ employee has engaged in misconduct can submit a written complaint to the Attorney General. After the Attorney General has disposed of the matter by conducting an investigation and imposing a penalty where appropriate, or, if the Attorney General has not investigated and imposed a penalty, the person can resubmit his complaint to the board if he or she is not satisfied. The board would then conduct an independent review and investigation, and by a vote of a majority of its members, could impose a penalty.

Among punishable conduct would be: leaking or otherwise improperly disseminating information to any person during an investigation, seeking an indictment of a person without probable cause, failure to release information that would exonerate a person under indictment, intentionally or knowingly misstating evidence, intentionally or knowingly altering evidence, attempting to influence or color a witness's testimony, and acting to frustrate or impede a defendant's right to discovery. The penalties for such abuses would range from probation, demotion, dismissal, referral of ethical charges to the bar, and loss of pension, to referral of the allegations to a grand jury for possible criminal prosecution.

To buttress his bill, McDade asked the Congressional Research Service to compile a list of Federal cases in which prosecutorial misconduct has occurred. On the day he introduced his bill, he cited several hundred cases which had been provided to him, and he entered them into the *Congressional Record* under various categories of misconduct, including: "selective prosecution" (prosecution based on race, religion, gender, national origin, or exercise of first amendment rights), "vindictive prosecution" (prosecuting someone twice for the same offense, or without probable cause, or based on other violations of a defendant's rights), "abuse of the grand jury process" (actions which improperly influence or mislead the grand jury, leaking to the press, improper use of grand jury

materials), “interference with the attorney-client relationship,” “prosecutorial conflict of interest,” “inflammatory remarks at trial,” “improper characterization of defense witnesses or evidence,” and “reliance on perjury or deception at trial.”

McDade, representing Pennsylvania’s 10th District (Scranton area), has been in the House since 1962. During his tenure, he became chairman of an Appropriations Committee subcommittee which oversees defense spending. In 1992, he was indicted for allegedly taking bribes from defense contractors. Although he was acquitted after extensive litigation, he lost the opportunity to become chairman of the Appropriations Committee. His motive in introducing the legislation, according to his press staff, is not to vindicate himself and what he experienced, but to prevent it from happening to anyone else. Indeed, the history of the targeting of public officials and constituency leaders, including under such acronyms as “Abscam” and “Brilab,” and the infamous “Fruehmenschen” cases against African-American political leaders, suggest that the campaign to begin to curb the power of the permanent bureaucracy in the DOJ is long overdue.

## Rep. Harold James backs McDade-Murtha bill

*State Representative Harold James (D-Philadelphia) is currently serving his fifth term in the Pennsylvania House of Representatives, and is chairman of the Pennsylvania Legislative Black Caucus, and Subcommittee Chairman on Crime and Corrections of the House Judiciary Committee. A law enforcement officer for over 20 years, he formerly chaired the National Black Police Association. He also currently serves on the Criminal Justice Board of Directors of the Council of State Governments, and is a member of the National Executive Committee of the National Black Caucus of State Legislators.*

*The following letter, dated April 2, was sent to Reps. John Murtha and Joseph McDade, in support of H.B. 3396, “The Citizens Protection Act of 1998.”*

Honorable John P. Murtha  
2423 Rayburn HOB  
Washington, D.C. 20515

Honorable Joseph M. McDade  
2107 Rayburn HOB  
Washington, D.C. 20515

Dear Sirs:

This letter is written in regards to H.B. 3396, which, if

passed, would serve to provide a certain degree of protection for citizens of this nation against unjustified, unfair, and abusive prosecution by employees of the Department of Justice.

I believe that this bill is extremely relevant in today’s “no-holds-barred” legal climate in which a prosecutor has an unrestricted license to use any means necessary to collar an individual targeted for prosecution. The actions of these prosecutors often destroy the lives of our fellow citizens through some combination of public embarrassment and financial ruin, all in the name of “justice.” “The Citizens Protection Act of 1998,” as you have appropriately short-titled H.B. 3396, is an important piece of legislation that may finally offer some recourse against abuses experienced by far too many in this nation.

In addition to the partial list of specific instances of prosecutorial misconduct which you have submitted for publication in the *Congressional Record*, I would like to bring to your attention other instances of unethical and abusive prosecutorial misconduct. I am aware of many, including “Operation Fruehmenschen” (the DOJ’s calculated operation to frame, drive from office, and jail hundreds of African-American elected officials nationwide), “Operation Lost Trust” (a similar attack on South Carolina’s most prominent African-American officials), and the case of Lyndon LaRouche (who still awaits exoneration of charges that many, including former Attorney General Ramsey Clark, believe to be a baseless and unethical miscarriage of justice based on political ideology). There exists within the DOJ a permanent bureaucracy made up of individuals who operate with far too little oversight or concern for the consequences of their unethical conduct. I believe that this legislation may go far toward seeing that they are finally held accountable for the pain they have caused justice in our nation.

You should know that I have initiated steps to introduce legislation modelled after the “Citizens Protection Act of 1998” here in the Commonwealth, that would afford our citizens protection from similar conduct perpetrated by state law enforcement officials in the offices of the Attorney General and District Attorney.

As Representative McDade stated in introducing this act, “we must strengthen oversight of the Department and shine a bright light on prosecutorial misconduct.” I wholeheartedly agree with these reasoned comments, and I believe that similar oversight need be conducted at a state level as well. Hence, my action.

Again, I applaud you on your courage and foresight in introducing this legislation, and I look forward to offering you whatever support you deem appropriate in seeing it through passage.

Sincerely,  
Representative Harold James,  
Chairman, Pennsylvania Legislative Black Caucus

## Mideast headed toward war, unless Clinton intervenes

by Muriel Mirak-Weissbach

If there is no resolute intervention in the Middle East in the short term, on the part of the U.S. President, to force Israel to implement the Oslo Accords of 1993, there will be war in the region, probably not later than summer.

The most recent trip in the last week of March, by U.S. Special Envoy Dennis Ross, was a failure in every respect except one: It did expose to the world at large, the fact that the single obstacle to stabilizing the crisis, is Israeli Prime Minister Benjamin Netanyahu, who flatly rejected any moves toward peace.

Ross's declared aim, was to wrench some concession from the Israelis, in order to restart talks with the Palestinian Authority on the peace process, which has been stalled for over one year by Netanyahu's intransigence. The ostensible issue discussed in the four meetings he held with Netanyahu, was the proposal (which the United States has still not made public) for an Israeli withdrawal from 13% of the occupied West Bank. According to reports, Ross had a wish list of measures he wanted the Israelis to agree to, which included the following: that the 13% be handed over to Palestinian Authority (PA) control, designated Area A; that Israel withdraw from a further 13%, shifting this portion from Area C (total Israeli control) to Area B (joint control: Israel controls security, the PA has local control over administration); that the final status talks be completed within one year; that the third and final Israeli withdrawal be coordinated through a trilateral group, i.e., with the United States; that the interim agreements be implemented, i.e., that the PA seaport at Gaza and airport be opened, that an industrial zone be developed, and that safe passage for Palestinians between Gaza and the West Bank be organized.

It must be stressed, that there is *not one item* in the wish list that Ross took with him to Israel, which was a "new" proposal. According to the Oslo peace treaty signed by the

Israeli government in 1993, the Israeli withdrawal was planned in three phases, to be completed by 1998. The 13% idea is actually a tactical retreat from the amount of land which the Israelis had agreed to hand over. All the other items, regarding infrastructure, such as the Gaza-West Bank corridor, the airport, and the Gaza seaport, were explicitly part of the original treaty. Indeed, the original treaty had a series of economic annexes, which foresaw vast regional cooperation for economic development.

In addition, it was said, that if progress were made by Ross, U.S. President Bill Clinton planned on convoking a summit with five heads of state, in addition to the Palestinians and Israelis, to consolidate one phase, and, hopefully, open another.

None of this, however, seems to be on the agenda, because Netanyahu, and his masters in Britain as well as the coalition of Zionist lobby and so-called Christian evangelicals around Jerry Falwell and Pat Robertson, do not want peace. They want war.

### The engines of war

Before Ross left Washington, Netanyahu had made clear that he would not accept any "diktat" from any external power, including the United States. His argument, as usual, was that Israeli security is primary, and only Israel is empowered to make decisions bearing on its security. In remarks to the press on March 23, following a meeting with the foreign affairs and defense committees of the Knesset (parliament), Netanyahu said, according to the *Jerusalem Post*, "Israel is a tiny country and the territories are vital" for security. "One percent of the West Bank represents 55 square kilometers, the size of Tel Aviv. . . . We have made those determinations in a very careful calculation, not by choosing the numbers, but by looking at the maps very, very carefully and deciding what

territories are important, vital for our security, and what are territories that are less important.” Thus, he argued, any further transfer of territory “would damage our ability to fight terrorism, defend vital installations, and protect the 40,000 [settler] children who travel each day on West Bank roads.” He claimed that what Washington was proposing “would put our airport and water resources in danger.”

Despite the fact that other Israeli political leaders, among them Labor Party leader Ehud Barak, warned that his “irresponsible” approach in picking a “full-fledged fight with the U.S.,” would be a greater danger to Israel’s security, still the Prime Minister stonewalled in his meetings with Ross.

The strategy Netanyahu is following, is twofold: He believes, on the one hand, that he can mobilize enough blackmail pressure inside the United States, to dissuade President Clinton from taking forceful action for peace. As one Israeli official commented on Israeli radio, on March 24, “If the Clinton administration goes public with a plan calling for a withdrawal of this scope, we will reject it outright and call on our friends in Congress” to block it. As soon as Ross had left for Washington, it was reported that letters were circulating in the U.S. Congress, calling on Clinton to desist from pressuring Israel. The executive director of the American-Israeli Public Affairs Committee, Howard Kohr, testified before the House Appropriations Subcommittee on March 31, on what he called the “delicate” phase of the peace process. “Israel must have confidence that its negotiating partners are committed irrevocably to peace,” he said. “American plans imposed on Israel have never and will never succeed.”

On the other hand, Netanyahu is using the terrorist card. On March 30, a leading member of Hamas, Mohieddin Sharif, was shot and killed in Ramallah, and his body was placed near a car, which was blown up by remote control. The Israelis claimed it was the result of internal Hamas feuding, and denied any role in the assassination, but Hamas put the blame on Netanyahu. As if on cue, Hamas official Abdul Aziz Rantissi said, “Hamas has always had the ability to avenge the murder of its sons,” in essence, promising a terrorist assault against Israeli targets in retaliation. Israeli security immediately announced a heightened alert, and the stage was set for violence which could be used to bury any talk of peace. Netanyahu has ordered such assassinations of Hamas figures in the past to provoke terrorist responses, including the killing of Hamas’s Ayyash, whose head was blown off by explosives planted in his telephone.

Netanyahu knows that his sabotage of the Oslo Accords is undermining Yasser Arafat’s leadership of the Palestinian population, and creating the conditions for armed resistance. In fact, once it had become clear that Ross’s mission had borne no fruit, the word circulated in Jordan, of a renewed Intifada, this time not with rocks and stones, but heavy weapons. Palestinian, Egyptian, and Jordanian officials reportedly met, to discuss ways of preventing an armed uprising from occurring. Jordanian sources said that Azzam Hindi, head of the Palestinian intelligence unit, had expressed “not panic,

but paranoia” about the possibility of Palestinians taking up arms. Whether such an uprising would or could be organized by Hamas, is not the issue; rather, it is believed that forces of the PA police, which number 20,000, could, in the event of armed struggle, join the rebellion. Instances of police siding with demonstrators have not been infrequent. This could lead to intra-Palestinian, fratricidal civil war, with catastrophic consequences, including the possible expulsion by Israel, by force, of the Palestinian population into Jordan.

Israeli Infrastructure Minister Ariel Sharon, who was the author of the “Jordan is Palestine” scenario, has been fuelling this conflict. While on a visit to Jordan in late March, Sharon bragged that Israel had informed Jordan that it intended to “finish off the job” of assassinating Hamas leader Khaled Misha’al. This is the political leader of the Islamist Hamas movement, who is based in Amman, the Jordanian capital. The Mossad had tried to kill him there earlier, but failed. Sharon said that this time, out of “respect for Jordan’s sovereignty,” they would not do it on Jordanian soil. Just days later, Misha’al told an interviewer in Jordan that an armed rebellion was on the agenda.

### **How war can be stopped**

There is one political force on the planet that can impose peace, and that is the U.S. Presidency. There are no doubts about this fact, among those Palestinians eager to avert a new conflict. When Secretary of State Madeleine Albright’s comments, to a conference of American Jewish leaders, were circulated, to the effect that the United States might “withdraw” from the peace process, this produced frustration and consternation in the region. It is not disengagement which is required, but forceful intervention. Ahmed Tibi, a close aide of PA President Arafat, said, “It is no time to play infantile games. The Americans must remain in the picture because the United States is the only power capable of playing an active role in reviving the peace process.” UN Secretary General Kofi Annan, who had conducted a tour of the Middle East prior to Ross’s mission, and had publicly denounced Netanyahu for sabotage, also underlined Washington’s role: “The United States is in the lead,” he said, “and is playing the role as mediator.”

The ball is in Clinton’s court. As Lyndon LaRouche reiterated in a recent interview, the President is hesitant, because of the mass-based political movement of so-called Christian fundamentalists, which the Pat Robertsons and Jerry Falwells can whip up into a frenzy against the White House. These are the same circles already clamoring for Clinton’s head, and leading the witch-hunt run by special prosecutor Kenneth Starr. They are the same forces of the Zionist lobby which thinks it can determine U.S. foreign policy. Thus, to smash Netanyahu means taking on this enemy within, declaring war on it.

If the United States does not succeed in reversing the process toward conflict in the Middle East now, catastrophe will ensue. Whatever is left of U.S. credibility in the Arab and Islamic world, will be ripped to shreds. If this gangster regime

of Israel, which LaRouche has compared to the fascist regime of Serbia's Slobodan Milosevic, is allowed to dictate U.S. policy, the very concept of international law will be a joke.

At the same time, if ruthless political action is taken by the United States, simply to enforce what has been agreed upon in the existing peace accords, the Netanyahu gang can be sent packing. Any action the Israeli government is forced to take, for example, to withdraw from the occupied territories in the West Bank, will enrage the most extremist thugs in his coalition, and bring the government down. That, as many Palestinians realize, would be the quickest way to restart the peace process.

## Brits send terrorist controller to Mideast

by Joseph Brewda

An item in the March 28 London *Daily Telegraph*, shows the method that British Intelligence has used to keep the Mideast in a continuous state of war or near-war, most recently through fielding "Islamic terrorist" groups.

According to the report, the British government, which nows chairs the European Union (EU), has appointed British Foreign Service officer Alistair Crooke to be the EU "security liaison" to the Palestinian Authority, headed by President Yasser Arafat. His primary duty, the paper says, will be to help the PA "control radical groups," such as Hamas and Islamic Jihad, responsible for suicide bombings targeting Israeli civilians. Crooke will work out of the offices of the EU special envoy to the Middle East, Miguel Angel Morantinos.

Left unsaid by the *Daily Telegraph*, is that Crooke is a specialist in deploying terrorist organizations, and his real function will be to supply Israeli Prime Minister Benjamin Netanyahu with the bloody terrorist massacres that Netanyahu needs, to continue to justify sabotaging the Oslo Accords. The target is not just the Palestinian Authority; it is also the Clinton White House, whose efforts to bring peace to the region threaten British domination. Crooke arrives on the scene following Netanyahu's defiant refusal to make any concessions to U.S. envoy Dennis Ross on Israeli withdrawal from the Occupied Territories, provoking rage and despair that plays into British hands.

### Portrait of a terrorist

Alistair Crooke is certainly well-qualified for his new job. He personally oversaw the arming of the Afghan mujahideen during 1985-87, according to British sources, when he was vice counsel at the British Embassy in Islamabad, Pakistan. These were the days when Margaret Thatcher and George

Bush paid out billions of dollars to fund and equip what they called the mujahideen's valiant fight against Soviet Communism. Crooke controlled one of the spigots, and built up extensive connections with the mujahideen leadership.

When the anti-Soviet phase of the Afghan war ended in 1987, Bush and Thatcher abruptly shut down their operation. Cut off from funds and Western political support, the mujahideen, now termed Islamic terrorists, were dumped on the job market. Many found their way back to their countries of origin, where they now lead Hamas, Hezbollah, Islamic Jihad, the Islamic Group, and other British-run terrorist organizations, which Crooke supposedly will be called upon to counter.

During the period that the mujahideen were drifting back to the Mideast, Crooke was transferred to Brazil and Colombia, where he handled terrorist organizations, and oversaw the transfer of Chilean weapons to Mideast terrorist groups, according to regional sources. Now he will return to the region, to reassume mujahideen control.

Crooke's career as a terrorist controller has been aided by his older brother, Lt. Col. Ian Crooke, former head of British Special Air Services Counter-Terrorism Warfare Task Force. SAS played a dominant role in training, arming, and leading the Afghan mujahideen. Crooke's task force played a major role in training, arming, and leading terrorist groups, especially in the Middle East. In 1989, Prince Philip of Britain and Prince Bernhard of the Netherlands hired Crooke, then officially retired from government service, to run the World Wildlife Fund's Operation Lock, allegedly established to protect the southern African white rhino from poachers.

South African court records show that under the cover of training game wardens, Colonel Crooke fielded terrorists who indiscriminately massacred supporters of Nelson Mandela's African National Congress, and of KwaZulu Chief Mangosuthu Buthelezi, to provoke violence between the two groups. Thousands died as a result. This was per the British monarchy's policy of blowing up South Africa through ethnic, tribal, and racial violence. The same method is what Alistair Crooke will bring to the Mideast.

### Opportunities abound

Meanwhile, Netanyahu is ensuring that there are more than enough provocations in place to spark renewed violence.

A Hamas operative found dead at the scene of a car bombing in Ramallah on March 29, in what was initially attributed to the premature explosion of a suicide bomb, was actually shot to death three hours before the blast, Palestinian officials reported on April 1. Palestinian pathologist Jala Jabar told Associated Press that the victim, Mohieddin Sharif, had died from bullet wounds. The bomb in the car in which Sharif's body was placed, was later detonated by remote control, Palestinian police officials said, in an apparent effort to hide the cause of death.

Sharif topped Israel's most-wanted list, because he reportedly masterminded several suicide bombings. He was the des-

igned successor to the notorious Hamas master bomber, Yayah Ayyash, whom the Israelis assassinated in January 1996, provoking the Hamas February-March bus-bombing spree which paved the way for “strong-man” Netanyahu’s election that May. Predictably, Hamas Gaza leader Abdel Aziz Rantisi threatened a renewed terror wave in response. “Hamas cannot forget its members,” he told AP, “and they [the Israelis] have to understand that Hamas is in the habit of taking revenge.”

## British Army fuels N. Ireland conflict

by Mary Jane Freeman

As the April 9 deadline for an agreement in the Northern Ireland peace process approached, an extraordinary revelation appeared in the London *Sunday Telegraph* of March 29. Under the headline “Assassination by Proxy—Army Set Up Ulster Murders,” the *Sunday Telegraph* claimed to possess copies of British Army intelligence “contact” forms, which show that the Army infiltrated at least one agent into a loyalist paramilitary group for the purpose of targetting republicans and/or members of the Irish Republican Army (IRA) for assassination.

Such collusion has long been suspected. Sinn Fein President Gerry Adams, when asked about the *Sunday Telegraph*’s exposé, said he was not surprised, since he had submitted evidence of this sort to the British government long ago. If the documents prove to be authentic, and the *Irish Times*’s assertion that the secret Army unit involved, the Force Research Unit (FRU), “was disbanded in 1990 but was reconstituted and is still active in the North,” is correct, it raises the question: Does British Prime Minister Tony Blair’s government have two diametrically opposed policies on ending the Northern Ireland conflict: a public official line of support for the peace process, on the one hand, and a covert operation to undermine it, on the other?

### Murder for hire

The *Sunday Telegraph*’s feature recounts the recruitment of Brian Nelson (Agent 6137), who had been a soldier in the elite Black Watch counterinsurgency unit of the military, to infiltrate the Ulster Defense Association (UDA), also known as the Ulster Freedom Fighters (UFF). The alleged purpose of his insertion was to ensure “that UDA’s death squads, instead of murdering Catholics indiscriminately, would target only people involved in republican terrorism,” according to the account. But, as the *Sunday Telegraph* notes, “if the Army colludes in murder, it becomes indistin-

guishable from” terrorist groups.

Nelson was given personal information on the homes and movements of republicans by the FRU, “which was used to carry out assassinations.” The quality of his information led to his advancement, to head UDA intelligence. Many details of specific murders are given, but two statistics, based on the paper’s review of the Army’s contact forms and Nelson’s diaries, stand out. First, during the two years he was being “handled” by the Army FRU, he was involved in 15 murders, 15 attempted murders, and 62 conspiracies to murder. Second, the Army knew in advance of at least 92 cases in which the UDA planned murders.

The most glaring instance of the Army’s foreknowledge, was the attempted assassination of Sinn Fein elected official Alex Maskey, a Belfast councillor. The contact forms show, writes the *Sunday Telegraph*, that hours after an attempt was made on his life by the UDA, Nelson called his handler to report that Maskey “just missed death by 20 seconds.” The handler replied, “If you were caught there was nothing we could have done.” Nelson assured his handler he wouldn’t get caught, and informed him that another attempt would be made on Maskey’s life the following week. Knowing this, the FRU made no effort to warn the councillor. The only thing that saved his life is that he did not show up at the expected place.

In 1990, after another republican had been killed by the UDA, a hue and cry went up. In an effort to justify the action, the UDA published its intelligence report allegedly showing that the victim was an IRA terrorist. The information the UDA published, of course, had been provided by Nelson, who had gotten it from the FRU. This was the first crack in the case. An official inquiry was immediately initiated by a Royal Ulster Constabulary (RUC) deputy. But, the inquiry ended after his offices were set ablaze and the key suspect, Nelson, fled to England. The fire was ruled an “accident,” and a report was written absolving the Army; it stated that the collusion was “neither widespread nor institutionalized.”

### What is the Blair government’s role today?

After the *Sunday Telegraph* piece appeared, the *Irish Times*’s seasoned security analyst, Jim Cusack, wrote that the contact forms “are regarded as the first solid evidence that the British Army colluded with loyalists in the murder of republicans.” He added, “There has been strong circumstantial evidence to support this since the early years of the Troubles.” Reportedly, the FRU was disbanded after the 1990 investigation. However, Cusack wrote that “the *Irish Times* has been told by senior loyalist sources that the British Army is once again operating in a clandestine fashion.” These sources told the newspaper that the current collusion is not with the UDA-UFF, which has signed onto a cease-fire and is represented in the peace talks, but rather, is with the Loyalist Volunteer Force, a splinter group opposed to the peace process. If true, this is quite significant, in that it was the LVF which went on a killing spree in January 1998, murdering eight Catholics in the aftermath of the cold-blooded murder

of LVF leader Billy Wright, which occurred *inside* the British-run Maze prison on Dec. 27, 1997. Once again, this new wave of terror destabilized and slowed down the peace talks.

Sinn Fein President Adams has elaborated his call for an independent international inquiry, saying, "British military intelligence and other intelligence agencies within the British military apparatus have been using dirty tricks to kill political opponents since the early 1970s. [This] case took on a particular significance because of the number of people killed, the fact that British military intelligence helped in the importation of weapons from South African government suppliers, and the provision of intelligence information to loyalists on potential targets." Adams especially singled out the British governments of Margaret Thatcher and John Major for their role in supporting this "illegal and murderous strategy."

Officially, Blair's Ministry of Defense spokesman dismissed the report, saying that a 1990 inquiry resulted in "no charges . . . against Army personnel." When asked about Adams's call for an "international inquiry" into the matter, the spokesman replied that the Ministry had "nothing else" to say. When asked about the story, Downing Street, Blair's official offices, said it had "nothing to add" to the Defense Ministry's statement. Britain's Northern Ireland Office insisted the matter had been fully investigated previously, but added, "if there is fresh evidence," submit it to the courts.

## Kosova like N. Ireland: Serbs impersonate KLA

by Umberto Pascali

On March 5, "Greater Serbia" dictator Slobodan Milosevic unleashed his "anti-terrorist" gangs in the town of Prekaz and in the neighboring villages in the Drenica region, west of the Kosova capital, Pristina. The gangs, most of whose members wore masks, zeroed in on the villages, sealed them off, and committed appalling butchery. Despite the official number of "more than 90 people" tortured and killed, still today, the real number is not known. What is known, however, is that among those whom Milosevic's squads killed, there were at least ten children and infants.

The pretext for the massacre was the fight against the newly emerged terrorist group, the Kosova Liberation Army. Now, eyewitness reports confirm the *EIR* analysis of those events: Serb paramilitary forces, *disguised in KLA uniforms*, were roaming freely in Prekaz! The modus operandi, of which the British special forces are masters, involved terrorist and anti-terrorist forces deployed in a complementary way to obtain total control of the territory and to allow any manipulation by those who control the "game." What occurred was identical to what the British special forces did in central Bosnia in 1992-93, when they created "mujahideen" gangs and the superchauvinist Croatian formations, to be thrown one against the other. Like British operations in Northern Ireland, that is exactly what the British Cheshire battalion unleashed in central Bosnia.

Now, a Kosova Albanian teacher and native of Prekaz found the courage to state publicly what he saw that day, in an interview with a local newspaper. "The attack in Prekaz started at 6:30 a.m. From my house I could see a large number of uniformed persons who opened fire without warning. Shelling started. . . . I saw houses being burned down from grenades," he said. When he tried to leave the village, he was blocked by armed men in uniform. "The uniforms they were wearing were those I had seen in newspapers and television described as being the uniforms of the KLA. They spoke in Albanian when ordering me to stop, but soon they shifted into Serbian. . . . I was in front of man in a blue-and-black uniform and a painted face, who started kicking me immediately. He broke my jaw, while blood was coming out of my ear. 'There will be meat for tonight,' other Serbs said."

### More on MI6 operations Bosnia

This dramatic revelation comes while further reports are emerging on the role of British Intelligence in support of

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“Greater Serbian” operations. For example, Milosevic, Radovan Karadzic, Ratko Mladic, and other Serb war criminals spread the story that the Feb. 6, 1994 mortar attack on the market square in Sarajevo, while it was under siege, had been carried out by the Bosnians themselves. Now, a senior journalist, Ed Vulliamy of the London *Guardian*, has revealed that the line was spread by British Intelligence. Journalists were routinely contacted. Wrote Vulliamy: British “MI6 was peddling an ill-disguised agenda: the Foreign Office’s determination that there be no international intervention against Serbia’s genocidal pogrom. British ‘UN officials’ or ‘diplomatic sources’—usually coy—suddenly offered eager briefings. . . . Their ‘information’ was that the Muslim-led government was massacring its own people in Sarajevo. Sarajevo’s defenders were dumb with disbelief; if there was any evidence for this satanic notion, the spooks never produced it. Indeed, Unprofor [UN Protection Force] reports invariably found that, as usual, Serbian mortars had wrought the killing. But Unprofor’s deliberations were tampered with and selectively leaked.”

Similarly, the case of Her Majesty’s Army Maj. Milos Stankovic, the right-hand man of Unprofor commander Gen. Sir Michael Rose, who delivered to Karadzic and Mladic any NATO secret plans in Bosnia, is continuing. Despite the contortions of the London *Times*, claiming that Stankovic is a “victim of the Americans,” he is still on trial for treason and, apparently, new evidence is accumulating.

Indeed, the British-Serb plans to retrigger the Balkan war through the explosion of Kosova, are not proceeding as planned. Milosevic and his regime are reportedly in a state of hysteria over the U.S. role. After the smashing electoral victory of Kosova Albanian leader Ibrahim Rugova, Milosevic refused to receive President Clinton’s envoy, Robert Gelbard, who reportedly is sharpening his line toward the Greater Serbs. On March 31, the UN Security Council approved, with the abstention of China and the support of Russia, an arms embargo against Serbia. And although guns in Kosova can be bought for little more than \$10, the fact that the British could not provoke a U.S.-Russia split on the issue is significant.

### Unleashing fascist mobs

On April 2, Milosevic proposed a referendum against the nomination of a mediator for Kosova. Given the hysteria, fear, and rage he has sown among the Serbian population, there is no doubt that he is going to win the referendum.

The referendum is just the latest element of a precise strategy, based on the London Tavistock Institute’s methods of mass manipulation. Milosevic has already set up a militant fascist movement, creating the conditions for mass riots. In any major city in Kosova, for example, mobs of Serbs are attacking Albanian houses and shops, destroying windows, smashing doors, harassing passersby, shooting. In Milosevic’s mind, the only “solution” is an orgy of mass intimidation and violence.

## Ukrainians vote against IMF policies

by Konstantin George

On March 29, Ukraine held its second parliamentary elections since attaining independence in 1991. The results revealed deep dissatisfaction with the current government, which has slavishly implemented the austerity policies of the International Monetary Fund (IMF), causing widespread suffering and a collapse of physical production. An important new factor emerging from the election was the entry into the parliament, for the first time, of the Progressive Socialist Party of Ukraine, headed by Dr. Natalya Vitrenko, a leading advocate of a New Bretton Woods international financial system.

Over 30 parties and hundreds of independent candidates participated in the elections, which were the first held under last year’s new election law, providing for one-half the 450 seats to be filled through direct district election of individual candidates, and the other half through nationwide party slates. For parties to gain seats via the second route, required a minimum of 4% of the popular vote. When the official results were announced on March 31, only eight parties had managed to cross the 4% hurdle. Five of these had run, each in their own way, on a platform of opposition to President Leonid Kuchma, whose re-election next year is already in deep trouble.

The eight were:

- The Communist Party of Ukraine (CPU), 123 seats;
- The nationalist Rukh Party, 46 seats;
- The Socialist Party (SP)-Peasant Party bloc, 32 seats;
- The government’s Popular Democratic Party, 28 seats;
- The Hromada (Community) party, of former Prime Minister Pavlo Lazarenko, 23 seats. Lazarenko was sacked by Kuchma last June, and was in bitter opposition to the President; he had been closely connected with recently deposed Russian Prime Minister Viktor Chernomyrdin.
- The Green Party, 19 seats;
- The Social Democratic Party (United), 17 seats. This party is headed by former President Leonid Kravchuk and former Prime Minister Evhen Marchuk, and is open to collaboration with the government.
- The Progressive Socialist Party of Ukraine (PSPU), 16 seats.

In the 225 direct election races, the big winners were 114 independent candidates, a telltale indicator of how deeply



*Dr. Natalya Vitrenko's PSPU party cleared the threshold for membership in the new Ukrainian parliament. Here, at a press conference on Dec. 23, 1997, she shows Lyndon LaRouche's graph of "a typical collapse function," to illustrate the causes of the economic crisis in Ukraine. With her is Volodymyr Marchenko, also a leader of the PSPU.*

discredited the regime and all of the older parties are. The other indicator was the fact that the new Progressive Socialist Party broke the 4% threshold for membership in parliament. Dr. Vitrenko, the party's head, focussed her campaign against the IMF and for a New Bretton Woods system, using Lyndon LaRouche's "triple curve" diagram of the economic collapse. The vote for the Greens, though they are diametrically opposed in policy to the PSPU, fits into the picture of a vote against the status quo. They scored so well, not because of ecological issues per se, but because the voters viewed them as a new "untainted" anti-regime party.

### **A revolutionary situation**

The elections show the emergence of a revolutionary situation in Ukraine, with surprises on the agenda from now on.

The fact that Dr. Vitrenko's PSPU cleared the 4% hurdle, for example, confounded all the pundits and pollsters. The party victory was coupled with sweeping district election victories on the part of Vitrenko herself and of another PSPU leading figure, Volodymyr Marchenko.

Vitrenko had campaigned tirelessly and uncompromisingly against the new, post-Soviet form of colonialism imposed on Ukraine through the IMF and the country's ruling comprador caste. The PSPU leader is also famous for her repeated public support for the creation of a New Bretton Woods system. She was the co-initiator in February 1997, along with Schiller Institute President Helga Zepp-LaRouche, of the international campaign for a New Bretton Woods system to replace the current hopelessly bankrupt international financial-monetary system. (In an interview with *EIR* published on Feb. 6, 1998, she discussed the worldwide financial crisis. "The outbreak of this crisis," she said, "has

affirmed the theoretical, scientific basis of the LaRouche movement, especially the great service of Lyndon LaRouche in revealing the roots of this crisis, as well as the timeframe in which it would develop. . . . My source for full information, on the crisis that is actually going on, is *EIR* magazine, the LaRouche newspapers; there, as an economist, I can see the real scope of this tragedy.")

Last but not least, the PSPU cleared the 4% hurdle without the benefit of a party machine or any kind of "big money" sponsors, the only such case among the eight parties that made it over that threshold. The PSPU came into existence as a splitoff from the Socialist Party of Oleksandr Moroz, the opportunistic and unscrupulous president of the outgoing parliament, after Moroz engineered the expulsion of Vitrenko and Marchenko from the SP leadership over two years ago. Vitrenko and Marchenko had insisted that the IMF issue had to be the cornerstone of the political fight in Ukraine. Moroz, reflecting the so-called "conventional wisdom" of centrism in political parties, dispatched the two to what he thought would be the "political wilderness." Their emergence as a strong, independent political force testifies to the revolutionary nature of the current situation.

### **The nation's crisis deepens**

The victory of the PSPU, however, cannot obscure the tragic components of the election overall. The broad anti-regime vote was hopelessly split up among parties that have, for the most part, badly flawed political platforms, and that virulently oppose one another. This means that a coherent parliamentary majority is probably impossible, let alone the two-thirds needed to override Presidential decrees, or to change the Constitution.

The vote, first of all, reflected the extremely broad popular disgust with the regime of President Kuchma and Prime Minister Valeri Pustovoitenko. Since 1991, Ukraine's economy has witnessed a steep decline in living standards every year, while the country has been bled white by a corrupt leading stratum drawn from groupings of the "former" Communist nomenklatura, and "Red Directors" of major Soviet-era plants, collaborating with the IMF and financier quarters in the West.

As in Russia, there is an ever-growing mountain of back wages and pensions owed by the state. In March, before the elections, this reached a peak of 5.3 billion hryvnia (about \$2.6 billion). Measured on a per-capita basis, the Ukrainian crisis of wage and pension arrears exceeds the much more publicized Russian crisis.

The biggest winner in the election was the Communist Party of Ukraine, led by Petro Symonenko, which received nearly 26% of the vote, winning 123 seats, compared to the 80 seats it had previously held. The "Left Bloc," comprised of the CPU, the Socialist Party (SP), the Peasants Party, and assorted left-wingers from smaller parties and among the independents, now comprises some 40% of the new parliament. After the CPU, the largest left grouping is the SP-Peasant Party bloc, under Moroz, with 32 seats.

The Communist Party scored its big gains through a two-pillar platform. The first of these was a very strong campaign against the IMF, with the election slogans, "The country must not become a colony of the IMF," and "Immediate break with market economy reforms." Leaving aside the "fine point" that Ukraine already *is* a colony of the IMF, the slogans, as such, were on the mark.

But the second slogan of the CPU's campaign was "Ukrainian reunification with Russia and Belarus, under an autonomous Ukrainian leadership," sometimes shortened to "An autonomous Ukraine in union with Russia and Belarus." This open call for Ukraine to become again a Russian colony shows the true colors of the CPU, by calling for an end to Ukraine's existence as an independent nation.

The task most immediately vital to Ukraine's survival is to throw off the colonial yoke of the IMF, to achieve national sovereignty, and not to trade off one (IMF) colonialism for another (Russian). The added irony in this is that Russia, to which Symonenko and the CPU wish to attach Ukraine, is itself ruthlessly practicing IMF monetarist austerity policies. The CPU electoral platform thus adds up to: "No to the IMF through the front door; yes to the IMF through the back door."

The other tragic component of the election results, giving a renewed impetus to a partition dynamic which had been dormant since 1994, is the extreme disparity in the regional breakdown of the CPU vote. As could be expected, the CPU scored extremely well in the heavily ethnic Russian regions of eastern and southern Ukraine. In Crimea, where ethnic Russians form the majority, the CPU got 60% of the vote;

in the ravaged former centers of heavy industry in Donetsk and Luhansk (subjected to massive disinvestment in the final decades of Communism and delivered the *coup de grâce* by IMF shock therapy), the CPU got 45% and 55% of the vote, respectively. In some districts of Kiev, the CPU also won, drawing heavy support from pensioners.

In western Ukraine, the bulk of the vote went first to Rukh (which scored 8.9% nationally, coming in second), the party which, through its appeal to patriotic sentiments, attracts the support of many good Ukrainians, and, secondly to a new grouping of conservative parties, called the National Front. The National Front did not cross the 4% mark nationally, but scored district victories in the west. Here, one has the reverse problem of the CPU: These parties are in favor of Ukrainian sovereignty and nationhood, but sabotage this principle by their support for the IMF's "market economy," and thus play directly into the hands of the ruling groups in Kiev. The vote for these parties in east Ukraine was negligible, just as the CPU vote in west Ukraine was negligible.

This east-west divide, provided it is not massively supported by outside forces, meaning from both Moscow and the British and continental European oligarchy, does not threaten any near-term partition of Ukraine. A closer look at the CPU vote shows why, even in east Ukraine, where it did so well: The CPU only did well where it could hide behind the relative anonymity of a party list. For example, in its industrial stronghold of Donetsk Oblast, the CPU got 37% of the vote, but won only 7 out of 23 district races.

This brings us to the other "divide" in Ukraine, the age divide. Pensioners make up some 30% of active Ukrainian voters, and the highest proportion of CPU votes came from them. When one looks at the election picture from the standpoint of who wants a continued independent Ukraine and who doesn't, then over two-thirds voted for independence, and the percentage of non-pensioners who voted for independence was much higher.

Now, with the elections over, the first shots in the coming confrontation between the regime and the new parliament have been fired. On March 30, CPU head Symonenko and Rukh head Chornovil, in separate statements, called on Kuchma to dismiss the present Cabinet. A Cabinet reshuffle is definitely in the cards, as Kuchma will seek to tactically adjust to the situation.

But even greater storms will be hitting soon, as the economic-financial crisis intensifies in April and May. The IMF has suspended injections of money, because Kuchma, to prevent the total disgrace of the government party not clearing the 4% hurdle, overrode the IMF's budgetary restrictions, to get some back wages paid. Also, facing a possible suspension of half of its U.S. foreign aid, Ukraine will have to refinance the Treasury bills that come due. Whether it can do that, even without outside financial shocks wreaking havoc, is an open question.

# The Miracle Field in the Land of Fools

*Roman Bessonov writes from St. Petersburg about the campaign to bury skeletons believed (by some) to belong to the last Romanov Tsar, Nicholas II.*

Writer Aleksei N. Tolstoy, illegitimate offspring of the prominent noble family, returned from emigration to Soviet Russia in the 1920s and soon became colloquially famous as the “Red Count.” Back in the U.S.S.R., he wrote several new books, including the novel *Peter I*, reportedly ordered by Josef Stalin personally, and the Russian version of Pinocchio, known as *Buratino*.

In this fairy tale, the cunning fox and the cat lead the little boy made of wood to the Land of Fools, where money can allegedly be grown on trees in a place called the Miracle Field.

The materialistic Pinocchio did not get transformed into a normal boy, like his Italian relative. But he led other dolls, boys and girls, to the real land of happiness at the end of the story, while evil, exemplified by Alisa the Fox and Basilio the Cat, was punished.

The period of Gorbachov’s perestroika in the 1980s introduced new thinking, and a new understanding of persons and events. *Ogonyok* magazine, in the vanguard of glasnost, published the story of writer Leonid Dobychin who perished in an NKVD jail as a result of a report written by the Red Count. The image of the nobleman converting to Communism, was deconsecrated. Soon after, the founders of Communism were deconsecrated, and the Lenin Museum, in the city which lost his name, was shut down.

But the bastard count was luckier. In the spirit of Stanislav Govorukhin’s monarchy-nostalgic film *Russia We Have Lost*, assemblies of nobility and nobility balls were revived in 1990s Russia, with what human material was available. The material was as fake as Aleksei Tolstoy’s title of count. Like the figures of saints on the restored Cathedral of Christ the Savior in Moscow, which appear to be made of plastic, the fake successors of the Russian noble class took up their posts, speaking from tribunes or living in mansions.

The Congress of Compatriots, designed to attract Russian emigrés to support of the newly restored “historical Russia,” opened in Moscow just a few days before the failed putsch of Aug. 19-21, 1991, which spelled the end of the Soviet Union. This conference was organized and headed by Aleksei Tolstoy’s grandson, Mikhail Tolstoy (president), and a certain alleged nobleman, Ivan Artsishevsky. Five years later, the same Mr. Artsishevsky was elected head of the St. Petersburg branch of the Support Fund for Special Services and Law

Enforcement Bodies.

At the dawn of “democratic revolution,” Mr. Tolstoy, Junior and Mr. Artsishevsky were seen in the environs of St. Petersburg’s first “democratic” leader, Mayor Anatoli Sobchak. Five years later, when the latter locked himself in a Paris flat, fleeing from criminal prosecution for corruption, Aleksei Tolstoy’s heir, along with his “enforcement” partner, are still to be seen around the St. Petersburg City Hall, busily organizing the burial of several skeletons, which have been “almost definitely” identified as the remains of the executed Tsar Nicholas II and his family.

Ironically, the group that had dug up these skeletons was deployed in 1979 by the infamous Brezhnev-era law enforcement minister Shchokolov, who, five years later, became the major victim of the first post-Stalin anti-corruption campaign, and committed suicide.

Minister Shchokolov’s motives were related to the tendency for the justification of monarchic rule, which emerged in Brezhnev’s later years, and involved a significant layer of the “creative intelligentsia,” exemplified by Bulat Okudzhava’s novel *The Travel of the Dilettantes* and Igor Volgin’s research on the last years of Fyodor Dostoevsky, published in 1981. Okudzhava, who also wrote rhymes for children, appeared to be the author of the song “The Miraculous Field” in the screen version of Aleksei Tolstoy’s *Buratino*, produced by theater manager Mark Zakharov.

The burial of the remains, supposed to be those of the last Romanov Tsar, has been scheduled for July, by decision of the since-ousted Russian government.

## A memorial Mercedes

Soon after Boris Yeltsin climbed down from the tank where he took his stand against the would-be “putsch” of August 1991 — his version of Vladimir Lenin’s armored car in 1917 — theater manager Mark Zakharov became a member of the Presidential Council, and the ideologist of revived Russian historical greatness. His favorite Russian thinker, Fyodor Dostoevsky, is now carved in bronze in Volkhonka Street, replacing Yakov Sverdlov, the head of the All-Russian Central Executive Committee who had ordered the execution of Nicholas II and his family in 1918.

Just at the moment when Okudzhava and Zakharov went

into action to inspire the “creative intelligentsia” for Yeltsin’s fight against the first democratically elected parliament in 1992, leading into the year of the parliament’s destruction in 1993, a German post-modernist artist, visiting St. Petersburg, installed a Mercedes on the empty pedestal where Lenin’s armored car had been standing. For some reason, the authorities did not get the joke, though it was their own initiative to re-establish the Lenin Museum as the International Exhibition Hall.

The same fall of 1992 was when Boris Yeltsin was warmly welcomed in London, and exactly then, Prince Philip offered his blood as material for identification of the alleged monarchic remains. Philip is a close cousin of the Romanovs, on his mother’s side (see **Figure 1**).

Five years later, a great effort by the ideologists of President Yeltsin’s career, starting with Igor Chubais—the elder brother of privatization zealot Anatoli Chubais, and himself famous, first, as the most democratic Communist among Communists, founder of the “Democratic Platform” within the Communist Party of the Soviet Union, and then as the most monarchist democrat among democrats—was concentrated on organizing the great political event, called the Simultaneous Burial. The essence of the project, evidently imported from London, was to deconsecrate Vladimir Lenin, by burying his mummified body, which has been on display in the Mausoleum in Red Square for over 70 years, and to canonize Nicholas II, also by means of burial.

The state leadership may have been saved from the disgrace that would have attended the implementation of this project, had it really taken place, by the unknown chauffeur of a hired car, who drove off in a Mercedes with Igor Chubais’s briefcase, tightly packed with U.S. dollars, on the back seat (so says Chubais).

## Veterans of the funeral battle

In 1996, Queen Elizabeth’s birthday party was attended by two monarchists from St. Petersburg. One of them, the son of a war veteran, had once been jailed for drawing swastikas in the streets on Adolf Hitler’s birthday, and the other was a retired Navy colonel.

The first, Nikolai Braun, represented the old emigré anti-Communist organization known as Russian Imperial Union-Order (RISO). Shortly before his London trip, he had been officially expelled from this organization, but for some reason, the London Monarchist Society found nobody else to represent the Russian monarchist movement. Later it was explained that Braun was the personal choice of the Tolstoy Foundation’s Nikolai D. Tolstoy.

RISO’s ex-head Pyotr Koltypin-Vallovsky, who originally appointed Braun to represent the Order in the new democratic Russia, was the very person who headed the alternative commission of experts on the Romanov bones, representing the views of the emigré Russian Orthodox Church Outside Russia (ROCOR).

This commission opposed the official expertise, questioning also the validity of Prince Philip’s genetic material. It was not until the eve of the final decision of the Moscow “funeralists,” in the winter of this year, that ROCOR’s leadership claimed that the genuine Romanov remains are already buried in Brussels.

This last-minute scandal only contributed to the raging brawl around the reportedly genuine Romanov remains. Eduard Rossel and Vladimir Yakovlev, the governors of Yekaterinburg (where the Tsar was shot) and St. Petersburg, respectively, each insisted that the funeral should take place in his city. This heated discussion, swallowing a lot of budget funds for trips of the commission and parts (!) of the remains from Yekaterinburg to Moscow and back, ended with “victory” for St. Petersburg, due to three persons:

- Nikolai R. Romanov, grandson of Grand Duke Pyotr Nikolayevich, the brother of the infamous Grand Duke Nikolai Nikolayevich, chief of Russia’s Military Staff (which first pulled Russia into World War I, and then destroyed the Russian Army in this war);
- his friend Academician Dmitry Likhachov, a prisoner of the NKVD in the 1920s;
- their permanent partner Ivan Artsishevsky, promoter of assistance for security services and law enforcement bodies.

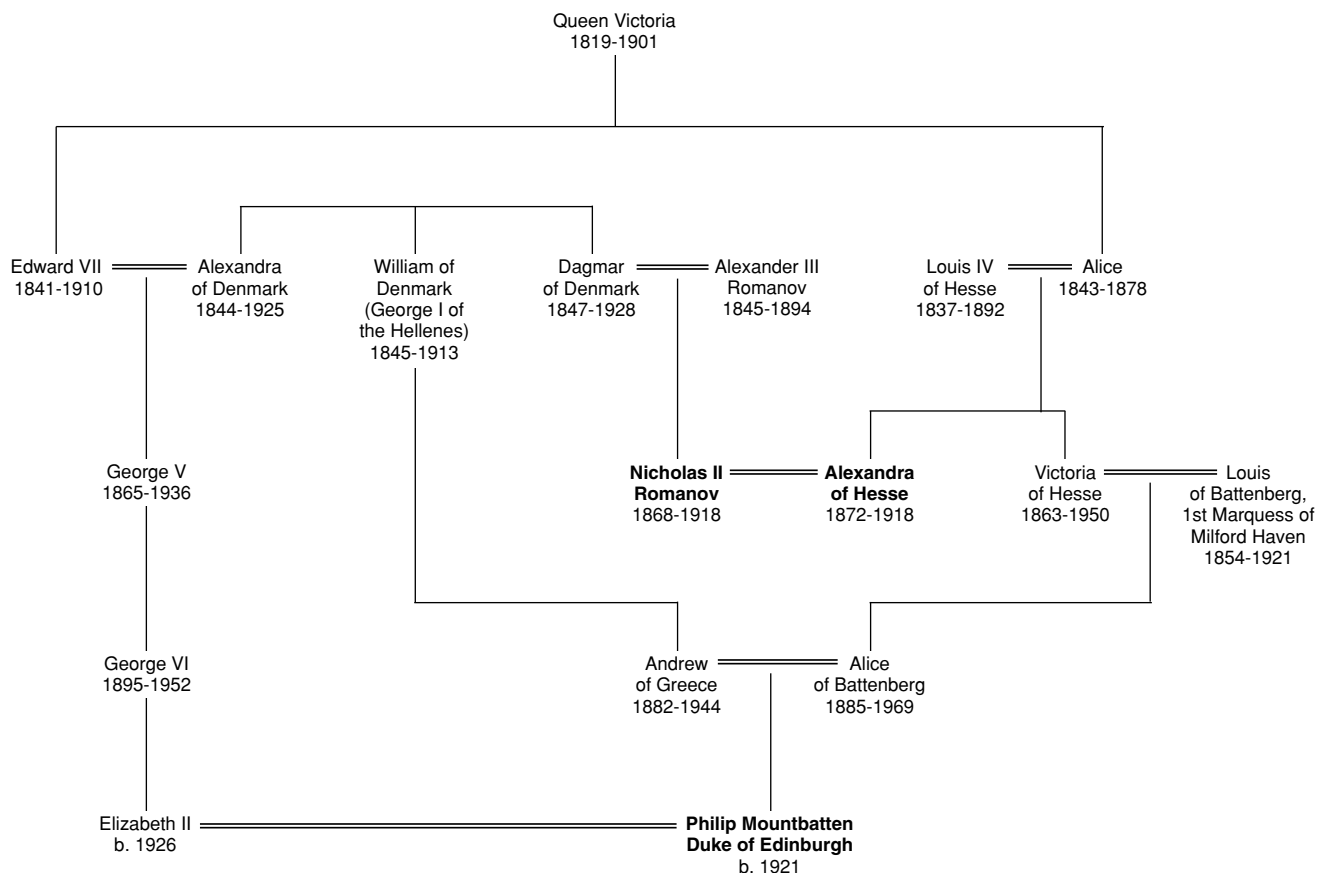
Before this result was obtained, the time for the Simultaneous Burial operation had expired—not because of the controversy between St. Petersburg and Yekaterinburg, and not only as a result of the episode with Igor Chubais’s suitcase, but due to the rivalry of two branches of the Romanov family, which obviously have been quarreling even since Nicholas II was alive (see **Figure 2**).

The rival branch, representing the Hohenzollern-Bagration family, intermarried with the Romanovs, and its teenaged heir Georgi, usually called Gogi by his half-Georgian mother, was the official choice of London till late 1996. It might have been at Queen Elizabeth’s birthday festivity, when the Tolstoy Foundation changed London’s sympathy in favor of the “Nikolayevichi.” In 1997 in St. Petersburg, the favorites of Academician Likhachov were represented not only by Nikolai R. Romanov, but also by his distant relative Georgi Romanov-Yurievsky, a young Swiss citizen with rich experience in military training. Yurievsky recently posed as the best friend of Bulgaria, at a Moscow event dedicated to an anniversary of Bulgaria’s liberation from the Ottomans by the Russian Army.

A third would-be King was probably the most exotic person. Styling himself as a son of the allegedly survived son of Nicholas II, Aleksei, he managed to get himself crowned, an effort in which Gogi Hohenzollern failed. The phony coronation was, moreover, performed by a phony Church, the so-called Kiev Patriarchate, which emerged from the failure of the Kiev Metropolitan Filaret (Denisenko) in the rivalry for the post of Moscow Patriarch of the Russian Orthodox Church in 1990.

FIGURE 1

## Prince Philip and the Romanov dynasty



*Prince Philip's DNA was used for identification of the "Yekaterinburg" bones. Philip Mountbatten is Empress Alexandra's great-nephew, on his mother's side, and Tsar Nicholas's first cousin once removed, on his father's side. Queen Elizabeth is a first cousin twice removed of both Nicholas and Alexandra.*

A rather remarkable dialogue took place in Moscow, at one of the events organized by the fake "Nicholas III." "We are supported by Russia's military intelligence," says an assistant to the fake heir, proudly. Another guest, forgetting he is a spy of the "Kirillovichi" (Gogi and his mother), turns pale and objects: "But Russian military intelligence supports *us*!"

Most likely, the first speaker was referring to promotional support from Gen. Vladimir Platonov, better known as a deputy of retired KGB Gen. Aleksandr Sterligov in the Russian National Congress. "Law enforcement" is also probably involved, since Prof. Ivan Chabanov, representing Nicholas III in St. Petersburg, is a member of the expert council of the local Interior Ministry department.

### Thighs and Kings

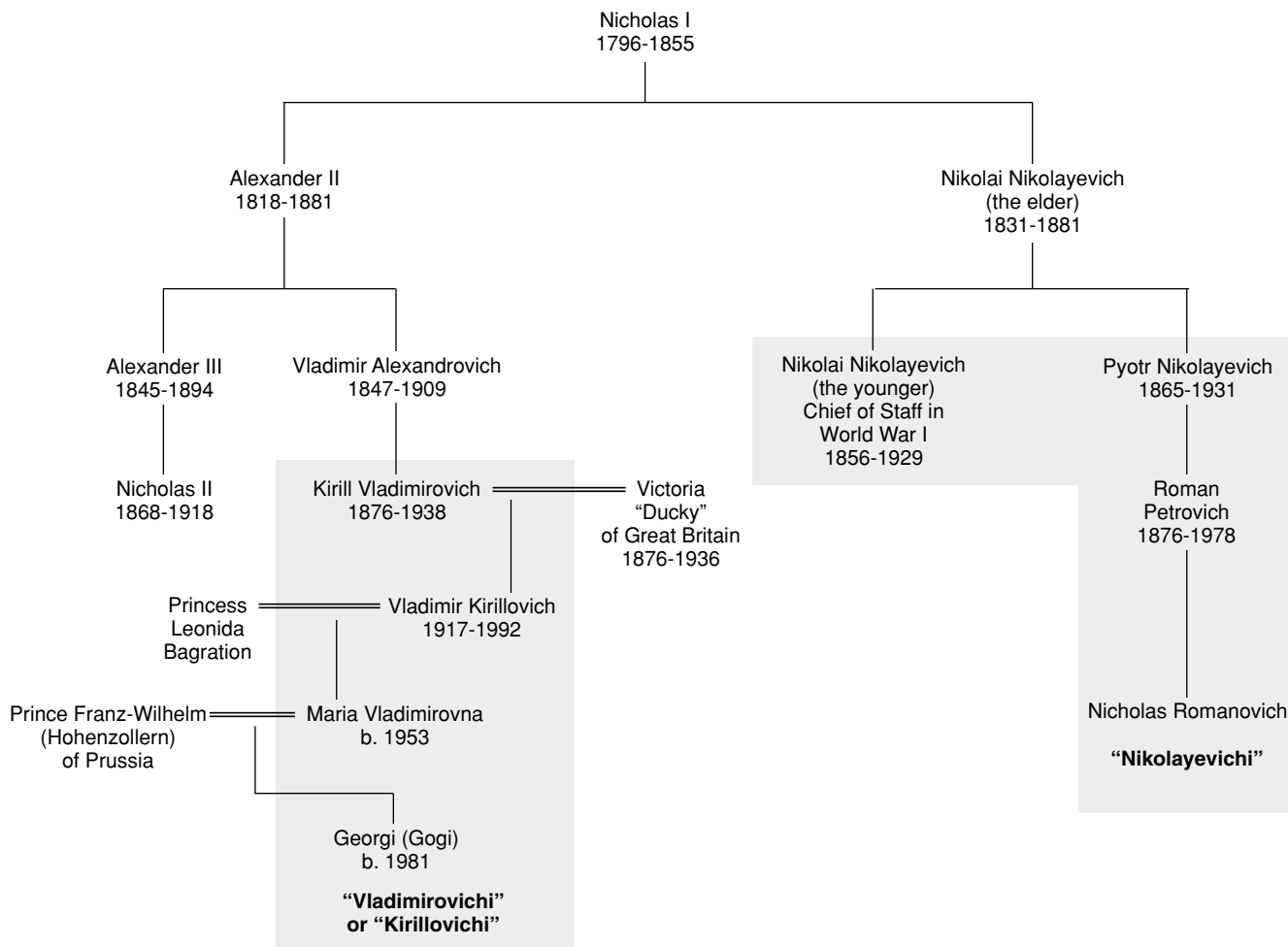
The disgrace of the Hohenzollern branch in Russia was evidently linked with President Yeltsin's support for the Rus-

sian successors of vodka manufacturer Pyotr Smirnov. It appeared that Gogi and his mother were actually on the payroll of the "foreign" (U.S.-based) branch of the Smirnovs (spelled Smirnoff).

In this way, the fate of state ideology appeared to be tightly associated with vodka manufacturing. Who could have expected that the Hohenzollerns' rivals and their official patron, First Vice Premier Boris Nemtsov, known as a strong protector of the Russian auto industry, would turn out to be engaged in a commercial activity far less patriotic than the foreign Smirnovs (who have traded their product for decades, with no harm done to domestic producers for Russia's bottomless vodka demand)!

But, no sooner had the term, site, and subject of the long-discussed burial been defined as July 17 in St. Petersburg, with interment of the Yekaterinburg bones, though they are not officially recognized as genuine by the Russian Orthodox

FIGURE 2  
The Romanov heirs



At the time of Tsar Nicholas II's death, there were eight living Romanov Grand Dukes (sons or grandsons of Tsars). This diagram shows only the "Vladimirovichi" (or "Kirillovichi") and the "Nikolayevichi" lines.

Church, when a series of publications in *Novye Izvestia* exploded the last and decisive media bomb on the whole expensive effort of the monarchic revival.

*Novye Izvestia's* investigative team found out that Boris Nemtsov and the special government identification commission were involved in the import of U.S.-produced chicken thighs—the notorious "Bush legs" that have undercut the national poultry industry in Russia. The operations of the mysterious Committee for Promotion (!) of Burial of Monarchical Remains, existing since as long ago as April 1996, were certainly overseen by intelligence officials, in this case, through the watchdog department of the Customs Service. Simultaneously, the government's PR head Igor Shabdurasulov was forced to admit that the accounts of the State Customs Committee, officially transferred to Russia's Central Bank, are

again (or still?) serviced by Oneksimbank, which has been scandalously favored both by Russian "young reformers" (Nemtsov and Anatoli Chubais), and by Russian arms traders.

The latest results of *Novye Izvestia's* investigation solved the puzzle that was presented in the above-quoted conversation of two sincere adepts of the monarchical idea. One of the board members of the mysterious trading company, with a name almost coinciding with that of the state commission, appeared to be Nikolai Dalsky—the very person who styles himself as Nicholas III.

Another series of exposé publications featured Boris Nemtsov, accompanied by a lot of naked girls in a fancy suburban mansion owned by Oneksimbank. The whole story became known because the young reformers forgot to pay their ladies. Russian society is rather tolerant toward scandals

associated with vodka and naked thighs. But the detail that the girls were not paid, in the context of the young reformers' agitation for saving budget money, portrays the heroes in a most amusing way — and humor is the most effective weapon against ideology. So, when in several days Boris Nemtsov raised his voice against “oligarchs,” with the intention of creating his own political party, even the truce struck between him and ORT Television did not save him. Mocking the didactic revelations that recently appeared on Mr. Nemtsov's personal web page, Kommersant called it “*Pyzhdyr maksymar-dysh pyzh*” — a solemn Soviet-era revolutionary slogan in the Volga Tartar language, which sounds comical in Russian and made every reader burst into laughter.

The coins sown in the Miraculous Field have not grown up into trees with golden fruit. They disappeared, and not even Sister Alice and Brother Vasili can tell where they are, themselves having been fooled by more skilled Russian swindlers. Now they will have to think hard, what kind of mythology to introduce next.

### Spring on Spiridonovka Street

There is no longer an Aleksei Tolstoy Street in Moscow: It is again called by its “historical” name, Spiridonovka, although nobody can tell you what landowner Spiridonov was famous for, besides being a landowner. Professional “demo-

crat” Sergei Stankevich, who used to inhabit one of the luxury flats in the area, has found his Paris in Warsaw (out of reach from Russian prosecutors, who are after him for taking bribes when he was deputy mayor of Moscow), by styling himself now as a Polish nobleman and successor of a hero of the landowners' Polish revolt. Lenivka (“Lazy Street”), which never changed its name, lazily rolls down to the glistening embankment of the Moskva River, by the gigantic plastic saint-decorated cathedral. The Moscow 800th anniversary celebrations are over, and the entrance of the cathedral is barred with wooden boards, as it was in 1918. Cellist Mstislav Rostropovich is invited to a pompous ceremony with champagne and caviar. Right before the event, he is told that it is postponed. The hall appears to be reserved for another party. Mayor Yuri Luzhkov, seeking support from a leftist electorate, celebrates the 100th anniversary of the First Congress of the Russian Social-Democratic Labor Party. Guests applaud, and flatteringly recognize him as the leader of “Russia's left center.”

Moscow officials can't help grinning, calling the boss “a smart Buratino,” the colloquial expression being derived from Aleksei Tolstoy's materialistic wooden boy. Others remember that something of this sort has already happened with another mayor, Aleksandr Rutskoy: released from custody, where he was packed off by his former partner in the democratic revolution (Yeltsin), he posed for a photo under the portrait of Nicholas II, but later the same month, renamed his political party the Russian Social Democratic Popular Party. (Neither mask helped him to win the Presidential elections.)

In early March 1998, then-Vice Prime Minister Anatoli Chubais, whom the “revolutionary” Luzhkov ritually denounces, also felt somewhat anxious. The Vecheka, his own “evolutionary” invention, had evidently failed to fulfill its mission, in the face of the global financial crisis, and the sabotage of the IMF instructions he was supposed to implement has consequences. The very idea of using Dzhzhzhinsky's threatening title (Chubais named the tax collection agency with the first acronym of the later KGB, Soviet intelligence) for the task of improving tax collection did not work. Debtors just did not believe, as other Russians don't believe, in any word, gesture, or statement of apparatchiks turned democrats turned monarchists turned social-democrats, and vice versa.

A lot of clever imagemakers, running around with an important air, are of no use: All their efforts with the same material, dressed in this or that, more and more evidently appear to be a zero-sum game.

The late Bulat Okudzhava once wrote a short verse, on why kingdoms die: “not because life is hard, not because the people suffer: kingdoms die, and with more pain, the longer it takes, when people don't respect their kingdom any longer.”

At the time when this was written, its author identified himself not as a creative intellectual, not a democrat or monarchist, but just as a soldier. For that reason, he was right.

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# Sudan's uphill battle for peace, democracy

by Muriel Mirak-Weissbach

While President Bill Clinton was visiting several African states, important developments unfolded in Sudan, a country unfortunately not on his itinerary. Both politically and militarily, government forces took a further step forward, along the path to national reconciliation and peace.

On March 31, President of Sudan Gen. Omar al-Bashir sent his official approval of the new Constitution to the Speaker of the Parliament, Dr. Hassan al-Turabi. The Parliament had debated the text in an extraordinary session throughout March, and ratified it. Now, the document will be presented to the population, through a referendum which should be completed by June.

Among the numerous bold initiatives contained in the Constitution, is the full text of the peace treaty which the government concluded with all the rebel factions, except the faction of the Sudanese People's Liberation Army (SPLA) of John Garang. Thus, the referendum on the Constitution is at the same time a plebiscite on war or peace. If, as is expected, the population votes with a large majority for the Constitution, this will generate enormous pressure on the recalcitrant Garang, to come to the negotiating table.

Another leading aspect, is the guarantee of civil liberties, including the right to political association. Thus, for the first time since the 1989 revolution, which brought General al-Bashir to power, political parties will be allowed to operate. According to norms regulating the foundation of parties, they cannot be regional, sectarian, or ethnically based, but must, like the mass constituency organization known as the National Congress, be representative of the entire country. This is a crucial factor, to prevent the Sudanese political process from regressing to the state it was in prior to 1989, when feudal-style political parties based on family dynasties and religious sects prevailed.

## The new cabinet

The other major event signalling progress toward reconciliation, was the reshuffle of the federal government, and the integration into the new cabinet of former rebel leaders, as well as political figures associated formerly with just those sectarian parties. Thus, for example, the new Health Minister, Rt. Lt. Mahdi Babo Nimir, is a relative of Sadiq al-Mahdi, leader of the Umma party, which is controlled by the Mahdi family, and constituted of members of the Ansar religious sect. The new Minister of Irrigation, Dr. Shareef al-Tuhame, is also a former

Umma party and Ansar sect member. There are also a number of former Marxists in the new cabinet, like Abdul Basit Sabdarat, the President's Adviser for Legal Affairs, and Badr-El-din Suleiman, Minister of National Industry.

Consolidating the process of power-sharing, which was written into the peace treaty, the new government also has several people who were leaders in the southern rebel forces. Dr. Lam Akol, the new Minister of Transportation, was a member of the Communist Party, and also of the National Democratic Alliance (NDA), an umbrella group based in Asmara, Eritrea created out of the political opposition parties by Deputy Speaker of the British House of Lords, Baroness Caroline Cox. Dr. Akol is a member of the Shilluk tribe in the Upper Nile. His signing the peace treaty with Khartoum meant that the entire Upper Nile State ceased its hostilities, which allowed, for the first time since 1983, for regular rail and road traffic to resume. Another prominent politician from the south, Agnes Lukdo, who was a state governor of the southern state of Bahr al-Ghazal, is a Christian, also a former rebel leader; she has become Minister of Public Service (or Manpower), replacing Angelo Beda, who has become a deputy to Dr. Riek Machar, the chairman of the Southern Sudanese Coordinating Council, based in Juba. Joseph Malwal, the new Minister of Animal Resources, is also from the south, a member of the Nuer tribe, and Maj. Gen. George Kongor, who is Vice President, is a member of the Dinka tribe, the same tribe as Garang.

Among the leading Muslim figures in the government, who have been closely associated with Dr. Turabi, is Mustafa Osman Ismail, the new Minister of Foreign Affairs, and Dr. Ghazi Salahuddin, Minister of Culture and Information. Dr. Salahuddin, while serving as secretary general of the National Congress for two years, developed it into a mass-based constituency organization.

This new government is committed to completing the peace process, hopefully in the current year. But it will be an uphill battle, considering the range and type of operations being deployed to sabotage peace.

On the military plane, although government forces have recently scored significant successes, they are expecting massive attacks in the immediate future. In March, government troops destroyed three SPLA camps in the Wau area, and reactivated, as a result, the railway links from Babanusah (in central Sudan) through Uwayl, to Wau, which had been under SPLA control. Then, on March 26, it was announced that the government had recaptured the strategic Abigo area, on the Ethiopian border. According to the deputy chief of staff and spokesman of the Armed Forces, Lt. Gen. 'Abd al-Rahman Sirr al-Khatim, the government took Abigo, in Kurmuk, southeast of Damazin, which had been taken by rebel forces and Ethiopian troops in January. Had the rebel offensive proceeded to capture Damazin, it could have cut off energy supplies to the capital, at the El Rosieres dam there.

Yet, despite these important military victories, Sudanese

government officials are alarmed, because of growing evidence that military offensives are being geared up from Uganda and from the Eritrea.

### The U.S. 'Africa experts'

In this context, a report carried by the Arabic daily *Al Hayat* on April 3, raises disconcerting questions about the intentions of the "Africa experts" in the State Department, vis-à-vis Sudan. *Al Hayat* reported on a U.S. security and military delegation to Asmara, the seat of the NDA. The delegation included a noted enemy of Sudan, John Prendergast of the National Security Council (NSC); the assistant on African affairs to Defense Secretary William Cohen, Dennis Kern; Philip-Michael Gary, the East African affairs director of AID; Robert Hodeck, former U.S. Ambassador to Addis Abeba and Asmara; Don Tittlebaum, chargé d'affaires of the U.S. Embassy in Khartoum; and Gail Smith of the AID office in Nairobi. The leader of the group was David Dunn, director of the Office of East African Affairs at the State Department.

According to the report, the American delegation met with top leaders of the Sudanese opposition, the NDA, including Mubarak al-Fadl, Abdel Rahman Said, Farouk Ahmed Adem, Sherif Hariri, Abdel Aziz Nafallah, and official SPLA spokesman Mansur Khaled. The delegation later held a separate two-hour meeting with Khaled.

The reported subject of the talks was U.S. policy in the area, and the situation in Sudan. A source close to the meeting told *Al Hayat* that they had discussed topics similar to those broached by Secretary of State Madeleine Albright during her December visit to Uganda, when she met with NDA personnel. They talked about how to build a "new Sudan," and the importance of forging unity among the Sudanese opposition, in order to be able to replace the ruling government in Khartoum. According to *Al Hayat*, the delegation said it was going to report to President Clinton, on their return to Washington.

If the *Al Hayat* account is true, it is urgent to bring out into the public realm, what the content and aims of the sinister delegation was. It is documented, that there are serious, principled, and factional differences among those in the State Department, NSC, and elsewhere, on U.S. policy toward Sudan. Whereas the President has sent repeated signals of willingness to establish a dialogue with the Khartoum government, rogue elements attached to the British intelligence operations, typified by Prendergast, have openly challenged Clinton, and presented as U.S. policy, open support for insurgents against a sovereign government — for example, at a conference of the U.S. Institute of Peace last year (see *EIR*, Sept. 29, "Sudan, Target of Rice War").

Now, in the wake of the President's Africa tour, it would be most opportune to seek out direct contact with the majority leaders of southern Sudan, i.e., those former rebel leaders and former opposition figures who have opted for peace, and are now engaged in the task of creating democratic institutions of self-government for Sudan.

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## Interview: Babiker Ali Eltom

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# Sudan's people are looking to the future

*Mr. Eltom is the chairman of the state legislative council in the Sudanese capital of Khartoum. He was interviewed by EIR correspondents on Feb. 21.*

**EIR:** We have seen a number of construction sites and new bridges being built in Khartoum. Could you tell what the most important projects are which have come on line?

**Eltom:** The revenues of Khartoum state have increased from 123 billion Sudanese pounds last year to 182 billion this year. This indicates that there is more money coming in to the government for expenditures, mainly for roads, for the rehabilitation of new and existing agricultural facilities, and for hospitals. Two weeks ago, we had an operation for open heart surgery. We started this in early 1983, but we stopped, because the hospitals were not in good order; but now, they have been rehabilitated. We have put more surgical instruments, staff and logistics, cars, ambulances into the new hospitals. More hospitals have been built in the territories. I am more concerned about the rural areas. About 85% of the people live in rural areas. So, there are more schools, there are more roads, there are more water supply facilities. There are more things like veterinary centers, recreation centers, and the beautification of Khartoum itself. So, there is a lot of effort taking place in Khartoum, just to make it a real city, like a capital. We are taking care of it.

**EIR:** Is this typical for the country as a whole, or mostly Khartoum?

**Eltom:** No, Khartoum is just part of it. The same, for example, is taking place in Kadario. There are production schemes, according to the speciality of each state. For example, water and electricity problems in North Kordofan. This is one of the main problems impeding the progress of that area. Water drillings, water projects have been rehabilitated. In the North, we have more expansion in wheat. In the Gezira, we are revising the relationship between the government and the tenants. Canals are being cleaned, areas of agricultural expansion are taking place in the Gezira scheme. So, there are a lot of infrastructure improvements taking place, all enhancing to the welfare of the people. Although they are suffering some hardships because of the disintegration of the economy, they still hope that in the near future, they are going to harvest what they have lost in previous years.

**EIR:** How are these projects financed?

**Eltom:** From the government, from self-help—just from inside the country. We do not have any grants or foreign aid from anywhere.

Each state has its own body and they finance their projects. Some states get grants from the richer states. There are states that cannot support themselves, and have a budget deficit. But there is a foundation to help those states which have less financial potential.

**EIR:** Do you expect this to happen in the southern states as well?

**Eltom:** Yes, we will concentrate more and more on the development of the south, once peace is achieved. In all walks of life, because the South needs everything.

**EIR:** All this construction activity must have had a positive impact on the employment situation.

**Eltom:** Yes. That is why it is no wonder that some people are coming back to Sudan from the oil-producing countries. They are coming back, especially architects, engineers, technicians, laborers. They have gained important experience abroad.

**EIR:** The last time we were here, we met with the Commissioner for Housing of Khartoum. And he told us of the tremendous housing difficulties for people coming in, such as refugees from the South. Have you been able to alleviate those problems somewhat?

**Eltom:** Especially in areas where there is stability and peace, we are asking these people voluntarily to go back to their homes.

**EIR:** The second National Congress has just taken place. Could you summarize what you see as the political and historical significance of this Congress for Sudan?

**Eltom:** What struck me the most is that there used to be more friction, . . . whereas at this Congress, everything was cordial, harmonious, very well tuned. At the last Congress there were 4,500 people; this time, 6,500. That is a good indication, for people outside or those who are just sitting on the platform and waiting: It is better to come and join, because there is a place for you. . . . People were relieved, the citizens. Because some people had said this would never take place, it would collapse. Now, you can definitely ascertain that people were relieved, and they said, this regime has to be supported, and people should participate. And as a result of this, [Mohammad Othman] al-Mirghani [an opposition political leader from the South, currently in exile] has said that he is coming back. And that is the feeling of all citizens, whether they were taking part in the system or were hostile to the system before. And 80% of those who were previously “anti,” became neutral, if they did not become participants.

## Pope in Nigeria makes overture to Muslims

Pope John Paul II visited Nigeria on March 21-23. The official occasion was the beatification of Father Cyprian Michael Iwene Tansi; but, the significance and impact of the Pope’s message go beyond this. Particularly in his speeches to the leaders of the two main religious communities in Nigeria, the Muslims and the Catholics, the Pontiff presented the principles on which reconciliation among different faiths can be reached, and conflict, in the name of religious creeds, can be avoided. This message is not only crucial for Nigeria, but for many countries in Africa, whose populations are divided among Christian, Muslim, and traditional African religions. We publish here excerpts from two of his speeches.

### Meeting with Muslim leaders

*This speech was given in Abuja on March 22.*

1. Although my stay in Nigeria is rather brief, I did not want it to go by without such an important meeting with the highest representatives of Islam in this country. Allow me to express my gratitude to you for having accepted the invitation to come here this evening; I deeply appreciate this opportunity of greeting through you the entire Muslim community in Nigeria. I thank His Royal Highness for his kind words, and in turn I salute you with a greeting of Peace, the peace which has its true source in God, among whose Beautiful Names, according to your tradition, is *al-Salam*, Peace. As you are aware, the reason for my visit has been to proclaim solemnly the holiness of a son of this country, Father Cyprian Michael Iwene Tansi. He has been declared a model of a religious man who loved others and sacrificed himself for them. The example of people who live holy lives teaches us not only to practise mutual respect and understanding, but to be ourselves models of goodness, reconciliation and collaboration, across ethnic and religious boundaries, for the good of the whole country and for the greater glory of God.

2. As Christians and Muslims, we share belief in the one, merciful God, mankind’s judge on the last day (*Lumen Gentium*, 16). Though we differ in the way we understand this One God, we are nevertheless akin in our efforts to know and follow his will. That religious aspiration itself constitutes a spiritual bond between Christians and Muslims, a bond which can provide a firm and broad-ranging basis for cooperation in many fields. This is important wherever Christians and Muslims live together. It is particularly important in Nigeria,

where Christians and Muslims are present in such large numbers.

Among the important convictions which we share, both Christianity and Islam stress the dignity of every human person as having been created by God for a special purpose. This leads us to uphold the value of human life at all its stages, and to give support to the family as the essential unit of society. As a result we see as a sin against the Creator every abuse against the weaker members of society, and against women and children in particular. Moreover, our religions lay emphasis on the responsibility of individuals to respond to what, in conscience, they see that God wants of them. It is a disquieting reflection on the state of human rights today, that in some parts of the world people are still persecuted and imprisoned for reasons of conscience and for their religious beliefs. As innocent victims, they are sad proof that force, and not democratic principles, has prevailed, that the intention is not to serve the truth and the common good but to defend particular interests at any cost. On the contrary, both our traditions teach an ethic which rejects an individualism that seeks its own satisfaction without paying attention to the needs of others. We believe that in God's eyes the earth's resources are destined for all and not just for a few. We are conscious that the exercise of power and authority is meant to be a service to the community, and that all forms of corruption and violence are a serious offence against God's wishes for the human family.

We have in common so much teaching regarding goodness, truth and virtue that a great understanding between us is possible. And indeed necessary. In the Message that I addressed to the Muslim Community in Kaduna during my first visit to your country in 1982, I said: "I am convinced that if we (Christians and Muslims) join hands in the name of God we can accomplish much good. . . . We can collaborate in the promotion of justice, peace, and development. It is my earnest hope that our solidarity of brotherhood, under God, will truly enhance the future of Nigeria and all Africa" (14 February 1982, No. 4).

3. In any society, disagreements can arise. Sometimes the disputes and conflicts which ensue take on a religious character. Religion itself is sometimes used unscrupulously to cause conflict. Nigeria has known such conflicts, though it must be recognized with gratitude that in many parts of the country people of different religious traditions live side by side as good and peaceful neighbors. Ethnic and cultural differences should never be seen as justifying conflict. Rather, like the various voices in a choir, these differences can exist in harmony, provided there is a real desire to respect one another.

Christians and Muslims agree that in religious matters there can be no coercion. We are committed to teaching attitudes of openness and respect towards the followers of other religions. But religion can be misused, and it is surely the duty of religious leaders to guard against this. Above

all, whenever violence is done in the name of religion, we must make it clear to everyone that in such instances we are not dealing with true religion.

For the Almighty cannot tolerate the destruction of his own image in his children. From this place in the heart of West Africa, I appeal to all Muslims, just as I have appealed to my Brother Bishops and all Catholics: let friendship and cooperation be our inspiration! Let us work together for a new era of solidarity and joint service in facing the enormous challenge of building a better, more just and more humane world! When problems arise, whether at the local, regional or national levels, solutions must be sought through dialogue. Is not this the way of African tradition? When Nigerians of different backgrounds come together to pray for the needs of the country, each group according to its own tradition, they know that they stand together as a united people. In this way they truly give honor to the Most High Lord of heaven and earth.

### **Meeting with Nigerian bishops**

*The speech excerpted here was given in Abuja on March 23.*

6. The members of the particular Churches entrusted to your care are citizens of a nation which must now meet several serious challenges as it attempts to implement political and social change. In this context, ever greater significance accrues to your role as leaders in the Catholic community, leaders who recognize the desirability and need for constructive dialogue with all sectors of society regarding the just and solid bases of life in society. . . . It is of the utmost importance that all Nigerians should work together to ensure that necessary changes may be brought about peacefully and without undue hardship to the weaker segments of the population. . . .

7. This atmosphere of dialogue and cooperation must likewise extend to Muslim believers of good will, for they too try to imitate the faith of Abraham and to live the demands of the Decalogue (*Ecclesia in Africa*, 66). Today, as I meet you, the Catholic bishops of Nigeria, I repeat the call that I made yesterday in my meeting with Muslim leaders: the call for peace, understanding, and mutual cooperation between Christians and Muslims. The Creator of the one great human family to which we all belong desires that we bear witness to the divine image in every human being by respecting each person with his or her values and religious traditions, and by working together for human progress and development at all levels.

Christians, Muslims, and followers of African Traditional Religion should continue to pursue a sincere quest for mutual understanding. This will ensure that all citizens will be truly free to work for the good of Nigerian society, united in the common cause of safeguarding and fostering social justice, moral values, peace and freedom (*Nostra Aetate*, 3). . . .

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### New horizons for U.S.-German relations

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*President Clinton's upcoming visit to Berlin in May is creating great expectations.*

**P**resident Bill Clinton will visit Berlin, the old and future German capital, on May 14, four years after his historic, July 12, 1994 speech at the Brandenburg Gate, which heralded a new chapter in U.S.-German relations, especially for close cooperation in the economic development of eastern Europe. The day before, at a press conference in Bonn, Clinton had ended (to the embarrassment of the British) the "special relationship" between the United States and Britain.

Clinton's activities of those July days sparked great expectations, as to what could be done in this new era of U.S. emphasis on relations with reunited Germany. The bitter reality, however, is that the Germans did not take the hand extended to them by Clinton, because they were fixated on building their Maastricht Europe, behaving as "Europeans" first, before thinking about their bilateral relations with the Americans. The Europeanism of the Germans did a lot to prevent the Berlin impulse of 1994 from taking shape, so that diplomatic routine once again took over U.S.-German relations.

Therefore, there is hope that Clinton's new visit to Berlin will be characterized by efforts on both sides to renew that 1994 initiative. Most notably, the founding ceremony of the American Academy in Berlin on March 20, 1998, with more than 250 prominent U.S. and German political, economic, and scientific figures in attendance, reflects this renewed impulse toward deepening U.S.-German relations. The American Academy is a 1994 brainchild of Richard Holbrooke, then U.S. ambassador to Germany, and the

idea for it emerged in the context of Clinton's July visits to Bonn and Berlin. Holbrooke's idea was that rebuilding eastern Europe after the end of the Cold War, should be a joint U.S.-German effort. And, in the U.S. view, Germany has to play an essential role toward the East—which is a concept that the Academy, which will begin operation in September, will promote.

Holbrooke, who attended the founding ceremony for the Academy, was explicit in an interview with the March 19 *Berliner Zeitung*. He charged that the heteronomic European Union, which has no clearly defined policies other than the non-congruent geopolitics of its individual member governments, is unable to formulate a common foreign policy in the Balkans. This is why cooperation between the United States and Germany is of the utmost importance, Holbrooke said, for example, in the effort to secure peace in Kosova, whose Albanian ethnic population is being expelled or eliminated by the Serbs. In direct contrast to the British, who prefer a weak Germany, Holbrooke said that a strong, reunited Germany corresponds to the genuine interest of the United States on the European continent.

As far as U.S.-German cooperation in the Balkans is concerned, it was discussed at the Wehrkunde meeting in Munich in early February. There, a German member of parliament told this author about a design for a change in the American military presence under a renewed peacekeeping mandate in Bosnia. The German military, which is already engaged in the peace-

keeping force, would relieve the Americans in Bosnia with an upgraded German contingent. This would enable the Americans to upgrade missions elsewhere in the region—in Macedonia, where Americans are already stationed, and in Kosova. This U.S.-German project is disliked in London, the parliamentarian said.

The U.S. conflict with Britain over Germany, was also openly addressed in the speech by U.S. Undersecretary of State Strobe Talbott, at the American Academy ceremony in Berlin.

Not explicitly referencing Clinton's 1994 Berlin address, Talbott drew a line, however, from President John F. Kennedy's historic June 26, 1963 Berlin speech, to the process of reunification of Germany that began when the Berlin Wall came down on Nov. 9, 1989, and from there, to Clinton's role as "the first American President to be elected after the end of the Cold War."

"As a new Europe emerges out of what Americans still think of as the Old World," Talbott said, "we see a united, democratic Germany as both an important symbol and a powerful engine of what is happening, and what can happen, in Europe as a whole."

A bit later on in his address, Talbott explicitly denounced the hostile British attitude toward Germany: "I'm moved here to recall Lord Ismay's famously offensive witticism about NATO's putative purpose. The Alliance, he said, existed to keep the Americans in, the Russians out, and the Germans down. In 1949, when he made that remark, it was already one-third invidious—that is, in its reference to Germany—and it would soon be downright wrong. NATO actually helped foster this country's security, prosperity, and, very importantly, its international leadership. So, far from keeping the Germans down, NATO helped the new Germans stand up."

# International Intelligence

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## **Royal Danish Opera may drop Wagner's music**

Apparently disagreeing with Mark Twain's famous description of the music of Richard Wagner—that "it is not as bad as it sounds"—the Royal Danish Opera is considering dropping Wagner's music from its program, when it performs at Skamlingsbanken, an historic site in the border area between Denmark and Germany, on April 9.

The controversy arose over Wagner's Nazi proclivities. According to journalist Elisabeth Saugman, writing in the daily *Jyllands Posten* of March 24, "Wagner and his anti-Semitic ideas, which Hitler referred to, still creates controversy around the world."

Opera Vice-Director Klas Sjoebloom said, "It is certain that we will adjust our program at Skamlingsbanken, out of concern for the place's national sanctity. We can't just go into such an area and perform Wagner, so maybe we will eliminate him, even though his opera is also a part of the Royal Theater's repertoire next season." After visiting the site, he said, "The Royal Kapel, chorus, and soloists start the concert at Skamlingsbanken at 3 o'clock, when the famous bells have played one of the traditional Danish melodies, and then we can't just go directly to the overture to Wagner's *Meistersinger*."

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## **Kevoorkian's policies come to Kazakstan**

*Moscow News* reported in its March 8 edition that Dr. Mukhtir Aliyev, whose son is the son-in-law of Kazakstan President Nursultan Nazarbayev, has proposed "dismantling" those sentenced to death, once they had been executed, for donor organs. Aliyev, director of the Kazakstan Scientific Center for Surgery, cited the alleged "practical experience" of neighboring China in this matter. Aliyev proposed that prisoners should be "fattened up"—given a high-protein diet—and kept especially healthy if they are selected as "suitable donors."

So far, President Nazarbayev has not reacted publicly to the proposal. However, it is the President who, according to the Con-

stitution, has the right to pardon those sentenced to die. Currently in Kazakstan, however, the number of those executed grows each year.

"If a man is condemned to die in any case," Aliyev declared in an interview with a *Moskovskiy Novosti* correspondent, "then why should he not help a person who could live thanks to transplanted organs? Especially since it will be very difficult for a moneybags to get authorization through the law enforcement agencies for transplantation."

This initiative, shades of America's Jack "Dr. Death" Kevoorkian, has outraged physicians and religious and public figures. "I do not understand how such an idea could enter the mind of a physician," said Prof. Toregeldy Shormanov, the president of the Academy of Prophylactic Medicine and the director of the Nutrition Institute, and a member of the Russian and Kazakstani Academies of Medical Sciences. "If this proposal goes through, and I do not rule out such a possibility, then the physicians of Kazakstan will have to renounce the Hippocratic Oath. To say that I am shocked by Academician Aliyev's proposal is to say nothing. Today I am terrified for myself, for my near and dear, for our entire society."

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## **Bankers demand cuts in Ibero-American military**

The Circle of Montevideo, meeting in Brasilia on March 16, called for cutting "excessive" military budgets in Ibero-America, in order to fund social programs. International Monetary Fund Managing Director Michel Camdessus joined the group of former and present Ibero-American Presidents, bankers, and "intellectuals" at the Circle's third annual meeting. Set up three years ago in Montevideo by Uruguayan President Julio María Sanguinetti, the group claims to be concerned about social policy.

At this year's meeting, as Camdessus elaborated, it was agreed that only by cutting "excessive" military budgets can funds be freed up for investment in health, education, and housing. This is the same fraudulent argument put out by former World Bank president Robert McNamara. No one has yet been able to explain why, with all the slashing of defense budgets in recent years, spending on

social programs hasn't gone up.

Camdessus underscored Sanguinetti's sentiment that "just like any other *unproductive* fiscal [expenditure]," military budgets "depress private investment or reduce public expenditures which are more productive." Panamanian President Pérez Balladares, whose own defense forces were dismantled by George Bush, seconded Camdessus. Among other attendees at the closed-door session were former Colombian President Belisario Betancur, Brazil's Fernando Henrique Cardoso, Enrique Iglesias of the Inter-American Development Bank, and Fernando Zumbado of the UN Development Program for Latin America and the Caribbean.

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## **Thatcherites host leader of Chechnya**

Between March 9 and 13, the "President" of the breakaway Russian republic of Chechnya, Alsam Mashadov, was in London on a visit hosted by friends of former British Prime Minister Margaret Thatcher. The firm which handled the visit was Robertson & Associates, Thatcher's public relations firm. The official host was Lord McAlpine of West Green, chairman of the Referendum Movement, created and financed by the late Jimmy Goldsmith. Lord McAlpine was chief fundraiser of the Conservative Party during the Thatcher years and is a controller of the British-steered Chechen insurgency. Another host was Conservative member of Parliament Michael Howarth, who had been Thatcher's private parliamentary secretary when she was Prime Minister. Howarth has close ties to the British armaments industry. Another host was Imran Khan, the Pakistani cricket champion who is married to Jimmy Goldsmith's daughter.

During his visit, Mashadov had speaking engagements at the Royal Institute for International Affairs at Chatham House and the Royal United Services Institute. He also spoke before a group of British Islamic community leaders, organized by Imran Khan at the Royal Commonwealth Institute, and toured the British Parliament, Oxford University, and the London Stock Exchange. Mashadov, who doesn't enjoy any official diplomatic status, visited the Imperial War

**PERFIDIOUS ALBION** will only grant passports to former *white* colonials. Part of the preparation for the 1984 deal to return Hong Kong to China was a change of citizenship law in London, aimed at preventing Chinese from Hong Kong from moving to England on their British passports. Only the residents of Gibraltar and the Malvinas (Falklands) Islands, who are of European descent, retain full citizenship.

**NELSON MANDELA** told the BBC on March 29: "There is a lot that I miss in my life in prison, because there you could sit down, and stand away from yourself, and look at your track record and be able to discover the mistakes that were made." The previous week, Mandela toured Robben Island, where he had spent most of his 27 years behind bars, with the visiting President Clinton.

**MONTENEGRO** President Djukanovic distanced himself from the Serbian policy in Kosova, stating on March 28 that Montenegro supports a dialogue, on an equal basis and without any preconditions, for a peaceful solution to the Kosova Albanian issue. He denounced the Serbian actions in Kosova, adding that the Serbian military should withdraw and an international peace-keeping force be stationed there. Montenegro, like Macedonia, has a sizable Albanian minority.

**BRITISH FOREIGN** Secretary Robin Cook won high praise from *Al Quds al Arabi*, a newspaper linked to the London-based Palestinian terrorist group Hamas. In an editorial on March 18, headlined "Israeli Insolence and British Courage," the paper hailed Cook's "firm stance in confronting Israeli blackmail."

**BRITISH TERRORIST** controllers Lord Avery and Roger Godsiff, heads of the Friends of Kashmir in the House of Lords and House of Commons, respectively, organized a conference of "Kashmiri leaders" in London on March 29-31.

Museum, where he was saluted by the officers and men of the "honorable Artillery Company" and met the museum's chairman, Field Marshal Lord Bramall, the Lord Lieutenant of London. Last but not least, he dined with Margaret Thatcher, whose son is very much involved in oil deals in the Transcaucasus.

## ***New Indian government on foreign policy offensive***

An exchange of letters between India's new Prime Minister, Atal Behari Vajpayee, and Pakistani Prime Minister Nawaz Sharif, confirms that efforts are under way to improve relations between the two neighboring countries, *The Hindu* reported from Islamabad on March 25. The two sides have been deadlocked over security issues relating to Kashmir, in particular.

The same newspaper reported on March 26 that Vajpayee's Bharatiya Janata Party "may be setting the stage for a very important new phase in Sino-Indian relations." The BJP "may be uniquely positioned, say some diplomatic observers, to bury the ghost of 1962 and significantly reorder the relationship between the two largest nations of the world."

Indian President K.R. Narayanan said in his address to the joint session of Parliament on March 25, that his government "will strive for Asian solidarity and enhanced regional cooperation." In its manifestos for the last two general elections, the BJP stressed the importance of promoting Asian solidarity.

*The Hindu* noted, "The BJP now may not be looking at Asian solidarity in the same anti-colonial terms as the founding fathers of the Indian Republic did." However, the BJP manifesto locates it in broader references to "regional and civilizational relationships."

"Taken together with the other elements in the BJP's foreign policy, the idea of 'Asian solidarity' may in essence imply a commitment to deepen and widen India's foreign policy interaction with the major Asian powers. It might also mark a new determination to expand India's global leverage, by solidifying cooperative relations with the other Asian power centers like

China, Japan, and the ASEAN [Association of Southeast Asian Nations]."

In recent decades, there has been little use for "Asian solidarity" among Asian nations. . . . In the recent years, it is only China that has once in a while suggested the importance of Asian solidarity." But now, this could change.

## ***Cambodia's Khmer Rouge in disarray***

Notorious Khmer Rouge leaders Ta Mok ("The Butcher") and Sorbonne-trained Khieu Samphan were reported fleeing northward toward the Thai border on March 26, with a feeble Pol Pot in tow, from their Anlong Veng headquarters, after three divisions declared their defection to the government in Phnom Penh and seized control of the encampment. "It's finished in Anlong Veng," Defense Minister Tea Banh told wire services. "There are no more hard-liners there. The defectors are ready to integrate with the government."

Army Chief of Operations Gen. Chea Saron said that 1,600 Khmer Rouge fighters and about 3,000 civilians in the Anlong Veng area had defected to the government since March 24. Government troops were not involved in the clash at Anlong Veng, but were providing food and other supplies to encourage the defectors. The Khmer Rouge has been in the process of disintegrating especially since 1996, when Second Prime Minister Hun Sen, with the support of the government, secured the defection of former Khmer Rouge Foreign Minister Ieng Sary.

This latest announcement comes one week after King Norodom Sihanouk pardoned his son and former First Prime Minister, Prince Norodom Ranariddh, for crimes related to the latter's collusion with the Khmer Rouge hard-liners in an aborted coup attempt last July. The King's pardon clears the way for Ranariddh to return from self-imposed exile to take part in UN-sponsored elections in July. The latest defections from the Khmer Rouge further undercut destabilizing factors going into those elections, which are the precondition for resumption of foreign aid.

## British-instigated Jones case thrown out

by Edward Spannaus

With the April 1 dismissal of Paula Jones's lawsuit against President Clinton, the nation, hopefully, has come to the end of a sorry episode of treason and foreign intrigue, which should never have been permitted to go as far as it did. The Jones case was never about sexual harassment—as was once again convincingly affirmed by Judge Susan Webber Wright's decision, which found that Jones never had enough evidence to merit taking her case to trial.

As *EIR* has uniquely shown, again and again, the Jones suit was instigated and orchestrated from its inception by British intelligence stringer Ambrose Evans-Pritchard, who acknowledged having extensive discussions with Jones and her lawyers prior to the filing of the suit in May 1994.

Shortly after Jones's attorneys filed the suit, *EIR* Founding Editor Lyndon LaRouche was asked to comment on it, and on suggestions that civil lawsuits should not be pursued against a sitting President. LaRouche said that, generally, "I do not wish to have the Presidency tied up with a scurrilous lawsuit of this type." But, LaRouche added, one should take into account the rights of a litigant who might have an honest case. So, he therefore suggested some special procedures which should be applied in the Paula Jones case against the President—which, it is now obvious, would have saved the nation from the orgy of degradation which has afflicted it since independent counsel Kenneth "Porn" Starr jumped publicly into the Jones case in January of this year.

LaRouche proposed four years ago, that the first thing that should be done, was to require that Jones submit to a preliminary deposition.

"First of all, she should be compelled to show that her collaboration with Ambrose Evans-Pritchard did not produce a lawsuit which is clearly politically motivated to destabilize

the Presidency (which is what Mr. Pritchard said the purpose of this operation is)," LaRouche said.

If it turns out to be the case that she wouldn't have filed the suit without the instigation of Evans-Pritchard, a British intelligence-controlled agent, LaRouche said, "there are grounds for a summary dismissal or suspension of the suit, and I don't think the woman has any claims coming to her. . . . If she's got a claim, she can wait until the President is through with his business in office. Because she would not have made the suit at this time, but for foreign intelligence instigation."

### Ambrose confesses

The evidence of Ambrose Evans-Pritchard's instigation of the Paula Jones suit, and his orchestration of the strategy which her lawyers, up through their last public court filing on March 28—in which they submitted a scurrilous, unsworn document accusing Bill Clinton of having forcibly raped a woman in 1978—comes straight from Pritchard's own poison pen.

Even before the filing of the Jones suit on May 6, 1994, Evans-Pritchard had written a number of articles describing his discussions with Jones and her lawyers. Then, on May 8, Evans-Pritchard acknowledged that he had had "a dozen conversations with Mrs. Jones over the past two months." He furthermore admitted that "I happened to be present at a strategy meeting last month on a boat on the Arkansas River" at which Jones's attorney "was weighing the pros and cons of legal action."

A week later, Evans-Pritchard admitted the actual motivation and purpose of the Jones suit. It doesn't "matter all that much whether Mrs. Jones ultimately wins or loses her case,"



he wrote on May 15, 1994. "The ticking time bomb in the lawsuit lies elsewhere, in the testimony of other witnesses."

"Put plainly," Evans-Pritchard confessed, "the political purpose of the Jones lawsuit is to reconstruct the inner history of the Arkansas Governor's Mansion, using the legal power of discovery. . . . Testimony would be available to the public as court documents."

He also made another disclosure, during a discussion with a journalist in late May 1994, the significance of which is much clearer today, in light of the disclosures which have been published in recent issues of *EIR* (see, for example, "Secret Operation vs. Clinton Is Run by Olson-Starr Salon," March 13, 1998). *EIR* reported that regular attendees at the "Olson-Starr Salon" include not only Ken Starr, but present and former Federal appeals court judges Laurence Silberman and Robert Bork, the *Wall Street Journal's* Robert Bartley, and *American Spectator* editor Emmett Tyrrell.

In that May 1994 discussion, Pritchard revealed that he had just recently attended a dinner party during which he discussed the Jones case with Judge Silberman. Whether the discussion took place at one of the regular gatherings at the Olsons' house is not known, but Pritchard did describe how Silberman was analyzing the Jones case, and the question of whether the suit might be delayed until after the 1996 elections. At the same time, another "Olson salon" attendee, Kenneth Starr himself, was getting ready to work on an *amicus curiae* legal brief to be filed on behalf of Paula Jones, arguing against Presidential immunity from a civil suit.

In his book *The Secret Life of Bill Clinton*, published last year, Evans-Pritchard gave further details, although sanitized, about his own involvement in the creation of the Jones case. He described a meeting on a houseboat on the Arkansas River, in which he recommended a lawyer of "national stature" to Jones's local lawyer. Pritchard acknowledges, "For a few minutes, I suppose, it could be said that I had become a consultant to the embryonic legal team of Paula Jones." More important, Pritchard describes numerous discussions with Jones and her husband, in his efforts to convince them to file the lawsuit.

Belatedly, but with good effect, President Clinton's lawyers took up the issue of Evans-Pritchard's role in the Jones case just a few weeks ago. After Jones's lawyers had filed 700 pages of salacious documents in their opposition to President Clinton's summary judgment motion, Clinton's lawyers filed a motion to strike much of those materials. Clinton's lawyer Robert Bennett introduced the motion by explicitly citing Evans-Pritchard's *The Secret Life of Bill Clinton* as showing "the genesis of this material."

"In that book," Bennett stated, "plaintiff's husband announced a plan to abuse the compulsory processes of the court to put a veneer of credibility on all manner of gossip, rumor, and innuendo concerning President Clinton." Bennett then quoted the following passage from Evans-Pritchard's book:

"In a belligerent mood, Steve [Jones] warned that he was

going to use subpoena power to reconstruct the secret life of Bill Clinton. Every state trooper used by the governor to solicit women was going to be deposed under oath. 'We're going to get names; we're going to get dates; we're going to do the job that the press wouldn't do,' he said. 'We're going to go after Clinton's medical records, the raw documents, not just opinions from doctors, . . . we're going to find out everything.'"

Bennett then stated: "Plaintiff's recent filing is the culmination of that plan, which was executed with the help of the Rutherford Institute and plaintiff's other financial and political backers. . . . Plaintiff filed on the public record much of the irrelevant, unfounded, and inadmissible information that plaintiff collected in this case."

### Fading Starr

The dismissal of the Jones *civil* case also strikes a devastating blow to the other side of this strategy — the *criminal* case being pursued by special prosecutor Starr. These two proceedings have operated in tandem for some time; this covert collaboration spilled into the public view on Jan. 21, when the story of Linda Tripp and Monica Lewinsky broke in the news media.

A few days earlier, on Jan. 16, attorneys from Starr's office and from the Justice Department went to the special

**"Long before Paula Jones,  
long before Monica Lewinsky,  
there was a conscious decision, made in  
London, that there would be a full-scale  
campaign to destroy Bill Clinton,  
and to destroy, once and for all,  
the credibility of the office of the  
Presidency of the United States."**

—Lyndon H. LaRouche, Jr.



A 56-minute video featuring LaRouche, *EIR* Editors Jeffrey Steinberg and Edward Spannaus. **\$25** postpaid  
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three-judge court which appoints independent counsels, and obtained authorization to expand Starr's investigation into allegations of perjury and obstruction of justice in the *Jones v. Clinton* case.

But already, three days before that, Starr's lawyers had wired up Linda Tripp, so that FBI agents could record discussions between Tripp and Monica Lewinsky in an effort to try to obtain evidence that Clinton was trying to get witnesses to commit perjury in the Jones case. Lewinsky had been subpoenaed by Jones's lawyers to give a deposition in the Jones case in November, after a series of anonymous calls came into the Rutherford Institute—which had just announced it would bankroll Paula Jones's case—tipping them off about Lewinsky.

Meanwhile, FBI agents and lawyers from Starr's office spent the day on Jan. 16 threatening and trying to intimidate Lewinsky into cooperating with Starr. And, having spent the day with those same FBI agents and Starr prosecutors, Linda Tripp then spent the evening briefing Paula Jones's lawyers about her discussions with Lewinsky and about Starr's investigation, so that Jones's lawyers could attempt to entrap President Clinton during his deposition scheduled for the next morning.

Starr's takeover of the Jones case is now *kaput*—along with the Jones case itself.

It is high time that the role of Ambrose Evans-Pritchard's orchestration, the Olson salon, and Starr's gross prosecutorial misconduct, become the subject of a real criminal investigation.

## Starr witness-tampering under investigation

by Edward Spannaus

Attorney General Janet Reno stated on April 2 that she is reviewing allegations “of monies paid to a witness” which were forwarded to her by the United States Attorney in western Arkansas, and possibly also by the FBI.

The U.S. Attorney in Fort Smith, Arkansas, P.K. Holmes III, has ordered the local FBI to investigate possible tampering with Independent Counsel Kenneth Starr's key witness in the Arkansas Whitewater investigation, involving monies paid by Richard Mellon Scaife through *American Spectator* magazine. The witness is David Hale, a former municipal judge in Little Rock, who became a protected government witness against Bill Clinton for Starr's office in 1994, in order to obtain a reduced sentence for his own crimes. Eyewitnesses have now come forward to say that they saw Hale receiving

cash payments from private parties while he was a federally protected witness in Starr's probe; and investigations by a number of news media organizations have shown that the cash originated with the “Daddy Warbucks” of the anti-Clinton propaganda crusade, Richard Mellon Scaife.

### Protected witness

While Hale was under investigation by Federal officials in 1994, he began changing his story in order to falsely implicate Clinton in a fraudulent loan scheme. Hale was put in the Federal Witness Protection Program by Starr's prosecutors, and never went anywhere without an FBI escort. Yet Hale managed to meet regularly with *private* anti-Clinton operatives and investigators, feeding them stories about Clinton and receiving cash payments in return. Most of the meetings took place at a Hot Springs, Arkansas bait shop run by Parker Dozhier—who would spend day after day debriefing Hale, typing up the notes and passing them on to the *American Spectator*. Dozhier received at least \$35,000 from the American Spectator Educational Foundation (ASEF), some of which he passed on as cash payments to Hale.

The monies originated with foundations controlled by Mellon Scaife. They were then transferred through ASEF into the “Arkansas Project,” with the funds administered by two longtime associates of Scaife, Virginia lawyer Stephen Boynton, and Thomas Henderson, who was vice president of the ASEF.

Theodore Olson, a longtime friend and former law partner of Starr, who hosts a regular “Get Clinton” salon at his Northern Virginia home, is also the attorney for ASEF, and sits on its Board of Directors. When Hale was subpoenaed to appear before the Senate Whitewater Committee in 1995, Olson represented Hale.

### More Troopergate money

At the same time, new information has emerged that another wealthy right-winger who provides major funding for both the Heritage Foundation (of which Scaife is the largest funder), and for Newt Gingrich's GOPAC campaign committee, was a source of funds for some of the Arkansas state troopers who became both sources of dirt for the news media, and also became witnesses in the now-defunct Paula Jones case against President Clinton. According to the New York *Observer* and the Chicago *Sun-Times*, Smith introduced author David Brock to the Arkansas state troopers, including Larry Patterson and Roger Perry. At the time that Brock got the anti-Clinton stories from the troopers which appeared in the January 1994 *American Spectator*, he received \$5,000 from Smith. The troopers admitted that they had each received \$6,700 from Smith. All told, Smith poured \$80,000 into the Arkansas dirt-digging effort in 1992-94. He admitted, in an interview with the Chicago *Sun Times*, that his first efforts, in 1992, were part of George Bush's re-election drive.

# LaRouche's New Bretton Woods policy at the center of Washington debate

by Debra Hanania-Freeman

With the April 16 Willard Group meeting just days away, it appears certain that the question of a return to a Bretton Woods framework for the world financial system will dominate the agenda. The group of 22 nations will meet in Washington, D.C., at the invitation of the United States.

Lyndon LaRouche has insisted, since February 1997, that the only hope the world has of surviving a meltdown of the current, bankrupt global financial structure, is for the United States to convene an international conference to adopt a New Bretton Woods system, "accompanied by a general program of forced-draft physical-economic recovery."

Since then, LaRouche has spearheaded an international drive to build a constituency that would guarantee the realization of just such a conference. Although the current concept behind the April 16 meeting, convened by U.S. Treasury Secretary Robert Rubin, is still far short of what LaRouche has outlined as necessary, it is clear that LaRouche's view is gaining dominance in the intense debate among Washington, D.C. policymakers.

In the opening weeks of 1998, as the Asian crisis entered a new phase, Secretary Rubin spoke of an urgent need to devise "a new architecture" for the international financial system. Although few details of what he envisioned this "new architecture" to be were available, Rubin and other high-ranking administration officials repeatedly stressed that if the question was one of saving the financial sector, or attending to the real economy, then it was the real economy that was the priority. Rubin has stated repeatedly that he "would not spend a nickel to bail out" failing, bankrupt speculators and banks.

## Contradictory policies

In February, the Progressive Policy Institute, the think-tank of the Democratic Leadership Council, of which President Clinton is a founding member, issued a broadly circulated policy briefing by Edith R. Wilson, the director of the PPI Trade Project, titled "The IMF and the Asian Crisis: Time to Return to Bretton Woods." The content of the paper mirrored what has been the seemingly contradictory policy of the Clinton administration.

Wilson urges the Congress to act quickly to authorize an

administration request for an additional \$18 billion borrowing authority for the International Monetary Fund (IMF), while at the same chastising the IMF for unduly harsh and inflexible austerity programs that "risk creating not just a generation of bankrupt businesses, but resentment at Western tactics." Wilson warns, "The public sector slash-and-burn characteristic of IMF formulas could make the situation worse." Wilson is obviously correct. But then, one might ask, why pour money into an institution whose "cures" have repeatedly proven to be worse than the disease? Wilson's reply echoes what has been the consistent public line of the Clinton administration: "The United States must support the only international financial institution capable as serving as a lender of last resort in the Asian Crisis."

She concludes that, although prompt Congressional action on IMF funding is a necessity, the action must be accompanied by a firm commitment from the Clinton administration to "overhaul the international financial system by [the year] 2000." Wilson could not be more explicit: "The status quo will not do. It is time to return to Bretton Woods. President Clinton needs to make a clear, public commitment to a 'Bretton Woods 2000.' . . ."

The same approach is contained in Senate Bill 1769, the Clinton administration's "1998 Supplemental Appropriations Act for the International Monetary Fund." The bill, which the Senate passed on March 26 with overwhelming bipartisan support, increases IMF spending authority, but ties that increase to the creation of a Presidential Advisory Commission to review the "future role . . . if any" of the IMF, and mandates the convening of a "New Bretton Woods Conference" within 180 days.

On March 31, fearing that Speaker of the House Newt Gingrich (R-Ga.) would attempt to bring the IMF funding legislation to a vote, without floor debate, Reps. Ron Klink (D-Pa.), Bernie Sanders (I-Vt.), Dennis Kucinich (D-Ohio), and Cliff Stearns (R-Fla.) held a press conference to avert such a scenario. When questioned by *EIR*, as to whether there was support in the House of Representatives for language in the Senate bill calling for a New Bretton Woods Conference (language that is omitted in the House version of the bill), Representative Klink said that that was precisely one of the

issues that would be debated, provided a floor debate were permitted. He said his own view was that there was “quiet support” for the proposal in the House.

There are other indications of the mounting pressure to take up the question of a New Bretton Woods. The feature article in the March/April issue of *Foreign Affairs*, quarterly journal of the New York Council on Foreign Relations, is a piece by Martin Feldstein, president of the National Bureau of Economic Research, in which he similarly doles out harsh criticism of the IMF’s role in the Asian crisis, and stresses the need for “refocusing the IMF.” Other pieces on that theme seem to be popping up daily in journals and other print media across the nation.

### Time for bold moves

What does all of this mean? Has the Clinton administration decided to orchestrate support for the adoption of LaRouche’s policy? The answer is no. What is clear is that Rubin is, indeed, committed to a “new architecture” for the world monetary system, and that, although they are unwilling to admit it publicly, a significant grouping within the Clinton administration understands the fundamental, systemic nature of this crisis. And, it does appear that the administration is prepared to reenact the mechanisms associated with the incontestably superior functioning of the old Bretton Woods

system: periodically fixed exchange rates; greater transparency of financial transactions; exchange and capital controls; limited convertibilities, as may be required, etc. But, they still insist that such measures be presented as “reform” rather than radical reorganization.

The same policy holds for the IMF. Despite all the harsh criticism of the IMF’s record of performance, the Clinton administration argues that although the IMF is in need of urgent reform, it was part of the original Bretton Woods agreement, it is a “traditional institution” that is necessary to maintain “stability,” and that it is the “lender of last resort in a crisis.” The truth is, that the administration fears that if it moves to dissolve the IMF, without the support and agreement of the rest of the Group of Seven, that the lending burden will fall squarely on the shoulders of the U.S., and the U.S. alone. But, regardless of whether that is the case, the reality is that the IMF today bears absolutely no resemblance to the agency envisioned by FDR and others in 1944 at Bretton Woods.

The IMF is rigidly monetarist in policy and has absolutely no interest in fostering reconstruction of the physical economies. It must be dissolved, and replaced with an entirely new organization appropriate to the principle of fostering national sovereignty and increasing per-capita economic prosperity, globally.

Fundamentally, the Clinton administration remains, at least for the moment, unwilling to directly and openly acknowledge the fundamental errors in economic and financial policy of the past 30 years. But the fact is, those mistakes have caused worldwide industrial and agricultural capacities to collapse far below the level necessary to sufficiently provide for the existing population, and the worldwide financial blow-out is gaining ever-increasing velocity and intensity as new waves of the crisis hit Asia, Russia, Brazil, and elsewhere.

In the days ahead, the drive for LaRouche’s unique formulation of a New Bretton Woods agreement, whose cornerstone must be a global reconstruction program driven by scientific and technological progress, will receive a major boost forward with the release of a mass-production videotape of LaRouche’s March 18 Washington, D.C. conference speech (see *EIR*, March 27). Thousands of copies of these tapes were sold before the final version was even available, and the demand for the tape among diplomatic and government layers is enormous.

The Clinton administration has no fundamental disagreement with LaRouche’s proposal. They just aren’t confident that the constituency for such sweeping measures is in place. Franklin Delano Roosevelt wasn’t certain that he had the support for his recovery program, which was, in many respects, analogous to what is required today, on a much larger scale. Roosevelt did what any great leader would do in the face of such a crisis. He went to the American people, he rallied them to support his policies, he built the constituency he needed to do what had to be done. The current crisis demands nothing less.

## LAROCHE ON THE NEW BRETTON WOODS

“The present fatally ill  
global financial and  
monetary system must be  
radically reorganized.

It can not be reformed, it  
must be reorganized.

This must be done in the  
manner of a reorganization  
in bankruptcy, conducted  
under the authority  
not of international  
institutions, but of  
sovereign governments.”

A 90-minute  
videotape with  
excerpts from  
a speech by  
Lyndon H.  
LaRouche, Jr.  
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# New evidence explodes the cover-up in Martin Luther King assassination case

by Edward Spannaus

On April 4, 1968—30 years ago—Dr. Martin Luther King, Jr. was shot to death in Memphis, Tennessee. On the eve of a series of recent commemorative events in Memphis, Dr. King's widow, Coretta Scott King, called upon President Bill Clinton to appoint a commission to examine the mounting evidence that the imprisoned James Earl Ray was set up as a patsy in the assassination plot. Mrs. King said that she had hoped for a long time that Ray could obtain a trial without her family's intervention. "As new evidence accumulated, we became increasingly convinced that he was in fact innocent of killing my husband," she said. "But the authorities refused to give him a trial."

The most dramatic new evidence was disclosed at a press conference in Atlanta on March 24. James Earl Ray's attorney William F. Pepper was joined in the press conference by former FBI special agent Donald Wilson. Wilson, who was the first person to search Ray's car, six days after the King assassination, announced that he had found an envelope with two pieces of paper in the car—which Wilson had retained ever since.

Both pieces of paper contain the name "Raul." One of the slips contains a list of names, locations, and figures, including the number 450,000, apparently referring to money. The other slip also contains a telephone number in Dallas which, in 1963, was listed to Jack Ruby's Vegas Club. Jack Ruby was the organized crime-linked night-club owner who shot and killed Lee Harvey Oswald, the accused assassin of President John F. Kennedy, while Oswald was in police custody, two days after the assassination of the President. (In fact, as Pepper suggests in the interview below, the same thing was apparently supposed to happen to Ray.)

Predictably, the FBI immediately denounced Wilson's evidence as a "total fabrication," and said that, according to FBI records, Wilson was not part of the FBI team which had searched Ray's vehicle.

The finding of the name "Raul" is explosive evidence, which strongly supports the claims that have been made by Ray for 30 years. Ray has always asserted that his activities were directed and coordinated by a man named "Raul" (sometimes spelled "Raoul"), whom Ray first met in Montreal in August 1967, and who recruited him into gun-running and smuggling operations, mostly across the U.S.-Mexican border.

Ray subsequently met Raul a number of times at the International Trade Mart in New Orleans, which was run by Clay Shaw. Shaw was a board member of the Montreal-based Permindex, the international assassination bureau which carried out the Kennedy assassination, and attempted to assassinate French President Charles de Gaulle.

In 1995, attorney Pepper located and identified the individual he believes to be Raul, and made him a party in a civil suit, *Ray v. Jowers et al.*, pending in Tennessee. Loyd Jowers, who owned a bar and grill behind the Lorraine Motel in Memphis where Dr. King was shot, has stated that he had been contracted to hire an assassin to kill King. Jowers even offered to testify before a grand jury if granted immunity from prosecution—an offer which has been refused by the Tennessee State Attorney General, who is still insisting that Ray was the lone assassin of King. Raul was only brought into the suit on the condition that his name, and all records, be kept under seal.

Although the FBI and Tennessee officials have gone to elaborate lengths to dismiss and discredit Ray's claims about Raul, Pepper remains convinced that he has correctly identified Raul—and he believes that Raul was the actual assassin who killed Dr. King.

Even more dramatic are the previously undisclosed links to the Kennedy assassination. When Pepper was asked about Jack Ruby, and if he has any other indications of overlaps between the Kennedy and King assassinations, Pepper acknowledged that he does. But Pepper said he had never published it, because he didn't want to get diverted into the Kennedy assassination case. Pepper said that he has three witnesses who had seen Raul and Ruby together. Two of these were strip-tease dancers from Ruby's clubs in the early 1960s. The third is Glenda Grabow, who is identified as "Cheryl" in Pepper's book *Orders to Kill*.

Grabow knew Raul and his circle of friends in Houston in the 1960s and '70s, when she was involved in some of their gun-running and smuggling activities between New Orleans and Houston. Once, in a fit of rage about Martin Luther King, Raul screamed, "I killed that black son of a bitch." Grabow has told Pepper that she saw Raul and Ruby together; she also knew that Raul often met with associates of New Orleans mobster Carlos Marcello.

## Cover-up efforts continue

In 1969, under the threat of a certain death sentence, James Earl Ray pleaded guilty to the killing of King, in exchange for a 99-year prison sentence. Three days later, Ray recanted, and he has consistently maintained his innocence ever since. He has never had a trial.

In 1993, following a series of articles in the Memphis *Commercial Appeal* reporting on U.S. Army intelligence surveillance of Dr. King in the late 1960s, Pepper began to receive detailed and specific information pointing to a joint FBI-military conspiracy to kill King, using a team of the Army's 20th Special Forces Group which was based in Alabama and Mississippi. (For more background, see the review of Pepper's book in *EIR*, Dec. 8, 1995, and the feature article in *New Federalist* newspaper, Jan. 15, 1996.)

The head of the special team had been identified to Pepper as Capt. Billy Ray Eidson, who, Pepper was told, had later died. In October 1994, Pepper had a meeting with a former military covert operative whom he calls "Carson." Carson told Pepper what Carson had been told by a member of the special team, J.D. Hill, who was murdered in 1979. Carson provided Pepper with very detailed information on precisely how the special team was trained, and what it did in Memphis on April 4, 1968. Carson said, however, that the team had not actually shot King; they were there as backup in case the designated shooter—the contract killer Raul—failed. Ray was simply set up to be the fall guy, to be caught, and probably quickly killed.

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## Interview: Dr. William F. Pepper

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*Dr. Pepper is the attorney for James Earl Ray, and author of Orders to Kill: the Truth Behind the Murder of Martin Luther King. He was interviewed by Edward Spannaus on March 31 and April 1. The following are excerpts from their discussion (some of the questions have been abridged; these are printed in italics).*

**EIR:** Can you give me some more background on Donald Wilson and the new evidence you have?

**Pepper:** I've known Don Wilson for a little over a year, he came to me about a year ago. He was an FBI agent in 1967; he served with the Bureau for ten years. He was one of two agents that first visited the car in Capitol Homes project. He found in that car, in an envelope, some documentation which indicated that Raul existed. This was the first time there had ever been any indication of this, that this man existed, outside of James's allegations. He [Wilson] did not trust the Bureau to handle the evidence properly, and he retained it for 30 years.

He never had a reason to bring it forward, or an opportu-

nity to bring it forward, until recently, with James's [pending] death, and the Kings seeking a trial, and the shutting down of the case, by the media and the government. So he came forward. . . . We were always trying to save him for court, and trying to get the information into court.

All we ever wanted to do, was to get evidence before a court. And they fought us tooth and nail on that from the beginning. And now, with the firing of Judge Brown—which is what they've done, they fired this judge who wanted to get to the bottom of this—I guess we all feel that the end is near, frankly, in terms of the official activity.

So Don and I talked, and he said, "I'm willing to do what you want," so we then held a press conference in Atlanta, and the rest is history.

**EIR:** What is the status of the civil suit against the individual you identified as Raul?

**Pepper:** It is all put on hold, pending the outcome of the petition for a trial, and the setting aside of the guilty plea.

**EIR:** Are you still pretty confident that it's the right individual?

**Pepper:** I am. I know the State fights that vigorously. They say they've seen employment records, and they interviewed him in his home, and he worked for this automobile manufacturer for 30 years, and he had no holidays, and he's never been in these places. And they say all of that.

I've never seen any of that, but what I have seen—I have five witnesses who independently have identified him as a person they knew at various times and places, including James.

**EIR:** They identified him by a photo?

**Pepper:** A photograph in a spread of six.

**EIR:** Any comment on the FBI's reaction to Wilson's evidence?

**Pepper:** Their arrogance and their actions against their own self-interest never cease to amaze me. They say: "Well, agent Wilson never—we don't show any records, he was not part of the team that examined the car." They're talking about a team that examined the car in the Federal garage in Atlanta. He *wasn't*. He saw the car in Capitol Homes project. . . . The distinction is, that after Don saw the car in the projects where it was dropped, it was towed into the Federal garage, and that's where they examined it. They took it apart. He wasn't a part of that team—that's true. And they know that.

*Spannaus asks about the phone number found on one of the slips of paper, the number to Jack Ruby's Vegas Club in Dallas, and whether the Vegas Club was still active in 1968.*

**Pepper:** I don't know. That's what's very curious about this whole thing. That was a 1963 number. That's all . . . —that's what we do know.

**EIR:** Do you have any other indication of Ray having any contact with Jack Ruby?

**Pepper:** I had it, but I never published it . . . because I didn't want to get into that; I didn't want to get diverted into the Kennedy case. I knew about it, but I just didn't use it.

*Spannaus asks whether Pepper had come across anything else that would point in the direction of overlaps with the Kennedy assassination.*

**Pepper:** Two of Jack Ruby's strippers have identified Raul for me, independently. One of them said she saw Raul giving Ruby about \$30,000. . . . He was mis-counting it; it was in a Piggly-Wiggly bag.

And, of course, there's the whole Grabow thing. She saw Raul and Ruby together in Houston. . . . Ruby would visit Raul several times, in Houston.

*Spannaus asks about the ABC "Turning Point" interview with Pepper, done in 1997, and recently rebroadcast, where he was ambushed by Billy Ray Eidson. Do you have any explanation for this? Were you fed bad information?*

**Pepper:** No, there's nothing sinister about the people feeding me information. My people thought the guy was dead. They didn't know he'd been convicted of murder, and copped to manslaughter, and was sentenced to prison. And then fled to Costa Rica. None of that they knew.

**EIR:** Eidson was convicted of murder?

**Pepper:** Oh sure. He copped a plea to negligent homicide. It was a barroom brawl. He had been charged with another murder, earlier, and the witnesses didn't show up, so he got off on that one. But this one they got him, and he was convicted. And so, he just dropped out of sight. And our people—because J.D. Hill was killed, and Worley was killed, they thought he [Eidson] was killed.

**EIR:** How did Forrest Sawyer get a hold of him?

**Pepper:** The Army helped him. The Army worked hand in hand with him. What they also didn't tell you, was that I gave them a three-hour interview with a deep-cover source, who was J.D. Hill's best friend. J.D. set the operation up, he told him the whole operation. The guy in the book I call "Carson": I talked him into talking to these people. J.D. had told him everything, so he laid out what he knew, from J.D., who'd just set up the whole operation. And they didn't use one second of that on the air.

*Spannaus asks Pepper about W. Hickman Ewing, the long-time Federal prosecutor in Memphis who is now Independent Counsel Kenneth Starr's top deputy in the Arkansas Whitewater investigation. Ewing was the prosecutor in the televised mock trial of James Earl Ray conducted in 1993, with an active Federal judge presiding.*

**Pepper:** Hickman was the prosecutor in the television trial.

. . . He was so down when he lost. . . . He never expected to lose. He was *down*—he was really down. In fact, we thought he might have a stroke; he just sunk in his chair. He slumped down in his chair. I said, "Hickman, are you all right?" He was confident, totally confident, that he had won.

**EIR:** You said in your book there was FBI surveillance at the time of that mock trial.

**Pepper:** Well, they reserved four rooms on the floor of the Hilton Hotel, on the same floor that the jury was. And the security at the hotel told the television security people—because those agents were coming in there that week, the same night as the jury, and they had had a technical surveillance team in the hotel for the whole week prior. They went through every room on the floor, they said. . . . They were there to see what they could do.

*Spannaus tells Pepper that EIR has received reports that Ewing was involved in the cover-up of the King assassination while in the Memphis U.S. Attorney's office in the 1970s and '80s. Pepper replies that an undercover operative involved in the King assassination conspiracy, later worked for Ewing.*

**Pepper:** The guy who was an undercover informant, a Federal operative, who was given the backup role to kill James: he worked in part for Hickman. I don't think Hickman necessarily had any knowledge of what this guy was going to do, because this guy was controlled by a couple of other people. . . . This is Jim Green. He was backing up a Memphis Police Department sergeant who was supposed to kill him [Ray] on the ground.

**EIR:** He worked for Ewing?

**Pepper:** He was an undercover operative for them, in the '70s, and Hickman prosecuted some of the cases he made.

**EIR:** What is James Earl Ray's condition now?

**Pepper:** He's critically ill, and he's going to die.

**EIR:** Is there still a possibility of a liver transplant, or is it too late?

**Pepper:** Not without money. There's a possibility, but not without money.

**EIR:** How much is required?

**Pepper:** Minimally, \$100,000 to get it started, and then \$278,000, ultimately.

**EIR:** Do you have anything toward that?

**Pepper:** No, very little. The State won't pay for it. Nobody will pay for it. He has no insurance. The VA won't pay for it, even though he's a veteran. The VA won't touch it. That money has got to be paid somehow privately. Welcome to America.

# Battle breaks out in Ohio against prison privatization

by Marianna Wertz

A battle is under way in Ohio against the growing threat of prison privatization. Legislation that would privatize all new state prisons there, H.B. 590, is now pending in the legislature, and opponents fear that, should it pass, a move will then be launched to privatize the state's 29 existing prisons as well.

A demonstration against prison privatization in mid-March at the state capitol in Columbus drew an estimated 600 state employees and their supporters, whose jobs are threatened by the growth of the cheap-labor privatization companies, and who wanted to send a message that privatization is bad for everybody involved—guards, prisoners, and the state that is responsible for justice for its citizens.

What sparked the battle is the outrageous level of vio-

lence, including two recent murders and 19 assaults, at the Northeast Ohio Correctional Center (NOCC) in Youngstown, a private prison run by Corrections Corp. of America (CCA), the world's largest private prison company. Like all private prison companies, CCA pays its non-union guards so little, and trains them so inadequately, that they can't control the inmates, in this case Washington, D.C. residents, with whose lives they are entrusted.

The original contract between CCA and the Washington, D.C. prison authorities, specified that only medium-security inmates would be sent to the Youngstown prison, which is exclusively used to house D.C. inmates. That contract was never honored by CCA, and dangerous felons were mixed in with others, resulting in the explosion of violence.

A legal case was brought earlier this year on behalf of the inmates at NOCC, demanding that the original contract between CCA and Washington, D.C. prison authorities be honored, that all maximum security inmates be removed from the Youngstown facility, and that CCA reclassify its prisoners. Finally, after most of the violence was already done, a Federal judge issued an injunction to that effect in late March.

In the following interviews with *EIR*, leaders in this fight discuss why they think that it's so important to stop the spread of this evil, which is moving into every state legislature across the nation today.

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## Interview: Peter Wray

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*Mr. Wray, Communications Director, Ohio Civil Service Employees Association, Cleveland, was interviewed on March 27.*

**EIR:** I read about your fight against prison privatization in the AFL-CIO's *Work in Progress* publication. What is the situation in Ohio in respect to private prisons, and what is the legislation you're fighting?

**Wray:** The situation is that Corrections Corporation of America has built and is operating a private prison in the Youngstown area, which in the main, has inmates from Washington, D.C. Also there have been moves to start privatizing the State of Ohio's prison system, which currently has 29 prisons, and there are at least nine more on the drawing boards. There's already legislation, passed in 1995, to set up an experimental state-owned, privately run prison. That will open next year in Conneaut, Ohio, which is up in the very northeast corner of the state.

There was a bill that we worked on last year, and was eventually passed this year, H.B. 293, that regulates the operations of the private prisons, and it was quite a fight to get that. At the last moment, the supporters of the private prison companies inserted an amendment, that we were not able to

defeat, which creates the second state-owned, privately run prison that's going to open in a community called Grafton, which is southeast of Cleveland.

There is another bill, H.B. 590, sponsored by Rep. Kevin Coughlin, who's out of the Akron area. His bill would require the state to privatize all the new prisons, plus any that are under construction at the time his bill is passed.

**EIR:** That's pending now?

**Wray:** That bill is pending now and there was another hearing on it on Tuesday [March 24]. Supporters of prison privatization have also said that if they get this bill through, they would like to go after the existing prisons.

**EIR:** The Youngstown private prison has had two murders in three weeks, and 19 stabbings in a short period of time. Was this what your demonstration was about?

**Wray:** It was about privatization in general.

**EIR:** Is the American Federation of State, County and Municipal Employees allowed to organize the private prisons?

**Wray:** Right now, we can't. We are basically barred by the National Labor Relations Act from representing those people. There is a quirk in the labor law that prevents guards in the private sector from belonging to anything other than a pure guard union.



**EIR:** Do you represent the guards in the non-privatized prisons?

**Wray:** Yes.

**EIR:** It would seem that part of the move to privatize all the prisons would be to eliminate union representation.

**Wray:** Oh, absolutely. Even more fundamentally, it's to cut the wages and benefits, and we're one of the impediments to cutting the wages and benefits. That's how they make their money.

**EIR:** What's the average wage differential between a union and a non-union guard?

**Wray:** In Youngstown, it's unique. Typically, what Corrections Corporation of America pays is about \$7 an hour and no benefits. They actually upped it to \$11 an hour in Youngstown, in order to be able to hire people and to try to retain them. The State of Ohio is hiring corrections officers at about \$12 an hour, with benefits. Needless to say, even paying \$11 an hour up there, they have very high turnover.

**EIR:** Because of the violence in the prison?

**Wray:** Yes, and it's not run well. It's a joke all the way around, and the benefits are just not worth it.

**EIR:** When do you expect Kevin Coughlin's bill to come up for a vote?

**Wray:** We don't know. We're trying to keep it from happening.

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## Interview: Alphonse Gerhardstein

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*Mr. Gerhardstein, an attorney at law in Cincinnati who represents the inmates at the Northeast Ohio Correctional Center, was interviewed March 27.*

**EIR:** What is the status of your case?

**Gerhardstein:** We have an injunction now, that requires the prison to be reclassified, so that they remove the maximum security inmates. We will get a written order from the court any day.

We've been struggling to try and be sure that we can make the place safer, and that there be good medical care. Finally, the judge has sort of turned around and is granting some relief in that regard. But it's only after we've lost two clients. So that's pretty rough.

**EIR:** As I understand it, these people were shackled when they were killed, and they were in the guards' care. How can that happen?

**Gerhardstein:** That's a real good question. I think the only answer we've gotten so far is, "Oops." With Brison Chisley, it's even worse. He was in the long-term administrative segre-

gation unit. His assailant was a man whom he had been in a fight with in December. We had actually used him as an example of two men that should be separated. Before this ever occurred, we said, now here's two people that had a fight in December and they should be subject to a separation order. We had seen the file on his assailant, Alfonso White, and we had said in court that this file indicates that Mr. White is a maximum security inmate. He shouldn't be in the prison, should never have been in the prison. He should be out right away.

And yet, they were not separated after our court hearing. They were both out of their cells at the same time. They were both in shackles, but Mr. White, it turns out, had a handcuffs key, and he was able to get out of his shackles. Then, even though the prison claims to have been doing a lot of shake-downs, Mr. White had a shank [knife] and was able to kill Chisley in short order.

Worse than that, Mr. White was assisted in this murder by Richard Johnson. Richard Johnson is the man who killed the first inmate. What was he doing out at the same time? How was he even in their presence? Why was he able to get loose from any guards? It's that bad. Of course, when you go back to the first murder, Richard Johnson was another inmate that we had used during trial as an example. I just picked his file out of the record room and I said, "Oh, here's a maximum security inmate, what's he doing here?" We had our expert use him as an example of somebody who shouldn't be in the prison.

Somehow, even though we had used that evidence at trial, CCA had ignored it, had never reclassified him, and he was in the general population and able to kill again.

I feel real frustrated, because it's not only this type of mixing of violent inmates, but mixing that we had actually been talking about, and it's still going on. It's very, very discouraging.

**EIR:** Is this level of violence unique to CCA or is it throughout the Ohio prison system?

**Gerhardstein:** This has nothing to do with the Ohio prison system. The prison in Youngstown has no connection with Ohio, does not have Ohio prisoners, just D.C. prisoners, and it has no regulation by the state Department of Corrections. In the entire state of Ohio, 29 prisons, 48,000 prisoners, in 1997, there were two homicides. In this one prison in Youngstown, we had two homicides in three weeks, out of 1,700 men.

**EIR:** The 1,700 are still there from D.C., right?

**Gerhardstein:** That's correct. Now, some of them have been removed, since the second murder and since the court's order. Those are maximum security inmates, who shouldn't have been there in the first place.

**EIR:** I talked to the communications director from Afsome Local 11, who had a demonstration about this last week. He said that there is an effort to try to privatize all the prisons in Ohio.

**Gerhardstein:** I am so exhausted from fighting H.B. 293

and just working on behalf of the men in this prison, I haven't followed that very closely. I honestly thought it was to privatize new jails. Now I read in the paper today that H.B. 590 is to privatize every new prison. I don't know that it would go backwards and privatize the 29 prisons we now have.

I don't know where that is coming from. Our one experience with this private prison has been horrible. Why this would encourage the legislature to expand—

**EIR:** Undoubtedly, it's coming from a financial standpoint.

**Gerhardstein:** I guess.

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## Interview: Jonathan Smith

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*Mr. Smith, Executive Director, Washington, D.C. Prisoners Legal Service Project, made a fact-finding visit to the Youngstown prison last July (see EIR, Oct. 17, 1997). He was interviewed on March 27.*

**EIR:** What is the situation for the D.C. prisoners at Youngstown, who must be suffering terribly from being that far away from home?

**Smith:** It's a real hardship on the prisoners and their families to be transferred that far from home. There's a large number of prisoners who now get visits very, very irregularly or not at all, from family members, as a result of the transfer. Telephone calls are extremely expensive. So, it's hard to maintain that kind of contact, of family relationships, as a consequence. Plus, things like what happened out there, are allowed to happen because you're so far from your community. It's hard to keep in touch with people, let people know what's happening to you, what the conditions really are.

**EIR:** There's now a hold on sending any more D.C. prisoners to that prison, is that right?

**Smith:** Well, yes and no. They cannot send any prisoners for a short period of time, until they sort of get everything in terms of this classification system in place. Once that's done, and that will be very shortly, they'll be able to transfer new prisoners into the facility as they remove prisoners. So, if there's a maximum-custody prisoner that's identified and transferred out of the prison, D.C. can send a medium-custody prisoner to replace him.

**EIR:** Do you have any view on why CCA had allowed this kind of activity to continue, after the first murder?

**Smith:** I think it's a couple of things. You had a tremendously inexperienced staff in the prison. When I was out there in July, the warden told me that 70% of the corrections officers (he hasn't talked to me since because I made such a fuss) had never worked in a prison setting prior to the opening of the facility. Since then, about 50% of the staff has turned over, and they've brought in a bunch more new people who have

gotten the basic two-week training from CCA. So, you've got a lot of folks who don't know what they're doing, trying to manage a situation that is being badly handled at the administrative level. It's a recipe for disaster.

All of this really flows back directly to the fact that CCA is a profit-making company. Their interest and their obligation is to maximize profits for their stockholders. A lot of corners were cut in order to try to do this whole operation on the cheap, so that they could make the largest amount of profit that they possibly could. That's one of the real problems with privatization, is that it creates a whole long set of incentives for those folks who are operating prisons. Incentives aren't about public safety, they're not about what's good for the community, they're not about rehabilitating prisoners so that they can live in the community when they return, or dealing with the social problems that led to their being incarcerated, or keeping them safe in the institution. It's about how they can fulfill the terms of their contract at the lowest possible price. That's the real danger, that something like this will result.

**EIR:** Privatization is now spreading all over the country very quickly.

**Smith:** Yes. CCA has got a tremendous amount of money and is in virtually every statehouse across the country, applying pressure on state legislators to contract with them. They're very sophisticated in what they do. It's frightening, because almost every state has a prison overcrowding problem. Almost every state has troubled publicly run institutions. They're as seriously troubled as the CCA facilities are, but for different sets of reasons, and there's more hope you can actually reform them than you can a private outfit. But CCA is going in and putting on a very sophisticated public relations campaign with these state legislatures, saying, "We're the solution to all your problems. We can do it cheaper, we can do it better."

They're wrong. They can't do it cheaper and they can't do it better. The evidence that they can't do it better is what we've seen in Youngstown. There's been a number of studies that take a look at the pricing and say it really isn't less expensive than publicly run institutions, particularly when you begin to account for the fact that there's going to be tremendous pressure on the operators of the prisons to cut back on labor-intensive things, like educational and vocational programs, in order to maximize profits. It's become very expensive to communities, because you're going to lose the few opportunities that are available in publicly run institutions to help folks who end up in contact with the criminal justice system.

**EIR:** There's also a very large move to privatize Washington, D.C. now, I understand.

**Smith:** There's a legal mandate. Congress, at the urging of CCA, last year passed a law that says that the District's correction system will basically close, with the exception of the pre-trial detainees. The Federal Bureau of Prisons will assume responsibility for all sentenced District felons. That will hap-

pen over the next four years. When the Feds take D.C. prisoners, half of them are to go into the Federal Bureau of Prisons, and half are required to go into private prisons under that law.

Interestingly, one of our greatest allies in this is the Bureau of Prisons. They don't like privatization any more than we do—probably for different reasons. They've got the sense that they can do it better than anybody in the country and they know what they're doing, and they don't like to be told that they have to bid out part of this to a private entity. They don't like it any more than we do and are bristling under this obligation. But it is coming, and it's coming in a big way for the District. I think after what we've seen in Ohio and the experience we've had here in the District—we have another privatized facility that is not as troubled as the Youngstown prison is, but has significant problems—it scares me. It scares me to death.

**EIR:** I recall that when George Bush lost his bid for reelection, that J. Michael Quinlan, the head of Bush's Federal Bureau of Corrections, went over to CCA to head its strategic research division.

**Smith:** Right. I think he's now heading up their real estate development corporation, or something like that. But he's still with them.

**EIR:** So it's the Bureau of Prisons under Clinton that doesn't like this?

**Smith:** The bureau didn't like it before either. I think Quinlan was probably offered a tremendously large amount of money. That can influence your position.

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## Interview: Vermel Whalen

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*Representative Whalen (D-Cleveland), a member of the Ohio Legislative Black Caucus, was interviewed March 30.*

**EIR:** What is your view of the prison privatization bills?

**Whalen:** Personally, I am against privatization of the prisons. I believe that is the state's job. I do not believe we can monitor what is going on inside, running the prisons, and what is going on with the administration of them. One thing we do know: When you start talking privatization, it's cutting corners and making a profit. That speaks for itself. For that reason, I am afraid that the services that we are supposed to provide once we incarcerate a person, perhaps will be cut, in order to make a dollar. Just briefly, because of that, I'm against it. I think the state should not privatize the prisons and the state should run them as we do the majority of them already.

**EIR:** I understand there is a bill, H.B. 590, that would privatize all new prisons.

**Whalen:** Yes, that is what I understand. You can be sure I'll be voting against it.

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## Interview: Ron Wieczorek

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# Campaigning for a New Bretton Woods

*The following interview with Ron Wieczorek was conducted on March 20 by Marianna Wertz. Wieczorek, a LaRouche Democrat, is a candidate for the Democratic nomination for U.S. Congress in the June 2 primary. South Dakota's only House seat is currently held by John Thune, a Republican. A cattle farmer,*



*Wieczorek is 55 years old, married, with two children. His family farming tradition goes back to 1879, when his great-grandfather homesteaded in the state.*

*The Schiller Institute leader in South Dakota, Wieczorek has also travelled to Europe and Mexico in recent years with the Schiller Institute, organizing against free-trade agreements and food control, such as the starvation of Iraqi children by UN sanctions. He calls his campaign the Wieczorek "Committee for a New Bretton Woods."*

**EIR:** You're running for the only U.S. House seat in South Dakota, currently held by Republican John Thune. You have a Democratic primary on June 2, and I understand you're now petitioning to be on the primary ballot. What's the relationship of this campaign to your political fight for the economic policies associated with Lyndon LaRouche and his call for a new Bretton Woods system?

**Wieczorek:** We're aware of the economic crisis that is about to come down on us. We're looking at a collapse of the economy, as Mr. LaRouche has said, almost certainly before the November election, a major economic crash, very similar to what has already happened in Indonesia, where commerce has come almost to a standstill.

Here in South Dakota, I see it every day, with our hog market falling this winter to one of the lowest levels since the levels that took out 25-30% of the hog producers in 1993-94. Today, we're at \$30 hogs again; the cost of production is about \$38 on those animals. We have the large corporations moving in, which claim to be much more efficient, but they are buying the feed to feed these hogs at about 30% of what it's actually worth.

**EIR:** How do you see the mobilization for a new monetary

system in this situation?

**Wieczorek:** We have to follow through with LaRouche's program. I've watched Lyn for ten years now, and studied his program. This man is in the tradition, and has expanded on the tradition, of Hamilton, Lincoln, and, when we talk about Democrats, Franklin Delano Roosevelt and John F. Kennedy. He is for nation-building policies, promoting the sovereignty of our nation, the national banking system, the creation of state credits directed to specific areas of the economy, so that when you create a debt, you get wealth out of it. You get a process of expanding the economy. You get a process of growth.

**EIR:** One of South Dakota's U.S. Senators is Tom Daschle, who's the Senate Minority Leader and would be crucial in bringing about a shift in U.S. policy toward LaRouche's policies. Have you discussed this with Daschle or tried to get him involved?

**Wieczorek:** Yes, I've had several good discussions with Senator Daschle, including a meeting in the past few years where I presented him with the LaRouche materials, gave him several copies of the *New Federalist*, Lyn's books (*So, You Wish to Learn All about Economics?* and *The Science of Christian Economy*). I told him that he may not believe what I was saying at that point about an economic crisis, but there would be a time when he would have to relate back to these books to solve the problem.

Senator Daschle needs to follow up on the work he did on the Bingaman-Daschle report around the time of the last Presidential election. He and the Democrats need to pick up the ball and do what needs to be done.

What I mean by this is the statements back in January by Treasury Secretary Robert Rubin, calling for some kind of a "new architecture" for our international financial system. The administration and Rubin have called for a meeting on April 16. They have invited 22 nations to this meeting, and coming out of it, we have to have a "new architecture."

After World War II, the banking faction in Europe was bankrupt and many of the African and Third World countries were in similar conditions. The Bretton Woods conference created an international system which provided credit for the Marshall Plan to rebuild Europe. The United States economy and manufacturing benefitted from that, because we did much of the production that was needed to rebuild Europe. This also helped achieve progress in the Third World nations, the former colonies of Great Britain. With this mechanism, we proceeded very well until 1971, when we had another attack by the British to destroy the office of the Presidency, and Nixon was forced to take us off the gold standard. This was the beginning of the end of the Bretton Woods system.

**EIR:** You have been organizing among the National Farmers Union (NFU) and other farm organizations to support the new Bretton Woods perspective. Can you give us an idea of what

the progress is in that?

**Wieczorek:** The progress has been very slow. As with most of the population, we have a baby-boomer problem. These people want to "go along to get along." The leadership of most of our farmer organizations has that attitude. So, rather than taking solid stands on sound principles, they tend to compromise. As I've watched over a period of years, starting with the NFO [National Farmers Organization] back in the late 1950s, moving to the American Agriculture Movement in the 1980s, and the NFU all along, they have tended to compromise, to where they've become totally ineffective in standing for what the farmer needs.

What we need is some real leadership, like we had back in the '30s, with William Lemke, the president of the farmers union in North Dakota, who took some very brave stands to support FDR at that time, in 1933, when he had to come out and make a brave statement, that we're going to shut the banks down on Friday and we're going to reopen them next week; the ones that can be reopened will be reopened. Lemke really fought with the kind of leadership that was needed to get the support for the President to do the things that needed to be done at that time.

This is the kind of leadership that we need in the farmers union today. We need to stimulate the agricultural people to look at this not as a farm problem, but as a world problem, a consumer problem. We have to educate the consumers. This thing is not so complicated that the average consumer couldn't understand it, if we put forward the effort and the proper leadership.

**EIR:** You gave a personal invitation to Sen. Tim Johnson (D-S.D.) to attend the March 18 *EIR* seminar in Washington, at which LaRouche outlined his plan for a new Bretton Woods system. What was his response?

**Wieczorek:** It was thanks to the LaRouche people in this state that Mr. Johnson defeated Sen. Larry Pressler [R] in 1996. In fact, he was the only Democrat in the nation that won a Senate seat in that election. I had a call back from his scheduler and one of his aides.

I'm challenging my two senators to do the things that need to be done. I challenge my two senators to do what they can to move Lyndon LaRouche into an advisory position to the President of the United States, with this impending crisis, that is coming down on us right now.

**EIR:** In terms of your campaign, are you getting any backing from the Democratic Party? What are you challenging them to do?

**Wieczorek:** I am very upset with the effects of the New Age Democrats. By the New Age Democrats, I'm referring to the people who surrounded and supported the national Democratic chairman in the 1996 election, who threw the election, as far as I'm concerned. There was no reason that we should have lost the good Democrats that we lost in the last election,

except for what Don Fowler and purported Democrats like Dick Morris did.

We need to steer the party in the proper direction, back to the tradition of FDR and JFK. And Lyndon LaRouche is the key man to do that.

This is a world crisis that we're looking at, but it's going to affect the people in South Dakota, and it's already affected the people here. The crash in Asia has affected our exports. Our grain prices today are lower than they were in the winter of 1947 and 1948. Homestake Mine, the largest gold mine in North America, has been temporarily shut down, and 2,000 jobs lost since peak employment. We have seen the collapse of the pork industry, including the closing of a plant in Huron, where 850 people were laid off.

**EIR:** You were looking at commodity prices from 50 years ago, when your father was a farmer.

**Wieczorek:** I had the South Dakota Agriculture Statistical Service fax me a paper on this. The average corn price received in South Dakota in 1947 was \$2.04 a bushel. Today, they're paying \$2.15 at the Chamberlain elevator and \$2.50 at Mt. Vernon.

**EIR:** That's not counting inflation.

**Wieczorek:** No, we're talking straight dollar figures here. Barley was another interesting figure. Barley was \$1.92 in 1947. The local elevator is quoting barley today at \$1.45. The average price for seeds for rye in 1947 was \$2.31. The price at the elevator today is \$1.80.

**EIR:** How can farmers survive?

**Wieczorek:** They're not. Neither is the nation.

**EIR:** I understand that the biggest industry today in South Dakota is Citibank's credit card division, because there's no usury law in South Dakota. It has replaced farming as the biggest business.

**Wieczorek:** That's right. Governor Janklow is bragging that South Dakota has the lowest unemployment rate in the nation. But that's because we have the lowest wages in the nation. Plus, in billionaires per capita, we're in the top six.

Twenty-five years ago, and prior to that, the state depended on a real estate tax to maintain the schools, the county roads, the townships, and so forth. But today, despite "tax cuts," because they raised the valuations of property, I will be paying more taxes on my real estate, with a 25% reduction, than I did before the reductions were taken. I don't know what kind of new math these people use, but it's not working here in the state. Primarily, the reason is, that our state has been taken over by usury and speculation, and gambling.

**EIR:** On the Indian reservations?

**Wieczorek:** All over. South Dakota has the most lenient gambling laws of any state in the nation today.

**EIR:** I understand it also has an increasing private prison industry, as well, which goes along with that.

**Wieczorek:** Yes. Rather than giving our people a Classical education, over the past five to six years we have locked up the state university at Springfield and turned that into a state prison. We have closed down Yankton College, and turned that into a Federal prison. Many hospital units have been shut down and turned into juvenile detention centers. An area of the hospital in Chamberlain was turned into a juvenile detention center. One of the hospitals in Sioux Falls is the area law enforcement center. These are the type of things that have been happening.

**EIR:** Has all this occurred under the Janklow administration?

**Wieczorek:** Most of it. Janklow was the governor when our usury laws were deregulated and Citibank was brought in.

**EIR:** I understand there will be a constitutional amendment on the ballot in November, called Dakota One, which would prohibit the use of property taxes to fund education.

**Wieczorek:** Under the Republican leadership, South Dakota is in a situation where the lack of economic growth has hooked it on gambling revenue. Now they put up the Dakota One proposition, which is a proposed amendment to the state Constitution, which would prohibit property taxes from funding education. Some of the Democrats are also supporting it. If this passes, there will be a crisis in education in the state, and they're already "maxed out" on gambling revenue.

But, the state leadership refuses to consider the proposal for a 0.2% transfer tax on sales of speculative instruments, such as futures, options, indexes, derivatives, swaps, and so on, which the Schiller Institute has twice proposed. It was estimated by one state senator that this tax would bring in over \$2 billion, more than enough to cover the state's budget.

**EIR:** I understand the life expectancy and infant mortality rates in south-central counties, where the Indian reservations are, is among the worst in the world.

**Wieczorek:** Yes. Along with that problem, the suicide rate is probably the highest of any area in the world. On one reservation, we had eight suicides since the beginning of the year. The city of Chamberlain had eight teenage suicides in the last two and a half years. This is a community of 13-14,000. Most of this is economic stress. This farm crisis in these rural communities is unreal.

**EIR:** So your campaign is the only thing that's offering hope.

**Wieczorek:** That's the only reason I'm running. The LaRouche movement is the only organization that I've been associated with, that has delivered the truth to me. I invite everybody to take a look at Lyn's work and the work of the Schiller Institute. We desperately need leadership in these times.

## Democrats attack slow pace of IRS reform

On March 25, Senate Minority Leader Tom Daschle (D-S.D.), joined by Bob Kerrey (D-Neb.), expressed astonishment that the bill to reform the Internal Revenue Service, which passed the House last November by a vote of 426-4, still has not been acted on by the Senate. Daschle accused the GOP leadership of failing to live up to its commitments, and warned that such a failure will have "serious repercussions, in terms of our relationship with our Republican colleagues, as well as the relationship that every American taxpayer ought to have with the IRS."

Kerrey proposed that "what needs to occur is an expedited process based on a commitment that we're going to finish this thing by April 15," in other words, that the bill will be ready for President Clinton's signature before Congress leaves for its Easter recess on April 2. He complained that what is holding up the process is a "lack of commitment" on the part of the Republican leadership. "When they decide they want to get something done," he said, "they schedule the time, they control the debate, and they can get it done." He cited the renaming of Washington National Airport after former President Ronald Reagan, earlier this year, as an example.

Daschle's and Kerrey's comments came simultaneously with the release of the Senate version of the IRS bill by Finance Committee Chairman William Roth (R-Del.). Roth balked at any suggestion of a time limit on the bill, warning that rushing passage would "require us to water down the reform this bill contains." He called his bill "real reform," and said, "Had we acted when many were challenging us to move forward with reform last year, we wouldn't have a fraction of the protections this bill provides. If we rush

now, many will be lost." Roth said the bill gives taxpayers more rights, provides for more oversight of the agency, and allows for greater independence to investigate IRS abuses against taxpayers and employees.

## Kasich declares war on Transportation bill

House Budget Committee Chairman John Kasich (R-Ohio) announced on March 27 that he would do everything in his power to stop the Intermodal Surface Transportation Efficiency Act (ISTEA II), which was marked up by the Transportation and Infrastructure Committee a few days before. At a press conference with a handful of other GOP budget-cutters, Kasich called the six-year, \$217 billion bill an "abomination" which contains "too much spending." He said that because of the level of spending in the bill, there's great doubt as to whether it is within the limits set by last year's budget agreement. He wasn't too sanguine about his chances of success, however. He suggested that he would probably be "run over by a cement truck."

Justifiably. In fact, infrastructure spending is vital to ensure future economic growth.

Kasich said that he would be offering an amendment that would "essentially turn the highway program back to the states." With few exceptions, Kasich's amendment would "free" states to tax highway use themselves, and build whatever projects they want. Other amendments to be proposed include one by Lindsay Graham (R-S.C.), to eliminate all of the demonstration projects in the bill; one by Christopher Shays (R-Conn.), to bring authorizations in the bill in line with the budget agreement; and, one by

Mike Parker (R-Miss.), which would not allow any Federal funding of projects not on a state's priority list.

While Kasich didn't mention Transportation and Infrastructure Committee Chairman Bud Shuster (R-Pa.) by name, he clearly had Shuster in mind when he said that the bill was a "detour" away from what the Republicans came to Congress to do, which is to cut the budget and reduce the size of government. Shays said that his worst day in Congress was when he realized, the previous week, that Speaker Newt Gingrich (R-Ga.) had agreed to bring Shuster's bill to the floor. "This Republican revolution, which I believe in so strongly, is in question of being maintained," he said.

A couple of days before, Gingrich said that the bill would be taken up before Congress leaves for its Easter recess. "We will offset the spending in conference so there will be no increase in total government spending which will keep us moving on our balanced budget track," he said.

## Gilman plots against U.S.-China nuclear deals

House International Relations Committee Chairman Ben Gilman (R-N.Y.) is planning to introduce legislation that would give Congress oversight on nuclear export licenses for U.S. companies, according to a committee staffer. His intent is to disrupt U.S.-China nuclear cooperation, which is vital for China's economic development, and important for the U.S. economy.

Last Nov. 5, the House voted, with only 29 opposed, to extend from 30 to 120 business days, the time Congress would have to review President Clinton's certification of China for U.S. ex-

ports. But the Senate refused to act on any proposal for an extension, and the deadline for legislative changes in the agreement passed in March. Then, Gilman tried to tag an extension, which was worked out with Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.), onto the conference report for the authorizing legislation for the State Department, but that language was pulled out of the bill because it was clear the administration wouldn't accept it.

Now, Gilman is proposing to apply to nuclear exports the oversight that Congress has for exports related to arms control, and that are over a certain dollar value. The proposal is to add 30 calendar days for oversight, for any license for a power plant or nuclear material. Under this scenario, Congress would have until the end of the current session to change the law, given that it will take many months for export firms to nail down deals with the Chinese. The Senate, however, appears reluctant to go along with such a scheme, and therefore, it stands little chance of becoming law.

## **Mexico decertification rejected in Senate**

On March 26, the Senate rejected a resolution sponsored by Paul Coverdell (R-Ga.) and Dianne Feinstein (D-Calif.) to disapprove the decision of the Clinton administration to certify Mexico as "fully cooperating" in the fight against drugs, by a vote of 45-54. The resolution would have further destabilized Mexico.

Coverdell said, "I consider myself an ally of the people and the government of Mexico, but we are losing this war, we are losing this struggle, and it is not appropriate to say otherwise."

He added, "We do not do the people of either country, nor the people of this hemisphere, justice by communicating a message of gain or accomplishment when it is the exact opposite." Feinstein detailed numerous instances in which Mexican cooperation with the United States has been inadequate.

Opponents of the resolution focused their attacks on the certification process, rather than the decision to certify Mexico. Chris Dodd (D-Conn.) pointed out that it is the \$55 billion in drug revenues from the United States that is "helping to bankroll the very Mexican corruption" that Feinstein and Coverdell are so concerned about. He said that if Office of National Drug Control Policy Director Gen. Barry McCaffrey (ret.) "thinks that Mexico should have been certified, and he did, then I have to agree with him."

Pete Domenici (R-N.M.) was more direct. After noting that he had supported decertifying Mexico in 1997, he asked, "If we vote to decertify, are they going to get better? Is there a correlation between saying they should not be certified and getting some real cooperation from Mexico?" He said, "There is a good chance, because this process is so outrageously stupid, that if we decertify Mexico, things will get worse."

## **Senate completes work on supplemental funding**

On March 27, the Senate completed work on the emergency Supplemental Appropriations bill that provides \$2.9 billion for U.S. military operations in Bosnia and Iraq, and for disaster relief. The final amendment to the bill was for \$18 billion in supplemental funding for the International Monetary Fund (which also exists in the Senate

as a separate bill). However, a final vote was delayed until the Senate receives the House version of the bill.

The bill became a magnet for all kinds of agendas, many of which were withdrawn before being voted on, with the caveat that they would be heard from again. Among them were the comp time bill, brought up by John Ashcroft (R-Mo.), and an attempt, sponsored by Kay Bailey Hutchison (R-Tex.), to set a date certain for U.S. withdrawal from Bosnia.

Ashcroft called his amendment "a clear signal to the Congress that . . . [compensatory time off for working families] is a must-address issue." He said he decided to withdraw the amendment so as not to tie up the bill. Hutchison also withdrew her amendment on a promise from the Senate leadership that there would be full debate on a resolution, in which a policy statement could be made regarding U.S. forces in Bosnia.

There were also amendments added regarding conduct of international monetary policy. Paul Wellstone (D-Minn.) introduced a series of amendments to add criteria regarding workers' rights and environmental obligations as conditions for receiving loans, to increase burden sharing by private creditors, and to set up an advisory committee on international monetary policy that would include members from organized labor and environmental and human rights organizations. Wellstone argued that it is important to put much more of a focus on the IMF, because the economic collapse in Asia, combined with IMF policies, forces affected countries "to currency devaluation, and they will try to work themselves out of trouble through cheap exports to our country." The advisory committee amendment was adopted; Wellstone withdrew his other amendments.

# National News

## Black farmers say USDA discriminates

Calling the plight of America's black farmers "a national crisis," John Boyd, Jr., president of the National Black Farmers Association (NBFA), held a demonstration and press conference outside the United Nations headquarters in New York in mid-March, to request UN action on their behalf.

Boyd and the NBFA blame "political appointees and career bureaucrats" in the Agriculture Department for what they charge are "entrenched discriminatory practices" dating back to the Reagan administration, when the USDA Office of Civil Rights was "systematically dismantled."

At a meeting with President Clinton on the issue last Dec. 17, the farmers laid out "one horror story after another" about racist practices which each year prevent hundreds of black farmers from getting badly needed loans. President Clinton pledged \$600 million in aid to disadvantaged farmers, but Boyd was informed in mid-March by USDA officials that no funds were forthcoming this planting season.

In the 1940s, there were more than 1 million black farmers in the United States. Today, that number has withered to approximately 18,000.

## U.S. drug report blasts back-door legalization

The Clinton White House, through its policy adviser Gen. Barry McCaffrey (ret.), recently released the 1998 "National Drug Control Strategy," an annual report mandated by Congress. For the second year in a row, the document called for a concerted effort to "counter attempts to legalize marijuana." While McCaffrey's Office of National Drug Control Policy report did not name George Soros, it did hit at one of his latest schemes for introducing marijuana legalization through the back door: the promotion of hemp as a new industrial crop. "Permitting hemp cultivation would result in de-

facto legalization of marijuana cultivation, because both hemp and marijuana come from the same plant—*Cannabis sativa*," the report stated.

"Chemical analysis is the only way to differentiate between cannabis variants intended for hemp production and hybrids grown for their psychoactive properties. According to the Department of Agriculture, hemp is not an economically viable crop. For every proposed use of industrial hemp, there already exists an available product, or raw material, which is cheaper to manufacture and provides better market results." The report also emphasized that, at the present time, marijuana is a Schedule I dangerous substance, whose possession or production is a Federal crime.

## Wall St. Journal lionizes 'Get Clinton' judge

After Washington, D.C. Federal Judge Royce Lamberth slapped an aide to former Agriculture Secretary Mike Espy with a prison sentence, when the sentencing guidelines recommended probation for the man's conviction, the *Wall Street Journal* on March 22 heaped editorial praise on Lamberth. The *Journal* also hailed him for levying \$286,000 in sanctions against the White House for a "cover-up" involving Hillary Clinton's health-care task force; and for finding "a pattern of stonewalling and evasion" by the Commerce Department in a lawsuit brought by Judicial Watch seeking documents on trade missions organized by Ron Brown.

The *Journal's* praise of Lamberth is lawful, given its role in British-led efforts to destroy U.S. government institutions, especially the power of the Presidency (see last week's *EIR*, "An Enemy of LaRouche Is an Enemy of Clinton").

The *Journal* editorial gushed: "In his nonsensical approach to such behavior, Judge Lamberth may be stepping into the shoes filled by Judge John Sirica during Watergate." Sirica, in fact, played a key role in the operation run by the *Washington Post*, Alexander Haig, and Haig's intelligence briefing officer, Bob Woodward, to bring

down President Nixon, and to blame Nixon and his Attorney General, John Mitchell, for actions carried out by others.

During the 1970s, the *Washingtonian* magazine noted that, during the Watergate burglars' trial, Sirica had "used the threat of lengthy sentences to force defendants into abandoning their constitutional rights. He turned the trial into an inquisition and justice into a charade."

On March 24, Douglas Caddy, who had been the attorney for E. Howard Hunt and Gordon Liddy, wrote a commentary in the *Journal*, blasting Judge Sirica, who had ordered Caddy to reveal to the Watergate grand jury, the contents of his discussions with Hunt and Liddy. When Caddy refused to answer, on the grounds that this would violate attorney-client privilege, Sirica held Caddy in contempt and ordered him jailed.

## Maryland bill to sanction Nigeria heatedly argued

On March 25, the Maryland House Commerce and Government Matters Committee held hearings on a bill which would impose trade sanctions against Nigeria. The bill was inspired by Baroness Caroline Cox and the British intelligence front, Christian Solidarity International. U.S. front-men for Cox's "religious freedom," "democracy," and "anti-corruption" crusades against such countries as Nigeria, Sudan, and China, include chairman of the Congressional Black Caucus Maxine Waters (D-Calif.), former chairman Donald Payne (D-N.J.), and Virginia Hunt Country retainer Rep. Frank Wolf (R). Strong opposition to the sanctions was mobilized by Maryland-based Nigerian publisher Lawrence Fejukwo and *EIR's* Lawrence Freeman, while less polemical opposition was offered by the State Department.

Fejukwo's testimony called the bill "ill-timed," pointing out that elections in Nigeria for the Senate and the House, and gubernatorial and Presidential elections, are scheduled for April 6 and Aug. 1, 1998, respectively. "The Nigerian military is at the last stage of the transition to democracy, that will terminate on Oct. 1, 1998, when a democratically elected government will be inaugurated," he said.



"The majority of the Nigerian population is definitely in support of the transitional program," he said. "Any sanctions at this stage will further encourage economic and social dislocation that can exacerbate the social and political turmoil," in the world's most populous black nation (120 million), which has 250 ethnicities.

Rather than sanctions, he said, "The State of Maryland should seek greater mutual relationship with Nigeria."

## Attorney scores Virginia legal 'death squad'

William S. Geimer, a professor of law at Washington and Lee University who was the attorney for executed killer Ronald L. Watkins, on March 26 denounced the Virginia Attorney General's "death squad," which, he said, obstructed the clemency process for his client by barring news cameras from Virginia's prisons. Geimer likened Watkins, who was executed on March 25, and who had become a born-again Christian while on death row, to Karla Faye Tucker, the Texas murderer who gained international recognition for having reformed herself in prison, before she was executed.

"There were some very sympathetic people in the media, but when I couldn't get anything on camera, they had to back off," he said. Virginia implemented a ban on news cameras in its prisons in 1995. "They're not doing it for security reasons," Geimer said. "They're doing it to kill people in secret, to make sure that nobody sees a human being."

## Michigan lawmakers vote to ban assisted suicide

Although it took eight years, Michigan's House and Senate finally passed a ban on so-called assisted suicide on March 12. One day later, Jack Kevorkian murdered his 100th known victim. Unfortunately, even after Gov. John Engler (R) signs the bill, it will not take effect until April 1999.

A Kevorkian support group, known as

"Merian's Friends," has been petitioning to have a referendum on legalized euthanasia put on the November ballot. However, after receiving a luke-warm response, they have been forced to hire professional petitioners from Nevada at \$.90 a signature. The law they propose, "A Terminally Ill Patient's Right to End Unbearable Pain and Suffering," goes beyond Oregon's legalized Nazi euthanasia, by including mental torment in the category of "unbearable suffering." It also takes the Oregon law a step further, in casting a shroud of secrecy around all cases, including from family, law enforcement, or medical examiners.

The Oregon law, which passed with the financial largesse of George Soros, has now officially claimed two victims.

## Jackson champions tradition of Lincoln, FDR

Illinois Rep. Jesse Jackson, Jr. called on the Democratic Party to return to the tradition of Lincoln and FDR, in a speech before the Young African-American Democrats on March 27. He was born in the midst of the courageous battle for voting rights in Selma, Alabama, he began; now, over 30 years later, African-Americans are taking their seats in Congress. He called upon the young Democrats to see their own actions from the vantage point of future centuries.

The Democratic Party, he said, was founded as "the party of slavery," which it remained until Franklin Roosevelt brought blacks into the party. He called for Democrats to return to FDR's principles of economic justice, and cautioned that there was no way of making measures such as affirmative action effective, except under conditions of rapid economic progress. He noted that the corporate CEOs have become richer, while many Americans, including his constituents, are denied health care, clean water, steady employment, etc. The Democratic Party must support an activist Federal government which fosters the rights of all.

His speech was a refreshing counter to that of Maryland's Rep. Elijah Cummings, who attacked President Clinton for opposing needle-exchange programs.

**THE FIRST NATIONAL** research efforts to quantify the extent of hunger in the United States were published in the current issue of the *American Journal of Public Health*, and indicate that 10 million Americans, the majority of whom are members of families in which at least one person is working, don't have enough to eat.

**JONATHAN POLLARD**, who is serving a life sentence for spying for Israel, blamed the American Jewish Congress, American Jewish Committee, and Anti-Defamation League for doing nothing to get him freed from jail. On March 23, Pollard met with Israeli Finance Minister Yaacov Neeman at the Federal prison in Butner, North Carolina, amid speculation in Israel that Prime Minister Benjamin Netanyahu will finally declare Pollard an Israeli agent, to expedite his negotiated release.

**DEFENSE SECRETARY** William Cohen reportedly sent a classified memorandum to Congress on April 7, saying that Cuba does not represent a significant threat to U.S. national security, and urging closer contact between U.S. defense officials and their Cuban counterparts, according to the *Miami Herald* on March 28.

**GOV. GEORGE BUSH** of Texas was noticeably absent at a Houston Republican gathering on March 28, which is something of a "coming out party" for GOP Presidential aspirants. Others also avoided the shindig, fearful, perhaps, that their popularity might "peak" too soon.

**THE 'BUCKEYE REVIEW'**, a black weekly published in Youngstown, Ohio, reprinted *EIR's* report on "Operation Fruehmenschen," the long-running FBI effort to frame up and discredit African-American elected and appointed officials. The report, authored by Debra Hanania Freeman, first appeared in *EIR's* Feb. 6, 1998 issue.

### *The shift against managed care*

Over the last few months, beginning with the arrival of the financial crisis in Asia, a new recognition of reality has been evident in the U.S. population. One of the salient issues on which this is reflected, is the murderous swindle known as “managed care.”

It was in November 1996 that the LaRouche political movement first began to target the practice of health maintenance organizations. “Managed Care Is a Crime Against Humanity,” was the title of a policy forum addressed by Lyndon LaRouche and several members of the health community, in Washington, D.C., at that time. The argument which the speakers made was straightforward: The philosophy of managed care is a modern method of applying Hitler’s policy of cutting support for “useless eaters,” by increasing the morbidity rate among the population of health care recipients. In other words, HMOs, in particular, are *killing people!*

During the year following this event, especially as the numbers of people being forced into managed care by their employers, or by state-administered health care systems, skyrocketed, the charges against the HMOs grew from a murmur into a roar. Legislation seeking to mandate patient protections in some area or another (remember drive-by deliveries of babies?) was implemented in 44 states of the union. More than 100 pieces of legislation were introduced in the Federal government as well.

In his keynote to the anti-managed-care forum, LaRouche proposed not only a general change in orientation toward people—toward valuing each and every person as a creature made in the image of God—but also some specific legislative approaches. This included passing the equivalent of health civil rights laws, which would penalize insurance companies for adopting policies which result in the withdrawal of food or needed medical or surgical care. This approach means mandating a policy, as well as enacting specific laws.

The revolt against managed care has now reached the point where precisely such policies are being put into effect. Republicans are breaking from their party’s position of “no government interference”; Democrats

are overcoming their fear of the ghost of Hillary Clinton’s initial (greatly overspecified) health care bill. Republican Charlie Norwood of Georgia has introduced a bill which would permit a patient to sue an HMO for damages—something which the cost-cutters are currently protected from by law. On March 31, the Democrats introduced a similar bill, called the Patients’ Bill of Rights Act of 1998, which puts into law the general policy statements which have been made by President Clinton on this matter.

Norwood’s bill has 225 sponsors, coming from both parties. It is also supported by numerous medical and advocacy groups. While Senate Majority Leader Trent Lott (R-Miss.) and House leader Dick Armey (R-Tex.) have vociferously opposed the consumer protections in Norwood’s bill, many other Republicans have cosponsored it. It is quite likely that the revolt against managed care is going to be a critical one in the 1998 Congressional elections.

Indicative of the mood, as well, is the campaign being run by attorney-physician Harvey Wachsman, to destroy the ability of the managed care firms to continue their murderous practices. A top malpractice attorney, Wachsman is determined to put HMOs out of business, because of their deadly results. He calls them agents of “managed fraud,” and is organizing a broad effort with medical experts from Harvard, Yale, Johns Hopkins, along with other major institutions, to convince Congress to eliminate the HMO threat.

It is paradoxical, of course, that the anti-HMO campaign is proceeding at the same time that Dr. Jack Kevoorkian’s murder count has reached more than 100 victims, and Oregon has included euthanasia (“assisted suicide”) as a “service” for the medically indigent. The “feel good,” cost-cutting program of euthanasia is the logical extension of the HMO cost-cutting mentality, but people seem to be able to recognize it more easily when they are up against their HMO.

A reassertion of the fight for the dignity of human life in the area of health, is a good place to start reversing the slide of the last 30 years.

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