

# EIR

Executive Intelligence Review

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Evans-Pritchard blasts EIR, defends the Queen  
Break the blackout on Khmer Rouge genocide  
Nuclear proliferation and the SDI

**Roosevelt's TVA: a model  
for global development**



*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. LAROUCHE, JR.  
March 5, 1998

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## From the Associate Editor

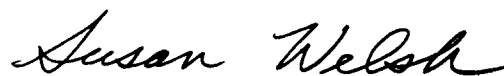
**B**ritish hatchet-man Ambrose Evans-Pritchard's decision to come out openly attacking *EIR* and Lyndon LaRouche, accusing us of masterminding a dastardly plot to accuse the British royal family of the murder of Princess Diana (see *Editorial*), certainly gives a good indication of how hot the battle has become between us and the British oligarchy. Evan's-Pritchard's libel should certainly raise some eyebrows around the Clinton administration.

In an *EIR* cover story on April 3, LaRouche wrote a provocative article titled "Any Enemy of LaRouche Is an Enemy of Clinton." Tracing the overlap of personnel and institutions between the "Get LaRouche" task force and those involved in the assault on the Clinton Presidency, LaRouche asked whether the President were not being attacked under the very same "national security" provisions of Executive Order 12333 that were used by the Bush machine to jail LaRouche in 1989. Evans-Pritchard, a British intelligence agent who has played a key role in the assault against Clinton since Day One, has now come out slugging against LaRouche as well.

Why? As LaRouche describes in the above-cited article, he himself is a threat to the oligarchy, first, because he, like Clinton and like President Franklin D. Roosevelt, is an American in the tradition of Abraham Lincoln—simply that. Second, LaRouche is viewed as particularly "potentially dangerous" in his effectiveness on behalf of his cause, and in opposition to that of the oligarchy.

As for Clinton, the Anglophile patricians fear that, in this time of deepening economic and financial crisis, he might opt to turn the United States away from "globalization," back to the legacy of President Roosevelt—as exemplified in the Tennessee Valley Authority project, the subject of our *Feature* this week.

The Anglophile establishment's hatred for Roosevelt and Clinton is complemented, LaRouche wrote, "by the terror which grips them, as they are presented now with the prospect, that the way in which reality has totally vindicated the LaRouche forecast of the presently ongoing, global financial-monetary crisis, will render his proposals for a specific type of 'New Bretton Woods' reform successful. Were that latter reform to occur, their classes would lose global power, perhaps forever." And that's the good news, in this week's issue.



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**Correction:** Our editorial in the May 29 issue, "It's the IMF That's to Blame," stated that, as of February 1997, twenty-two percent of Mexico's per-capita production of consumer goods and 29% of production of producer goods had been wiped out as a result of the IMF's 1995 "rescue package." That reduction actually took place compared to a baseline of 1981, when the first round of IMF programs was implemented.

## Russia's financial crisis threatens global system

by Richard Freeman

"Russia's problem has the potential to become . . . central Europe's and the world's," U.S. Deputy Treasury Secretary Lawrence Summers told an international monetary conference in Vienna on June 1, at the beginning of a week dominated by furious international crisis-management attempts to deal with the "Russian phase" in a financial crisis that is now almost universally recognized as global, and systemic. The previous day, President Bill Clinton issued a highly unusual Sunday statement, to express hopes for "strong IMF [International Monetary Fund] and World Bank engagement in support of reform" in Russia, cite the importance of stability for the Russian currency, and endorse "additional conditional financial support from the international financial institutions, as necessary, to promote stability, structural reforms, and growth in Russia."

The IMF has announced that it will release a delayed \$670 million tranche of its Extended Fund Facility for Russia; but it was rumors of a multibillion-dollar rescue for Russian finances, that brought a temporary stabilization of the Russian stock market, after its 44% collapse from May 1 through June 1, and a return of Russian Treasury bill yields to the 45% range, from their highs of over 80%, the previous week. Travelling to France on June 3, Russian Prime Minister Sergei Kiriyenko asserted that the worst was over.

Kiriyenko risked becoming the latest in a series of Russian political figures to stumble, having made such claims that a financial fever has passed. Russia faces a rugged series of debt payment deadlines, including weekly Treasury bill (GKO) rollovers, in the weeks ahead. The rise in GKO interest payments has already blown the Russian government's spending calculations to smithereens, making it impossible to meet

state-sector wage payments and other obligations, essential for the stability of the country.

On June 2, a City of London financial source told *EIR* that "the situation in Russia is critical." He continued, "After Monday's sharp fall in the Moscow stock market, reports are that brokers can't meet their obligations, *threatening chain-reaction defaults across the Russian banking world*. Russia at the moment is the most serious problem faced by the G-7, even more serious than the yen."

U.S. Treasury Secretary Robert Rubin expressed similar concern, in an interview with CNN: "There is also the risk once again of contagion if Russia really has substantial instability and difficulties that can spread to central Europe and that can then spread further."

A flurry of emergency meetings on Russia is under way, including of the Deputy Finance Ministers of the G-7 industrial nations, scheduled for the week of June 7. On June 3, the Japanese daily *Nihon Keizai Shimbun* reported that the G-7 nations are contemplating a \$10 billion financial aid package.

The danger, cited by Summers and Rubin, that Russia's crisis will spill over into Central Europe and beyond, is compounded by the strategic dimension: Further economic breakdown in Russia could lead to social unrest, and even the break-up of the country. Russia possesses 20-30,000 nuclear warheads, and its political and economic disintegration could be a catastrophe.

Under IMF direction, Russia's factories and raw materials have been looted, its industrial production is only 45% of what it was in 1989, its population is declining, and its tax revenue base has been destroyed. Unless world leaders address the global, systemic nature of the world financial disin-

tegration, and destroy the power of the IMF, any attempt to stabilize the Russian situation, even in the short term, is sure to fail.

### **Budget, banking crises**

Russia's budget crisis has been driven to new intensity by the speculative pyramid scheme of state Treasury bills.

In early June, Russian Finance Minister Mikhail Zadorov outlined an IMF-dictated austerity budget that called for 12% budget cuts across the board. Hundreds of thousands of state employees are to be fired, the railroads will be "reorganized," i.e., rationalized and looted, and so forth. Under this proposed plan, 3-4 billion rubles will be saved in the third quarter, and another 7-10 billion in the fourth quarter of this year. In the budget, Russian debt service for 1998 was planned to be about 100 billion rubles, with the interest rates averaging 25% through the year. But GKO rates have been averaging 50%; were that to continue, it would add an extra 100 billion rubles interest cost to the budget, an amount larger than all the IMF planned budget cuts.

On June 3, the Russian government raised another 5.83 billion rubles (\$950 million) by issuing GKOs. The 343-day GKOs sold with "only" a 54% interest rate. But, as a measure of the government's desperation, for the first time in its history, it issued seven-day GKOs, meaning that the Russian government is financing itself on a week-to-week basis. The initial annual yield on the seven-day bills was 39.9%. According to one report, after the seven-day bills were issued, their price fell, and the yield shot up to 50.8%. The government could only find one-fifth the buyers it needed to sop up the \$200 million it issued in seven-day bills.

The weekly Wednesday panic is projected to continue through the summer, since 100 billion rubles (\$16 billion) in Treasury notes come due before the end of August.

The most serious element is the potential meltdown of the Russian banking system, warned the City of London source. Indeed, the Toko Bank failed this year, and the Sberbank, which represents Russia's national savings system (and which is the largest holder of GKOs), has seen its share price hammered down each day in trading on the Russian stock exchange. The danger is that the interbank market—in which banks trade money for 24- to 96-hour periods, and which keeps the Russian banking system liquefied—will become illiquid.

A banking crisis would make it impossible for the stock or the GKO markets to function. It could also force Russia to default on its \$145 billion foreign debt. Russians, as well as foreign investors, would incur tens of billions of dollars of losses on investments in Russia.

### **Another Achilles' heel: Ibero-America**

The troubled world financial system might be compared to a centipede with not one or two, but many "Achilles' heels." One, is Ibero-America. The May 29 *New York Times* com-

mented, "Just when it began to look as if Latin America had dodged the bullet of Asia's financial and economic woes, stock markets from Mexico to Chile began to tumble. The decline, which began in earnest three weeks ago, accelerated earlier this week, ushering in a period of increased volatility."

Since May 1, the Mexican IPC stock market has fallen 12.6%, to a six-month low; the Argentine MerVal has fallen 14.4%; and the Brazilian Bovespa has plummeted 15.6%. U.S. mutual funds that specialize in investing in Ibero-American stocks have reported a net outflow, that is, disinvestment, for 20 of the last 21 weeks.

But there are fundamental problems in each of these countries. In Brazil, just from January to March of this year, total foreign debt rose by \$18.7 billion, to \$212.4 billion, making Brazil the world's largest debtor. In part, this is due to the Asian phase of the world crisis. For example, last year, once the crisis in Asia became more severe, the interest rates charged on the foreign debt rose not just for Asian nations, but also nations in Ibero-America, increasing debt service costs.

Moreover, fundamental weaknesses threaten both to unravel the economy and put Brazil in the target sights of hedge-fund speculators. On May 28, the Brazilian Central Bank's director of International Affairs, Demosthenes Madureira Neto, nervously announced that the government is prepared to spend \$15-16 billion in reserves to defend the value of Brazil's currency, the real, against attack.

### **Asian crisis enters second phase**

Finally, there is no let up in the virulence of the "Asian" crisis, which entered a second phase in March-April. Since May 1, Asian stock markets, which during the first quarter of this year only partially recovered the ground lost since June 1997, have been hammered once again. Since May 1, Hong Kong's Hang Sheng stock index has fallen 16.1%, Thailand's SET index has fallen 22.5%, Malaysia's Composite has fallen 17.2%, South Korea's Composite has fallen 21.1%, and Singapore's Straits Times index has fallen 20.5%.

In South Korea, during the first quarter, investment in machinery and equipment fell 40.7%, from a year earlier; output in the construction industry fell 39%, compared to the previous quarter; and household consumption, which accounts for half of Gross Domestic Product, fell 10.5%, the worst decline since the Central Bank began compiling figures in 1953.

Meanwhile, private capital flows are leaving Asia. The June 1 *Business Week* reported that in the last ten days of April, Japanese investors bought a record \$21 billion in foreign bonds and foreign equities, a sign of flight capital. This would undermine the Japanese government's attempt to defend and strengthen the yen; during April and May, Japan's central bank reportedly spent more than \$20 billion trying to defend the yen.

Such capital flight undermines Japan, a nation with roughly \$770 billion in non-performing commercial bank



loans. Japan is the economic pivot of northeast and southeast Asia, and the second-biggest economy in the world. Its financial failure could bring down the world financial system all by itself.

### A new system

But a step toward a solution to this crisis came from a national leader who has repeatedly denounced the “insanity of money-making” controlled by the financier oligarchy. Speaking at a Tokyo symposium on June 2, Malaysian Prime Minister Dr. Mahathir bin Mohamad called for establishing a “new international financial system” (see *Documentation*).

Mahathir’s speech is in the direction of Lyndon LaRouche’s call for a New Bretton Woods monetary system, based on fixed exchange rates, and pivoted around development of the Eurasian Land-Bridge. *EIR* will hold a seminar in Washington on this topic on June 18, titled “When Will the Leading Nations, Including the United States, Admit That the IMF Is a Complete Failure and Implement Lyndon LaRouche’s New Bretton Woods System?” Such an approach is the starting point for world leaders anxious to solve the crisis in Russia—and the other “Achilles’ heels.”

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## Documentation

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# Mahathir urges reform of global financial system

*On June 2, Malaysian Prime Minister Dr. Mahathir bin Mohamad addressed a symposium in Tokyo, entitled “Revitalization of the Japanese Economy and the Future of Asia,” sponsored by the Institute for International Monetary Affairs:*

Dr. Mahathir said financial experts should stop blaming Asian governments for the currency crisis and help reform the international financial system, in particular, to minimize exchange rate volatility and curb currency speculations.

“Our task is to focus on the remedies, the things which must be done if we are to revitalize ourselves, if we are to ensure the revitalization of Asia. . . .

“The present system, if there is a system at all, is messy, unreliable, and destructive. Can world trade depend on these shadowy market forces whose methods are not known to anyone except themselves?

“I believe the time has come to deal with the entire issue of reform of the international financial system to ensure currency stability and contain the activities of those who buy and sell money for no other purpose than to make profits.”

Referring to the collapse in value of the Indonesian rupiah, Dr. Mahathir asked, “What indeed is the worth of a nation

if suddenly someone can devalue and even bankrupt it? If currencies can be made useless so easily, what is the point in a country using its own money? . . .

“There was a lot of talk about market forces. But who constitutes market forces and how do market forces determine what value to give to each act of a government or an economy under attack? . . .”

Devaluation or revaluation of currencies is not the answer to the world’s economic problems, he said. “Improvements in productivity are, and such improvements can be achieved through greater skills, better management and continuous technological improvements. . . .”

“Their [the world’s great economists] habit of merely trying to explain the present turmoil as being due to bad practices by the governments concerned sounds too much like an apology and a defense of currency traders. . . .

“With regard to why we seem to be following the policies of the IMF, frankly we feel threatened. We are told if we don’t do those things, then our currency would be depreciated further. . . .

“And so we try to follow the IMF, and it is very damaging to us. When you raise interest rates and squeeze credit and increase taxes, which is the standard formula for all countries having problems like that, the only result is that companies go bankrupt. And when companies go bankrupt, governments eventually will go bankrupt. . . .

“We think that those conditions would really bring our economy to a standstill. I think there is some basis for fearing the medicine that is being doled out by the IMF, because although the patient is very sick and needs medicine, some medicines do kill, and I am speaking as a doctor. . . .”

*On June 4, Dr. Mahathir delivered his second speech in Tokyo, to a June 4-5 conference entitled “The Future of Asia,” sponsored by the Japanese financial daily, Nihon Keizai Shimbun (Nikkei). He warned of the risk of “a kind of guerrilla war” if foreign firms used the economic crisis to take control of national firms:*

“Sooner, rather than later, [Asians] will think of regaining control over their economies. They will regard this as a new war of liberation. . . .

“Even if they want to avoid violence, violence must come as the new capitalists disregard the signs.

“There will be no war of independence, of course. But there will be a kind of guerrilla war which will not be good for anyone.

“Maybe this will not be the future of Asia. Maybe Asia will extricate itself from the present situation intact.”

But, he cautioned that “new capitalists” would be loath to miss the chance to “dominate the world and make lots of money in the process.”

“Only if their own countries restrain them will the future of the world, of which Asia is a part, be peaceful and prosperous,” he said.



# Keeping a stable, developing China is in the West's strategic interests

by Helga Zepp-LaRouche

*The following statement by Mrs. Zepp-LaRouche, the founder of the Schiller Institute, was issued on June 3, 1998.*

One of the main reasons why China has been able to withstand the effects of the Asia crisis relatively better than other nations, is because it did not go down the road of deregulation and unrestrained free market economy, and especially after the first round of the so-called Asia crisis, which really was the Asia expression of the global systemic crisis—from October 1997 to January 1998—the Chinese government took critical action to curb all tendencies toward the bubble economy.

But naturally, China is not an island in the world economy. And now, with the second round of the global financial crisis, the renewed stock market and currency collapse in Southeast Asia, and the continuing collapse of the yen, its exports are increasingly affected.

The Chinese government did the right thing by shifting the focus away from the export of consumer goods toward the infrastructure-based development of the inner regions of China, by planning investment of \$1 trillion in the next three years. But key countries like China need high rates of capital formation in order to meet the requirements of their large

populations. And this requires high rates of the introduction of machine-tool capacities, to increase the productivity of labor, of all layers of the population. Without such high rates of increase of productivity and large injections of scientific and technological progress, it is not possible to sustain the economic and social needs of the population.

The only way to counter the danger that China's economy would be hit by the effects of the "Asia" crisis, is to mobilize significant quantities of machine tools from Europe, Japan, and the United States, and transfer them to the economies of East, South, and Southeast Asia. The resulting increase in the creation of productive jobs and qualitative improvement of the economy is also the only way to offset the problems China is experiencing with some of its state-owned industries.

Such an investment in a stable, growing domestic market inside China is one of the best guarantees that China remains politically stable, and can continue to function as a kind of fire-wall against the firestorms of the "Asia" crisis. Such a policy to maintain a stable China is in the strategic, long-term security interest of the West. And one can only hope that the state visit of President Clinton and the accompanying delegation of industrialists goes a long way in this direction.



*Helga Zepp-LaRouche (second from left) during a visit to China in May 1996.*

# LaRouche's ideas polarize forum on China at Harvard

by Roger Ham

On May 30, this correspondent, along with Leni Rubinstein, editor of *EIR*'s Chinese-language edition, participated in the inaugural conference of the Harvard China Review organization, entitled "Asian Financial Crisis: Challenges and Opportunities." The day-long conference, held at the John F. Kennedy School of Government, was attended by 350 people, of whom about 90% were Asian, mostly Chinese, from the academic and business community. The event was an excellent example of the power of Lyndon LaRouche's ideas in a time of crisis.

To fully appreciate what happened at the conference, it is important to identify the specific role Harvard has played in the ongoing global financial crisis, and with respect to China as well. Harvard trains government officials from all over the world, and also "advises" nations on how to run their economies, with deadly results we have only begun to see unleashed.

One notable example is Jeffrey Sachs, an economics professor at Harvard and one of the sponsors of this conference. Sachs has been one of the leading advocates of "shock therapy" economic policies for eastern Europe and elsewhere. When the Soviet Union collapsed, the Russian government turned to Harvard and Sachs for advice on how to "reform" its economy. As *EIR* repeatedly warned over the last several years, the shutdown of 50% of Russian industry and the explosion of organized crime were the direct and predictable results of Sachs's free enterprise dictums. The ongoing collapse of the Russian financial system and economy is living proof of the bankruptcy of these policies.

Sachs is the current director of the Harvard Institute for International Development (HIID), which was recently involved in a major scandal in Russia. According to the June 1 *Boston Globe*, the two main HIID officers in Moscow were accused of gaining influence over the Russian capital markets that they were helping to set up, and had sought personal gain. According to the head of the Russian government's auditing agency, the HIID officers had "ultimate control over the entire privatization effort in Russia. This route to privatization led to a disaster for Russia." The two HIID officers were dismissed, and the Moscow office was shut down, after the U.S. Agency for International Development cancelled its contract

with HIID. Over the past six years, virtually all senior Russian military officers have attended Harvard seminars.

HIID runs projects in 60 countries; it ran major economic advisory operations in the Malaysian President's office in the 1970s and '80s, and played key roles in Indonesia and South Korea. These programs helped launch the so-called Asian economic boom, which is now collapsing.

In the past year, more than 100 senior Chinese civil servants, including several dozen colonels and intelligence officers, have gone through similar Harvard programs funded by Hong Kong billionaire businesswoman Nina Kung. With \$7 million contributed by Kung, a scholars program was set up at the Kennedy School in 1997, and is now the largest program of interaction with Chinese elites in the world.

Harvard's president, Neil Rudenstine, visited China in March, and will return this month. Last November, Chinese President Jiang Zemin spoke at Harvard.

## The conference sponsors

The China Review conference was sponsored by many of the same financial institutions that are trying to pressure China into opening its economy and financial markets to the policies which are now ripping into pieces Indonesia, Russia, and numerous other nations. Among the sponsors were Morgan Stanley Dean Witter & Co., John Hancock Mutual Life Insurance Co., and BankBoston. The conference consisted of seven panels, representing a "Who's Who" of the financial establishment, including the World Bank, the International Monetary Fund (IMF), Salomon Smith Barney, the Federal Reserve Bank of Boston, Goldman Sachs, Microsoft/China, the International Association of Investment Bankers, and the *Washington Post*, *Financial Times*, and the *Asia Pacific Economic Review*. The aura of prestige associated with Harvard was demonstrated by the fact that at least one speaker had flown in overnight from Hong Kong, in order to speak on one of the panels for 15 minutes.

Rubinstein had been invited by one of the conference organizers to give a presentation on the panel entitled, "How Should the World Deal with the Asian Crisis?" She was to take the place of the Assistant Secretary for International Affairs from the U.S. Treasury, who had to remain in Washing-

ton because of the Asian crisis. But, allowing a representative of LaRouche to speak at Harvard ruffled some feathers, and after a protracted fight, she was only allowed to ask an extended question from the floor after one of the panels.

The keynote speaker was Zhou Xiaochuan, president of the China Construction Bank. Zhou explained that various people have claimed that China will have to devalue the renminbi, if not in 1998, then certainly in 1999. "Maybe this is not true," he explained. China had been hurt by the financial crisis, but China continued a trade surplus this year. "As a developing nation, we do not need that much foreign exchange reserves. \$100 billion is enough," he said. He concluded by stressing again that China is not going to devalue the renminbi in 1998 or 1999.

Following his speech, this reporter asked the first question—whether the \$750 billion that China had decided to invest in infrastructure over the next three years, would enable China to avoid the dangers of the bubble economy. Zhou answered that this decision was very good. The development of the cities is going smoothly in China, he said, but we still have some problems regarding infrastructure, so the identification of new projects is very important. Otherwise, he said, "I am not the right person to talk about government policy."

### **Establishment defends speculators**

In general, the seven panels consisted of one Chinese and two other financial representatives; the Chinese panelists being the only speakers reflecting reality. This was apparent in the "banking" panel which followed. Peter Bottelier, the senior adviser to the World Bank vice president for East Asia and the Pacific Region, claimed that the World Bank had warned the Asian countries about their structural problems, mismanagement, lack of transparency, and so on, but they simply didn't listen and are now suffering the consequences.

Akinari Horii, general manager and chief representative of the Bank of Japan in the Americas, asserted that the crisis began with the speculative attacks on the Thai baht. Readers of *EIR* are familiar with our role in exposing the speculators, such as George Soros, who led these attacks. Yet, Horii stated that Japan would continue its easy money policy as it deals with what he called "the post-bubble economy." LaRouche has warned that the enormous output of new yen and new credits have led to liquidity flowing out of Japan and merely served to feed the growing bubbles in Europe and the United States, and therefore have done little or nothing to halt the impending bankruptcies and defaults throughout the Japanese economy. The growth of money supply in Japan at an annual rate of 41% will only fuel a hyperinflationary collapse.

Steven Radelet, HIID associate and co-author of several papers with Sachs, spent four years as resident adviser on macroeconomic policy to the Minister of Finance in Indonesia (1991-95), and has worked in Thailand, the Philippines, Korea, and Nepal. He claimed that no one had seen this crisis

coming. He said, "We had the tulip bulb bubble, the South Sea Oil bubble, and now we have this bubble, but we just don't know why they happen. It has something to do with excess capital flows into underdeveloped financial systems."

The disintegration of Indonesia, the fourth most populous nation in the world, under such guidance from Radelet and Harvard, should serve as a warning to other nations still using (and paying for!) their services.

### **Reality begins to emerge**

The simplistic explanations of the crisis presented by the other panelists were implicitly rejected by Wu Jinglian, one of the chief economic advisers to Chinese Prime Minister Zhu Rongji. Wu stated that the fundamental root of the Asian crisis is the divergence of the financial system from the real, physical economy. He continued that the asset inflation in Asia and the West had led to bubbles which burst. On the one side, large amounts of money have been pumped into inefficient projects and a growing accumulation of non-performing debt has followed, and second, financial institutions have channelled huge sums into economic corruption and widespread speculation. China is being very cautious to increase demand while avoiding inflation and such "bubbles" (the common term used to describe speculative financial activity). "Why does China have a good performance?" he asked. "Not because the deep structures are better than our neighboring countries, but because China in 1993 took measures to bring down the inflation and squeeze the speculative bubbles out of the system." Restrictions have been enforced to lower the real estate and stock prices, yet the price-to-earnings ratio remains high. The inconvertibility of the renminbi has also helped China from being hit. "We have to deal very cautiously with the Asian crisis," Wu said. He described how the government has taken long-term measures to reorganize the state-run enterprises, and is emphasizing the creation of a favorable business environment for small and middle-sized enterprises. China's emphasis will be on the long-term development of suppliers in the region as well.

During the question period, I thanked Professor Wu for pointing out the essential cause of the financial crisis as the deviation of the financial system from the real economy, a point that Lyndon LaRouche has made for years. I further explained that this was the reason that the other panelists and most so-called "experts" have failed to understand the cause or the solution to the global crisis. When I described LaRouche's forecast of the 1987 New York stock market crash and his forecast of the October 1997 currency crisis in Asia, one of the American VIPs sitting in the front row, smacked his forehead, but the audience was receptive, applauding when I described the ongoing collapse in Russia as proof that this is a global crisis, brought about by the failed policies of the IMF and World Bank.

From that point on, the discussion increasingly shifted to issues of the physical economy. The effort of the financial

establishment to restrict the conference to a level of virtual reality was broken.

The World Bank official responded, "Well, some people who make enough predictions, can be right five out of three times [sic]. Without naming names, I would agree that these are important issues to consider. . . . It's true that global liquidity greatly exceeds GDP, and the discussion of creating a new architecture seems to indicate something as important as the creation of a New Bretton Woods after World War II." Yet, he also defended speculators: "Don't attack them; they may have triggered the crisis, but they didn't cause it." In response to a question regarding Malaysian Prime Minister Mahathir bin Mohamad's call for banning currency speculation as immoral, he referred to Chile's restrictions on capital flows and the proposed Tobin tax on speculative transactions, but dismissed such measures as unworkable.

Radelet, from HIID, also defended speculators. "They play a positive role, a very positive role," he said.

After the second panel on the Asian crisis, Rubinstein was called on from the floor as the first questioner. She described the systemic nature of the global crisis, and asked, "Is it not remarkable that nobody so far has mentioned a word about the derivatives crisis?" She explained that the derivatives held by U.S. banks alone comprised a sum several times larger than the GDP of the United States. She compared the current crisis with the crisis in the 14th century, with the collapse of the Lombard banking system, which devastated Europe, and stated that the only way to solve this crisis is a total reorganization, not reform, and that such a reorganization should take the best features from the old Bretton Woods system. She continued, that to put a human face on this crisis, you must look at how IMF policies have killed millions and driven millions more into poverty. This is criminal. She briefly outlined the LaRouche concept of the Eurasian Land-Bridge and said that for the sake of the world's children, we must fight for this future in the 21st century. She was heartily applauded and several people approached her for literature.

In response, Jane Little, the assistant vice president of the Federal Reserve Bank of Boston, acknowledged that, in fact, there is a global crisis. Another panelist, Charles Clough, Jr., chief investment strategist of Merrill Lynch, said he hadn't read enough about the idea of a New Bretton Woods to comment, and further, that he didn't know very much about derivatives, which is a very complex area that needed to be researched much more. One of the other panelists asked Rubenstein afterward for any information she could give him on derivatives.

So much for the financial experts telling other countries how to run their economies!

After lunch, Li Zhaoxing, Ambassador of the People's Republic of China to the United States, spoke. He was born in Shandong Province (the birthplace of Confucius), has travelled to 110 nations, and speaks several languages. He said that China is stable, but has suffered losses. We have learned,

he continued, that China cannot use any country as a model, but must build our own socialism. In 1997, China had a growth rate of 8.8%, with inflation of 0.8%. The target for 1998 is 8% growth, with inflation under 3%. China wants to deepen the reforms and wants to buy more U.S. goods. This year China will buy more oranges and California wines, for example, but these do not amount to a lot of money. And the goods that do, often encounter trade restrictions. China would like very much to help the United States reduce its trade deficit, he said.

On the Asian crisis, Ambassador Li said that China has contributed \$4 billion to assist its Asian neighbors, and has probably contributed even more by maintaining a stable currency. He said that China is being very cautious to prevent the bubble economy from misleading them, although they do want to continue to open up to the world market. He cited the \$750 billion planned infrastructure investment over the next three years, as an opportunity to create many new jobs and investment opportunities. China is still a poor country—the U.S. GDP is ten times larger than China's—and wants peace in order to concentrate on solving this problem. He deplored the nuclear tests by India and Pakistan, describing them as "very dangrous," and said that China must cooperate on non-proliferation, as well as cross-border crimes, such as drugs.

The impact of LaRouche's ideas grew during the day as panel after panel was forced to address reality. During panel four, "Investment in Asia: How Will It Be Affected by the Crisis?" Carroll Perry, director of Emerging Markets Corporate Finance for the BankBoston, admitted, "We got it completely wrong on Asia! If you had asked me the odds of Thailand collapsing, I would have said 1-in-50, and South Korea, 1-in-500. It's these huge capital flows. If you're standing on the beach when the wave hits—you're gone!"

After such an uncommon admission, I thanked him for his honesty, but asked, "If you got it that wrong on Asia, why are you sitting up there and we're sitting here listening to you?" He winced, and I proceeded to urge everyone in the audience to read the latest issue of *EIR*, particularly the article entitled, "Financial Crisis: End Phase of a 30-Year Disease." I said, "The article explains the errors in thinking that prevented most people from seeing the warning signs when they appeared, such as derivatives. Some \$140 trillion in derivatives cannot be explained away as 'risk management'; it's pure gambling. This is what is destroying Russia as we speak, and I hope that China has the courage to resist the pressure to devalue, deregulate, and open itself up to this speculative looting." I concluded, telling people that I had this material in both English and Chinese.

For the rest of the conference, people were thanking us for asking such good questions. The overwhelming response was one of joy to know that this is not an Asian crisis, and that there are people working all over the world to build a just, new world economic order.

# Poland's elites fear social upheaval, as IMF austerity takes its toll

by Frank Hahn

In November 1997, after the election victory of Solidarnosc in Poland, a certain euphoria prevailed. This included an element of naiveté about the impact of the global financial crisis on Poland, as well as about the evil intentions of Finance Minister and Vice Prime Minister Leszek Balcerowicz, the darling of the International Monetary Fund (IMF) and the international banks. Now, six months later, Poland faces the prospect of severe social conflicts as a result of Balcerowicz's Plan II. The euphoria is beginning to give way, in the face of an increasingly grim reality. From this standpoint, the political-psychological climate in Poland has become healthier.

Just look at what has happened since Jan. 1, 1998. Balcerowicz, who says he wants to combat "conjunctural overheating" (inflation), uses the usual monetarist formulas: Since the beginning of the year, rents and prices for electricity and heating have gone up about 20%, as have taxes on alcohol and tobacco. While the latter might have a beneficial effect on the health of the population, the rise in rents has already had a dramatic impact: A wave of evictions turned desperate, homeless people out into the streets. On April 14, the Warsaw Main Train Station was occupied by homeless people, whose slogan was: "Today, us; tomorrow, you!"

## A new round of privatizations

Another component of Balcerowicz's general attack on the Polish economy is a new wave of privatization of big state-owned enterprises, which means closing down factories and mass layoffs. The fate of the famous Ursus tractor factory in Warsaw is now completely up in the air. As for coal and steel, the World Bank and the European Union are demanding that, out of the 70 Silesian coal mines, 54 either be closed down or their production drastically reduced—this means the layoff of at least 70,000, or perhaps as many as 120,000 workers from the mining sector. The steel industry is scheduled to be shrunk by 40,000 employees. These sectors are the core of Poland's industry, and have already been hard hit by more than a decade of IMF austerity conditionalities.

In response, the trade union Solidarnosc has recommended to the coal miners who are threatened with unemployment, that they leave the mining sector and become independent businessmen. What a mockery! How many pizza parlors, boutiques, messenger services, and independent "tradesmen" can a country sustain?

The international financial institutions rave about the fact that, nine years after the end of communism in Poland, over 50% of the labor force is employed in the private sector. Official government statistics, however, give a shocking picture of what this really means: 78% of them are working in small businesses which employ fewer than six people. As much as 80% of the turnover of those small ventures comes under the rubric of buying and selling in the so-called "open-air market." What we are dealing with here is a bazaar economy, while physical production has collapsed. The long-term survivability of a society is threatened, if the necessary rates of scientific and technological progress are constantly being undermined. And this has been the case in Poland for a long time, as the radical monetarist model of shock therapy has gone a long way toward eliminating the industrial base of the nation.

The privatization of Poland's industry, ordered by George Soros and the IMF, has had the following destructive effects: The state enterprises have sold their plant and equipment at one-fiftieth of what it is worth, while the classical industrial sectors, such as steel, machine-building, and electronics, have been "discontinued," while \$10 billion of foreign investment went into the production of cigarettes, beverages, food processing, cosmetics, and paper. Only then comes the investment into auto and truck production, as the only real industry in which Western companies have invested. Now the international raw materials cartel has naturally moved in to grab up Poland's rich raw materials (copper, silver). Thievery is too moderate a word for such a policy.

## A cultural wrecking operation

But the deindustrialization doesn't stop there. In just eight years, the so-called educational reform has deformed Poland's school system in a way that took the West 20-25 years to accomplish. Of course, the cleverest burglars generally wait until the occupant of a house is away or asleep, before committing their crimes. In this sense, the most dangerous "burglar" worldwide, multibillionaire speculator George Soros, took advantage of the fact that Poland was "asleep," to rob the country blind. Not only did he steal the country's material wealth, but he also took the education and culture of its people.

Television, advertising, videos, all tell Poland's young

people: Get rich quick! Drive an expensive car, so that you can be like they are in the West (especially, of course, America).

Soros has played an important role in this, since he not only founded newspapers and private radio and television stations, but he and his supporters are also pushing the educational “reform” in Poland. The concept for this reform was elaborated by Anna Radziwill of the Polish branch of the Soros Foundation, known as the Batory Foundation. She is a high-ranking official of the Education Ministry, who has survived all the various changes in government, and works with the Vienna Institute for Humanist Studies, which is affiliated with Soros. The basic points of the reform are to reduce the number of school years by a year (*gymnasium* would only last three years), and to replace the classical fields of history, mathematics, languages, and science, with sociology, psychology, and other “ologies.” Jerzy Oledzki, the former Deputy Education Minister under the Suchocka regime, put it this way: “Creative thinking will no longer be required; students will only be required to learn how to handle an automobile, but not how to build a new one. Students themselves will decide which fundamental values they want to follow. The school is not allowed to convey any fundamental beliefs concerning man and his role in society” (see accompanying interview). Meanwhile, the drug problem in Polish schools is almost as bad as it is in the West—and here, too, one should not forget George Soros’s role, as one of the chief initiators of a worldwide campaign for drug legalization.

There is a vicious cycle here: The IMF, Soros, and the big international banks have, by shock therapy and privatization, destroyed Poland’s economy, creating a sense of uprootedness or a Darwinist frame of mind on the part of the youth, accentuated by Soros’s influence in the media, the universities, and the schools; then, in the second phase of shock therapy, many young people no longer even know what has hit them, in the virtual world of post-industrialism.

### Reality strikes

But, we began by saying there was a healthier political-psychological climate. How can Poland break out of this vicious cycle?

Certain circles in Poland seem to understand very well, that the clock has struck for George Soros. Every serious representative of politics, the Church, economic life, and the trade unions is now talking about the danger of a financial crash—globally and also in Poland. Primate Glemp, soon after Easter, spoke of the growing danger of such a crash. And a high-ranking member of the Budget Research Committee of the Sejm (Parliament), Dr. Witold Rutkowski, was very concrete about what is in store for Poland (see interview). He expects a collapse of the currency, the zloty, comparable to the currency crises of Southeast Asia, in two to three months, at the latest. The background to this is a

massive flow of international “hot money” into the Polish financial markets, where one can get 25-30% interest rates for short-term investments. “The time is approaching,” said Dr. Rutkowski, “at which this money will be pulled out, and then the zloty will fall through the floor.” In the recent period, \$8 billion of such hot money has fled Poland, and this tendency can be expected to increase exponentially, up to the point of a crash.

One gets an impression that the real elites of the country are preparing for a crash, with the idea that they will then take measures to restore sovereignty to their nation.

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## Interview: Jerzy Oledzki

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# Education must foster the human person

*Mr. Oledzki, Poland’s former Deputy Minister of Education (1992-93), is presently a professor at the Warsaw Polytechnical School. He has been a member of the Solidarnosc trade union since 1980. He spoke with Anna Kaczor Wei on May 5.*

**EIR:** The subject of education is being discussed right now all over Europe. The debate seems to be between those who want to base education on a humanist Christian concept of man, in the tradition of the Renaissance, and those who, like Lord William Rees-Mogg, see education as nothing but a utilitarian tool to spread information. Lord Rees-Mogg once wrote that, in the Information Age, only 5% of society will need a good education. How do you see those debates here in Poland?

**Oledzki:** These kinds of discussions have been going on for centuries, which is an inevitable consequence of man’s existence on Earth. These kinds of questions are asked all the time: Where are we heading?

Here in Poland, the dispute is also going on. I do not know whether former Education Minister Stelmachowski has read Lord Rees-Mogg’s words, but in one discussion, he said that the basic task of the school is to teach the student how to write, read, speak a foreign language (primary level), operate a computer, and drive a car. These are the basic things, he said, and the rest is not so important. If the school manages to deal with that, one can choose the rest, depending on one’s life’s pursuit.

This is a provocative statement, provoking disputes about the basis of the education system, and I do not agree with it. I think that education has to include elements that foster the development of a human person. If we reduce education to those elementary stages—connected to acquiring the skills to

function in a contemporary world—we will entirely eliminate that which is the essence of the Christian civilization in Europe, namely, putting stress on the dignity of a human person, on the imperative of development, which means that one cannot bury one's talents; one has to "settle accounts" before the Lord and show what one has done with those talents. With this approach, we cannot reduce education to simple formulas, which Mr. LaRouche points out and criticizes.

One cannot solve dilemmas posed by education without an attempt to provide an honest answer to the following question: Who is man and what is most important in his or her life? Now, individualism, so fashionable today, claims that a man has no norms, rules, or any moral duties above himself, does not have goals or tasks to fulfill—so he takes nothing and nobody into consideration. Pursuit of happiness boils down to a peculiar "applied felicitology," whose main slogan is "live at peace with yourself."

The opposite of this model is a school which aims at maximizing the development potentials of a student, which, at the same time, gives incentives for behaviors and attitudes related to the courage to live in the truth. One can describe it as a model which fosters the development of personality. It is obvious that the graduate of such a school will be full of a creative inventiveness, and will have a pro-innovation attitude. This kind of education system shapes students' ability to use their minds and to co-exist with the universe.

**EIR:** Given the tasks ahead of mankind, namely, that we must guarantee the future for 5.2 billion inhabitants of our planet, Lyndon LaRouche has called upon nations to develop the Eurasian Land-Bridge, based on infrastructure building. It would not only connect Europe with the Pacific and Indian Oceans, but would represent one of the greatest challenges in the field of technology, science, and culture. LaRouche stresses that the construction of the Eurasian Land-Bridge is not possible without a Renaissance in education, based on the Socratic principle of "knowing" rather than "learning." What is your thinking about this method of "a Socratic principle" as a basis for a Renaissance in education?

**Oledzki:** I have been following this area of Mr. LaRouche's work with great interest and enthusiasm. The matter of education as a process of investigating the universe is, for me, the most convincing model of education, because that is exactly the way man has managed to subdue the world, to get to know it. The process of cognition, the process of experimenting which is connected to it, the process of using patterns of certain accomplishments, led to solutions, to breakthroughs in our learning about the world—we experienced such breakthroughs before, and we experience them now; sometimes we do not yet know what to call them, but they are happening every day. This approach to education, which includes experimentation, is very appropriate, and it is a pity that it is not presented better in all the research in pedagogical schools. From time to time one hears voices calling for using this

approach. I am very happy that it is promoted by Mr. LaRouche.

**EIR:** After the political transformation in 1989, in Russia, Hungary, and other former Soviet bloc countries, a major reform debate started in the field of education. There has been a major effort made by cultural foundations, such as the Soros Foundation, to influence the debate about the content of education and promote very specific cultural and political campaigns. What role do the Soros Foundation, and similar groups, play in Poland?

**Oledzki:** This is a problem all over the world. The matter of international organizations that try to influence the shaping of the education system is under investigation in many countries, where those organizations work. There are many of them, all proclaim to be bringing aid. Their slogans sound very nice and worthy of support; however, it is no good when one of these organizations starts to dominate. Right now, we are seeing some movements that claim that nations have reached the limits of their development, and that there is a need to look for supranational solutions. Therefore, if we base the development of a given society, a given nation, on its experience, tradition, on the values which that nation respects, the moment an international organization steps in, people start to ask questions: Aren't they trying to destroy that which we consider very precious to us? All the aid such organizations provide is looked at through a prism: What do they really want? In what way do they want to help us? Or perhaps one should put their "aid" into quotation marks.

There are such fears and suspicions toward various foundations, not only the Batory Foundation (which is George Soros's foundation). There is a certain distrust justified by what I have said already: the fear about whether we can preserve the system of values which we consider precious to us, given that education transmits tradition, of course, always with the element of moving ahead, innovating. This transmission of tradition takes place through the teaching of a native language, history, and most of all, through passing along certain moral examples. We watch all those foundations very closely, and of course, those groups which use the aid from foundations have to be aware what is behind them.

We do not think it is good that one of those international organizations dominates and starts to take a monopoly position. We suspect that the Batory Foundation has such a position. It is very influential; many of its board members, founders, or people working with it have prominent government positions, and this makes us very sensitive to the whole ideological baggage attached to this foundation.

**EIR:** In the both United States and in western Europe, there is a big cultural problem, namely, drugs and an increasing influence of New Age ideas. According to a recent UN narcotics study, there has been a dramatic rise in drug consumption among youth in eastern Europe, in particular in Russia. What



does this problem look like in Poland?

**Oledzki:** This problem is escalating, and it is very serious. Everybody who is involved in education has to deal with it. Of course, we face a very serious obstacle due to our financial crisis. In Poland, we had a special situation in the past, because Catholicism was strong, and also during the communist period, the Church prevented the abandonment of a certain system of values. This protected us for some time against the wave of drugs that flooded the West, but this protection is becoming weaker and weaker, because of the economic collapse causing the crisis in education, and in many families.

This is the kind of situation which makes the drug trade easier, and we are aware of it; we try to fight back whenever this is possible. We have to deal with things which were unthinkable a few years ago: Because of drugs, some schools are temporarily closed or special guards have to be hired.

These are drastic measures, but in some cases this seems to be the only solution. Here in Warsaw, almost in every school students have contact with drugs to a greater or lesser degree, although teachers deny that. However, people who work with kids who have drug problems, confirm that this is a widespread phenomenon. This is definitely one of the most serious problems that confronts teachers nowadays.

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## Interview: Witold Rutkowski

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# Contours of Poland's financial crisis

*Mr. Rutkowski, a Polish economist, was interviewed by Anna Kaczor Wei, during a visit to Warsaw in May.*

**EIR:** Lyndon LaRouche has been warning about a collapse of the global financial system. One of its symptoms was the currency crisis in Southeast Asia at the end of last year. How is this crisis perceived here in Poland?

**Rutkowski:** I would like to say that the financial system established in Jamaica in 1976 has defended itself against such phenomena for quite a long time. Over 20 years have passed, and everybody has been aware that the system was not perfect: the rejection of dollar convertibility into gold, the introduction of flexible exchange rates—everybody knew what kind of dangers that meant.

A great deal of hope was placed in financial supervision, but it turned out that this supervision failed, and the stability of the whole financial system is now threatened. I think that the majority of the people who deal with financial affairs are

aware that some steps have to be taken in order to improve the system, which will be very difficult, or to change it into another system, which would be even more difficult right now. Some solution has to be found, since everybody knew at the beginning, and knows now, that the system has a certain paresis. However, so far there is no official proposal concerning the introduction of a reasonable new order.

**EIR:** Poland is now a part of this global financial system. I mentioned during our earlier conversation that one can see the flow of speculative capital to Poland. What can you say about the monetary-financial system in Poland, and about those people who say that Poland and other countries of Central Europe may soon be the target of speculative attacks, just as Southeast Asia was before?

**Rutkowski:** The present state of Polish finances results from the bad policy of the Polish National Bank, and the fact that, in principle, the Polish government has lost any possibility of making decisions on matters of exchange rates. That was unintentional and unforeseeable. Right now, the Polish National Bank (NBP) is the only institution which can make decisions on such matters. Such a situation is unknown. The other example is Sweden, but there the Parliament has the right to veto. In Poland, the Parliament cannot; only the NBP can do it, but everybody knows that it will not!

**EIR:** You mentioned mistakes of the NBP. Can you specify what you mean by that?

**Rutkowski:** Especially the discrepancy in interest parities. In Poland, this is about 10%—it is an unusual case, a real El Dorado for all kinds of speculative transactions. It is profitable to invest money in zlotys [the Polish currency] and earn an interest rate in Poland. Of course, it is clear who pays: Polish finances, which then puts a burden on the Polish budget; an unbalanced budget requires that taxes be raised, so this is the dilemma of Polish financial policy: in order to balance the budget, one would have to eliminate the mistakes of the Polish National Bank; instead, the burden is passed onto the shoulders of the taxpayer. This creates a great deal of discontent.

**EIR:** What is the role here, if any, of so-called hedge funds, run by such individuals as George Soros? Is the capital from such funds used to speculate in Poland?

**Rutkowski:** There are no hedge funds in Poland. However, it is obvious that in the case of a so-called bull market, there is a rush to buy, and then reserves of such funds are used. But such funds are not active in Poland. The Polish currency market is still in an embryonic state, and is unable to react to any pressure from the outside. We just got the news that the zloty has gone up by 8% from its official rate, which means that “the market zloty” is 8% more expensive than the official rate set by the NBP, which makes the situation very dangerous, and as a result, the demand for zlotys is very high.

**EIR:** How long will the NBP keep such high interest rates, which encourage people to buy zlotys?

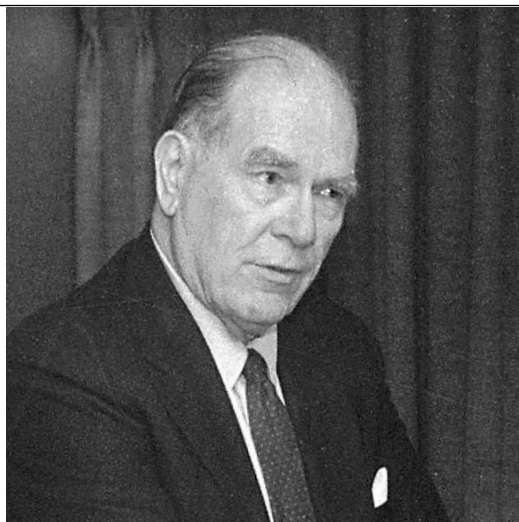
**Rutkowski:** This is a political matter. As long as it can, it will. Right now the central bank's independence is guaranteed by the Constitution. This is unheard of. The only body which can make a decision to lower interest rates is the Monetary Policy Council. Everybody knows that the lowering of interest rates will result in the flight of foreign currency from Poland. On what scale, I cannot foresee, but this could be the beginning of a crisis, so it is clear that as long as the central bank can keep high interest rates, it will. Most likely, until mass protests break out, which is quite possible. We may see a mass social protest, which will lead to a lowering of the interest rates. Then, the whole blame will be put on society, which will be accused of "not having grown up" to the level of the free market.

**EIR:** A few days ago, we talked about an economic program, proposed by LaRouche, which he calls the New Bretton Woods. There are more and more voices calling for a new system—one can mention Sakakibara of Japan and Prodi of Italy. What do you think about this idea? Would you agree that a global system of relatively fixed exchange rates would help to discourage speculation and foster a policy of long-term investment into infrastructure and industrial projects?

**Rutkowski:** I do not think the expression "fixed exchange

rates" is proper, as we cannot ignore the reasons for the breakdown of fixed parities in the '70s. It was called a perfect inflation machine, and such fixed parities between different countries could clearly not be maintained, under conditions of chronic inflation. So, in my opinion, we cannot go back to any system of fixed exchange rates. I would rather use the notion of stable exchange rates. There is a question of an exchange rate system that would be more stable and less vulnerable to speculative movements. Speculation always looks for price changes, as speculators earn money only when prices go up or down. But there is also the question of stabilizing or destabilizing speculation. Stabilizing speculation dampens price fluctuations. Destabilizing speculation amplifies them. So, we may simplify the question and say that speculators cannot in any way dictate conditions. This requires new exchange regimes, nearly perfect intervention strategies, and effective intervention mechanisms. Of course, I agree that such a stable exchange rate system is more suitable to foster long-term investments, infrastructure, and any kind of industrial projects.

We must realize that the transition to a monetary system, run according to the above-mentioned rules, requires strong international initiatives, international conferences, extensive research, etc., as up to now no practical alternative has been put forward. So, we must be aware that we are starting virtually from the beginning, and that such an approach offers the only hope.



# LaRouche ON RADIO

*Interviews with Lyndon LaRouche  
On the Weekly Broadcast "EIR Talks"*

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\* Mondays

# The IMF destruction is like nothing Georgia has ever seen in its history

*Mr. Gogvadze is a doctor in science, a professor, and former rector of the Tbilisi State University. In the early 1990s, he took an active part in the national movement in Georgia, was a member of the National Congress of Georgia, and Speaker of the Parliament. Today, among those in opposition to the ruling party, the Civic Union of Georgia, Mr. Gogvadze is known as a politician who rejects radicalism. He is a member of Parliament, and deputy director of the "Laborist" parliamentary group. The interview excerpted here, was conducted in April by Dr. Vladimir Kilasoniya for EIR.*

**EIR:** Mr. Gogvadze, we are interested in your vision of intellectual and spiritual life, culture, and the contemporary world.

**Gogvadze:** I don't know whether it is a help or a hindrance for me, that I am a specialist in philosophy, in aesthetics, and a doctor of sciences. True, I defended my *kandidat* and doctoral dissertations in the Soviet period, but I did not encumber my scientific life with Marxist conjuncturalism, and I kept Marxism out of my dissertations. I managed to work primarily on the basis of theology and philosophy. With this vision, I did a lot of work on European philosophy. I was especially interested in the philosophy of Hegel, Hegel's view of universal history, and I worked on the history of philosophy and the philosophy of religion.

I am telling you this, because it is possible today, of course, to proceed strictly from everyday concerns, and to live just for the present day, with its needs and requirements. If, however, one can discern a whole, behind those episodes, everything will look different.

Because I was attracted to the philosophy of Plato and Hegel, my vision may lack immediacy, but I return, besides to Hegel, to such works as Spengler's *Decline of the West*, in which Spengler argues that civilization destroys culture. Many of us, here and in Russia, have not understood this. I have circulated this thesis quite widely, not only among specialists in philosophy, but also among politicians, at meetings in the framework of the CIS [Commonwealth of Independent States]. Sometimes, in talking about a country in terms of its attributes of civilization, people discuss how developed it is, with respect to technology, but they forget that that country has a very high spiritual potential and spiritual-intellectual culture.

The fact that Russia is listed as a developing country, as is Georgia, means that we have an incorrect concept of culture: In the notion of "developed," certain criteria of what it means to be "developing" are incorporated, while the question of whether a people has culture or not is considered insignificant. Culture is that spiritual basis, which subsequently transforms into the rational, and the country finds its place. . . .

I would like to share with your readers, my attitude toward America. It is very dramatic. God forbid, that I should not love the American people and culture. I do not love American financial imperialism, which relies on the power of money, the power of the oligarchy. Of course, I do not love such an America. Nor did I love the Soviet empire, and therefore I took part in the national movement. . . .

I am especially glad that my attitude toward the American worldview is differentiated, not one-sided, in the sense that I would say I hate one country, while another country makes a favorable impression. In this regard, Mr. LaRouche's very important conception helps me. I am disturbed by pop-culture, pseudo-culture, what is connected with people's everyday life, connected with money, let's say, or is of a mass nature, and thus loses any spirituality. This brings profit, and then ruin. [Russian: *pribyl*, *gibel*.] Degeneracy is sweet, and more easily accessible than a stern, strong character, a moral character, a spiritual character. The attraction of youth to degeneracy is the horror of our age. And the very greatest horror, is that the pseudo-ideologues offer society precisely such values, as a concept of freedom. Spiritual tempering and education are more difficult. . . .

Therefore, when Mr. LaRouche and the Schiller Institute propose the conception of a universal humanistic, harmonious culture, meaning not some exquisite, decorative thing, it is a question of a worldview, a new conception, a new philosophy — how mankind should save itself, how humanity should return to morality, and to spirituality. Of course, this goal is difficult to attain. Therefore, it may sometimes seem impossible to realize this conception in the near future. But it would be impermissible, for humanity, for a highly developed society to reject moral purpose. Mr. LaRouche's ideas are of great significance, and will have a great history. . . .

**EIR:** Our readers would like to know about the problems of Georgia today, particularly the economic situation.

**Gogvadze:** Concerning our economy, experts from the West imported an economic schema, by which we should live, and according to which we should build our so-called economy. In reality, they brought us a schema which has virtually destroyed our national economy. We were told: Why produce your own wines? Better to import from European countries, buy it there, become a market for imported foreign wines. For anybody who even slightly respects our culture, or who knows, say, mythology—even just Greek mythology, about the cult of Dionysus—or for anybody who knows anything about viticulture, or the symbolism of the grapevine, it is an elementary fact, that to tell Georgia to cut down its vineyards—I cannot imagine a greater crime. . . .

Under the dictates of the International Monetary Fund and the World Bank, we adopted this non-market market economy. That is, by means of tariffs, customs barriers, and excises, our possibilities for real integration, real market relations with our main market, the Russian market, were destroyed. We used to sell citrus fruit, wines, tea, essential oils, fruits, and many other products to Russia, while we imported from Russia such products as wood products, grain, fuels, machinery, and so forth. I would like to say that, before the beginning of the 1990s, before the destruction of everything began, Georgia's wealth was assessed (exclusive of the value of land) at 86 billion current rubles, or over \$100 billion. Today, one-third of that wealth (or as much as \$35 billion) has been destroyed, looted, and carted off; the country's economy is being destroyed. Georgia has not known such a barbarous theft and destruction of its resources, not during the invasion of the Mongols and other conquerors, not under Jelal-ed-din, not under Shah Abass, or Aga-Mohamet Khan. There was never anything like this in the history of Georgia.

Under such conditions, we were offered a new conception: financial stabilization, whereby it costs us \$35 million per year to maintain the rate of our national currency, the lari, to the dollar. This is the maintenance of artificial stabilization. Such stabilization is a joke, a bitter joke, a big irony—the only thing that's incomprehensible, is why it should be called stabilization of the currency. Usually, it is considered stabilization, if the population has money in its hands. We are told that the lari has been free of inflation. This is like saying that a dead man does not have the flu. Meanwhile, if a person's pension is \$8 per month, and this is called a pension—this is just a way of mocking humanity, and not just our people. People must not be mocked in this way. How many loaves of bread can you buy for \$8—16, or 20, and then what else? . . .

When we have wages of \$10, \$15, or \$20 per month, and this is called a wage, it is nothing but a slave-labor level. This has brought about genocide, against Georgian culture

and science.

We came out of Soviet science, where billions were spent on science, culture, education, medicine, and so on, and we came from the great culture of our forebears. Georgian cinematography was known throughout the world, on a par with America and Europe. We had world-famous filmmakers, and theater. This has all been destroyed. Now, we have the stabilization of the graveyard. Until recently, there was not even this appearance of stabilization—there was chaos and destruction on all sides. How it happened—I don't think that it was somebody's accidental mistake. There is a deliberate process, of destroying learning: Fees for education are being introduced. This means that, if, after ninth grade, a student has no money to pay, his education ends. And 80% of the population in Georgia lacks money, if not 90%. In any event, if part of the population does have the means, it is only about 20%, but for most of them, they only have enough money, to put it crudely, for bread—never mind spending money for education, or anything else. Therefore, the destruction of Georgian science, Georgian culture, and Georgian education, has put Georgia, the Georgian nation, into hellish circumstances. Georgia has a population of 5.5 million. Now, over 1 million of our fellow citizens have emigrated. They are going even to Australia, to work as shepherds. Our people are working as laborers in various corners of the world, our people, with tears in their eyes, dreaming of their homeland. Engineers and physicians are working, not at the jobs for which they were trained, but performing the lowest-paid labor. Georgia remembers no such hell in its entire history. The Georgian nation stands at the threshold, asking: To be, or not to be? . . .

I want to say one thing—that two years ago, Mr. LaRouche wrote that what America has done to Russia, will come back like a boomerang.

I used to like the old American movies, like "The Great Waltz," or "Sun Valley Serenade." Those were examples of culture, spreading courage, kindness, and the best human qualities. It was through that cultural prism, that we saw America, and American life. But when these horror films have come our way, and all this pseudo-culture, which has so poisoned and sickened our youth, so that it will be very difficult to turn the younger generation away from this, then, again, Mr. LaRouche and his colleagues offer a beautiful recipe for a cure for the up and coming generation, thank God. I welcome the Platonic conception of harmony, the idea of an interconnection of soul and body, rather than the unrestrained notion of freedom, or a bestial aesthetic. That is not freedom. It takes mobilization of forces, for a person to change in a human way. That is, in brief, my vision of the problems facing society.

The world is a small place, and our common task is to make it better. In this, I am in full solidarity with the activity and the ideas of Mr. LaRouche and the Schiller Institute.

# Science: Use it or lose it

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*Dr. Hugh W. Ellsaesser tackles the anti-science mafia, on such “politically correct” issues as global warming and ultraviolet radiation.*

*Dr. Ellsaesser retired from 21 years of service in the U.S. Air Force as a Weather Officer and after 23 years with the Lawrence Livermore National Laboratory in weather and climate research and consultation. He is now a meteorology atmospheric consultant in Livermore, California. This paper was prepared at the request of the Dr. Antonio Betancourt Federation for World Peace, for presentation at the Fourth World Peace Conference at the Capital Hilton Hotel, Washington, D.C. on Nov. 28, 1997.*

## 1. Introduction

Restoring the environment in the 21st century is a far different problem from that described by the environmentalists and the mainline media. To be able to define, much less solve, the problems of the environment, we must first correct a far more serious problem: the divorce of logic from and the prostitution of science.

Over the past century, the body of scientific knowledge has expanded tremendously. As a result there has been a progressive fragmentation into narrow disciplines, each with its own jargon and specialized journals. This has restricted communication with the general public and even with scientists in other disciplines. Meanwhile our schools have tended to remove, or at least reduce, science course requirements from non-science majors. Through these processes it has become more and more difficult for the general public to communicate with scientists. And those with whom they cannot communicate, they tend to distrust and fear.

Over the same period, most research scientists have been compelled to compete for research support funds, mainly from the Federal government. This has impacted the work of research scientists in several ways.

Most of the environmental research supported by the government is designed to substantiate what we think we already know — such as the health effect of air pollutants, or to protect us from environmental hazards, such as acid rain, ozone depletion, and climate change. At present, most of the research on climate change is designed primarily to determine if climate change is occurring, not to understand it and, in particular, not to determine what, if any, benefits it might bring.

I'm sure you have all heard of political correctness and

how it has been used by minorities to impose their agendas on the majority. You also must have seen some of the many items on junk science in the courts, and how it has been used to drain funds from deep pockets and to advance the careers of the prosecutors. In a democracy, while it is the duty of the majority to protect and provide equal opportunities for minorities, it is by no means their duty to allow themselves to be bullied, intimidated, and browbeaten into providing special treatment for any minority.

In brief, science has lost its aura as an honorable and trustworthy repository of systematized knowledge derived from observation, study, and experimentation. As a consequence, a large number of corporations have closed or reduced their in-house research efforts and withdrawn funding from scientific research organizations. They explain this action by stating that “science no longer matters in scientific debates” (Doctors for Disaster Preparedness, 1994). Instead, they are placing more reliance on pollsters and public relations agencies.

Under these conditions, why wouldn't corporations, or anyone else, withdraw support from scientific research and adopt approaches that clearly seem to be more successful?

## 2. Examples of the misuse and non-use of science

a. *The London “killer smog” of 1952.* In early December 1952, there was a so-called “killer smog” in London. Essentially every reference to this event notes that air pollution during the event was responsible for some 4,000 “excess deaths.” The official investigating committee was unable to identify any substance in the air, which in the concentration surmised to have been present, could have caused these “excess deaths” by any known mechanism.

Since I lived in London at the time, I was motivated to study this and related incidents in detail. It is my conclusion that this spike in the London mortality curve was due to the second wave of an influenza epidemic (Ellsaesser, 1989, 1994). Such an epidemic was clearly recorded at that time in north and central England and across the Channel in Europe. In fact, the influenza literature expresses wonder at the absence of any reports of an influenza epidemic in the London area at that time, but the local authorities, for reasons best

known to themselves, preferred to call it an air pollution episode.

The acceptance of air pollution as the cause of this London episode has biased and continues to bias, by intimidation, those who have examined the evidence on health effects of air pollution and found it unconvincing, except for episodes like London's "killer smog."

b. *The health effects of low-level radioactivity.* Essentially every poison we know, has been demonstrated to have beneficial effects at low concentrations or doses. This property is called hormesis. My friend Dr. T. Donald Luckey (1980, 1992), has spent a lifetime documenting the fact that ionizing radiation, or radioactivity, also has this property. He has collected hundreds of published studies confirming the hormetic effect of ionizing radiation and indicating that we would all be healthier, live longer, and have fewer mutations, if our exposure to radioactivity were increased up to ten times above what we now accept as the background level of radioactivity.

Instead of accepting this fallout benefit, we are spending billions, if not trillions, of dollars to avoid exposure to any detectable or computed increase in exposure to radioactivity traceable to man's activities.

c. *Increased ultraviolet (UV) from ozone depletion.* As you are no doubt aware, the Montreal Protocol was adopted in 1987 to reduce the release of stable and insoluble chlorine compounds to protect the stratospheric ozone layer. The rationale was to protect us from the increased exposure to solar ultraviolet (UV) radiation permitted to reach the Earth's surface by a thinner ozone layer.

On an annual mean basis, UV flux to the surface increases approximately 50-fold from the poles to the equator (Mo and Green, 1974). This is roughly a doubling for every thousand miles, or a local 1% increase for each 10 miles of displacement toward the equator. For skin cancer incidence over the United States, data collected by the U.S. Academy of Sciences (1975) showed an increase of 1% for each 6 miles of displacement toward the equator. The World Meteorological Organization (1995) estimated that each 1% decrease in the ozone layer would lead to a 2.3% increase in ordinary skin cancer incidence. From the above numbers, a 1% decrease in the ozone layer, in terms of skin cancer incidence, is equivalent to moving 14 miles (22 km) toward the equator.

In 1987, the predictions were that man-released stable chlorine compounds would rise into the stratosphere. Above about 20 km, they would encounter sufficiently energetic UV radiation to be decomposed, releasing free chlorine. The chlorine would catalytically destroy ozone, primarily near the 40 km level. If the release rate remained unchanged until equilibrium, in about 75 years, the global mean ozone layer would be reduced by about 5% (Solomon, 1990).

For the United States, with about 600,000 skin cancer cases per year (U.S. Academy of Sciences, 1975), this would mean approximately 75,000 additional skin cancers per year. It would also be equivalent to each of us moving 70 miles



Dr. Ellsaesser at a forum sponsored by 21st Century magazine, Sept. 30, 1992.

(110 km) toward the equator. Does this sound like a serious problem to you?

What has happened in the interim? Ozone at 40 km has decreased but only about half as much as predicted for now. Total ozone, on the other hand, has declined much faster than predicted; the global mean 5% decline predicted for about 2060 was exceeded in 1993. The level has increased only slightly since 1993. I have no information as to whether ordinary skin cancer incidence has increased 11.5% as predicted for such a thinning of the ozone layer.

Essentially all of the observed decline in ozone has occurred at levels below 20 km (WMO, 1995), rather than near 40 km as predicted. In the tropics, there is very little ozone below 20 km. Essentially every study published has reported either no decline in ozone, or only a statistically insignificant decline in ozone near the equator. That is, the observed decline in ozone has been at low levels in higher latitudes where ozone is almost chemically inert, or in storage. Ozone is not generated in these areas, it is carried there by atmospheric motion. Accordingly, there are reasons to believe that the disappearance of ozone from these regions has been due to a change in atmospheric circulation rather than a change in chemistry (Ellsaesser, 1996).

d. *The blind eye toward beneficial effects of UV.* Another aspect of the stratospheric ozone problem that has been completely ignored by the establishment, is the beneficial effect of UV exposure. For terrestrial vertebrates, the principal natural source of the vitamin D required to convert calcium into bone



*“Have you heard of any consequence of global warming comparable to 3 kilometer (10,000 ft) ice caps over Hudson Bay extending down to Long Island and the Great Lakes? We need more CO<sub>2</sub> in the atmosphere to avoid the now-due next glacial.” Here, the Columbia Glacier near Valdez, Alaska.*

is from the action of UV on oils in the skin. Feathered and furred animals get their vitamin D from self-grooming.

The most serious health effects from UV result from a deficiency of UV rather than from an excess. Rickets is a very serious disease occurring in children getting insufficient UV exposure or vitamin D in their growing years. Discovery of this relationship led to the regular dosing of babies with cod liver oil—an economical natural source of vitamin D. Even if a person escapes rickets, he or she may end up with a slight skeleton, less able to withstand the bone loss from osteomalacia common in later life.

In the United States, it is estimated that 20-25 million people suffer from osteomalacia, including more than 25% of the women beyond menopause. Among these, there are over twice as many bone fractures per year, typically of the spine or femur, as there are new skin cancers per year. Theoretically, an increase in UV exposure would alleviate this condition in future generations, just as, theoretically, it would lead to additional cases of skin cancer. Considering only the numbers and seriousness of skin cancer and osteomalacia cases, it appears likely that an increase in UV exposure would provide a net health benefit. Suppression of osteomalacia by increased UV was found by a Dutch study of comparable susceptible groups living in the Netherlands and in Curaçao (Dubbelman et al., 1993).

It's quite likely that there are other health problems alleviated by increased UV. Although little work has been done in this area, one group of doctors has found a significant negative correlation between both vitamin D availability and exposure

to sunlight (a fair surrogate for UV) and the mortality rates from both colon and breast cancers (Garland and Garland, 1980; Garland et al., 1989; Gorham et al., 1989).

### 3. Greenhouse warming

a. *The large discrepancy between observed and model-predicted warming.* Since Manabe and Wetherald (1967) first calculated the climatic effect of a doubling of carbon dioxide (CO<sub>2</sub>), the predicted warming from man's additions of greenhouse gases to the atmosphere has exceeded the warming actually observed; and this difference has gotten progressively larger.

The Intergovernmental Panel on Climate Change (IPCC, 1990) estimated the warming over the past century from the observational record as 0.3-0.6°C (0.54-1.08°F). They also published a graph of the model-predicted warming showing values of 0.7-1.4°C (1.08-2.16°F) for 1990. IPCC (1990) claimed these were “broadly consistent,” even though they do not even overlap. After man-produced sulfates had been included in the calculation, IPCC (1996) stated that when greenhouse gases only are taken into account, most models produce “a greater warming than observed to date.”

The range of uncertainties with regard to sulfates is so large that modelers can achieve any degree of agreement with observations desired—globally. However, the bulk of the sulfates are in the Northern Hemisphere, and the hemisphere-by-hemisphere comparison constitutes a serious discrepancy for the argument that sulfates are reducing greenhouse warming.



The absence of polar amplification of the warming in the observational data and the slight global cooling indicated by the satellite and upper-air sounding data since 1979, when satellite observations began, are additional serious discrepancies between the observations and model predictions.

The discrepancy in the degree of warming between observations and model predictions is significantly larger than the data above indicate. Since, as IPCC (1990, p. 254) stated: "It is not possible at this time to attribute all, or even a large part, of the observed global mean warming to the enhanced greenhouse effect on the basis of observational data currently available."

b. *The environmentalists' maxim: "Man can do no right."* Research on environmental issues has been biased from the beginning by the maxim that man can do no right. That is, don't bother to look for or to try to document any possible beneficial consequences of man's actions on the environment; there aren't any. But in fact, as already noted above with respect to ozone depletion and UV increase, there are beneficial consequences from man's actions on the environment. And this is particularly true in the case of adding CO<sub>2</sub> to the atmosphere.

1) Greenhouse warming could delay, and hopefully prevent, the next glacial period. Our current understanding of past climate is, that since the time of the dinosaurs, about 100 million years ago, the global mean temperature has cooled about 10°C (18°F). About 3 million years ago, the present ice age began with alternating glacial and interglacial periods. Over the past 700,000 years, there have been seven glacial/interglacial cycles with a global mean temperature range estimated at 5 to 7°C (9 to 11.6°F). The cycles were marked by about 90,000 years of staged cooling, with 3 km (10,000 ft) ice caps building over Hudson Bay and extending down to Long Island and the Great Lakes. After the maximum glacial stages, there were relatively rapid warmings back to interglacial stages lasting 10-12,000 years. We are currently in an interglacial, called the Holocene, which we estimate began 10,700 years ago.

Our best guess is that these cycles were caused by changes in the latitudinal and seasonal distribution of sunlight, due to periodic changes in the Earth's orbit around the Sun. In any case, we know of no reason why they should not continue. Since we are now due to enter the next glacial period with 90,000 years of cooling; should we not try to delay, and thereby hopefully to prevent, this impending glacial? Have you heard of any consequences of global warming comparable to 3 km (10,000 ft) ice caps over Hudson Bay extending down to Long Island and the Great Lakes? We need more CO<sub>2</sub> in the atmosphere to avoid the now-due next glacial.

2) More CO<sub>2</sub> can continue and enhance the Green Revolution. CO<sub>2</sub> is essential to plant life; and most scientists now concede that some fraction of the increased agricultural yield of the past century is due to increased atmospheric CO<sub>2</sub> con-

centration. Our oldest CO<sub>2</sub> monitoring station, on Mauna Loa, has from the beginning showed a marked annual cycle with CO<sub>2</sub> decreasing during the spring and summer, that is, the crop-growing season, and increasing during the fall and winter, the time of withering of leaves and decompositional decay of plant debris. Since the observations began in 1957, the amplitude of the annual cycle has increased about 20% (Idso, 1995). This is the most convincing evidence we have that man's additions of CO<sub>2</sub> to the atmosphere has increased the productivity of the biosphere on a global scale.

3) Is the worldwide decline in coronary mortality due to enhanced CO<sub>2</sub>? Dr. Sherwood B. Idso (1985) reported evidence of already detected beneficial effects for the increased CO<sub>2</sub> in the atmosphere on both plants and animals. Among the latter, he cited "the significant worldwide downturn in circulatory heart disease experienced over the past two decades."

This sounds a bit far-fetched. But it must be recalled that respiration rate is controlled by the concentration of CO<sub>2</sub> in the blood, not the concentration of oxygen. Thus, if increased CO<sub>2</sub> makes us breathe more deeply, isn't it logical that this might take some strain off of our circulatory systems? It may be that we need more CO<sub>2</sub> in the atmosphere to take stress off our circulatory systems.

Can you imagine the U.S. government expending research funds to determine if there is any validity to Dr. Idso's suggestion? Such a proposal would get the same negative reaction as did Don Luckey's attempts to get research funds to prove that mice would be less healthy and die sooner if deprived of normal ionizing radiation from radioactivity.

#### **4. Is there a discernible human influence on global climate?**

The most quoted phrase from IPCC (1996) is the following blunt section heading from the Summary for Policymakers: "The balance of evidence suggests a discernible human influence on global climate." Substantiation of such a claim requires both that a non-natural climate change be identifiable in the observational record and that it be of such a nature that it can with confidence be attributed to the actions of man.

Rather than attempt to make the details of the evidence contradicting such a claim intelligible to you, I have assembled subsequent statements from some of the principal authors and defenders of IPCC. In my view, these statements clearly contradict the IPCC claim.

"No one to my knowledge who is informed is claiming certainty of detection or attribution [of a human influence on global climate]; certainly the IPCC is not."—John T. Houghton (1996), Leading Editor of IPCC (1990, 1992, 1996).

"We say quite clearly that few scientists would say the attribution issue was a done deal."—Benjamin D. Santer (see Kerr, 1997), Lead Author of Section 8 of IPCC (1996).

"Many climate experts caution that it is not at all clear yet that human activities have begun to warm the planet—or how

bad greenhouse warming will be when it arrives.”—Richard A. Kerr (1997), research news and comment writer for *Science* magazine.

“However, the inherent statistical uncertainties in the detection of anthropogenic climate change can be expected to subside only gradually in the next few years while the predicted signal is still slowly emerging from the natural climate variability noise. It would be unfortunate if the current debate over this ultimately transitory issue should distract from the far more serious problem of the long-term evolution of global warming once the signal has been unequivocally detected above the background noise.”—Klaus Hasselmann (1997), Max Planck Institute for Meteorology.

To me, these statements not only refute the IPCC claim that “the balance of evidence suggests a discernible human influence on global climate”; they also suggest that this claim was studiously crafted, crafted to induce the media to broadcast to the citizens and policymakers of the world a message which few if any of the researchers, on whose work it was based, are yet willing to defend before the scientific community.

## 5. Conclusion

I hope I have persuaded you to at least consider the possibility that the environment is not the primary hindrance to our

progress in the 21st century. I also hope that you will take seriously my warning: If we do nothing to return an aura of honor, truth, and trustworthiness to science, we are in danger of losing the benefits of science altogether.

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## 'Nuclear wars' resume

*The scandal about "radioactive sweat" only makes sense in the context of election politics: moves toward a Grand Coalition.*

There are many international crises, financial and economic especially, which a leading industrial nation such as Germany should be responding to. But, once again, the elites are divorced from world reality, and are busy with party politics related to the Sept. 27 elections for the national Parliament. Here, scandal-mongering plays a role, and unreal issues seem to take on a life of their own.

In late April, a new scandal erupted when French technicians discovered "radioactive sweat" on some waste storage containers used to transport nuclear waste from German power plants to France. (Germany, as a result of anti-nuclear policies imposed by the ecologists in the late 1970s and 1980s, has never built a reprocessing capability of its own, and several hundred containers of nuclear waste are sent to France every year.) The containers were delivered to the French Cogema plant, and were to be transferred to Cap La Hague for reprocessing.

The affair provided the pretext for a new psywar campaign against the German government and Environmental Affairs Minister Angela Merkel, for not anticipating what the French government and its Green party Minister of Environmental Affairs, Dominique Voynet, had found out about the "radioactive sweat." The question, is why French authorities suddenly "found out" about something that has been known for years. And, whether Voynet's "discovery" may have more to do with propping up the election chances of the German Greens. Indeed, the scandal helps the Greens to arm-twist the government,

and the opposition Social Democratic Party (SPD), which wants to defeat the governing Christian Democratic Union (CDU), into cooperating with the Greens. Indeed, this is the way the Greens have operated for the past 20-25 years.

What is surprising, however, is that neither the power industry, nor the CDU, have come to the defense of besieged Environmental Affairs Minister Merkel.

Over the years, the CDU has backtracked on concrete steps for nuclear investment, and sacrificed several of its own politicians to the green wolves, but otherwise kept its traditional endorsement of nuclear technology—at least on paper, in the party programs.

This has now changed. And, suspiciously, it changed even before the new scandal broke. At the mid-May election campaign convention of the CDU in Bremen, an endorsement for solar energy prevailed over nuclear energy. What was also revealing was how an April resolution passed by the biggest state section of the Junge Union (the youth organization of the CDU), in the state of North Rhine-Westphalia, was ignored. That resolution not only supported the existing national capacities for nuclear technology, but even called for optional construction of new nuclear power plants—none have been built in Germany since 1978! It was quite a surprise to many, to discover that there still seemed to be ardent supporters of nuclear technology left in the CDU, but none of this was reflected in the "Future Program" of the party, which was passed by the CDU at its convention in Bremen.

Does this mean that the CDU is now turning openly ecologist, joining the SPD, the Free Democratic Party, and the Greens, in promoting ecologism before jobs and industrial investment? Is the CDU trying to attract greenie voters?

Behind the facade of election campaigning and "we will win" verbiage, the CDU leaders know that they don't have the votes to defeat the SPD in September. They are losing voters because of the worsening economic situation. They are, therefore, making secret preparations for a "Grand Coalition" government with the SPD, and such a coalition, as things stand, would only work if the CDU were to substantially sacrifice its support for nuclear technology, and make more concessions on the ecology issue.

In this kind of scenario, the CDU might still voice support for nuclear technology, but would agree with the SPD that no new power plants would be built in the next 10-15 years, while, at the same time, unworkable "alternatives," such as solar energy and similar low energy-density options, would be promoted to replace the energy from the power plants that would be retired from service by 2010-15. Alleged "unresolved waste storage problems," such as those invented in this new "radioactive sweat" affair, would serve greenie aims by putting nuclear technology on hold, for the sake of reaching an all-party consensus.

A certain category of bankers, who consider the investment of billions of deutschemarks into big projects a "waste," preferring to use those billions for speculative gains on the global financial markets, would welcome such an SPD-CDU consensus on the nuclear issue. From their viewpoint, the advantage of a Grand Coalition, is that the CDU would stay in power, while the SPD would take power at the same time.

# Business Briefs

## Banking

### Czech National Bank warns of vulnerability

The Czech National Bank warned on May 26, that the country's commercial banks are potentially susceptible to external shocks, the *Wall Street Journal Europe* reported. Luděk Niedermayer, a member of the National Bank's board of governors, said the fragility of the banking sector, caused by large amounts of bad loans, requires that domestic bankers remain extremely cautious in their lending policies, and that the National Bank closely monitor the whole banking sector.

Niedermayer said that Czech banks "are weak, but I'm not saying that I have any insight that any particular bank is bankrupt. It could be costly to deal with [the clean-up], and it will bring disruptions for financing of the economy and its future development. So, I'm just saying that if I put in risks like Asia or problems in Russia, I do see fragility of the banking sector."

The government is preparing to privatize the three largest banks in the country (Komerční Banka, Československá Obchodní Banka, and Česká Spořitelna), which all have a huge ratio of non-performing loans on their books.

## Science

### New cancer treatment shows promising results

Dr. Avigdor Scherz, of the Weizmann Institute in Israel, presented his research on photodynamic therapy at the National Academy of Sciences in Washington, D.C., on May 19. His research is leading to a new cancer treatment using modified chlorophyll that is toxic only when activated by specific light frequencies.

Dr. Scherz has developed a modified form of a bacterial chlorophyll, which absorbs near-infrared light frequencies, and emits toxic free radicals that kill cancer cells. His discovery solves two problems which had hindered photodynamic therapy. By using near-infrared light, the penetration into

tissue is greater, about three centimeters, and therefore the tumors that can be killed are much larger, as compared with currently used compounds that absorb UV light, which only penetrate about 1 millimeter. Also, the new bacterial chlorophyll is water soluble, and is flushed out of the body in 16 hours, leaving no toxic residue, as compared to fat-soluble compounds, which stay in the body for more than a month, requiring that patients stay out of all sunlight for weeks.

In experiments in mice and rats, injection of the modified bacterial chlorophyll, followed by immediate exposure of the area to near-infrared light, resulted in the complete destruction of small tumors. In experiments on tumors of more than three centimeters in diameter, the photodynamic therapy kills the tumor by destroying the blood vessels that feed it, resulting in cure rates of 75-80% for melanoma and sarcoma in rats.

The new photodynamic therapy based on these modified bacterial chlorophylls is expected to be used in clinical trials on humans within a year.

## Currencies

### South African central bank fears attacks

On May 26, South Africa's Reserve Bank increased short-term interest rates and issued a warning that it would further increase the rates if necessary to combat a speculative attack on the currency and debt markets, the *International Herald Tribune* reported. "South Africa's financial markets have been buffeted by speculation that began [on May 22], when rumors surfaced in London and New York that the Reserve Bank planned to devalue its rand—a rumor the bank flatly denied. The currency has been targeted by speculators as economic problems in Asia have hurt investor confidence in some other emerging markets," the paper said.

The central bank said, "The bank will not hesitate to increase short-term interest rates sharply should speculative attacks persist." It increased the daily money-market securities-repurchase rate to 18%, compared with 16.1% on May 25. The Reserve Bank also

said it would raise the punitive marginal lending facility rate by nearly 10%, to 28%, to try to protect the country from unstable market conditions.

## Mining

### Rio Tinto signs more deals with Aborigines

Rio Tinto chief executive Leon Davis, and Aboriginal and Torres Strait Islander Commission chairman Gatjil Djerrkura, signed a memorandum of understanding at Parliament House in Canberra, Australia, which commits the world's biggest mining company to provide an increase in work and training for Aborigines, the *Australian* reported on May 27. Rio Tinto, controlled by the British oligarchy, has led the way in negotiations with the Aborigines, and has been outspoken in its support of Aboriginal land rights, a campaign into which it has poured hundreds of millions of dollars.

Beside Rio's operations in Western Australia, including Hamersley iron ore and the Argyle diamond joint venture (the world's largest diamond mine), it is about to announce an AUS \$550 million coking coal project at Hall Creek in Central Queensland, which has taken three years to negotiate with the Wiri Yuwiburra tribe.

By pouring hundreds of millions of dollars into Aboriginal land rights, the Queen's Rio Tinto is bankrupting all the small and medium-sized mining companies, which cannot afford to meet the standards for monetary and other payouts that Rio Tinto sets.

## Asia

### Private capital flows are leaving the region

Five Asian countries (Indonesia, Malaysia, the Philippines, Thailand, and South Korea) have suffered a sharp reversal in the flow of capital, and some suffered capital flight, according to the Washington, D.C.-based Institute of International Finance (IIF). In

1996, the five nations received \$93 billion in private capital. But in 1997, some \$12 billion flowed out—a swing of \$105 billion, or 10% of their combined Gross Domestic Product.

The largest change occurred in lending by private financial institutions. In 1996, private lenders (both commercial banks and non-bank private creditors) lent a net \$74 billion. In 1997, net lending was -\$4.5 billion, meaning that these five nations paid out more in interest and principal than they received in new credits.

At the same time, while private equity investment was \$19.1 billion in 1996, it was -\$4.5 billion in 1997.

*Business Week* on June 1 reported that since 1997, some \$50 billion has fled Indonesia. At the same time, in the last ten days of April, Japanese investors bought a record \$21 billion in foreign bonds and foreign equities, a sign of flight capital.

## Thailand

### British privateers move in, as crisis worsens

British Ambassador to Thailand William Hodge has announced that privatization experts, headed by Ralph Soderstrom from Coopers and Lybrand, began arriving in Thailand in May, with more to come in July. *The Nation* reported on May 15. "Since the U.K. has had extensive experience in the subject," Hodge claimed, "our experts are capable of advising the government on how to prepare organizations for privatization, and on how to deal with the labor force."

The announcement came as the Thai Labor Congress warned of "social unrest and violence like that being seen in Indonesia," if the government's anti-poor and anti-labor policies continue. Under particular attack is the government's decision to stop contributions to social security. The government pays one-third under the current plan. Suwit Hathong, president of the Labor Congress, accused the Chuan government, both now and during its 1992-95 term in office, of showing little interest in supporting underprivileged groups.

Prime Minister Chuan acknowledged, "Under the prevailing economic situation, it

is impractical for the government to directly subsidize the underprivileged. The country does not have the resources to hand out money to the poor."

Meanwhile, the crisis in the physical economy is growing worse, with 232 out of 1,200 rice-milling plants now shut down because of the government's decision to repatriate foreign workers. Mill operators have been unable to get Thai workers to fill the jobs, and they are warning that this will soon hurt Thai rice exports. Some 80% of the 25,000 workers in the industry are foreigners. Similarly, 50 steel factories have closed due to the collapse in demand from the construction and auto sectors, the liquidity crunch, higher energy costs, raw materials shortages, and unfavorable tariffs.

Based on information from the Federation of Thai Industries, which has been lobbying for debt rollovers and "lending into arrears" for small and medium-sized firms, the Thai cabinet was told on May 25 that 2,000 firms urgently need debt restructuring.

## Germany

### Unemployment boosts taxpayers' costs by 10%

German taxpayers were saddled with 10% higher costs in 1997, as compared to the year before, because of the high rate of unemployment, according to figures released in May by the Institute for the Labor Market and Professional Research (IAB), which is associated with the national unemployment office. The calculation included both unemployment benefits paid out, and the loss in tax income caused by more Germans not having a job and, therefore, no taxable income.

In 1996, some 150 billion deutsche-marks was spent for jobless benefits; in 1997, DM 166 billion was spent.

According to the IAB report, there are currently 6.3 million Germans without a regular income: 4.4 million officially registered jobless, plus another 1.9 million that are not registered as seeking a job, because they fail to meet the statistical criteria for being listed under any of the standard "joblessness" categories.

**TURKEY** plans to build a rail tunnel under the Bosphorus, linking Europe and Asia, Transport Minister Nacdat Munzir announced on May 25, *Al-Quds Al-Arabi* reported. The 13 kilometer tunnel will cost \$1.2 billion, and it will boost the Eurasian Land-Bridge project.

**CHINESE** interest in German rail technology has increased, a spokesman at Deutsche Bahn told *EIR* on May 26. In the last year, about 30 delegations of experts from China have visited Germany to get insights into engineering, track construction, signals technology, tunnel construction for high-speed trains, and plans for high-tech central stations.

**AUCKLAND**, New Zealand was hit with another blackout on May 10. The privatized Mercury Energy has been unable to guarantee power to the central business district, which had been almost completely blacked-out for two months prior to April 15. The government has mandated an inquiry, but specified that privatization is not to be considered as a possible cause.

**UKRAINIAN** miners from the Donetsk basin took their grievances concerning wage arrears, working conditions, social welfare and education of their children, and housing, to Kiev in late May. These issues have been raised locally, but this is a marked increase in politicization of the protests.

**GERMAN** Chancellor Helmut Kohl said that "preparing a plan to support the Middle East similar to the Marshall Plan might help to provide peace to this crisis-infested region," after his visit to Brandeis University in Massachusetts, *Al-Quds Al-Arabi* reported on May 26.

**THE HONG KONG** government on May 29 announced that the economy shrank 2% in the first quarter, the first negative quarterly growth since 1985. "I don't have any reason to believe that the second quarter will be better than the first," said Shamus Mok, chief economist at Bank of East Asia.

## The world needs the TVA model, not the IMF

by Marsha Freeman

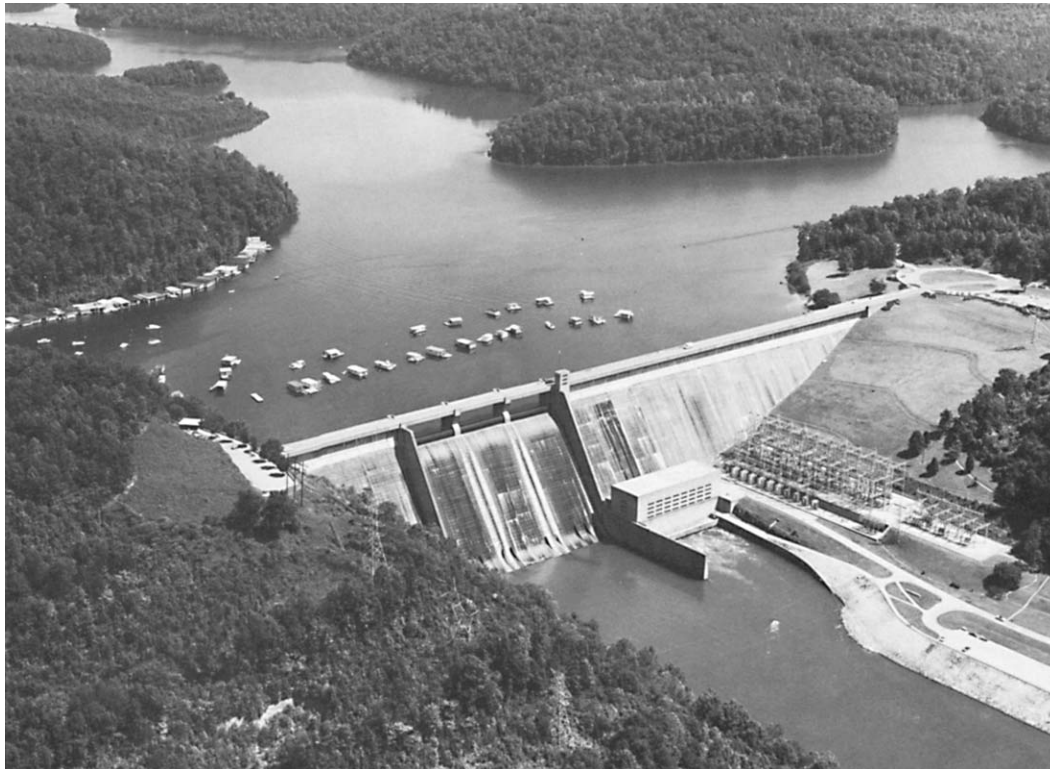
Many nations today, facing the prospect of the dissolution of their economies, are confronted with a choice between the International Monetary Fund's model of austerity and economic contraction, or the financial reorganization of a New Bretton Woods, to make possible large-scale infrastructure investments, such as those represented by the Eurasian Land-Bridge.

Analysts have compared the collapse of the Russian stock market by 50% this year, to the worst days of the Great Depression in the United States. The rapid disintegration of national economies, including those of Indonesia, South Korea, and Thailand, make it imperative that the right pathway be chosen quickly. There is a precedent from the first Great Depression for how infrastructure projects, conceived on a grand scale and implemented by sovereign governments, create the conditions for the rapid growth of the economy, and the transformation of whole populations.

On May 18, 1933, when President Franklin Delano Roosevelt signed the legislation that created the Tennessee Valley Authority (TVA), the economy of the United States lay prostrate. Official unemployment stood at 25%. Steel production had fallen from 44.6 million tons in 1930 to little more than 15 million tons two years later, as construction ground to a standstill. Electric power production had collapsed by 10% in the space of one year.

Various proposals had been put forward to deal with the economic contraction that had taken hold of the United States, and much of the world, during the Depression. As one writer of a TVA history described it: "The Authority was established in the U.S. of A. at a time of economic distress, in the gravest worldwide economic depression ever recorded. It came into being when governments were taking the desperate course of restricting production and destroying produce in the hope of restoring economic welfare.

"The TVA represented an altogether different conception of the management of a modern nation's economic resources: that of enterprise on a large scale, deliber-



*Less than three months after the TVA was signed, construction began on the agency's first multi-purpose hydroelectric dam, on the Clinch River. It was named for Sen. George Norris of Nebraska, who led a decades-long fight for the establishment of the TVA.*

ately undertaken by the public authorities, with certain social and economic purposes clearly in mind from the beginning. It represented an economic policy of hope and expansion in which the government would play a dynamic part.”

Over the span of eight years, the TVA transformed the Tennessee Valley region, consisting of all or parts of Tennessee, Kentucky, Virginia, North Carolina, Georgia, Alabama, and Mississippi (see **Figure 1**). It brought the people living in the TVA region into the modern industrial and agricultural era, from a standard of living and culture that was little different than that in the Third World. Between 1933 and the end of World War II, the TVA directors managed the biggest construction project on Earth.

More important, and recognized as such by those involved, was the lasting legacy of the TVA. It became the model for large-scale, integrated economic development projects in dozens of countries around the world. After World War II, TVA engineers were called into service by governments in Asia, the Middle East, Ibero-America, Africa, and even Europe, to reproduce the remarkable uplifting of a population through government-directed construction of large-scale infrastructure projects, which the TVA exemplified.

### **Uplifting an American ‘Third World’**

In 1933, when President Roosevelt took office, fewer than 3% of the households in the Tennessee Valley had electric power. The average farmer’s income was \$639, when the national average was \$1,835. Malaria affected up to 30% of

the population in some areas. The average expenditures per child for education were about one-third that of the United States as a whole.

The region was totally vulnerable to the ravages of nature. Unchecked fires burned 10% of its woodlands every year. One and a half million acres were cropped only intermittently. Due to soil depletion, 4.5 million acres were on the decline, and 300,000 acres were practically destroyed. The unpredictable periodic flooding of the Tennessee River and its tributaries prevented the development of cities along the river banks.

In the eight years following the establishment of the TVA, the number of households with electricity went from about 6,000 to almost half a million in the seven-state region. In its first 20 years, the authority built 20 dams, requiring the use of 113 million cubic yards of concrete, rock, and earth, which consumed 12 times more construction materials than was used in the building of the seven great Egyptian pyramids. Nearly 200,000 men and women were employed at various times by the TVA over its first two decades.

In order to gain control over the Tennessee River and its tributaries, an intricate system of dams and reservoirs was built, which can store 22 million acre-feet of water—an amount which could cover the entire state of Illinois to an eight-inch depth. In order to reshape the land, 15,000 families had to be moved from the backwater areas that were to be flooded. More than 19,000 graves were moved from cemeteries, along with 170 schoolhouses and 180 churches; in some instances, whole towns and villages were relocated or physi-



FIGURE 1

**TVA service area**



cally reorganized to make way for the lakes that were created behind the dams.

TVA built multipurpose dams for both flood control and power, “a policy deprecated by many prominent engineers of that day. In recruiting engineers to bring life to this idea—multiple-purpose dams—those who believed in the feasibility of this approach were sought and found,” according to Gordon Clapp, who was general manager of TVA.

The centerpiece of the TVA’s regional development plan, after the rivers were brought under control, was the introduction of electricity. The TVA’s electrification plan was based on the idea that the way to provide the cheapest possible electricity to all the households and farms in the valley, which was mandated in its charter, was through “mass production,” which had proven so effective in the automobile industry, and by the economy of scale which is possible from a continuously growing demand for power.

In order to create this growing demand, the TVA had to *teach* farmers, housewives, extension service workers from the Department of Agriculture, and children in schools, how to use electricity. The Authority created a promotional program to accomplish this. “The Authority indeed keeps a very watchful eye on the annual sales of electric appliances in its area, as these are the yardstick of its success,” was the way the promotional program was described.

The TVA induced appliance dealers to arrange promotional displays and demonstrations of refrigerators, washing machines, and other household appliances, as well as electric heating and hot water systems, in high schools and other public facilities. TVA had home economists visit households to advise on the use of appliances.

Agricultural productivity in the Tennessee Valley in 1933, virtually without the benefit of electrical equipment or chemical fertilizers, was not substantially different than it had been in the previous century. In addition to bringing electric power to each farm, the TVA approached increasing agricultural productivity from the standpoint of improvements in fertilizers and the use of demonstration farms to teach farmers how to use electricity, fertilizers, and more advanced farming methods.

The TVA organized farmers to work with the Authority to set up “test demonstration” farms. In exchange for free fertilizers and technical advice, demonstration farmers agreed to adopt intensive, five-year farm management programs, to keep careful records, and invite their neighbors in for tours. Between 1933 and 1943, more than 15,000 demonstration farms produced yields that were three times higher than before.

As electric power became available, small and medium-sized raw materials-processing and manufacturing industries grew up in the Tennessee Valley, absorbing the increasing excess population on the land, as the productivity of agriculture improved.

In 1930, the valley had four farm workers for every factory worker. By 1960, factory employees outnumbered farm workers by almost 2 to 1, and manufacturing income was nearly three times that of agriculture. The major growth industries were apparel, food, chemicals, electrical machinery, furniture, primary metals, leather, non-electrical machinery, pulp and paper, and transportation equipment.

In all, TVA-created industrial growth generated almost a half-million jobs in business and industry between 1933 and 1950. For those “free marketeers” who would complain that this was all developed “at the expense of the taxpayer,” bear in mind that the annual income taxes paid into the Federal treasury by the TVA, or the “return on investment” from the Federal spending, is almost six times the yearly investment in TVA.

The new industrial development also stemmed the tide of emigration from the region. Between 1920 and 1930, 120,000 people left the valley. In the following decade, 31,000 people emigrated.

Managers of the TVA recognized that in order for the people of the Tennessee Valley to be able to take advantage of more scientific farming methods and to develop modern manufacturing, there would have to be cultural changes.



*In 1942, a member of a local library board stated at a meeting about the future of the book services TVA had established: "We have 6,000 people in Megis County, and no railroad, no telephones, and no newspapers. If we lose the library bookmobile, how will we know what is going on in the world?"*

First, was health. Malaria was endemic in more than half the valley area and there were infection rates up to 60% in some parts.

The TVA established its own Health and Safety Department, recognizing that malaria had destroyed the economic potential of whole regions around the world. It undertook extensive investigations into malaria in cooperation with the Department of Preventive Medicine of the University of Tennessee, which it helped to establish. By the mid-1940s, malaria had nearly been eliminated in the valley. The government health departments and the TVA together planned programs with special emphasis on sanitation, and immunization against smallpox, typhoid, and diphtheria.

One of the most important things the TVA brought to the people of the Tennessee Valley was books. When the Watts Bar Dam was under construction, the Tennessee Division of Libraries and County Library Board of Knoxville were contracted with the TVA to provide library services, at the expense of the Authority. The dam library started with 2,000 books.

Libraries were set up at every construction site, eventually in each of the 13 counties in east Tennessee. Only one of these counties had had public facilities for reading books before. Mobile library units reached construction workers at their homes, and also non-employees living in the remote areas.

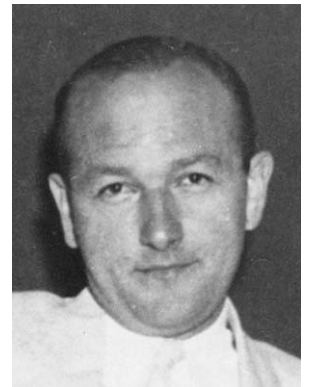
When the dams were completed, and TVA could no longer contribute to the library services it had established, it worked with other government agencies to make them permanent.

After intense lobbying by the citizens, on Feb. 9, 1943, the governor of Tennessee signed a measure setting up an east

Tennessee library regional office, with an initial appropriation of \$20,000. At that time, there were already libraries with 52,000 books distributed from 200 locations. There were 22,000 people registered as borrowers, who, in January 1943, read 250,000 books. By 1951, there were regional library services in 63 counties, servicing a population of more than 1.5 million.

### **The TVA's legacy**

Near the end of World War II, in 1944, the TVA's first director, David Lilienthal, wrote his book, *TVA: Democracy on the March*. In the preface, he stated, "There is almost nothing, however fantastic, that (given competent organization) a team of engineers, scientists, and administrators cannot do today. Impossible things can be done, are being done in this mid-twentieth century."



*David Lilienthal*

The most important "impossible things" to Lilienthal, were those which harnessed the creative energy of men to transform their circumstances: "No longer do men look upon poverty as inevitable, or think that drudgery, disease, filth, famine, floods, and physical exhaustion are visitations of the devil or punishment by a deity," he wrote.

"The quantity of electrical energy in the hands of the people is a modern measure of the people's command over their



*To cheapen the cost of electricity, and upgrade the standard of living of the rural residents of the Tennessee Valley, the TVA introduced the population to labor-saving appliances through public demonstrations, and made government-backed credit available to distributors.*

resources and the best single measure of their productiveness, their opportunities for industrialization, their potentialities for the future. A kilowatt-hour of electricity is a modern slave, working tirelessly for men.”

Identifying the philosophical issue, Lilienthal wrote: “The basic objection to all efforts to use the machine for human betterment lies in an attitude of absolute pessimism: that life is an evil in itself; that therefore anything which seeks to mitigate its inescapable pain and utter dullness is misdirected and futile. . . . Democracy is a literal impossibility without faith that on balance the good in men far outweighs the evil. Every effort to cherish the overtones of human imagination in music, painting, or poetry rests upon that same faith, makes that same assumption.”

While the resources of the TVA, particularly abundant electrical power, were crucial for the war mobilization still under way when he wrote his book, Lilienthal states: “History may well record, however, that it is TVA as an idea that represents its greatest significance; that it is in its high sym-

bolic value ‘in a thousand valleys’ beyond the seas that TVA has rendered its greatest service in safeguarding and nurturing freedom in the world.”

Twenty years later, in Muscle Shoals, Alabama on May 18, 1963, exactly 30 years after FDR had signed the legislation creating the TVA, President John F. Kennedy recalled the importance of that act: “There were many who still regarded the undertaking with doubt. Some said it shouldn’t be done. Some said it wouldn’t be done. But today, 30 years later, it has been done. They predicted the government was too inefficient to help electrify the valley. But TVA, by any objective test, is not only the largest but one of the best managed power systems in the United States.

“They predicted that TVA would destroy private enterprise, but this valley has never bloomed like it does today, and hundreds of thousands of jobs have been created because of the work that these men did before us. New forests have been built, new farms have been developed, engineers who testified that multipurpose dams would not work, that rivers could not be developed for navigation and prevention of floods at the same time, were proved wrong. Barge traffic on this system has grown from 33 million tons in 1933 to 2 billion tons today, on a river spanned by more than 30 dams. . . .

“As a final example of its national role, I would cite to you—and I consider this one of the most important contributions of the Tennessee Valley, and it isn’t written in any credit or debit book—the 2,000 people who come from abroad to the TVA, from other lands, Kings, Prime Ministers, students, technicians, people who are uncommitted, people who don’t know which way to go, people who are unsure.

“They come here and gain an impression not by merely visiting Washington or New York, but by coming to this valley. They gain an impression of vitality and growth, and the ability of people to work together in a free society. This has been one of the most powerful advertisements for the picture of the United States around the world that we have had, for these people come from nations whose poverty threatens to exceed their hopes, who do not feel they can solve their problems. They come here and compare this valley today to what it was 30 years ago, and they leave here feeling that they, too, can solve their problems in a system of freedom.

“Finally, there are those who say that TVA has finished

its jobs and outlived its challenges. But all of the essential roles of TVA remain. . . . In short, the work of TVA will never be done until the work of our country is done. There will always be new places for us to go, for, in the minds of men the world over, the initials TVA stand for progress.”

By the middle 1950s, the Tennessee Valley Authority had completed the major work of building dams, providing flood control, and supplying electric power to the seven-state southern region of the nation. By that time, word had spread around the world about how an area suffering Third World conditions, in terms of health, literacy, and agricultural productivity, had been brought into the modern era through such a “great project” as the TVA. The book written by TVA Chairman Lilienthal in 1944, had been translated into 14 languages. By 1953, some 39 million people had visited the TVA, including representatives of nearly every nation in the world.

Lilienthal reports in his book that Supreme Court Associate Justice William O. Douglas used to spend his summers traveling on horseback in remote areas of Asia, and was often asked about the TVA. According to Douglas, “A Druze chieftain, south of Damascus, inquired about it. I was asked about it many times as I traveled the length of the Tigris and Euphrates, the site of the ancient Mesopotamia, reputed cradle of civilization on this globe. Below Baghdad I saw 50,000 people homeless by reason of a flood. They too had heard of the TVA and wanted one for themselves.

“The Tennessee Valley Authority has caught the imagination of all the people across this broad belt of Asia. They think of it as a device for insuring crops in a land where crop failures mean death from starvation. TVA also means to them increased productivity of the land, new forests, the end of erosion, modern methods of farming. . . . It means the harnessing of floods, the storing of rain water, and the installation of modern irrigation systems.”

At the end of World War II, the optimism of peace, the end of imperial empires, and the promise, although left unfulfilled, of Roosevelt’s American Century built upon American methods, led almost every nation in the world to invoke the model of the TVA in order to push forward their own economic transformation.

## **Taming China’s mighty Yangtze River**

Lilienthal remarked in the 1950s, describing the great project needed to tame the Yangtze River, “The terms gigantic or colossal are not inappropriate for this plan, which dwarfs TVA by comparison.” Within a 300 mile radius of the proposed main dam site, which is today known as the Three Gorges Dam (see **Figure 2**), more people would be affected than in the entire United States, he stated.

In addition to ending the centuries of destruction and death from the flooding of the Yangtze, Lilienthal said, the dam would permit ocean-going ships to sail to Chungking, 650 miles from the coast. Hundreds of miles of canals would be excavated and 10 million acres of agricultural land would be

irrigated. The key project would be the 820-foot-high Yangtze Gorge Dam with a 17.5 gigawatt capacity. And it was estimated that an additional 3.042 GW could be provided by 11 projects on the tributaries of the Yangtze.

The TVA’s working relationship with engineers and planners in China went back to the earliest days of the Authority, and Lilienthal developed a close relationship with China’s ambassador to the United States, Hu Shih. Before the war, engineers from the National Resource Commission of China visited the TVA, and during the war, an electrical engineer from the TVA was an adviser to the Chinese War Production Board.

In 1939, Lilienthal reports in his diaries, Ambassador Hu suggested to him that the TVA should help to rebuild China after the war. The two continued to meet during the war, often at Lilienthal’s home, to plan the multipurpose dam development of the Yangtze River. In December 1944, a delegation of 26 Chinese visitors, who were responsible for planning the industrial development of China, came to the TVA for ten days. They brought with them gifts and personal greetings from the chairman of the National Resource Commission of China.

On Feb. 6, 1945, Lilienthal met with Don Nelson, whom he describes as President Roosevelt’s personal representative to China. Nelson said he was having Lilienthal’s 1944 book translated into Chinese. (In less than a year, 50,000 copies were circulating there.) At their meeting, Nelson and Lilienthal discussed the Yangtze Three Gorges project, which was being described as the “Chinese TVA,” and Nelson said that the President wanted Lilienthal to be one of seven industrial leaders to go to China, to help them work out their postwar industrialization plan.

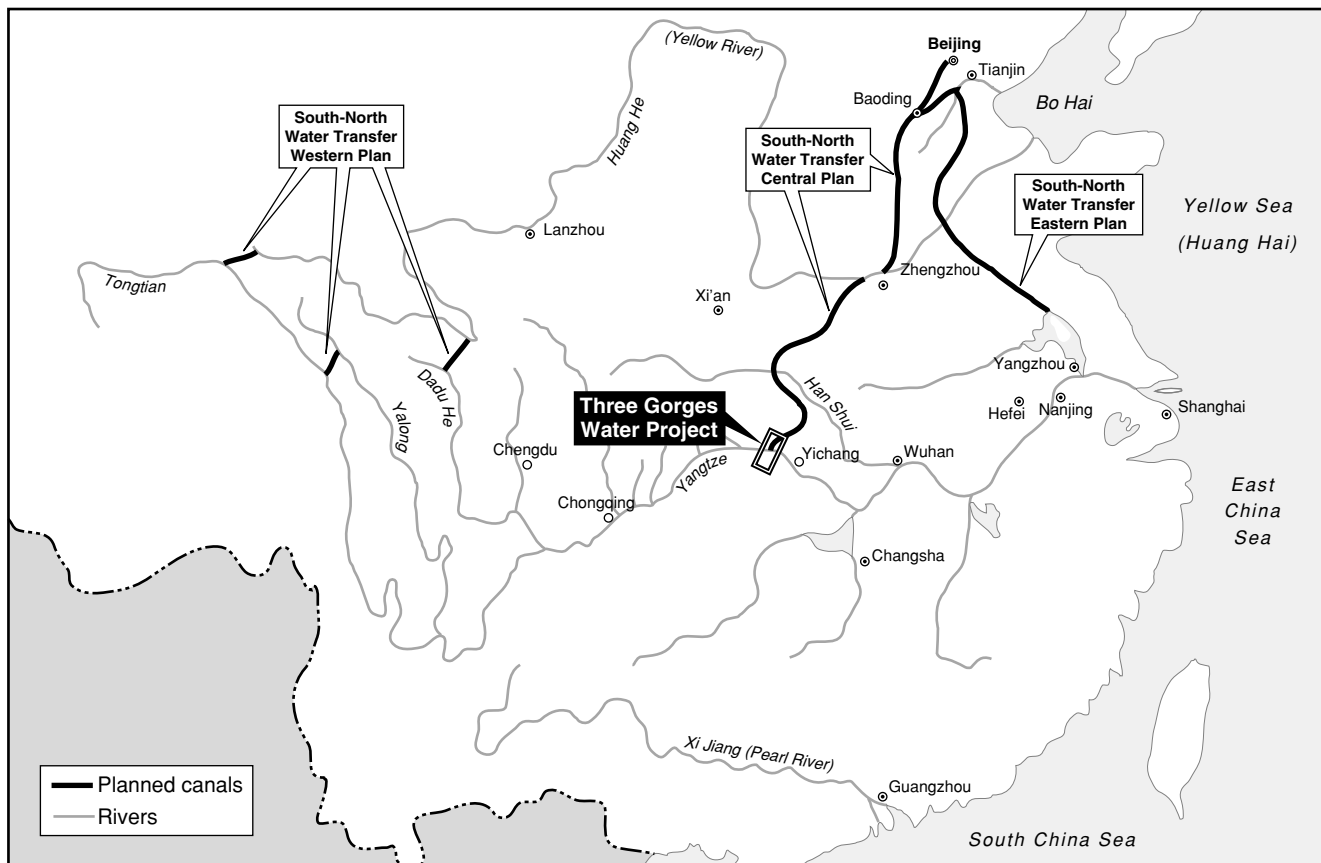
Lilienthal begged off the trip at that time, but two months later, Nelson sent his assistant, Edwin Locke, to confer with Lilienthal about the next steps in the Yangtze River development projects. But winds were about to change. Lilienthal was distraught at the death of Roosevelt, and highly critical of President Truman, undoubtedly aware that geopolitics was replacing Roosevelt’s American Century economic plan, in China and elsewhere.

Flooding along the 3,200 miles of the Yangtze River has killed tens of thousands of people, in this century alone. In a presentation on May 21, 1996 at the general meeting of the Pacific Basin Economic Council in Washington, D.C., Qin Zhongyi from the China Yangtze Three Gorges Project Development Corp. explained that “as early as 1919, Dr. Sun Yat-sen proposed the great idea of building up the Three Gorges Project. The American dam expert, Dr. Salvage, and Chinese engineers selected the first dam site and worked out the first blueprint for the Three Gorges Project.”

The project languished, he reported, until the Seventh National People’s Congress in April 1992, which shifted the project “from the 40-year justification, to implemental process.”

FIGURE 2

**Planned water diversion projects in China**



Qin explained that, as the largest river in China, the Yangtze accepts the water of 3,600 tributaries, with a total catchment area of 1.8 million km, or 18% of the total area of the country, which is populated by 400 million people, or one-third of the country's total. Work began on the dam in 1994, and in November of last year, the historic closing of the Yangtze River with a temporary dam was completed, and broadcast live on national television. Electric power is scheduled to be produced from the first hydroelectric turbines in 2003.

As the Three Gorges Dam project, which the TVA helped plan, is under way, the TVA has continued to be involved in China's water development plans, to counter the opposition to large-scale water projects. The destructive policies of the "environmentalist" wing of the U.S. government, for example, have prevented Export-Import Bank funding for private companies hoping to participate in the Three Gorges Dam project, and reams of newspaper articles have attacked the project for disturbing dolphins, and the like.

At a workshop last year in Geneva, sponsored by the World Bank and World Conservation Union, it was proposed that a "high-level international group review the experience

of past, current, and planned dams, and improve practices, policy, standards, and participation by those affected." By improving "participation by those affected," is meant the opportunity for anti-growth environmentalists, and "sustainable growth" advocates to disrupt, if not cancel, critical dam and water control projects.

Mindful that the environmentalist lobby in the United States and internationally was setting its sights on the world's most ambitious dam projects in China, the leadership of the TVA, China's water and power development agencies, Tennessee Gov. Don Sundquist, and U.S. Ambassador James Sasser (a former Tennessee senator) organized a joint conference in Beijing in September 1996, on "Economic Opportunities Through Water and Energy."

Representatives from dozens of U.S. companies were invited by TVA to attend, which included not only water and energy experts, but a representative for a U.S. nuclear energy company. China's plans for water and power development were presented, and in side meetings, TVA engineers discussed the plans of China's engineers. During the conference, TVA Chairman Craven Crowell announced that the TVA

and the Minister of Water Resources of China had signed a Memorandum of Understanding for TVA to review the master plan for the development of the Han River, and an MOU was also signed with the Hydro and Power Corp., for assistance in developing the Li River Basin.

With or without industrial participation from the United States, China will complete the Three Gorges Dam development project, while it is also embarking on an ambitious nuclear energy development program. In doing both, it is continuing its six-decade engagement with the experts of the TVA.

### The TVA on the Jordan

Since the 1970s, economist Lyndon LaRouche has insisted that the only way to achieve a lasting peace in the volatile Middle East is through region-wide integrated economic development projects. Given the arid conditions in the region, these development projects must center around the construction of water projects for agriculture, industry, and cities.

In the mid-1950s, the men who had played key leadership roles in the Tennessee Valley Authority presented a plan to the nations of the Middle East and to the United Nations, to develop this region, as an alternative to political strife and war.

According to David Lilienthal, writing in 1954, representatives of nearly every nation in the world had visited the TVA over its first 20 years, including Israeli Prime Minister David Ben-Gurion and officials from many Arab countries. The TVA experts proposed to build a “TVA on the Jordan” (Figure 3).

The area of what was called Palestine in the 1940s is slightly over 10,000 square miles, or approximately one-quarter the area of the Tennessee Valley. The major water supply for Palestine and Israel originates in Lebanon, Syria, and Jordan. Lilienthal wrote in 1944 that “cooperation between Israel and the adjacent Arab states would be absolutely essential to the successful execution of the proposed overall plan; only small portions could be developed to an individual country’s advantage without such cooperation.”

It was proposed that the water resources be developed for power and irrigation, through a series of dams on the upper Jordan River and its tributaries, which could store water and also divert some into a network of irrigation canals. In order to compensate the Dead Sea for the loss of these waters, seawater from the Mediterranean would be introduced, starting at a point near Haifa and conducted through tunnels and canals down the below-sea-level Jordan depression to the Dead Sea.

As this seawater dropped into the Jordan Rift, there would be almost 1,300 feet of effective fall for the development of hydroelectric power. It was also proposed to develop underground water resources along the coastal plain from the northern border with Lebanon, south to the Egyptian border. The plan was to be completed in eight stages. It was estimated that

FIGURE 3

### The area served by a TVA on the Jordan



irrigation would provide for at least 606,000 newly cultivated acres, and produce 660 million kilowatt-hours of electrical energy per year.

In the mid-1950s, the United Nations Economic Survey Mission for the Middle East was also proposing economic development programs. Gordon Clapp, who had been the general manager of the TVA, served as the head of the mission.

For Syria, Lebanon, and Jordan, the UN recommended “pilot demonstration” projects on the Orontes and Litani rivers, and the Wadis Zerka and Qilt rivers. Reclamation of the large swamps on the Orontes River in western Syria would add 183,000 acres to the land already under irrigation. The Litani River in Lebanon could provide 350 megawatts of power capacity. The experts determined that a dam on the Wadis Zerka in Jordan could double the dry-season flow and double the irrigable land.

Van Court Hare, from the TVA office of chief engineer, served as a member of the mission’s engineering development staff, headed by William L. Voorduin, who was formerly the head project planning engineer for TVA. James B. Hayes, formerly project manager of TVA’s South Holston project and an irrigation and power engineer with over 30 years of

experience, was the Palestine Commission's chief engineer for the development plan. Other TVA people assisted, including Col. Theodore B. Parker, former chief engineer of TVA.

The TVA on the Jordan was not started in 1954, and the Suez Crisis two years later presaged the future of the region without such a perspective. The geopolitical manipulation of the Middle East by the British, which has led to half a dozen wars in the region since the end of the Second World War, has been possible because there are virtually no joint economic development projects under way that would engage the resources of all of the nations in a common goal.

Since the 1997 election in Iran, there have been initiatives from both the Iranian and U.S. side to end the state of diplomatic hostilities between the two nations. Policymakers in Washington would do well to study American relations with Iran, under the leadership of the TVA.

North of the Persian Gulf in southwest Iran, is the region of Khuzistan. It is 58,000 square miles, and in 1954 had a population of 2.5 million, representing one-tenth the total land area and one-eighth the population of the country. It is an oil-producing region which is very isolated and has historically provided only a very poor standard of living for its inhabitants.

After World War II, Iran had a put together a seven-year development plan for the region, with disappointing results. In the mid-1950s, Iran launched a second program, headed by Abol Hassan Ebtehaj, an economist and banker. In 1955 he invited David Lilienthal and TVA General Manager Gordon Clapp to visit Iran. They arrived the following year, and were asked to prepare a comprehensive program for the integrated development of Khuzistan, and to commit themselves to implement the plan. They did two years of surveys and investigations.

The survey found a virtually unlimited amount of natural gas available, five rivers fed from mountain snow, enough water to irrigate 2.5 million acres of agricultural land, and hydroelectric potential of more than 6 million kilowatts.

The former TVA team recommended that the government of Iran build a high, thin-arch multipurpose dam on the Dez River for irrigation, power, and flood control; construct a 132 kilovolt electric transmission line from Abadan north to Ahwaz, in order to utilize idle capacity from a steam plant owned by the oil companies, until power from the dam was available; form an agency to manage electricity production and distribution; cultivate 10,000 acres of sugar cane and build a mill and refinery; plan future irrigation projects, including the test and demonstration of the use of fertilizers; build a polyvinyl chloride plant, as a first step in a comprehensive industrial complex based in part on the region's supply of natural gas.

The program was approved, though the polyvinyl plant project was abandoned for lack of money. In May 1960, an act of the Iranian Parliament created the Khuzistan Water and Power Authority to own and operate the facilities in the program. Approximately 400 non-Iranian employees worked

on the projects, about half of whom were Americans, more than 30 of whom had TVA experience.

By 1967, the initial plan was essentially complete. Of the more than \$190 million invested in the projects, \$42 million was loaned by the World Bank; the rest was internally financed from oil revenues. The 646-foot-high dam on the Dez River had 130,000 kw installed capacity, out of an ultimate capacity of 520,000 kw. Electricity consumption had increased 300% since 1958, when the transmission line was completed. A 50,000-acre pilot irrigation area for improved agriculture, fertilizer use, improved seed varieties, and irrigation, had been established.

A 1967 description of the project reported that, "in the beginning, there was a great amount of cynicism about the Khuzistan program. When plans for the dam and sugar cane factory were announced, only a small minority thought they would actually be built. Once started, many believed that the projects would never be finished. Once finished, it was assumed they probably wouldn't work. But as predictions, one after another, have come to pass, the old spirit of pessimism and cynicism has begun to fade. There is now new hope for a better future in Khuzistan."

## **The challenge of the Indian subcontinent**

From the moment of independence in 1947, economic planners in India looked to the model and experts of the TVA to develop their vast nation. In that year, the draft constitution for the Damodar Valley Corp. (DVC) of India was adopted. This was modelled on the Tennessee Valley Authority by representatives of the government of India, Bengal, and Bihar at the Inter-Provincial Conference held in New Delhi.

Prior to the formation of the DVC, the central government of India secured W.L. Voorduin, formerly head planning engineer of TVA, to work on economic development projects, and other TVA experts served as consultants.

The regions of Bihar and West Bengal, between the Himalayas and the Bay of Bengal, were involved in the Damodar Valley development. The Damodar River joins the Hoogly River, which is an important mouth of the Ganges, about 30 miles below Calcutta, and to the east is what was then the Pakistani province of East Bengal.

The river is 340 miles long, with drainage over an area of 8,500 square miles. The plan called for unified multipurpose development with dams to irrigate 750,000 acres and generate 300,000 kw of electricity. There were 5 million rural inhabitants and 2 million urban dwellers in this region, at that time.

In 1949, work was stated on the Mahanadi Valley Project (MVP), which was to be the first dam of the project. Three multipurpose dams were designed for irrigation, electric power, navigation, and flood control, with an estimated total potential capacity of 900 MW and total areas eventually to come under irrigation, about 2.5 million acres.

Other regions in India were also examining the TVA model. In 1949, Nityananda Kanungo, Minister of Develop-



ment and Industries of the Province of Orissa, spent time at the TVA, studying its plans and programs. In 1951, J.N. Panda, an engineer of the Province of Orissa, wrote a letter, dated May 4, to the TVA chairman, Dr. H.B. Mohanty, from the Secretary to the Government of Orissa, requesting information about TVA, as "it is being used as a model in developing [the] Mahanadi River."

In April 1952, the former Mayor of Bombay, M.R. Masini, wrote in the magazine *Foreign Affairs*: "The United States has no better ambassador-at-large in Asia than the one which bears the initials T.V.A."

Had these initiatives for large-scale infrastructure development been the hallmark of policy for the nations of the Indian subcontinent, rather than the ethnic, religious, and cultural manipulation of what the British carved into India and Pakistan, that region would face a very different situation than it does today.

### **Nuplexes for the nuclear era**

From the 1940s through the late 1960s, before the full-court press by international financial institutions to crush developing nations' economies, and the popularity of the ideology of zero growth and "overpopulation," former and current TVA engineers were advising the governments of Mexico, Peru, Colombia, Puerto Rico, and Brazil on development projects. Plans were drawn up with the governments of numerous countries in Africa, to change the face of that continent.

But by the 1960s, following the promulgation of the Atoms for Peace program by the Eisenhower administration, the TVA took on another responsibility, in developing plans for the large-scale introduction of nuclear power into developing nations.

At the Oak Ridge National Laboratory, in the heart of TVA country, seven studies were done in 1968, on the subject of "Nuclear Energy Centers: Industrial and Agro-Industrial Complexes," which became referred to as "nuplexes." The studies were designed with the idea of allowing developing countries to "leapfrog" ahead in their development.

In the 1968 study done by Perry Stout of Oak Ridge, titled, "Potential Agricultural Production from Nuclear-Powered Agro-Industrial Complexes Designed for the Upper Indo-Gangetic Plain," the author states: "The time has come when the energy derived from nuclear energy can be looked upon very seriously as a key for releasing indigenous agriculture from the bondage imposed by the necessity of securing fuel, fertilizer, and power for tillage all directly from the land without energy resources from outside. . . . Such inputs could free these people from Malthusian limitations hitherto imposed upon their indigenous food supply. . . ."

Scarcely a year after the 1967 war in the Middle East, the engineers at Oak Ridge recommended that a nuclear-centered agro-industrial complex be built, encompassing parts of the Sinai and Negev deserts, to encourage hostile nations to work

together for mutual benefit. This plan was recast more recently by Lyndon LaRouche in his "Oasis Plan."

Nuplexes were designed by the Oak Ridge team for many nations, and every continent. The technologies for linking nuclear power plants to processes for producing fertilizer, steam for industrial processing, electricity for materials processing, and other applications, were tested at the operating nuclear plants, run by the TVA.

Until the early 1970s, the TVA maintained its place as the premier energy technology demonstration resource in the nation. It was the largest nuclear power plant construction site in the world, with 18 power plants in various stages of planning, construction, and operation. Then, under the aegis of the anti-nuclear "energy-conservation" policies of the Carter/Schlesinger administration, the model of the TVA for economic development was repealed, as seventeenth-century wood-burning stoves were brought into TVA territory to demonstrate how households could save energy.

On Dec. 12, 1994, the chairman of the TVA, Craven Crowell, announced that the TVA had decided that it would not complete the last three nuclear power plants that it had under construction. For the time being at least, this was the end of an era.

Today, we can see the disastrous consequences of the IMF's policies, which force developing nations to cut back investment, do anything necessary to "attract" foreign capital (not capital goods), reduce subsidies that give the population a safety net, and eliminate any projects that are deemed not "environmentally sustainable." Under these conditions, the concept and approach of the TVA, embodied in the initiative for the Eurasian Land-Bridge, will once again become the model for worldwide economic development.

Less than three months after the TVA was signed, construction began on the agency's first multi-purpose hydroelectric dam, on the Clinch River. It was named for Senator George Norris of Nebraska, who led a multi-decade fight for the establishment of the TVA.

David E. Lilienthal, appointed in 1933 by President Roosevelt as the first chairman of the board of directors of the Tennessee Valley Authority.

In 1942, a member of a local library board stated at a meeting about the future of the book services TVA had established: "We have 6,000 people in Megis County, and no railroad, no telephones, and no newspapers. If we lose the library bookmobile, how will we know what is going on in the world?"

A TVA nurse checks blood samples for malaria parasites, as part of the malaria control program, which included spraying insecticides, and fluctuating the level of water in the lakes behind the dams, to destroy mosquito habitats.

To cheapen the cost of electricity, and up-grade the standard of living of the rural residents of the Tennessee Valley, the TVA introduced the population to labor-saving appliances through public demonstrations, and made government-backed credit available to distributors.



## Khmer Rouge papers expose media support for genocide

by Michael and Gail Billington

Cambodia's Khmer Rouge back in power, *again*? On May 22, the worst nightmare of the people of Cambodia was reported on the front page of the *Phnom Penh Post*, a newspaper read widely in the Cambodian capital. Three notebooks, found in a Khmer Rouge enclave in a hut next to where "Brother No. 1," Pol Pot, died on April 15, disclosed that in July 1997, the Khmer Rouge had, indeed, conspired with Prince Norodom Ranariddh to seize power in Phnom Penh. Once Ranariddh's co-Prime Minister, Hun Sen, and his associates had been eliminated, the Khmer Rouge planned to turn on Ranariddh, and assume power in their own name.

Somehow, the *Washington Post* has neglected to tell anyone about "the Khmer Rouge papers." The three notebooks contain detailed minutes of meetings of senior Khmer Rouge leaders from June 27, 1997 through January 1998. These documents, authenticated by individuals who attended the meetings, disclose that the government in Phnom Penh has been telling the truth, a truth almost no one wanted to hear for nearly a year. What really happened in July 1997? The Khmer Rouge, who killed an estimated 1-2 million people out of a population of 7.5 million in the 1970s, were staging a comeback—a return to the genocidal insanity that nearly murdered a nation.

So far, the U.S. establishment press has not said a word about papers that one diplomat in Phnom Penh called "politically explosive." There's good reason why the "media food chain" in Washington lost its appetite for this story. The *Washington Post*, the *Washington Times*, the *New York Times* ("all the news that's fit to print"), and, most egregious and most guilty, the voice of Wall Street, Dow Jones's *Wall Street Journal* and, emphatically, its Hong Kong holding, the *Far Eastern Economic Review*, sold one of the biggest, whopping lies since Goebbels to governments, legislatures, non-governmental organizations (NGOs)—absolutely, the cash-hungry

NGOs—around the world: The Khmer Rouge had changed their stripes. In June 1997, they were the "new democrats" of Cambodia, committed to "free and fair" anything, as long as it was on their terms.

The villain, according to this story, as reported by these "newspapers of record," was Second Prime Minister Hun Sen, who put little faith in First Prime Minister Prince Ranariddh's report that the hard-core leadership of the Khmer Rouge, including Khieu Samphan, Ta Mok, and Nuon Chea, had "broken with" Pol Pot, and wanted to come under the wing of the duly elected government.

The Khmer Rouge papers expose this same press as complicit in an attempt to reestablish one of the most evil governments of this century, cloaked in the garb of "democracy."

### What happened in July 1997

Prince Ranariddh's insane scheme was exposed and crushed when Prime Minister Hun Sen, on July 4, 1997, deployed the Royal Cambodian Armed Forces to drive out several hundred Khmer Rouge troops, which had been clandestinely deployed into Phnom Penh by the Prince. A small number of troops loyal to Prince Ranariddh put up resistance, but quickly fled to the Thai border to join forces with the Khmer Rouge.

The Western media screamed, "Coup!" and denounced Hun Sen, who had just saved his nation from more genocide. Prince Ranariddh was portrayed as the victim. Within days, the Cambodian government released a White Paper providing conclusive evidence of the planned restoration of the Khmer Rouge through Ranariddh's treachery—including the agreement between Khmer Rouge strongman Khieu Samphan, the Prince, and his top general, Nhek Bunh Chhay, forming an anti-government military alliance effective as of July 3, the



Asian press coverage of the Khmer Rouge papers. Their leaders said: "Ranariddh's boat is sinking. . . . We have to play a trick." "To join the Front obtains us legitimacy, once we are legitimate the world will want to help us." "We take the legal position and plan. In doing so, we survive." "Joining the front means survival — survival for fighting. We will win very soon." "We take the districts, communes, villages. . . . The important thing is that we are rampant." None of this has been reported in U.S. newspapers.

day before Hun Sen moved against the conspiracy. *EIR*, almost alone among the Western press, covered the White Paper in detail, while also exposing the fact that the Dow Jones press and the *Washington Post* had provided fulsome sympathetic support for the Khmer Rouge comeback (see *EIR*, Sept. 5, 1997). The flimsy cover for the media's support for these infamous criminals was that Khieu Samphan and other Khmer Rouge leaders had "deposed" Pol Pot, blaming him for all the evils of the Khmer Rouge reign of terror, and themselves moulting into becoming true "democrats." A surreal trial of Pol Pot, who was already close to death, was staged in the Khmer Rouge jungle hideout of Anlong Veng, with the *Far Eastern Economic Review* invited to film the event for the gullible. That video was subsequently sold for a high six-figure amount, and aired in the United States on ABC-TV's "Nightline" program, with a tearful, personal narration by the *Far Eastern Economic Review's* Nate Thayer.

Except for *EIR*, the entire Western press, the NGOs, their supporting foundations in London and New York, and most Western governments, paid lip service to this charade. If not for the fact that President Bill Clinton intervened and personally declared that the United States would not tolerate any role whatsoever for the Khmer Rouge in the Cambodian government, there would likely have been an internationally backed subversion of the Cambodian government, and an ultimate victory for the Khmer Rouge coup.

### The Khmer Rouge papers

As a result of the recently discovered Khmer Rouge notebooks, there is now proof that the Cambodian government White Paper were deadly accurate in its accusations. Not only did the Khmer Rouge plan to seize power, but they intended to use Prince Ranariddh as a puppet in the same way they had used his father, King Norodom Sihanouk, as a puppet during the 1970s and 1980s. Once again, today, as with the White Paper last year, the major Western newspapers and electronic media have chosen to *completely black out the discovery of these notebooks*, despite their authentication on May 19 by Pich Chheang, the former ambassador of the Khmer Rouge's Democratic Kampuchea government to China and deputy standing committee member under Pol Pot, and by Yim San, commander of Division 980 in charge of political study within the Democratic Kampuchea Army. Both men attended meetings recorded in the notebooks. Furthermore, Western media outlets have refused to cover the story despite the fact that a number of wire stories and articles are available to them, including:

- May 22, Bou Sarouen and Peter Sainsbury, *Phnom Penh Post*, "The KR Papers," and "Prince's KR Deal Laced with Treachery: KR Plotted to Betray Prince's Alliance and Wage New War."
- May 22, Robin McDowell, Associated Press, "Khmer Rouge Was Plotting Comeback."
- May 22, Reuters, "Explosive: Cambodia Rebel Docu-

ments Found—Paper.”

- May 22, Associated Press, “Khmer Rouge Was Plotting Comeback Via Peace Talks, Papers Show.”
- May 23, Huw Watkin, *South China Morning Post*, “Cambodia Prince ‘Plotted’ with Khmer Rouge.”
- May 25, Huw Watkin, *South China Morning Post*, “Cambodia: Papers Ravage Credibility of Ranariddh.”
- May 27, Agence France Presse, “Deposed Cambodian Prince Defends Negotiations with Khmer Rouge.”

At the postwar Nuremberg trials, the criterion for complicity in genocide was “knew, or should have known.” Once again, *EIR* must set the record straight.

## Gaining the legal ground

The notebooks record discussions at meetings led by Khmer Rouge leaders Ta Mok, Nuon Chea, Khieu Samphan, and others. One entry, from June 1997, reports that “in the past few months, Ranariddh has run to us because Ranariddh

doesn’t have forces.” Explaining why the Khmer Rouge were joining in Ranariddh’s National United Front, one entry reads: “Ranariddh’s boat is sinking in the sea, but our boat is not. We have to help him, but the way we help is to offer him a stick, not a hand, not an embrace, not to let him cling to our boat, or we all die. We have to play a trick.”

Another official said: “The [National United] Front is not important. Signing to join the Front obtains us legitimacy. Once we are legitimate, the world will want to help.”

Readers who find it incredible that the Khmer Rouge could imagine gaining international legitimacy, must recall that between 1979, when the Vietnamese military provided backing for Cambodian nationalists (including Hun Sen) to end the Khmer Rouge terror, and 1993, when the United Nations sponsored elections, the deposed Khmer Rouge were *officially recognized at the UN, and by the Reagan and Bush administrations, as the legitimate government of Cambodia*, despite universal horror at the genocide they had carried out

## U.S. policy could lead to tragedy for Cambodia

Following the aborted coup attempt in Phnom Penh in July 1997, the United States imposed sanctions on the government of co-Prime Ministers Hun Sen and Ung Huot, which especially affected U.S. aid for preparations for general elections, now scheduled for July 26, and assistance in anti-narcotics efforts. Recently, Washington has said it will cut funding for the elections, from \$7 million to \$2.3 million, and that money will not go to the National Economic Commission, but will be funneled through privately run non-governmental organizations. Sens. John Kerry (D-Mass.) and John McCain (R-Ariz.) have largely subscribed to the view that the Phnom Penh government must be held to account for “free and fair” elections, while U.S. aid is denied the government, with little accountability demanded from the NGOs.

*EIR* is not alone in thinking that U.S. policy on Cambodia is seriously askew. Australia’s ambassador to Cambodia (1994-97), Tony Kevin, wrote a commentary on the situation, titled “U.S. Errs in Cambodia Policy,” which was published as the “5th Column” article in the May 21 *Far Eastern Economic Review* and posted to an Internet website. Ambassador Kevin does not consider either Hun Sen or Prince Ranariddh “angels” in the complex situation in Cambodia, but acknowledges that up until last July, Cambodia, largely through Hun Sen’s efforts, was making progress. Prince Ranariddh, he says, “listened to reckless advisers when he listened at all,” and did the most to

destroy his own political party, Funcinpec.

Ambassador Kevin appeals to the United States to reconsider its current approach as follows:

“While Cambodia remains at war with itself, rights violations on all sides will continue. But rather than condemn just one side, the U.S. should help bring about an end to the . . . warfare in which such rights violations occur. . . .

“America’s unrelenting demonization of Hun Sen, and its determination to treat Cambodia as a pariah state until he is ousted, is unworthy of a great nation. These policies are rooted in anger and guilt, and compounded by ignorance. Washington is angered by the failed return (as it sees it) on the \$2.2-billion international investment in the UN-sponsored election process in 1991-93. There is also guilt over the U.S. mass bombing of Cambodia during the Vietnam War, followed by active U.S. support from 1981 to 1991 of an insurgency in which the Khmer Rouge was the strongest force. Hun Sen has become the focus of these unresolved American feelings of anger and guilt—hated by both liberals and conservatives in Washington. . . .

“The result is bad policy. The U.S. aid boycott since mid-1997 has further damaged business confidence, economic growth and the growth of civil society—without any countervailing political benefits.

“Tensions will inevitably mount in the run-up to elections in July. There may be provocations, even high-profile political killings. If Washington were to continue to blame Hun Sen for whatever goes wrong, and accordingly pressures its partners within the ‘Friends of Cambodia’ group to withdraw their support for the election, this would be a tragedy. It would risk pushing Cambodia back to the worst days of the 1979-91 civil war and diplomatic isolation—to no good purpose.”

against their nation. The Khmer Rouge over the past year, with Prince Ranariddh's support and that of the NGOs, were very close to winning that Western support once again.

The Khmer Rouge's intentions were to use the National Front to take power, then reassert their infamous policy of "ethnic cleansing" against the Vietnamese minority in Cambodia, and all "Vietnamese puppets," which in the Khmer Rouge lexicon means every government official or civil servant. Another entry from June 1997 states: "The United Front win, the *yuon* [a derogatory term for the Vietnamese] soldiers immediately die. We retake the legal position and plan. In doing so, we survive. The Front is only a transition to grab forces, not to go to die, but to grab forces and fight the *yuon*." Still another says: "In short, the Front is a swindle. But we join the front to disperse the enemy forces and take a chance to build forces from the people."

The disdain shown for Prince Ranariddh by the Khmer Rouge grew even more intense after the July suppression of their planned coup, when the troops loyal to the Prince joined the Khmer Rouge in jungle warfare against the government. The notebooks confirm the existence of this alliance, which Prince Ranariddh had attempted to deny over the past year, but Ta Mok is recorded in December, complaining that: "Ranariddh's forces are not fighting, and those that remain are thieves, robbers, and rapists. We are feeding them with a little help from Thailand and the U.S."

This "help" from the United States was not official government aid, since President Clinton has refused to be dragged into the Khmer Rouge trap. However, it is almost certain, that various NGOs, including, most likely, the International Republican Institute (IRI), were providing assistance to Ranariddh's troops—and, therefore, to the Khmer Rouge. The IRI, part of the U.S. National Endowment for Democracy set up by the Bush machine in the 1980s, has sponsored operations against nations around the world, in the name of the United States, but in direct opposition to U.S. national interests. Col. Oliver North's drug- and gun-running operations in Central America and in Iran were but one example. The IRI has used U.S. government funds to promote Prince Ranariddh and the Prince's ally in the National United Front, Sam Rainsy, despite long-standing evidence that their "clients" were with the Khmer Rouge.

## Depopulation of the cities

The notebooks also confirm that the ultimate goal of the Khmer Rouge was to repeat the "return to the countryside" they had imposed after their takeover in 1975, driving the population out of the cities into forced communal labor in agriculture and in primitive public works in rural areas. The notebooks show that the Funcinpec, Prince Ranariddh's party, had agreed to give the Khmer Rouge control over the towns and villages, while Funcinpec would be granted provincial leadership—at least until it were time to dispose of the puppet Prince altogether: "We take the districts, communes, villages," said one Khmer Rouge official. "The important

thing is that we are rampant."

No Cambodian who survived the 1970s will ever forget the forced march of the entire urban population out of the major cities, within hours of the Khmer Rouge seizure of power. The architect of this deadly, self-destructive policy was Khieu Samphan, who ran the military offensive which swept the Khmer Rouge into power immediately following the U.S. pullout from Vietnam in 1975, and became President of Democratic Kampuchea during the bloody Khmer Rouge dictatorship between 1975 and 1979. The fact that Khieu Samphan figures prominently in the notebooks, along with references to plans to revive the depopulation of the cities policy, exposes another lie peddled by Prince Ranariddh, NGOs, and the Western press: that Khieu Samphan was a "moderate," as opposed to the "hard-liners" Pol Pot and Ta Mok, and that Khieu Samphan's deal with Prince Ranariddh meant that, as Prince Ranariddh claimed at the time: "The Khmer Rouge are coming back, but they are coming back as nationalists, patriots, not as killers."

*EIR* also exposed this particularly nasty lie by publishing a profile of Khieu Samphan's critical role in the creation of the "killing fields" (*EIR*, Jan. 23, 1998). In fact, Khieu Samphan represents the key connection between the genocidal Khmer Rouge and the international financial apparatus, represented by the Dow Jones press, which has openly promoted the Ranariddh-Khmer Rouge plot.

Khieu Samphan received his doctoral degree from the Sorbonne in Paris in 1959. His studies were part of a project, run by the British and the French, to create revolutionary movements in their former colonies, preceding the granting of independence, movements which were vehemently opposed to science, technology, and industrial development, in favor of primitive agriculture and peasant armies trained in "revolutionary violence." These movements in Africa, Ibero-America, and Asia served to keep Third World nations weak and divided, both regionally and internally, facilitating continuing control by the former colonial powers, and their financial institutions, such as the International Monetary Fund (IMF).

Khieu Samphan's doctoral thesis laid out in great detail the program which would, in the 1970s, lay waste to the Cambodian nation and its people: the dismantling of industry, the evacuation of the cities, the rejection of most infrastructure development as a "tool of foreign exploitation," de-schooling, deconstruction of institutions, including turning children against parents, and forced communal labor. Portraying Khieu Samphan as a "moderate" is an undisguised call for more genocide.

IMF Managing Director Michel Camdessus does not disguise his own belief in "revolutionary violence," as a means to achieve IMF dictates over sovereign nations. When the IMF imposed the abolition of government subsidies to the poor in Indonesia, anarchy descended on Jakarta, leaving hundreds dead, and the city in ruins. Only days later, Camdessus told a meeting of one of his favorite NGOs, Transparency

International, that the IMF and the NGOs were engaged not in reform, but “revolution,” referencing the Jacobin mobs of the French Revolution as his preferred model.

The Khmer Rouge are just what the witch doctor ordered. A revival of the Khmer Rouge would not only destroy any prospects for peace in Cambodia, but disrupt the carefully constructed unity of the Southeast Asian nations, blocking Asian-wide rail and road development that are crucial for Asia, and for the world.

### The future

Although the discovery of the Khmer Rouge papers has gone unreported in the West, the story is a lead item in the Asian press. Hong Kong’s *South China Morning Post* reported on May 25 that the documents “have all but destroyed the Prince’s political credibility,” and admitted that they “vindiccate Hun Sen’s actions, because it now seems certain there was a very serious threat to Cambodia.”

The Prince, just days before the revelations were made public, resigned as head of the National United Front, and has even floated rumors that he may leave the country due to “financial problems.” Ranariddh’s coalition ally, Sam Rainsy, former Finance Minister and the favorite of the IMF and the IRI, has been frantically trying to distance himself from the discredited Prince, although Rainsy’s own support for the Khmer Rouge conspiracy is also well established. Only last December, Rainsy was inciting his followers to refuse military service to fight the Khmer Rouge. “Forget the Khmer Rouge,” he said. “There is no Khmer Rouge. There are no hard-liners, just one Cambodian people.”

The Khmer Rouge papers prove beyond any doubt that the Western nations must immediately lift the sanctions against Cambodia, which were imposed after the events of last July. President Clinton, while steadfastly refusing to support Ranariddh’s deals with the Khmer Rouge, nonetheless imposed sanctions against Hun Sen’s government, based on evidence now known to be fraudulent, that Hun Sen had carried out a coup against his co-Prime Minister Prince Ranariddh. While the truth was available even then, and was covered in *EIR*, the discovery of the notebooks makes it irrefutable. The sanctions must be lifted, and support must be provided to allow this battered nation to finally move forward in peace.

Unfortunately, the United States has moved in the opposite direction. Elections scheduled for July 26, which the “international community” has demanded as a show of Hun Sen’s commitment to “democracy,” are in desperate need of international financial support, and yet, the United States, during the week of May 25, reduced its pledge of \$7 million to \$2.3 million, and announced that the money would not go to the government but to NGOs and the United Nations. We must ask: What is the “truth record” of those NGOs? Is the IRI, and others who have shown their true colors by promoting the attempted coup by the most infamous killers of the last half-century, among them?

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## Transparency International

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# Camdessus unleashes anti-corruption pimps

by Umberto Pascali

Last January, Indonesian President Suharto signed the second package of conditionalities dictated by the International Monetary Fund (IMF). The official photo shows the leader of the fourth most populous country in the world sitting tense and solemn, signing his name to a document that would end the country’s successful war against poverty and for development. Behind him, standing with arms folded and looking down with a shadow of a smile across his face, is IMF Managing Director Michel Camdessus. The immediate impression, is that one is witnessing a surrender.

Indeed, it was, if not the end of a war, the end of a crucial phase of a war, waged by oligarchy-controlled institutions such as the IMF, against developing countries that not so long ago freed themselves from the colonial domination of those same oligarchical forces. (In the case of Indonesia, it was the Dutch Empire that divided up the region with the British and the Portuguese, in which the British Empire grabbing the northern part, Malaysia.) The dramatic improvement in levels of economic and social development achieved by Indonesia since independence was recently documented by *EIR* (May 22, 1998); however, the attempts to put Indonesia and other countries back “under control,” to re-colonize them, never ceased.

The normal strategy used by oligarchic forces to weaken and destabilize victim countries includes: constant attacks against any protectionist measures (what Camdessus calls “state interference”) applied by the elite of those countries to foster development; the undermining, on behalf of “free market” dogma, of any defense mounted against the looting of financial thugs such as George Soros; the spreading of corrosive financial derivatives and other speculative instruments; and, finally, a frontal assault against those countries’ leaders who show a propensity to resist pressures and enticements, and who more or less guarantee that the country stays on its development course.

Indeed, the modern-day feudal lords couldn’t be less concerned with the reality that stopping the development of the real economy, means the inevitable collapse of the world financial system. In fact, four months after the “surrender,” Indonesia was in flames, economically and financially prostrate, and victim of a self-destructive Jacobin rebellion that

has been given as its target, not Camdessus and his puppet-masters, but the Indonesian elite, namely, President Suharto. On their banners the modern *sans culottes* emblazoned: Fight Corruption! “The IMF task force left [Indonesia] secretly at dawn,” the May 18 Italian daily *La Repubblica* editorialized on the crisis. “It took a charter flight at the Jakarta airport to escape the rage of the Indonesians: This image captures the sense of the social explosion that is devastating the island of Java. . . . The IMF technocrats arrived with their simple recipes . . . end public subsidies, liberalize prices, . . . and [they left] a burning Jakarta. . . . The danger now is that Indonesia will become a new Iran. . . . In such a scenario, even a war becomes possible. And, as in the 20th century, the European wars were necessarily world wars, so in the 21st century, there could be an Asian war.”

### Let them eat ‘anti-corruption’

But Camdessus’s IMF had already diverted the “rage of the Indonesians,” with the demagogic trick of an “anti-corruption” campaign. The IMF’s main instrument: Transparency International (TI), a powerful organization behind which stands Prince Philip, Duke of Edinburgh, which is staffed with “former” IMF and World Bank officials (see “Prince Philip Deploys ‘Anti-Corruption’ Weapon, *EIR*, July 25, 1997). TI was launched at the beginning of the 1990s in the context of a well-financed, global strategy that rooted its operations in more than 60 countries, with more than 70,000 members. It has an increasing influence on parliaments, elected bodies, business organizations, and especially the media. It has the capability, thanks to its interconnection with the IMF, World Bank, and British, French, and Dutch institutions, to trigger destabilizing movements all over the world. It has the capability to challenge and destabilize governments, and to create synthetic “revolutions.” Its self-definition is “the coalition against corruption in international business transactions.” Leaders of TI have publicly admitted that TI has been given the task to make sure that countries which are subjected to conditionalities by international financial institutions such as the World Bank, obey those prescriptions.

The controllers of TI base themselves on a simple assumption: In a moment of extreme crisis, such as wars or economic crashes, people are looking for the responsible parties. The idea is to give them scapegoats, to turn citizens against their own national leadership. The ethics of TI and its fake anti-corruption campaigns is comparable to the ethics of the Nazi doctors in the concentration camps: They carried out genocide, but nobody would be so corrupt as to steal a bar of soap made from the bodies of the inmates!

The chairman of TI, former World Bank executive Peter Eigen, has conducted a ferocious campaign against Indonesia, and against Suharto personally. The development of that country, Eigen said again and again, is only because of corruption, and must be stopped. Camdessus and Eigen have been working against Indonesia, at different levels. Eigen conducts

his propaganda campaign and Camdessus uses the power of his conditionalities.

### Call for ‘French Revolution’

More recently, however, the two abandoned such political covers for their operations, and on Jan. 21, Camdessus delivered his “French Revolution” call from the barricades, at the TI conference in Paris.

The targets of his speech were Korea, Thailand, and Indonesia. There, Camdessus invoked the model of the French Revolution, and called for even closer coordination with TI against “corrupt” governments—i.e., against those that resist the oligarchical destruction of their national sovereignty—in order to trigger a new revolution and the end of “state interference.” Camdessus was proud to reveal that he had blackmailed the Indonesians—of course, on behalf of “transparency.” “The media,” he stated, “have discussed the scope and coverage of the [IMF] Indonesian program at length, so I won’t go into further details *about the arm-wrestling we had to do* with the directors of monopolies, and cartels of all kind. Just as corporations and financial institutions must become more open and transparent, so too must their governments. . . . Yes, the [IMF] programs [for Indonesia] are far-reaching and *confirm the basic intuition of your organization [Transparency International]: that anyone who takes the need for transparency seriously will profoundly change the course of events*” (emphases added).

In order to explain what he meant by “profound change,” Camdessus then made the appalling parallel with France on July 14, 1789, when that nation was engulfed by a British-run operation, as punishment for having been the key strategic element in ensuring the success of the American Revolution. Also, in France, the bloodthirsty *sans culottes* were mobilized on the basis of rage against the nobility’s “corruption.” Indeed, a large part of that nobility were corrupt, but those were precisely the ones promoting the revolution: The ferocious austerity that had thrown many Frenchmen into misery, was in fact due to an “economic program” organized by the Swiss banker Jacques Necker. The program was similar, *mutatis mutandi*, to the present program of the IMF.

Said Camdessus at the TI meeting: “If you permit me to paraphrase the words of the Duc de Liancourt, Master of Robes to Louis XVI [later decapitated], on July 14, 1789, I would say: ‘It’s not progress, Sire, it’s a revolution!’ Such reforms will require a vast change in domestic business practice, corporate culture, and government behavior. . . . For the IMF, which for 50 years *confined itself*, essentially, in accordance with its mandate . . . to helping its member countries accept essential monetary and macroeconomic discipline, *these are entirely new frontiers*, both vast and promising, as they are for the World Bank. . . . Like all revolutions, this one will be successful only with the unrelenting and ultimately irresistible pressure of civil society. Spearheading this effort, Transparency International has already contributed to bring-

ing about change. The IMF is proud to work alongside TI in this vitally important effort. . . .”

### ‘Get Suharto!’

Camdessus’s speech was the signal for a new and more outrageous level of global criminality. Indonesia was the most immediate sacrificial victim. Eigen and TI went wild. Suharto, who was identified with the development of the country, was to be painted as the “corrupt monster.” Suharto tried, as have other developing countries’ leaders, to deal with the campaign unleashed against him. He had been in TI’s cross-hairs since at least August 1996, when he rejected efforts by some to use the World Trade Organization Ministerial Conference in Singapore to launch anti-corruption campaigns. Opening the 28th meeting of the Association of South-east Asian Nations (ASEAN), Suharto stated that the WTO should concentrate its efforts on trade issues, and not divert attention to matters such as corruption or environmental protection. “Let us avoid all unnecessary controversy during such a very important meeting,” he said. The TI newsletter of December 1996 angrily reported those words. Suharto’s statement was a direct attack against its strategy.

Again, in March 1998, Suharto tried to fend off the TI assault, but this time the country had been drastically weakened by the IMF “program.” Suharto asked his ministers to declare their assets. Officially, this is what TI had been asking for, but this was not the moment for talks: TI had received its orders to go for blood. On March 27, TI issued a ferocious statement, proclaiming, “Indonesia Anti-Corruption Reforms ‘Mere Symbolism.’ ” It read: “The announcement by President Suharto has been described as ‘meaningless’ and a lost opportunity by the anti-corruption NGO, Transparency International. TI chairman, Dr. Eigen, said that ‘the course chosen by President Suharto constitutes a typical act of political symbolism. . . . The suggested procedure will have absolutely no impact. It’s either a tragic lost opportunity or simply window dressing and part of a wider campaign to persuade the international community that the Indonesian government is at last facing up to the need to get its corruption under control.’ ”

The many strings that TI has in the international media were pulled, and the domestic and international campaign against Suharto’s “corruption” and “cronyism,” as the *only* causes for the Indonesian crisis, escalated without limit.

Eigen’s editorial in the March 1998 TI newsletter is dedicated to celebrating Camdessus’s “French Revolution,” and to hammering home the idea that Indonesia’s economic development equals “corruption.” It also is a shameless defense of Camdessus and the “trio of the World Bank, the IMF, and the World Trade Organization,” against those who propose to create “new international bodies” to deal with the global financial crisis. The publication of the editorial coincided with increasing interest globally in Lyndon LaRouche’s proposal to convene a “New Bretton Woods” conference.

Eigen writes: “The teetering of the economies of the East Asian ‘Tigers’ has created riots throughout Indonesia and stirred ripples around the world. That Indonesia and South Korea in particular, should be in such trouble should really come as no surprise. We in TI have been saying consistently to all who would listen — and to some who would rather have not — that economies driven by corruption are unsustainable in the longer term. . . . There is little joy in being proven right in such circumstances . . . but a consensus has emerged surprisingly quickly that, despite all predictions to the contrary, corruption did in fact play a significant role in provoking the crisis.”

And, who gave the stamp of approval to this “consensus” that absolves Camdessus from any and all responsibility? Camdessus himself!

Explains Eigen: “Only recently this consensus was articulated by the Managing Director of the IMF, Michel Camdessus, speaking in Paris at a conference organized by Transparency France. What, then, should the lesson be? We warned in September 1996, when the head of the South Korean stock exchange was found to have rigged the flotations of companies, that corruption could not be contained . . . that when pigs start feeding from the trough, other snouts will start claiming their share.”

Intentionally confusing the immense and expanding speculative bubble created by the IMF’s criminally insane policies, with the nations that are victims of such policies, Eigen continues: “Corruption, unless strenuously contained, will spread. While for a short time it may create an appearance of economic growth, corruption-induced growth is likely to prove to be a ‘South Sea Bubble,’ to be unsustainable.”

Then, Eigen heaps praise on Camdessus and the attack on the “New Bretton Woods”: “There have been suggestions recently that new international bodies were needed to protect the global economy against the kind of shady dealings that lay at the heart of the current Asian crisis. While . . . policy decisions [must be] more transparent and accountable, we believed that the existing trio of IMF, World Bank, and WTO, has sufficient institutional capacity to deal with these issues. In fact, as Michel Camdessus remarked, there is a striking similarity between the measures for more financial and political transparency that the IMF is advocating and the areas of reform that the TI Source Book has identified as . . . an overall anti-corruption strategy.”

Thus, the feudal lords are using all the tricks in the book to prevent the financial crisis from leading to the end of their domination. Suicidal explosions of chaos, violence, and “French Revolutions” are supposed to root out the very concept of the sovereign nation-state. But under these crisis conditions, all bets are off. And once the oligarchist target is out in the open, the revolution could very well become a republican one, a global American-style revolution. That is what the present worldwide battle is all about.

# Nuclear proliferation and the renaissance of the SDI

by Michael Liebig

On May 11, India carried out three underground nuclear tests in Pokhran, in the Rajasthan desert (the site of its 1974 nuclear tests), and two days later, two further tests followed. On May 28, Pakistan carried out five underground nuclear explosions in Baluchistan, near the Iranian and Afghanistan borders. These atomic explosions on the Indian subcontinent signify the beginning of the end of the nuclear non-proliferation regime, which began on July 1, 1968, with the signing of the Nuclear Non-Proliferation Treaty (NPT) on the part of the “nuclear powers,” the United States, Great Britain, and the Soviet Union. France and China were to be welcomed into the nuclear circle later. In essence, the NPT means that the development and possession of nuclear weapons remains limited to a Club of Five, today the U.S.A., Russia, China, Great Britain, and France—the permanent members of the United Nations Security Council.

## The cardinal errors of the NPT

The NPT was born with an irreparable congenital defect: the arbitrary, discriminatory division between “nuclear powers” and have-nots. The NPT means that international law is arbitrarily imposed by a minority of states at the expense of the rest—which is a contradiction in terms, according to international law. This “nuclear apartheid” contradicts a just and therefore stable world order, in an obvious and flagrant manner. Every sovereign nation-state must have the right to develop all technologies—civilian, military, or “dual use”—which it considers necessary for its economic and social development as well as its national security.

Despite all the anti-nuclear hysteria, nuclear energy remains a decisive and inalienable component of any economic development. The mastery of civilian use of nuclear energy necessarily contains the technological potential to develop nuclear weapons as well, should the occasion arise. Even an ingenious NPT regime, equipped with heavy sanctions, does not alter this fact.

Sober analysts of international and military policy know that in the long run, the proliferation of nuclear weapons is not to be prevented. The American nuclear physicist and military expert Edward Teller, who contributed decisively to the development of the first American hydrogen bomb, said, follow-

ing the recent Indian tests: “It now seems that the governments that are responsible for roughly half the population of the world already have nuclear explosives. Therefore the proliferation is an accomplished fact. We should look for ways how to live with that. We should start thinking, not in terms of what we wish, but in terms of what is reality.”

## LaRouche and the SDI

Together with Lyndon LaRouche, Teller belonged to those few who convinced President Ronald Reagan to announce his Presidential directive on March 23, 1983, for the creation of a defensive system against offensive nuclear warheads, which was to become known as the Strategic Defense Initiative (SDI). Reagan declared at the time, that the most modern defensive technologies should render nuclear weapons and the missiles carrying them, “impotent and obsolete.” As early as 1979, LaRouche had led a campaign in the United States and internationally, whose aim was to overcome the regime of Mutual Assured Destruction (MAD) or “balance of terror,” which had reigned since 1949.

LaRouche declared that it could not be accepted that nuclear offensive weapons, particularly missiles carrying nuclear warheads, should be made into the “ultimate” weapon. Nuclear weapons could not be “forbidden,” and eliminated from the world; however, nuclear weapons could be rendered harmless through the most modern defensive systems, based on “new physical principles.” LaRouche had called for a crash program for the development of beam weapons, since 1979—systems with high-energy lasers, plasma or particle beams—for defense against nuclear missiles. The firepower (energy density) and mobility (speed of light) of such defensive systems with “directed energy,” surpasses kinetic offensive systems like missiles, by orders of magnitude. The effectiveness of beam weapons as a defense from nuclear weapons—demonized in the 1980s by the Soviet leadership as “Star Wars”—and their contribution to global strategic stability, were acknowledged by Russian President Boris Yeltsin in spring 1993, during his summit meeting with President Bill Clinton in Vancouver.

LaRouche’s elaborated strategic formulation of defense from nuclear weapons, begun in 1979, contains the key to



global security and stability today — beyond the NPT regime. It can be said with certainty, that no nuclear war in Asia is threatened as a result of the recent nuclear tests on the Indian subcontinent. Neither India nor Pakistan plans any aggression or threatens world peace.

However, independent of the events on the subcontinent, there are undeniable, very serious security problems, which flow from nuclear weapons proliferation. But, regarding this very real “remaining risk,” of nuclear proliferation, there is a positive way out, through SDI defensive systems. Since the end of the Cold War, the world has not become in any way more stable. That is, there is at present no threat of nuclear world war, with massive attacks of intercontinental nuclear missiles; but, without a doubt, there must be an effective protection against nuclear threats, in a world shaken by crises and conflicts. Even though the sovereign right of nation-states to unlimited development of all scientific-technical resources, including civilian and military nuclear technology, cannot be disputed, it is just as indisputable that there are or could be national leaders in the future, who could be ready to deploy nuclear weapons and other weapons of mass destruction in deliberate criminal aggression against other states.

### **More than a military strategy**

But, global security and stability cannot be achieved through technological exclusion, non-development, and the enforced “freezing” of economic and political changes. Such an approach to the shaping of a world order is in its very essence reactionary. The forced congealing of the world order, under conditions of world financial and economic crisis, would only further elevate economic, as well as political-military, tensions. Fundamental military-strategic changes, like the decision of states to develop nuclear weapons, must always be seen in the larger strategic context, which includes the economic, political, and cultural dimensions.

This is clearly shown in the recent decision of the Indian government to carry out nuclear tests. India is a democratic country, which will soon have the largest population in the world, and, like China, it has possessed a continuous civilization for over 3,000 years. India is still a poor country, but has the largest middle class in the world — 250 million people — and a well-educated, skilled labor force. Despite the continuing poverty and underdevelopment in rural areas, India has made great economic progress in the 50 years since independence. Why then should India not develop nuclear weapons, when England and France, which are small countries in comparison, have been given the right?

The Indian government’s decision for the tests must be considered in the strategic context of the so-called “Asian crisis,” through which the most dynamic region of the world economy has been driven into economic regression and political destabilization. For years, the International Monetary Fund, World Bank, World Trade Organization, and Western

governments have pressured India, not only to join the NPT, but to liberalize and deregulate its economy, trade, and especially financial markets and currency structures. Had India capitulated under the pressure, rendering its currency convertible, and deregulating its economy and financial markets, then the country would have found itself in a condition comparable to that of Indonesia, today on the brink of financial, economic, and political collapse.

Therefore, no one should be amazed, if India makes use of its sovereign right to decide, by itself, what is right for the nation. The nuclear tests were no “impulsive act” of “nationalistic adventurousness,” but rather appear to be the result of a soberly considered and carefully calculated decision.

When LaRouche presented his “strategic package” of beam weapons defense systems, he made clear that the SDI was not to be seen only as a question of military strategy in the narrow sense. In 1984, LaRouche wrote:<sup>1</sup> “If we want to use the term strategy correctly, then we must understand it as comprehending the whole area of political, economic, and cultural activity. The science of war is simply an essential component of the comprehensive science of statecraft. . . . Out of two separate but interlinked reasons, the key to the world strategic situation lies in the development of the so-called Third World. . . . Given the fact that nuclear mass murder [can be prevented] through the deployment of technologies which are able to eliminate the large part of the deployable nuclear potential . . . the demand for ‘technology transfer’ in the developing sector [assumes] a considerable meaning. . . . The material use of such a policy is significant, but this is in no way self-serving. The moral and psychological use of technological progress is by far more significant than the mere material gain. In a society with backward, stationary technology, each individual is subjected to more or less the same grind as his parents and grandparents. Human behavior seems to be frozen in fixed forms. . . . Then it happens, that one estimates one’s fellow man, according to these characteristics. In a climate of technological development, on the other hand, daily practice shows that the value of the individual in society is measured by his creative capacities. . . . Paradoxical though it may sound, the economically wasteful expenditures on national defense will put into motion what can lead to the greatest development leap in the material situation of humanity. . . . This is already the case, in the mastery of energy-dense organized plasmas and by the production of efficient, coherent energy beams.”

### **Where non-proliferation leads**

It must not be overlooked, that there is a direct connection between the 1968 NPT and the 1972 Soviet-American Anti-

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1. Lyndon H. LaRouche, Jr. Epilogue to *Strahlenwaffen—Militärstrategie im Umbruch*, Munich, 1985. The quotation is retranslated from the book’s German text.

Ballistic Missile Treaty. The ABM treaty concerns, however, only defense against intercontinental ballistic missiles by anti-missiles. Defensive systems on the basis of “new physical principles”—beam weapons—are not included in the ABM treaty. The strategic consequences of the ABM treaty were devastating, in that the consolidation of the regime of nuclear Mutual Assured Destruction was demanded. If, for any reason, the mutual nuclear deterrent were to fail, then a catastrophic nuclear world war would have been the necessary consequence. This ostensibly hopeless imprisonment in the “MAD trap” led the postwar generation in both America and in Europe, to widespread cultural pessimism, cynicism, and thence to the rock-drug-sex counterculture.

By the same token, the NPT meant a tension-laden freezing of the strategic status quo between the nuclear powers, on the one hand, and the have-nots in North and South, on the other. Parallel to this, international policy, particularly economic and finance policy, which up to the end of the 1960s had aimed at economic development of the whole world, including emphatically the Third World, was constrained and reversed.

Whereas since 1968, more than 160 nations, including Germany and Japan, have signed the NPT, a number of important countries, including India, have refused to do so. The most important “unofficial” nuclear power is Israel, which has so far not carried out any “physical” nuclear tests, at least not on its own territory, but which has a far-reaching nuclear arsenal, including medium-range missiles. South Africa seems to have stopped its advanced nuclear weapons program. Iraq tried to develop nuclear weapons, but must not have come very far before its attempts were destroyed by massive assaults by Israel (1981) and the United States (1990-91), followed by the UN control system still in force. Those successor states to the Soviet Union in 1991 which had nuclear weapons, have given them up in the interim. One must assume that the pressure on Iran regarding its nuclear technology capabilities will grow drastically, and threats or military attacks cannot be excluded. British and Israeli interests could again attempt to push the United States into a confrontation with Iran, or press ahead themselves.

Not only does the NPT, with its limitation of national sovereignty and of scientific-technological development potential, undermine the economic, social, and political stability in the world; in the long run, as Edward Teller rightly stresses, the NPT regime does not “function.”

Nonetheless, it seems that the five nuclear powers are not willing to introduce a change of course in their bankrupt non-proliferation policy. On June 4, the five foreign ministers of the nuclear powers met, in order to map out how the Comprehensive Test Ban Treaty (CTBT) could be saved, in the wake of the Indian and Pakistani tests. Apparently, they want to exert massive political and economic pressure, on India especially, to freeze its program for the development of fully de-

ployable nuclear weapons and delivery systems. It is doubtful that this will work, since India will probably not give in, and there are significantly different positions among the five, which are going to grow in the future.

### **A new beginning**

The initiative for a new beginning in proliferation policy, must certainly come from the only remaining superpower, the United States. Only the U.S.A. has the weight to make a new beginning in shaping the strategic world order, as well as the new world financial system. And only the United States is economically and technologically in a position to rapidly produce effective SDI systems, in order to counter the undeniable “remaining risk” inherent in the spread of nuclear weapons. In this connection, it must not be overlooked that Russia still possesses enormous technological capacities in the area of beam weapons missile defense. Through an improvement of Russia’s overall economic situation, a very important contribution could be made quickly, toward production of defensive systems, to counter the remaining risk, and thus to reach a global strategic stabilization.

Russian recognition of this potential was reflected in an article in the daily *Izvestia* on June 4, which, according to Radio Free Europe/Radio Liberty Newswire: “argued that Russia should propose a global anti-ballistic missile system under the aegis of the UN, but at the same time ensure that its own theater ABM system is reliable ‘in the face of potential regional crises in the Near East, the Korean peninsula, and southern Asia.’ ”

### **An example: the Airborne Laser**

Exactly one month prior to the first Indian nuclear test series, on April 13, the American magazine *Aviation Week* carried a noteworthy article by the former Republican Congressman from New Jersey, Jim Courter. In the article, entitled “Missile Defense: There’s Still Hope,” he wrote: “Last month marked the 15th anniversary of President Ronald Reagan’s call for a new approach to security against nuclear attack—an approach based on anti-missile defense rather than the threat of mutual annihilation.” Since then, \$50 billion has been invested to realize Reagan’s vision, but with rather paltry results. The reasons for this, he argued, lie not in the technical realm, where enormous progress has been made. Rather, it is a question of the lack of political will to achieve a deployable missile defense system, and in its stead, “ideological prejudices” have been cultivated. Courter asks: “Is this really the same nation that landed men on the Moon nearly 30 years ago? The nation that developed the Titan ICBM in six years? The nation that invented the Internet? How is it possible that this nation needs more than a generation to find even a minimal defense against ballistic missiles?”

Certainly, he continues, there is no danger today of a Russian nuclear assault against the United States, although

the technical reliability and command and control system of the Russian nuclear arsenal are declining. And then, there are, in over 30 states, still about 10,000 short- and medium-range missiles which can be equipped with mass destruction warheads. The U.S. troops stationed overseas and their allies lie within the range of these missiles. Considering this situation, Courter calls for the rapid production of missile defenses with “directed energy,” concretely, the Airborne Laser (ABL). In this system, which is in an advanced stage of development, a chemical laser and an Adaptive Optic aiming system, which keeps the laser beam focussed in the atmosphere, are installed on a Boeing 747. The ABL can destroy missiles in the boost phase at a height of 12 kilometers and a distance of 500 km. For about \$11 billion, eight ABL systems could be built in two to three years, and stationed in endangered regions. The special significance of the ABL systems is that their effectiveness is orders of magnitude greater than that of anti-missile systems, like the Patriot. In the Gulf War, the Patriot achieved a low ratio of hits against the primitive Iraqi Scud missiles.

### **A leap in security and technology**

The ABL is a good example to demonstrate that there exist quick and effective possibilities to counter dangerous situations which can evolve from the spread of weapons of mass destruction. As said above, the United States must take the first step toward establishment of defensive systems against nuclear risks, although Russia also possesses a broad array of blueprints and prototypes for beam weapons missile defense. But, there are also other states that have the financial and technological potential to protect themselves, through the development of beam weapons, from the dangers to national security posed by mass destruction and aggressive weapons. All developed industrial nations and also the developing nations could protect themselves with air-, land-, and sea-based beam weapons.

SDI defense systems also offer two essential economic advantages: Not only are beam weapons technically superior on physical grounds, but they are also cheaper than the “slow” anti-missiles. Beam weapons are also cheaper to mass produce than offensive weapons. They represent a key technology for industry as a whole: Already today, machine tools which work with high-energy beams, are progressing very rapidly.

The tremendous economic significance of high-energy-based technologies was already, in the early 1980s, a central feature of LaRouche’s SDI strategy. It was LaRouche’s proposal at the time, that SDI systems in what was then the East bloc and the West should be introduced in parallel, in a cooperative manner, not only to ensure security from a nuclear war, but to give the world’s economy a technological boost.

Despite all the blather about the post-industrial “informa-

tion society,” in reality, more than ever, the growth of the world economy and a higher living standard for the world’s population, depend on the expansion of industrial production, infrastructure, and energy production. The coming “third industrial revolution” will encompass the full utilization of the electromagnetic spectrum—for example, laser machine tools, nuclear energy, magnetic levitation railways (as in the Eurasian Land-Bridge concept), and space travel. How often in history, have new technologies produced great changes initially in the military branch, and then dramatically changed and advanced the economy as a whole!

In this sense, Edward Teller was absolutely right, when, in the early 1980s, he said that the internationally agreed introduction of beam weapons for missile defense, would not only provide strategic stability, but would also be a decisive step toward the positive, constructive commencement of the great “common aims of mankind.”

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## Documentation

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### LaRouche on the SDI

*The following is excerpted from a speech by Lyndon H. LaRouche, Jr. to an EIR conference on Feb. 17, 1982, in Washington, D.C.*

... Turning to the question of the strategic arms debate itself. We have an insane policy, totally insane. Some of this is discussed as a matter of ridicule by people I don’t like in the press. But the fact is, we develop a B-1 bomber and MX missile, which is essentially a conception which belongs to the early 1960s drafting board. But since we got around to developing it late, we said it was the newest thing—even though in terms of strategic geometry, it is already out of date and obsolete. We have not yet built the B-1, and yet it is already obsolete. Then, some people say, well, it’s a political problem in terms of cost-benefit analysis to get the Congress to go along with the B-1, so let’s go ahead with the MX. But the MX is supposed to go with the B-1! What are we going to do with the MX? . . .

What about second-strike capability? The word is out: submersible? Let’s have submersible second-strike capability. Nonsense! At present, I’m looking into two methods for making any submersible a first-strike target! The assumption that a submersible is undetectable as a second-strike capability is utter nonsense technologically at this time. Every form of submersible is inherently detectable. It is simply a matter of doing adequate research and development into systems

which can detect and pinpoint these at all times. A submersible in the next five years will be as inherently detectable as a fixed-place rocket. So why spend money on this?

Someone points out that our troops are illiterate and drug-addicted and can't handle complicated weapons. So let's go back to electronically guided bows and arrows: the policy of Sen. Gary Hart over at the Armed Services Committee, a real stone-age Maxwell Taylor. Of course, in war, the infantry soldier with whatever technology is the basis of war-fighting. But we don't arm them, we don't train them, we don't select them. We have an "all-volunteer" army. We had a slogan for it in the 1930s: "USA" — "Useless Sons Accommodated."

A nation that cannot maintain an organized civilian army in depth is a nation unwilling to fight in its own defense. So why kid ourselves about it?

It has been calculated that a 10% exchange of thermonuclear capabilities between the two superpowers would mean a fall-out in long-lived radioactive isotopes which would swirl around the world to the effect that no warm-blooded animal life will exist two years after that exchange. So what the devil is the sense of even talking about reducing the number of missiles?! That is no solution to this problem. You want to go in the direction of a showdown, with a weapon you can't use! But you might use it, and therefore you live under the threat of nuclear suicide.

How do you get out of this? It's elementary. If I put into space orbit a number of platforms with particle relativistic beam weapons, chemical-powered x-ray or not, which can target any missile in mid-flight, and I proceed to develop that system of detection, I can kill the proverbial 99% of missiles and aircraft carrying nuclear weapons in mid-flight. You can't do it with laser weapons because they have problems, but with relativistic beam weapons which deliver a relativistic shock to a missile, you can fire as if with bullets and kill these things in mid-flight. That is the only solution to the nuclear weapons problem.

Then, why the hell don't we develop it!

Why don't we sit down and agree with Moscow to develop these blasted things? Because they are important to both the United States and the Soviet Union for the mutual defense of each nation from the sword of thermonuclear Damocles. Plus we have Israel with thermonuclear capabilities. Pakistan has been given nuclear capabilities by Israel and Britain in the form of the Islamic bomb which is scheduled to come on line this spring. Brazil is developing its own nuclear weapons capability. South Africa probably has it. China, which has gone insane, has a thermonuclear capability given to it by the British and others.

We have a problem. Not only do the superpowers have thermonuclear capabilities, but many nations wholly out of our control are increasingly coming into possession of nuclear weapons and access to missile delivery capabilities — we have

a problem of third powers which could engage in nuclear war becoming the trigger for nuclear power between the superpowers.

Therefore, we must have the ability that if East Podunk decides to have a nuclear war and shoot off missiles, we'll damn well shoot them down. We must have a policy that we will not tolerate the actual deployment of thermonuclear missiles against any target on the face of the Earth by any nation. And we must agree with the Soviet Union on that question. We must agree that we will agree to destroy anybody's thermonuclear missile or airplane carrying a missile which goes up into the air. We've got to make this planet safe.

The idea that we can hold back weapons development, the idea that we ought to have as an objective holding back technological progress in arms and warfare, is sheer idiocy. It always has been idiocy. The only solution is to organize our civilian basis to expand our economic power, to funnel credit selectively into the places that will restore our economic power, and to follow a foreign policy based on credit for viable infrastructure projects for developing nations; to expand especially our corps of engineers to do such things as to build a high-speed railroad from the Atlantic Coast across the Sahel region of Africa; to build a large water-system between the Congo watershed and Lake Chad region of Sahel.

Our aim is to strengthen the stability of nations through an outpouring of American economic power and American technology in cooperation with each nation.

At the same time, we must have an orderly national defense and a policy of agreeing with Moscow, since we're both going to be around, we presume, for a long time to come, that we shall both insist on full-speed ahead arms-race development of relativistic beam weapons.

If we do this, particularly if we proceed in the totally opposite direction from the austerity policy, and the kinds of economic and monetary policy of the founding fathers of this nation are adopted, a dirigistic system of credit, promoting the development of high-technology agriculture, high-technology manufacturing and infrastructure, extending the same policy as a matter of relations to the developing nations — then we can eliminate or solve the kind of crises we face in the April-May period. If we do not, but continue in this utopian nonsense which McNamara and Henry Kissinger typify over the recent period, or we proceed with such sheer idiocy as the China-Korean-Taiwan cooperation around a presumably sunken oil deposit in the China Sea — that kind of nonsense — or proceed with the Seaga-centered Caribbean Basin project the way that idiot David Rockefeller wants to do this, and continue to tolerate Voicker — we shall not survive because we have lost the moral fitness to survive, by refusing to make the kinds of policy shifts I have indicated.

# New holes in cover-up of Diana murder plot

by Jeffrey Steinberg

Shortly after midnight, on Aug. 30-31, 1997, David Laurent, an off-duty senior French police official, was driving alone in his car on the right bank of the Seine River, heading toward the Place de l'Alma tunnel where, moments later, Diana Princess of Wales, her companion Dodi Fayed, and driver Henri Paul would die in a car crash. As he drove, Laurent was passed by a speeding white Fiat Uno, according to accounts he provided nine months ago to French Criminal Brigade police probing the Diana crash. As he approached the tunnel, Laurent noticed that the Fiat Uno that had sped by him, was now crawling along in the right traffic lane, almost at a standstill, just before the tunnel entrance.

Although the behavior of the Fiat driver was a bit bizarre, Laurent drove on. It was, after all, Saturday night on the final weekend of the summer, and there were a lot of strange goings-on on the streets of Paris. Less than a moment later, however, Laurent heard a loud explosion from inside the tunnel, as he was driving a short distance ahead.

It was not until the next morning that Laurent realized that the explosion he had heard from inside the tunnel was the crash that claimed the lives of Diana and her companions. And it was not until several weeks later that police forensic tests confirmed that the crash had been caused by a collision between the Mercedes 280-S carrying Diana, Fayed, Paul, and bodyguard Trevor Rees-Jones, the sole survivor of the crash, and a Fiat Uno. Within hours of the crash, police at the scene had gathered up evidence—a side mirror and fragments of a tail light—suggesting that a two-car collision had occurred. A police sketch, drawn at the crash site, labeled a section of the tunnel the “collision zone.” Several witnesses, interviewed during the first week after the crash, had described a small hatchback car, cutting in front of the Mercedes at the tunnel entrance, jamming its breaks inside the tunnel, fleeing the crash scene, and so on.

But, until Laurent's critical piece of the story became public in early June, the role of the Fiat had remained ambiguous—despite the fact that the car and its driver have disappeared. Was the missing Fiat tragically in the wrong place at the wrong time, or was it critical to the most spectacular vehicular homicide in history?

Laurent's description of the Fiat, speeding to a spot near the tunnel entrance, less than a minute ahead of Diana's

car, which was under chase from several other cars and motorcycles, strongly suggests the latter possibility.

For reasons yet unexplained, Laurent's crucial eyewitness account was withheld from the chief investigating magistrate, Hervé Stephan, for months.

## Tampering with evidence

This is not the first time that the French police in charge of the investigation have tampered with evidence. Within hours of the crash, French police had told reporters that the Mercedes carrying Diana had been travelling at speeds of more than 120 miles per hour. How did they know? They told reporters that the speedometer of the mangled Mercedes had been frozen at more than 120 mph. *EIR* investigators determined that the French “leak” had to be a lie. Daimler Benz safety experts had told *EIR* reporters that, in any crash, the speedometer immediately goes back to zero. Two weeks later, the French police “corrected” the error; but this time, the media scarcely reported the correction. Similarly, French police had lied to reporters that Diana had been pinned in the rear compartment of the Mercedes, and saying that this was why it took so long to get her into an ambulance and to a hospital. Photographic evidence and eyewitness accounts later proved that it, too, was a premeditated lie by the French police.

In the case of the Laurent testimony, sources tell *EIR* that the police have claimed that they have withheld certain vital evidence from Magistrate Stephan, to avoid the information falling into the hands of the attorneys for the paparazzi. The police allegedly claimed that their investigation “would be jeopardized” if the paparazzi were to learn crucial details.

The Laurent revelation, which was leaked to the London *Daily Mirror* on June 4 by a well-placed French police source, was not the only new piece of evidence to emerge in early June. On June 3, the British independent television network ITV aired a one-hour investigative report, “Diana: The Secrets Behind the Crash,” that seriously discredits French police claims that driver Henri Paul was drunk at the time of the crash.

## Carbon monoxide found in Paul's blood

The assertion that Paul was drunk and high on two prescription drugs is pivotal to the ongoing effort, by the French government and the British establishment, to cast the crash as nothing more than a case of reckless, drunk driving. The claim that Paul had blood alcohol levels three times the legal limit at the time of the crash, was based solely on tests conducted by French coroners within hours of the crash. Independent forensic experts, including Dr. Peter Vanesis of the University of Glasgow, who reviewed the autopsy report, had harsh criticisms of the *post mortem* on numerous technical grounds.

The ITV report revealed that the forensic tests also

showed a near-lethal level of carbon monoxide as well. *EIR* has independently learned that it was a separate toxicological test on Paul's blood sample, that revealed a carbon monoxide level of more than 30% at the time of the crash.

Yet, Dodi Fayed had no carbon monoxide in his blood. Is it possible that Paul could have had high levels of alcohol, traces of two prescription drugs, and toxic levels of carbon monoxide in his blood at the moment of the crash, and yet Fayed had no carbon monoxide present? Not if the carbon monoxide was inside the passenger cabin of the Mercedes.

Furthermore, if Paul had been somehow poisoned with carbon monoxide sometime prior to getting behind the wheel of the Mercedes, experts interviewed by ITV say he would have shown obvious signs, such as dizziness, loss of balance, loss of depth perception, and an unbearable, throbbing pain in his temple. Security camera video footage of Paul, taken in the lobby of the Ritz Hotel between 9 p.m. and midnight, and aired in the ITV documentary, clearly showed that Paul had none of the tell-tale signs of being drunk or suffering from the effects of carbon monoxide.

In a live television interview, aired one hour after the ITV broadcast, the documentary's host, Nicholas Owen, stated that he believed that the blood sample used in the *post mortem* was probably not taken from Paul. There were a dozen other corpses in the Paris city morgue at the time that Paul was brought in. This startling conclusion by Owen, adds further weight to *EIR*'s charge that the French police—as distinct from chief investigating Magistrate Stephan—have been running a vicious cover-up of the events surrounding the crash.

The ITV documentary also cited several eyewitness accounts that a powerful burst of light inside the tunnel, seconds before the crash, may have blinded Paul. Owen showed a commercially produced anti-personnel laser, that he purchased in a Paris shop for \$300, to buttress the possibility that such a device was used in the vehicular attack.

*EIR* Counterintelligence Director Jeffrey Steinberg appeared along with Owen and a half-dozen other investigators and expert analysts on the nationally televised interview show. Details of that broadcast and the vortex of media controversy, sparked by the ITV show and a second documentary, aired on June 4 on Channel Four TV in Britain, will appear in a forthcoming *EIR* (see also, the *Editorial* in this issue).

In a move that promises to raise even more questions about what happened in the Paris tunnel on Aug. 31, 1997, Magistrate Stephan convened an extraordinary group interrogation, or "confrontation," on June 5, at the Justice Ministry in Paris. Mohamed Al Fayed, Dodi's father and a civil party to the case, was invited to participate, as were a dozen eyewitnesses to the crash. The nine paparazzi who stand to be prosecuted for manslaughter and interference in the rescue effort, were also interrogated by Stephan. Details of what took place are not yet available.

## Scaife money supports Israeli think-tank

by Dean Andromidas

According to recent reports in the Israeli press, Richard Mellon Scaife, the paymaster for the British assault on President Bill Clinton and the office of the U.S. Presidency, is the chief financier of a right-wing think-tank known as the Institute for Advanced Strategic and Political Studies (IASPS). The Jerusalem- and Washington-based institute is part of a network of organizations linking Israeli Prime Minister Benjamin Netanyahu with the jacobin grouping of U.S. Speaker of the House Newt Gingrich (R-Ga.) and the so-called Christian right.

The Israeli newspaper *Ha'aretz* on June 3 revealed that the Sarah Scaife Foundation is the major financial backer of the IASPS; this was discovered as a result of an investigation prompted by Gingrich's recent trip to Israel. Not widely reported in the international press was the cancellation of a seminar on ballistic-missile defense which was supposed to have been held in the Israeli Knesset (Parliament), and at which Gingrich was to have been a guest speaker. The event was cancelled after it was learned that the organizer of the event, Robert Loewenberg, the president of IASPS, had authored an article last year comparing former Israeli Prime Minister Shimon Peres, an architect of the Oslo peace accords, to the Hungarian Rudolph Kastner, "who helped the Nazis murder Jews."

Loewenberg also charged that Israeli Prime Minister Yitzhak Rabin, who was assassinated by right-wing fanatics in 1995, was using "police-state methods" in order to implement the peace agreements.

The Scaife connection is not at all surprising, because a look at IASPS reveals an overlap between the forces that are leading the assault on President Clinton, and those responsible for the assassination of Rabin, who are using their willing tool, Netanyahu, to put Israel on the path toward a new Middle East war.

### Overturning the peace

In our issue of Aug. 2, 1996, *EIR* reported on a policy paper sponsored by the institute, entitled "Clean Break: A New Strategy for Securing the Realm." Presented to Netanyahu on the eve of his first trip to Washington after becoming Prime Minister, the paper called for overturning the land-for-peace and regional economic premises of the Oslo Accords,



*Former U.S. Defense Department official Richard Perle: His policy paper for the Institute for Advanced Strategic and Political Studies calls for dumping the Oslo Accords.*

and reverting instead to “classic” balance-of-power politics, premised on the idea that “Jordan is Palestine,” and on preparations for eventual war against Syria, Iraq, and Iran. The author of the report was Richard Perle, an official in the U.S. Department of Defense during the Reagan administration, and who has long-standing ties to the Anti-Defamation League of B’nai B’rith (ADL) and Ariel Sharon, the ultra-right-wing Israeli hawk who is currently Infrastructure Minister in Netanyahu’s government. Perle also was a member of the Jewish Institute for National Security Affairs, part of the complex of groups which handled Jonathan Pollard, who was convicted on charges of being an Israeli spy and is currently serving a life sentence in a U.S. Federal prison. Pollard passed on secret U.S. intelligence on the Soviet Union to Israel, which led to the deaths of several U.S. agents in the Soviet bloc. Perle himself was also investigated for passing secrets to Israel.

The cancelled seminar would not have been the first IASPS event with Gingrich as the featured speaker: He has had a long relationship with the organization. One of the institute’s initiatives had Gingrich’s wife on its payroll. Besides

being attracted to the institute’s radical free-market economic policies, Gingrich was no doubt attracted by the institute’s “millionaires club” of wealthy businessmen who contribute to its budget. Besides Scaife, these millionaires include businessmen associated with the ADL.

### **Loewenberg’s extreme views**

According to *Ha’aretz*, IASPS President Loewenberg came from a secular Jewish family, married a non-Jewish woman, and at one time lived in Vermont, “trying to integrate with nature.” By the end of the 1960s, he had begun to “rediscover his Jewishness,” and took the “long journey to Orthodoxy.”

Loewenberg arrived in Israel in 1984 with the ambition of founding an economic institute in Jerusalem, despite the fact that “he didn’t have a clue about Israel or the economy.” A former Israeli colleague told *Ha’aretz* that she left the institute when it became apparent that Loewenberg had a “hidden agenda” and “spoke in messianic jargon of the need to influence Israeli politics,” and that “his ideas were quite extreme.”

Loewenberg is one of an army of radicalized “religious Zionists” who emigrated to Israel in the 1970s and ’80s, with the aim of transforming Israel from a national political state into a “Greater Israel,” a theocratic state whose borders stretch well beyond the 1948 borders of Israel, beyond the West Bank, the Golan Heights, and deep into the territory of Jordan, Syria, Lebanon, and Egypt. These people have joined forces with the U.S. Christian fundamentalist right and the right-wing Republicans.

IASPS is one of the chief propagandists for radical free-market policies. Through pushing deregulation, privatization, and free trade, it is committed to transforming the dirigistic Israeli economy into a “globalized” free-market economy. Its aim is to turn Israel into a major offshore financial center, open to all forms of financial speculation and money-laundering. In 1994, the institute drafted legislation that was introduced into the Knesset, to create a free-trade zone in Israel. The bill was defeated when it was revealed that the principal object of this free trade zone was to create a totally unregulated financial center. The widespread fear was that it would rapidly become a leading international drug-money-laundering center.

### **The assault on Israel’s institutions**

Despite the fact that the major support for Netanyahu comes from the religious parties and religious Zionists, he is not “religious.” But with roots in the fanatical British-controlled Jabotinsky wing of the Zionist movement, Netanyahu is a fervent believer in radical free-market policies, and sees their implementation as key to smashing the political and economic institutions of Israel as a political and national Jewish state. With a political personality akin to

that of Benito Mussolini, Netanyahu deploys the religious right as his Black Shirts. Therefore, it is not surprising that, since Netanyahu's coming to power, Israel has become, even more than it was before, a center of operations for the Russian mafia.

Netanyahu's first move after coming to power was to change procedures for privatization of state industries, so as to give his office the power to privatize any industry, regardless of laws which might curtail foreign control of strategic sectors of the economy. This has had a dramatic effect, particularly in the banking sector.

For example, Bank Hapoalim, which had been controlled by the Labor Party's trade union federation, was sold to Ted Arison, a major financial contributor to Netanyahu's election campaign. Arison owns Carnival Cruise Lines, the largest cruise ship operator in the world, whose ships are floating casinos. Also, the Safra banking family, financial supporters of Netanyahu, whose international banking empire has been the target of investigation for money-laundering, has been allowed to bid for Israeli Discount Bank. Under the Labor government, the Safras had been blocked from expanding their bank holdings in Israel, because of allegations of illegal activities related to the earlier purchase of another Israeli bank.

Another part of this network is the American political campaign manager Arthur Finkelstein, who has worked with such right-wing Republicans as Sen. Jesse Helms (N.C.) and Newt Gingrich. *Ha'aretz* on June 4 reported that it is Finkelstein who has advised Netanyahu to take an intransigent position against the Clinton administration, in the latter's latest peace initiatives. Finkelstein was instrumental in creating the so-called Committee for a Secure Peace, which includes such right-wing Republicans as former Sen. Rudy Boschwitz (Minn.), and Rep. Jim Saxton (N.J.). The group has been lobbying to get support in Congress for Netanyahu's fight against Clinton.

### The American Jewish community

*Ha'aretz* claims that this cozy relationship between Netanyahu and the Republican right wing is creating uneasiness in the American Jewish community, which is beginning to realize that "pro-Israel organizations are camouflaging Republican activities." They also report that the matter has come to the attention of the U.S. Attorney General's office, as violating American laws.

One last point on Finkelstein: *Ha'aretz* reports that the next U.S. Presidential campaign he could be managing, is that of Texas Gov. George W. Bush.

## The British and terrorism

The photo shows demonstrators in London in May, protesting against British Prime Minister Tony Blair's safehousing of the Liberation Tigers of Tamil Eelam (LTTE), a Sri Lankan terrorist group.

As *EIR* has reported, 22 of the world's top terrorist groups have headquarters or other offices in London, and the British government does nothing to stop their murderous activities.

*EIR's* record on this matter was reported in the Italian daily *Il Giornale* on May 27: "Islamic terrorism stimulates scholars, historians, and politicians who sometimes propose suggestive hypotheses. Among them there is



certainly the U.S. magazine *Executive Intelligence Review*. The publication, supported by the Federalist Lyndon LaRouche, stated that among the 30 foremost international terrorist groups, 22 have offices in London, of-

fices that function as their headquarters and that take care of their logistics, propaganda, and funding. . . . *EIR* then lists a long series of alleged protections granted by the British monarchy. . . ."



# 'Dope, Inc.' wins in first round of Colombian Presidential elections

by Javier Almario and Dennis Small

Horacio Serpa Uribe, the official candidate of narco-President Ernesto Samper Pizano, won the first round of the May 31 Presidential elections in Colombia, by a narrow margin of 27,000 votes against his closest challenger, Andrés Pastrana Arango. Each obtained just over 34% of the 11 million votes cast. The result is that the Liberal Party's Serpa and the Conservative Party's Pastrana will be rival contenders in a second election round, which will take place on June 21. The winner will be the next President of Colombia—if there is still a nation to be called Colombia by then.

Serpa's relatively strong showing—he was expected to run 10 points behind Pastrana—shows that the “narco-democracy” which has been imposed in Colombia is now on course to consolidate its power, despite all the scandals the Samper narco-government has had to face.

Should Serpa actually take the Presidency, this will pose a serious security threat to the entire continent, and to the United States. Serpa is known as “Comandante Serpa” for his long-standing intimacy with the narco-terrorist National Liberation Army (ELN). Serpa's proposed “peace” program would involve major concessions to both the ELN and to the equally bloodthirsty Revolutionary Armed Forces of Colombia (FARC), giving give these narco-terrorist irregular armies control over vast swathes of Colombian territory, which would lead to shattering the nation into various mini-drug-states run by Dope, Inc. warlords—precisely the fate that London's policy architects have in mind for Colombia and most Third World nations. On May 23, Serpa told a campaign rally that, if elected, his administration would promote a “peace process” with the narco-terrorists which would include:

- undertake negotiations without any conditions, not even a cease-fire;
- implement any evacuations necessary to facilitate the negotiations—i.e., remove the military from national territory to be ruled by the FARC/ELN;
- allow regional “dialogue”—i.e., allow local governments to negotiate separate terms of surrender;
- call on the UN to mediate the negotiations—which would be the death knell of national sovereignty;
- “modernize” the Armed Forces—i.e., shrink them by

as much as two-thirds, and permit terrorists to enlist;

- have representatives of the Armed Forces sit at the negotiating table with narco-terrorists as co-equals—which the military has so far emphatically refused to do; and
- convoke a Constituent Assembly to ratify the resulting agreements, another central FARC/ELN demand.

But Serpa's runner-up, Andrés Pastrana—although not owned outright by the drug mob, and therefore preferred by Washington—also ran on the same program of capitulation and “negotiation,” which was perfectly acceptable to the narco-terrorists and to their London sponsors. Pastrana, too, is for the demilitarization of the areas demanded by the FARC and ELN; he, too, is for paring down the Colombian military; and throughout the campaign, he studiously avoided attacking Serpa as a wholly-owned asset of the narco-terrorist apparatus.

Pastrana, who has a well-deserved reputation as a political wimp, shares part of the responsibility for Serpa's victory: He and his backers, unfortunately, have a history of pulling their punches. In his 1994 campaign against Ernesto Samper, he released audio tapes containing hard evidence that Samper had gotten millions of dollars from the drug cartels . . . two days *after* Samper had won the elections! Once he had lost the elections, Pastrana made the revelations, and then fled the country for fear of reprisals. He only returned to Colombia three years later.

There is strong opposition to Serpa among anti-drug circles in Washington. At one point, media were reporting that U.S. White House drug policy adviser Gen. Barry McCaffrey (ret.) had communicated to some political leaders in Colombia that a Serpa Presidency would be “unacceptable.” More recently, however, some quarters close to Henry Kissinger put out the line that there is “no credible evidence” of Serpa's links to the drug trade; and the *Wall Street Journal* and other London outlets have given Serpa their stamp of approval as a candidate who is “credible and honest.”

## The Bedoya factor

But 30% of voters opposed both of those candidates, and cast their votes instead for the two independents: Noemí Sanín, a Conservative Party politician who ran as an independent, and Gen. Harold Bedoya (ret.), the one candidate who

campaign on a program to drive the drug mob out of Colombia.

The character of these campaigns differed sharply. Sanín, who came in third, is a fervent Anglophile and a former ambassador to London, and her campaign was built up by such dope-linked powerbrokers of the Colombian establishment as former President Alfonso López Michelsen, to keep the protest vote against the two traditional parties, within the system. She received 2.8 million votes, or 27%, which is unprecedented for an independent candidate. Although Sanín has expressed no preference for either Serpa or Pastrana in the second round, her political godfather, López Michelsen, has already announced he will support Serpa.

Bedoya received only 192,000 votes—about 2% of the total. But, despite the low totals, Bedoya's voice was decisive and caused panic in London. From the moment he entered the political arena, the election debate was centered around Bedoya's battle with Serpa, which led Bedoya to rapidly gain points in the voter polls, until they showed he might win more than 20%. At this point, in December 1997, Serpa decided to suspend any debate with Bedoya, and focussed his efforts instead on attacking Pastrana, whom he had always defined as his most likely rival.

Beginning in January, López Michelsen and other establishment figures mapped out what became popularly known as "the third option" strategy, which consisted of uniting all the "minor" candidates, those who were believed to command less than 5% of the vote, and to forge a "third" candidate as a "viable" option. The intent, of course, was to drive Bedoya out of the top three places in the first round vote. This strategy began with the withdrawals of candidates Alfonso Valdivieso (former prosecutor general, who threw his support to Pastrana), and Carlos Lleras (former ambassador to Washington), and by the decision of former Bogotá Mayor (and clown) Antanas Mockus, to abandon his Presidential bid and accept the vice-presidential slot on the Sanín ticket.

At the same time, the Bedoya campaign was hard-hit by terrorism: Three of Bedoya's campaign offices were dynamited; one of its leaders, former Defense Minister Gen. Fernando Landazábal, was assassinated in broad daylight three weeks before the vote; one campaign worker was injured, losing an eye. The Bedoya campaign could not even venture into many parts of the country, because of the violent opposition of the FARC/ELN narco-terrorists. These terrorist attacks frightened Colombians, provoking some citizens to voice fears that a vote for Bedoya would make them a possible military target of the FARC or ELN.

Also contributing to the anti-military environment with which Bedoya had to contend, was an orchestrated campaign of provocative statements of one-worldist human rights non-governmental organizations (NGOs), such as George Soros's Human Rights Watch, which received the full backing of the *Washington Post* and the U.S. State Department—despite the fact that other elements of the Clinton administration are

known to favor a more cooperative approach to Colombia's beleaguered military (see below). As a result, less than two weeks before the elections, the human rights lobby and the State Department forced through the formal dismantling of Colombia's 20th Brigade, the Army's military intelligence unit, for alleged human rights violations. The message was unmistakable: The narco-terrorists have the run of the country, and any "hard-line" response, either political or military, will be undercut and destroyed.

Despite all of this, Bedoya received almost 200,000 votes—votes from individuals who refused to be intimidated, who refused to be manipulated by the media, who resisted the brainwashing to which Colombians are usually subjected, i.e., that one should not vote for the best candidate, but rather for the one most likely to win. After the election, Bedoya said, "We have 200,000 leaders. That is an army. Bolívar, with a significantly smaller one, confronted a storehouse of crime and violence. I believe that we have 200,000 heroes who understand that it is necessary to fight the evils in Colombia."

Furthermore, Bedoya announced that "Fuerza Colombia," the movement founded around his campaign, will not disband, because its aim is not just to win an election, but to save the nation of Colombia. "Fuerza Colombia" has already produced the first issue of a newspaper which the movement intends to publish regularly. In it, were two articles signed by Maximiliano Londoño, well known as the head of the LaRouche movement in Colombia.

## **Economic crisis looming**

Perhaps most serious of all is that Colombia is on the brink of an economic catastrophe similar to that which is causing the disintegration of Indonesia (which does not suffer the twin problems of drug trafficking and terrorism which plagues Colombia). Samper has bled the national budget with buying up political power as a means of keeping the narco-Liberal machinery in power, and has created a fiscal deficit of more than 5%, which has nothing to do with any sort of state investment in economic infrastructure.

The Colombian peso has been devalued by more than 9% in the course of the year. The Central Bank has spent more than \$400 million trying to defend the peso, and has also raised interest rates from 30% to 52%, causing interest rates on every kind of credit in the country to soar. Samper's economic team is currently discussing the possibility of raising interest rates to 150%, as Russia has just done (to no avail).

These high interest rates threaten to create an unprecedented social crisis, which could leave millions of Colombians without housing and jobs. Many are putting up their homes for sale to pay these usurious rates, only to discover that their homes are valued at less than what they owe, threatening them with being both homeless and still in debt.

Only with a full break with the drug economy can Colombia join other nations in beginning to address these issues.

# The 'Bush Factor' in U.S. Colombia policy

by Dennis Small and Gretchen Small

Major responsibility for the devolution of the Colombian crisis lies with the George Bush policy apparatus in Washington. For 15 years, this crowd has insisted that the drug trade and terrorists are not the same animal, that *narco-terrorism* does not exist. In the heyday of Oliver North's Contras, they justified allying with drug cartels in order "to fight communist guerrillas." Today, they insist a deal can be struck with the "guerrillas," supposedly in order to concentrate on defeating the "drug trade." New bottles, old wine.

For example, on May 21, in the closing days of the Colombian election campaign, Bernard Aronson, Bush's Assistant Secretary of State for Inter-American Affairs during 1989-93 (now a member of the Inter-American Dialogue), laid out precisely such a strategy in the *Washington Post*. He argued that the U.S. government should "test seriously" an alleged offer from the FARC to the U.S. government, that the FARC would cooperate in eradicating the vast coca fields under their protection, in return for U.S. development aid and a share of power in Colombia. Aronson insisted that war should not be waged against the FARC and the ELN: "Widening the war will not reduce drug trafficking. Ending the war through negotiations would allow Colombians for the first time to isolate the drug cartels and their corrupt political allies."

Behind Aronson's "Bushspeak" arguments lies an intense policy debate which has been raging in Washington for months, over what policy to adopt toward Colombia. The roots of the fight go back to President Clinton's decision in March 1996 to decertify the Samper government as "non-cooperating" in the war on drugs. Clinton did this over the fierce opposition of the London Foreign Office, and its handmaidens inside the U.S. State Department, who urged "restraint," "understanding," and a "non-confrontational approach" with the narco-Samper government.

One of the most strident advocates of certifying Samper at the time, was then-U.S. Ambassador to Colombia Myles Frechette, who also argued that there was no evidence of any organic link between the FARC-ELN and the drug trade. These statements of Frechette's have been repeatedly cited by FARC spokesmen as "proof" that they are not linked to drugs. For example, in a recent "Open Letter to the American People" posted on the Internet, the FARC reminds its readers that "the former Washington ambassador in Bogotá, Myles Frechette, asserted that there is no evidence that the Colombian guerrillas are engaged in drug trafficking."

In the last few months, more responsible voices, such as U.S. Southern Command chief Gen. Charles Wilhelm and U.S. drug policy adviser Gen. Barry McCaffrey (ret.), have argued that the FARC-ELN insurgency is of one piece with the drug trade, and that together they constitute a "security emergency" for Colombia's neighbors and the United States. McCaffrey, as far back as 1996, was emphatic on the FARC-ELN: "They're guarding drugs, they're moving drugs, they're growing drugs. . . . They're a narco-guerrilla force, period."

As the following brief chronology from 1998 shows, up through early May, these saner voices were forcefully making themselves heard in Washington and elsewhere. But this was followed a major counteroffensive by London's human rights lobby and their allies in the media and official Washington, who are currently on a rampage against the beleaguered Colombian Armed Forces. This ongoing, unresolved policy brawl in the United States, will be a major factor in determining the fate of Colombia in the weeks and months ahead.

## Recent developments

**March 31:** General Wilhelm told hearings of the House International Relations Committee that there is "an active, growing, and increasingly violent insurgency [and] an expanding narcotics industry" in Colombia, which together control about 40% of the country. He announced that the Southern Command was conducting a comparative study of Peru's relative success and Colombia's relative failure in combatting narco-terrorism (see *EIR*, May 8, 1998).

**April 21:** McCaffrey visited Peru, where President Alberto Fujimori decorated him with la Grand Cross of the Order of the Sun, for his help in the war on drugs. McCaffrey praised Peru's highly successful war against narco-terrorism.

**April 24:** General Nicolás Hermoza, the head of the Peruvian Armed Forces, was invited by General Wilhelm to be a featured speaker at a Miami conference of the U.S. Southern Command, attended by high-level military representatives of most nations of Central and South America. Wilhelm, referring to Peru's April 1997 retaking of the Japanese ambassador's residence from MRTA terrorists, said that the commando operation "was one of the few resounding victories against world terrorism in the last 20 or 30 years."

**May 4:** General Wilhelm visited Colombia, and travelled to the jungle Caguán region to gain first-hand knowledge of the Colombian military's battle against the FARC. The Caguán—which had been demilitarized in 1997 by the Samper government in exchange for the FARC's freeing of 60 military hostages—is the epicenter of Colombia's cocaine-processing region, and is today dominated by the FARC. According to local press accounts, Colombian military officers showed Wilhelm that the FARC has been able to obtain sophisticated heavy military equipment with funds they received from the drug trade. According to Colombian press accounts, Wilhelm expressed his "admiration and respect" for the Colombian military's uphill battle against the narco-terrorists.

**May 10:** The *Washington Post* ran an “exposé” on Colombia’s 20th Brigade, the military intelligence unit, citing an anonymous “knowledgeable source with access to intelligence reports” charging the brigade with human rights violations, including involvement in the recent assassinations of leftist leaders Eduardo Umaña and Marí Arango. The article also cited former Ambassador Frechette as having “assailed the brigade, accusing it of death squad activity.”

**May 11:** U.S. and Colombian media reported that José Miguel Vivanco, the director of the Americas division of George Soros’s infamous Human Rights Watch non-governmental organization, had also charged that the 20th Brigade was linked to right-wing death squads.

**May 11:** Colombian Defense Minister Gilberto Echeverri denounced the *Washington Post* for engaging in an unjustified campaign to discredit the Armed Forces. Army commander Gen. Hugo Galán attacked Vivanco and Human Rights Watch, by name, for their “unfounded and reckless” charges, and for “irresponsible and defamatory” remarks attempting to link the 20th Brigade institutionally with paramilitary death squads. Armed Forces chief José Bonett accused Vivanco and Human Rights Watch of trying to “destabilize” Colombia.

**May 12:** State Department spokesman James Rubin came to the defense of Vivanco and Soros’s Human Rights Watch: “We are deeply distressed by the Colombian Army commander’s May 11 statements criticizing Human Rights Watch director José Miguel Vivanco and the *Washington Post*.” Describing the human rights situation in Colombia as “extremely serious,” Rubin called on the government to “undertake such investigations promptly and fully.”

**May 12:** Colombian Gen. Fernando Landazábal (ret.), former Defense Minister and a supporter of the Presidential campaign of Gen. Harold Bedoya (ret.), was gunned down in broad daylight in front of his home in Bogotá, by a professional assassination squad.

**May 13:** An unnamed State Department spokesman told the Colombian daily *El Tiempo* that “there is absolutely no causal link between the criticisms made of the extremely serious human rights situation in Colombia and the continuing internal violence in that country. Any suggestion of such a link is irresponsible. . . . The efforts of the Colombian government should be focussed on investigating these deaths, whether of human rights activists or of retired generals.”

**May 15:** The State Department announced that it had withdrawn the U.S. entry visas of Gen. Iván Ramírez, the current Army Inspector General and a former head of the 20th Brigade, and of 12 other generals and colonels, for alleged human rights violations. General Ramírez responded: “They have made me a target of the country’s enemies, and they will assassinate me. . . . By branding me a terrorist, the United States has put up my gravestone.”

**May 15-18:** The U.S. Embassy in Colombia hosted a three-day “peace seminar” in Cartagena, Colombia, with the

presence of 35 U.S. government officials, headed by Deputy Assistant Secretary for Inter-American Affairs Peter Romero, and guerrilla and military “veterans” of the Guatemalan and Salvadoran peace negotiation processes. The goal of the seminar was to pressure Colombia, and especially its military, into negotiating with the narco-terrorist insurgents, and to establish, as Romero reportedly put it, that *all* Colombia-U.S. contact must go through the “natural channel,” the State Department. Colombian observers viewed Romero’s remarks

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*“What kind of peace are they talking about? . . . [The FARC-ELN] want to be left free to run a region which is the heart of world cocaine production and trafficking. In this way, without guarantees of anything, and in pursuit of an illusory political effect, we would be allowing the physical dismemberment of the national territory.”—Gen. Harold Bedoya (ret.), former Presidential candidate*

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as a transparent attack on generals Wilhelm and McCafrey’s efforts.

**May 19:** The 20th Brigade was officially disbanded by the Colombian government, “under heavy U.S. pressure,” according to the *Washington Post*.

**May 21:** State Department spokesman James Rubin praised the dismantling of the 20th Brigade, but stated that further restructuring of the military was needed. Questioned about reported links of the FARC and the ELN to the drug trade, Rubin responded that although the FARC asserts that “they are not involved in drug trafficking or that they are prepared to disengage from trafficking . . . we have not seen any evidence of this to date.” Rubin then turned around and gave the idea credence, calling it “an issue for the guerrillas to discuss with the Colombian government. The United States stands ready to do whatever it can to encourage and support peace talks.”

**May 21:** Bush-leaguer Bernard Aronson wrote an op-ed in the *Washington Post* calling for the United States to back peace negotiations with the Colombian narco-terrorists, saying that “the guerrillas’ offer to cooperate in ending coca leaf production in their zones should be tested seriously.” Aronson added: “A successful peace process in Colombia will require active involvement of the United Nations under the Security Council, including, eventually, deployment of peacekeepers.”

## The U.S. must lift the embargo on Iraq

*Monsignor Audo, SJ, is the Chaldean Bishop of Aleppo, Syria. He was interviewed by Liliana Celani on May 13, during the month-long Synod of Bishops from Asia, which took place in the Vatican. Monsignor Audo is a member of the Synodal Committee which is advising Pope John Paul II on the Middle East and, in particular, on the issue of lifting the embargo against Iraq, as requested in the final message of the Asian Synod.*

*The Asian Synod (see EIR, May 29, pp. 56-58) called for debt renegotiation for Third World nations, and church leaders strongly condemned the policy of globalization. The final message called on the “churches of the First World to be in solidarity with the poor in Asia and to be their advocates with their own governments and with world economic institutions such as the World Bank, the International Monetary Fund, and the World Trade Organization, so as to bring about what Pope John Paul II called in this year’s World Day of Peace Message: ‘Globalization without marginalization. Globalization in solidarity.’ We strongly recommend that during the Jubilee Year 2000, the Third World debt be renegotiated and its crushing burden alleviated.”*

**EIR:** During the final press conference of the Asian Synod, an Italian journalist asked, “Is the Pope going to go to Iraq to lift the embargo as he did in Cuba?” I pose this question to you.

**Monsignor Audo:** First of all, I think that Iraq trusts the Pope. They are convinced that he can do something, although I am not sure he can. The Pope has been speaking about Iraq for years. I know the situation very well, because I am a Chaldean bishop. This year the Pope twice said to two Chaldean bishops from Iraq: “The Synod has to discuss the problem of the embargo, has to demand that the embargo be lifted.” I think that the Pope is seriously worried about the children, the women in Iraq, and wants to do something about it. The Iraqi government expects this, and is convinced that the Pope can do something about it.

At the same time, we are waiting. You know the situation there better than I do: It is very bad. There is a sense of discouragement, moral problems, problems of emigration, the youth are discouraged.

**EIR:** Has anything changed since the implementation of the

UN oil-for-food arrangement?

**Monsignor Audo:** No, nothing has changed. They are still waiting for something to happen.

**EIR:** Was there an invitation to the Holy Father from the Iraqi government?

**Monsignor Audo:** I am not sure, but I know that our Chaldean bishop told the Pope that he is welcome in Iraq, and that President Saddam Hussein is waiting for him to visit. It would be very helpful to Iraq. You can see from this that the Pope has no political power, but he really has moral power. I also heard that after his visit to Cuba, the President of Libya, [Muammar] Qaddafi, asked the Pope to come to Libya, as he had gone to Cuba. The Holy Father told us this when we were invited for lunch at the beginning of the Synod.

I think that the economic issue is very important, the issue of justice, because when you see so many Arab and Muslim countries getting enraged, their youth choosing Islamic fundamentalism, there is a reason. Why are they making this choice? I think it is because there is a feeling of humiliation. It is not only a matter of faith. Politicians then easily use the dimension of faith to serve their purposes. But behind it there are people who starve, who have no job, who experience humiliation in the face of the power of the United States, and I think the United States should do something to show their human face, and not the face of strength.

This became very clear during the Gulf War. Even people who were moderate started opposing U.S. policies, and there is something wrong with this, because you do need cooperation in order to face the global crisis you were talking about.

**EIR:** Do you mean to say that if there were economic development, the phenomena of fundamentalism and terrorism would not be so widespread?

**Monsignor Audo:** Yes, of course. In Paris, in outlying districts, the youth from Morocco, or Algeria, create problems. But why? They say it is in the name of Islam, that they are looking for an identity. But, at the same time, they have no job, they do not go to school; there is a problem of integration, of justice. And, the same is true in Algeria, and many other countries. Of course, they use history, they use the background of history, fights between Christians and Muslims, crusades — everything can easily be used.

**EIR:** From this standpoint, how would you judge the recent statements made by Egyptian President Hosni Mubarak and Libyan President Qaddafi to the effect that terrorism is consciously used by the British secret services?

**Monsignor Audo:** Well, if Mubarak and Qaddafi state something so important, it must have some basis. I heard it also in the case of Algeria, many times. But I have no direct confirmation of such an important statement. I am very surprised. It surprises me because I wonder how they [the British] can promote such a violent policy.

## Establishment pushes dope

*The real pushers are in the boardrooms of the banks, casinos, and other financial institutions.*

In its April 24 issue, *EIR* carried an interview with Luke Cornelius, the National Secretary of the Australian Federal Police Association, in which he stated that the annual drug trade in Australia was worth \$7 billion. "Somehow that black money is becoming incorporated into the legitimate financial institutions in Australia," he said. "It is a sure bet . . . that every financial institution in Australia, either unbeknownst to it, or with its turn-a-blind-eye approach, is happily dealing in, and engaging in transactions which involve tainted money."

New evidence compiled by *EIR* underlines how very true that statement is: Top banking and corporate officials are openly pushing for drug legalization. Let's take a look at some of the personnel involved.

In 1996, Lyndon LaRouche's associates in the Citizens Electoral Council defeated a drive by the state of Victoria's premier, **Jeff Kennett**, to decriminalize marijuana, which would have opened the floodgates for other states to follow. Now, the same financial institutions which sponsored that earlier drive are at it again, aided by the Queen's own dope pusher, George Soros. The headquarters of this new drive is once again Victoria's capital, Melbourne, and its political front-men are Kennett and Melbourne's Lord Mayor **Ivan Deveson**.

Australia already has the highest per-capita consumption of marijuana in the world; if the present legalization drive succeeds, drug usage will soar, and the cash registers will be ringing in Melbourne's banks and casinos, as Australia's youth stick needles in their arms and blow their

brains with super-potent marijuana.

Though the Victorian Parliament defeated Kennett's decriminalization bill in 1996, he has *de facto decriminalized anyway*, through Victorian police chief Neil Comrie's establishment of a "trial" program in Melbourne in which those caught with marijuana are merely "cautioned." This "experiment" is expected to be the model for the nation as a whole, particularly because the police commissioners for all the states, led by Comrie, have officially endorsed Soros's pro-drug "harm minimization" scam as their strategy.

As for Lord Mayor Deveson, a longtime executive for General Motors, and a board member of the Commonwealth Bank during 1991-96, he has been holding town meetings to push the establishment of legalized heroin injection rooms, even though a similar push in the federal capital of Canberra was vetoed by Prime Minister John Howard last year. Deveson has set up a committee to "study" the issue, whose outcome is already predetermined. According to Wendy Shaw, Deveson's coordinator for the committee, that study is being overseen by two prominent Melbourne institutions: the **Australian Drug Foundation (ADF)** and the **Macfarlane Burnet Center for Medical Research**, both of which are fanatically pro-legalization, and are heavily funded by precisely those financial institutions which will profit from legalizing dope.

The ADF was founded in the boardroom of the ANZ Bank, whose former chairman, **John Gough**, installed Kennett in power in 1992. It is

financed by virtually all of Australia's major banks, including the **Commonwealth Bank** and the **Reserve Bank**, as well as by prominent family trusts and private foundations. Chief among these latter two categories are the **Queen's Trust**, which is personally financed by Queen Elizabeth II (and whose official patron is Prince Charles); the **Pratt Foundation**, of Richard Pratt (who is worth \$1.8 billion); and the \$100 million **Ian Potter Foundation**, named for the late London-tied financier Sir Ian Potter. Until recently, the chairman of the ADF was **Brian Hamley**, a member of Kennett's Economic Advisers council and the chairman of the Victorian Financial Institutions Commission.

As for the oh-so-prestigious Macfarlane Burnet Center, whose founder and present deputy director, **Dr. Nick Crofts**, is trotted out whenever the press needs an authoritative pro-dope statement, its single-largest contributor is **George Soros**, the Daddy Warbucks of the world drug-decriminalization drive. Through the New York-based Lindsmith Center, which he chairs, and the American Drug Policy Foundation, of which he is the major funder, Soros poured \$235,000 into Macfarlane Burnet for 1996-97. A second major contributor, with \$90,000, was **Rio Tinto**, the world's largest mining company, whose longtime chief executive, **Sir Roderick Carnegie**, sits on Macfarlane Burnet's board.

Sir Roderick just happens to also be the chairman of **Hudson Conway**, which controls the largest casino in the southern hemisphere, Crown Casino, in Melbourne. Police have charged that major heroin dealers are using casino chips to help launder their drug money. These dealers are also big gamblers who are well known to the management of both Crown and Sydney's Star City casinos, according to the police.

# International Intelligence

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## *Ugandans boycott Museveni's elections*

Voters in Buganda (central), northern Uganda, and the east nearly all boycotted the elections held on June 2 for local leaders of Ugandan dictator Yoweri Museveni's National Resistance Movement, Democratic Party leader Paul Ssemogerere reports.

It is Museveni's political weakness, Ssemogerere said, that is driving him to push his land tenure bill, which seeks to open up Ugandan land to foreign ownership. The bill promises to hand over land already owned to the landless and tenants. "We have never had land problems in Buganda, as many tenants now own their own land through hard work," said Ssemogerere.

"Museveni thrives on conflict and violence," Ssemogerere said. "He knows he is weak, and wants to stir up trouble. He can always prevail where there is violence, but I do not think that Bugandans will fight in this way."

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## *Indian leaders reach out to China, Pakistan*

Indian President K.R. Narayanan said that India is "determined" to carry forward the process of dialogue, reconciliation, and cooperation with China. *The Hindu* reported on May 30. Speaking in Kathmandu, Nepal, the President dwelt at length on the cordial relations between India and China in the last five decades, and the crucial role played by India's Jawaharlal Nehru in getting the rest of the world to accept China after its "liberation war."

The President referred to the "sound and fury" caused by the nuclear tests by India and Pakistan, and the economic crises in Southeast Asia and East Asia, and expressed confidence that these developments would not adversely affect the situation in the region.

On May 30, Indian Prime Minister A.B. Vajpayee called for bilateral talks with Pakistan, and said that India does not pose any threat to Pakistan or to any other country, the *Economic Times of India* reported. He reiterated his offer of a "no first use" agreement concerning nuclear weapons.

"India wants friendship with Pakistan. It is committed to the resolution of the Kashmir issue through peaceful discussions and negotiations with Pakistan," the Prime Minister said. However, he ruled out third-country mediation for resolving differences between India and Pakistan, saying the two countries had to resolve their differences on a bilateral basis, through a dialogue based on an assessment of geostrategic realities.

Vajpayee said that India had already declared a moratorium on further nuclear tests and is willing to formalize this into an obligation with key interlocutors.

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## *NATO opens post in Albanian capital*

On June 1, NATO opened up a Partnership for Peace Cell in the Albanian capital of Tirana, as part of a plan for Kosovo that was adopted at the NATO foreign ministers' meeting in Brussels on May 29. The action was taken as the Serbian Army was shelling towns in Kosova close to the border with Albania with heavy artillery. Kosova's ethnic Albanian leaders issued an appeal for world action to stop this aggression, in a June 2 statement titled "Another Bosnia Is Happening in Kosova!"

The NATO "Cell" is "manned by one civilian member of NATO's international staff, an officer, and a non-commissioned officer," according to a NATO statement. "The 1998 cooperation program for Albania contains activities to assist Albanian authorities in addressing the possible consequences of the crisis in Kosova, including possible assistance in communications, border control, and refugee matters."

The NATO representatives decided to concentrate on securing the borders of Kosova with Albania and Macedonia. The mandate of the special UN peace force stationed in Macedonia, which expires on Aug. 31, will be renewed and broadened. The NATO package signals "NATO's interest in containing the crisis . . . [and to] help Albania and the former Yugoslav Republic of Macedonia to secure their borders," according to the statement. NATO military exercises scheduled to take place in Macedonia in September will be upgraded, while ground and air force exercises have been scheduled in

Albania for August. Training centers will be established in Macedonia.

Direct NATO military measures against the Serbs have not been ruled out, should the Kosova conflict spill over into the neighboring countries, said NATO Secretary General Xavier Solana on May 23.

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## *Pope reiterates Vatican position on Jerusalem*

Speaking to the new Jordanian ambassador to the Holy See in Rome on May 28, Pope John Paul II spoke out in favor of a solution to the status of Jerusalem by the year 2000. "The long history of the city of Jerusalem, filled with tribulations, will reach a new threshold in the year 2000, with the dawn of the third millennium of Christianity," he said. "It is my fervent hope that this may lead to a formal recognition, with international guarantees, of the unique and sacred identity of the Holy City."

The Pope, who had earlier stated his desire to visit Jerusalem in 2000, has not talked about the trip recently, due to the deadlock in the Mideast peace process. He did mention it to the ambassador though, saying he thought his visit there "would certainly give peace the push it needs." He complained that the process had not made progress, but had instead "regressed."

In a related development, the highest authority of Sunni Islam travelled to Rome to sign a document promoting the Christian-Islamic dialogue. The chairman of the Committee for a Dialogue Between Religions, Sheikh Fawzi Fadel Zifzaf, was scheduled to sign the agreement on May 28 at the Holy See. It has been under negotiation for four years, and is presented as a "landmark agreement."

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## *U.S. anti-gambling adviser warns Australia*

Dr. Robert Goodman, who helped set up the National Gambling Impact Study Commission for U.S. President Bill Clinton last year, visited Melbourne, Australia in May, to speak at the Gambling Away Our Future conference, organized by the Interchurch Gambling Taskforce and Victorian Local Governance Association. Praising Australia

lia's national inquiry into gambling, Dr. Goodman warned of a growing trend of "partnership" between governments and the gambling business, the *Herald Sun* reported on May 27.

"The issue that we are dealing with is not just gambling; it's the direction government is moving in, away from regulating and more towards promotion," he said. "I think that sets a very dangerous precedent for the future. The parallel is that once government gets hooked on this, once government gets addicted to the revenue, they want to expand it. I can predict, if things get difficult, this is what's likely to happen" in Australia.

Dr. Goodman met with Victorian Premier and Mont Pelerin Society asset Jeff Kennett, to deliver his warning in person to Australia's most pro-gambling government, which relies on gaming for fully 14% of state revenues.

## ***Barschel investigation shut down in Germany***

The official investigation of the October 1987 death of Uwe Barschel, former governor of the German state of Schleswig-Holstein, was closed down on June 3, after more than three years of largely unsuccessful efforts by chief investigator Heinrich Wille to break the institutional sabotage of forensic evidence required to document that Barschel was assassinated.

Referencing his conclusive, 250-page report, Wille said in Lübeck on June 3 that the refusal of the secret services and other government institutions to grant him access to potentially crucial files, was the main reason that the investigators were not successful in producing sufficient forensic evidence. He added that there does "remain a prime suspicion of murder," and that the case could be re-opened at any time, should new evidence come forth.

Barschel's relatives, notably his widow, Freya, threatened a legal move to keep the case open, with a restraining order against those who decided to close it. Justus Warburg, the family's lawyer, declared that it is absurd to close the case, since there is "98% certainty that it was a case of murder. Therefore, it is the task of the investigators to determine who

actually murdered Uwe Barschel."

The official line, since Barschel's body was found in the bathtub of a Geneva hotel room, has been that he committed suicide. However, *EIR* has long pointed to evidence contradicting that. Barschel was apparently caught up in East-West arms-smuggling and espionage operations, specifically the illegal conduiting of arms to Iran, during the Iran-Iraq War. As we emphasized in an October 1996 Special Report ("George Bush and the 12333 Serial Murder Ring"), Barschel was involved in George Bush's Iran-Contra operations, and had said, the day before his death, that he was going to "detonate a bomb" in testimony before a parliamentary commission. He never lived to deliver that testimony.

## ***British fuel renewed clashes in Caucasus***

The Transcaucasus region, and the North Caucasus in southern Russia, exploded with new military clashes during May, involving separatist militias that have multiple, often shadowy ties to British Intelligence, circles in Saudi Arabia, and elsewhere. Just days after Wahhabite militia forces seized and held a government building in Makhachkala, Dagestan (inside Russia), for a day, inflicting casualties on police and prompting Moscow to send Internal Affairs Minister Stepashin to the scene, the Abkhazia region of Georgia experienced the worst fighting since its 1992-93 attempted breakaway. There are Russian peace-keeping forces in Georgia.

The clashes in Abkhazia's Gali region flared over the weekend of May 23-24, whereupon Georgian President Eduard Shevardnadze put troops on alert. Itar-TASS reported that 20 Georgian civilians, and 44 combatants, had been killed up to that point. The Georgian guerrilla leader of the "White Legion," Zaur Samushia, warned on May 25 that he would target the Russian peacekeeping force deployed in Abkhazia, unless it stopped supplying the Abkhaz with artillery.

Then, on May 25, Abkhazian forces overran a Georgian village, inside a buffer zone patrolled by the Russians. Georgian TV called it the worst fighting since the Georgian army pulled out of Abkhazia in 1993.

**SOUTH KOREAN** President Kim Dae-jung, in an interview with the *New York Times* published on June 2, said he would ask President Clinton to lift all sanctions against North Korea, when he visits Washington, D.C. the week of June 8. Kim endorsed a policy of "political engagement" with the North, stating that economic ties were the best way to strengthen relations.

**MYANMAR** opposition figure Aung San Suu Kyi on May 28 praised the ruling military body for allowing her National League for Democracy to hold a rally in the capital, Yangon, for the first time since 1990. It was the eighth anniversary of elections in which the NLD had claimed victory. "The very fact that this anniversary gathering has come about is not only a victory for the NLD, but also for the military," she said. "I salute their courage." The day before, she called for dialogue with the government, which she has disdained in the past.

**COL. AVIEM SELLA**, the Israel intelligence handler of spy Jonathan Pollard, who was himself convicted for espionage by a U.S. Federal court in 1985, has been appointed chairman of an Israeli Ministry of Defense space program's advisory board. Sella's team will explore U.S.-Israel cooperation related to Israel's Shavit launcher.

**THE SWEDISH** Supreme Court has rejected a call for a new murder trial for Christer Pettersson, accused of having murdered Prime Minister Olof Palme in 1986. Pettersson was convicted for the murder, but the conviction was thrown out by an appeals court, for lack of evidence. The investigation of the murder has been plagued with sabotage and incompetence since day one.

**CHINESE** Prime Minister Zhu Rongji will visit Washington, likely in the autumn, reported the *South China Morning Post* on June 3, citing an unidentified U.S. official.



## Supreme Court won't back Starr's impeachment drive

by Edward Spannaus

Independent Counsel Kenneth Starr's reckless and accelerated drive to bring down the President of the United States suffered a major setback on June 4, when the U.S. Supreme Court rejected Starr's demand that it intervene on an emergency basis to hear appeals regarding testimony to his grand jury. Starr had insisted to the Supreme Court that it was of the highest importance that it by-pass the normal appeals procedure, and immediately hear and decide the appeals involving his efforts to compel testimony by Secret Service agents and by White House adviser Bruce Lindsey.

In a filing just two days earlier, Starr had demanded that the Supreme Court undertake this extraordinary step, so that he could get his impeachment report to Congress as quickly as possible. This was the first time that Starr had raised the impeachment issue in court, and it reflected a frantic push by him and his Congressional allies to get an impeachment proceeding under way by mid-summer, well before the November mid-term elections.

The Supreme Court's June 4 decision, issued without dissent, indicated that the court did not wish to appear to be giving its institutional imprimatur to Starr's frantic impeachment crusade against the President.

### **Starr's offensive against Clinton**

In the week preceding the Supreme Court ruling, Starr launched both a new legal and public-relations offensive against the President.

On May 29, he demanded the Supreme Court immediately hear and decide the appeals on executive privilege and the President's attorney-client privilege, by-passing the U.S. Court of Appeals.

On May 31, Starr took the unprecedented step of putting his spokesman Charles Bakaly on the television talk shows, to accuse President Clinton of delaying Starr's probe, and to

threaten to subpoena—and even indict—the President. When Bakaly was asked on ABC-TV whether Starr could subpoena a sitting President, Bakaly said he could, and blustered that if the President were to refuse a subpoena, and resist getting all the information out, then “it's not a personal war against Ken Starr anymore,” but that Clinton would be waging “a war against the American people.”

Bakaly said that the other way of getting the evidence out, is by “getting as much information as you can up to Congress, sooner rather than later, and let them pursue their course.”

Starr outdid himself in a speech he gave the next day in North Carolina, in which he accused the President and his lawyers of obstructing justice and Starr's search for the “truth.” Starr—who prior to becoming independent counsel had never been a criminal prosecutor, much less a criminal defense lawyer—betrayed his own view that any vigorous defense of a client, and assertion of constitutional rights and privileges, constitutes “obstruction of justice.” He asked rhetorically, “at what point does a lawyer's manipulation [sic] of the legal system become an obstruction of truth?”

Starr attacked the White House for attempting to assert an attorney-client privilege applicable to government attorneys, and he seriously misrepresented even the ruling just issued by Judge Norma Holloway Johnson in Washington. Starr had argued in court, as he contended in his North Carolina speech, that there is *no* privilege—i.e., assurance of confidentiality—in the context of a grand jury investigation; Judge Johnson ruled to the contrary, saying that a such a privilege “does apply in the Federal grand jury context,” but that it is qualified, not absolute, and can be overcome by a showing of need by a prosecutor. But Starr accused the White House of trying to create new privileges to keep evidence out, and to obstruct his own search for “truth.”

Of course, “truth” to Kenneth Starr does not mean what it

means to normal people. "Truth" to Starr means his approved version of events; as Susan McDougal and Webster Hubbell, among others, have stated, Starr's prosecutors have repeatedly asked them to lie, to conform their stories to those of other witnesses, such as bought-and-paid-for Starr witness David Hale.

Refuse to tell the story that Starr and his deputies want to hear, and you are guilty of obstruction of justice. Exercise your constitutional rights as guaranteed under the Fifth and Sixth Amendments to the United States Constitution, and you are guilty of obstruction of justice. That is Starr's justice.

### **'Compelling interest'**

The day after his North Carolina speech, Starr filed his motion with the Supreme Court, seeking to expedite the appeal on Secret Service testimony, and to consolidate this appeal with the attorney-client privilege appeal, on the grounds that President Clinton had "directly challenged the ability of the Federal grand jury to obtain evidence of possible criminal acts by the President and others." Shamelessly, Starr declared that this is, with the exception of the case around the Nixon tapes during Watergate, "without parallel in the history of the republic."

As if such hyperbole were not enough, Starr went on to explicitly raise the issue of indictments and impeachment. "We will be blunt," he proclaimed. "The nation has a compelling interest that this criminal investigation of the President of the United States conclude as quickly as possible—that indictments be brought, possible reports for impeachment proceedings issued, and non-prosecution decisions announced. This court's immediate review would powerfully serve that vital goal."

This was the motion which was unanimously denied by all nine Justices of the Supreme Court two days later.

### **Impeachment report**

Starr had attempted to lay some groundwork for his June 2 motion to the Supreme Court, with the television appearances of his spokesman Bakaly, who offered the first public discussion by Starr's office of the impeachment report. Appearing on "Fox News Sunday," Bakaly complained that "we may not have the entire story by this summer," but if Starr's office has "crossed that threshold of substantial and credible information," then they may go ahead and give Congress what they have, in an interim report.

A couple of hours later, appearing on CBS television, Bakaly implied that Starr's office wants to get the impeachment report to Congress as quickly as possible, before the members of the House get involved in their own re-election campaigns this fall. Bakaly said that "we do have to be sensitive" on the timing, "because Congress has its own obligations and duties," and because if they waited for all the litigation, "it could be some time before we'd be able to even get the information."

After Starr's setback by the Supreme Court, there was much commentary and speculation as to what effect this would have on Starr's preparation of his report to Congress. However, it is generally thought that Starr will still proceed to submit an interim report during late June or July, accusing the President of engaging in obstruction of justice, perjury, and subornation of perjury around the Monica Lewinsky matter. Starr can engage in the time-worn prosecutor's subterfuge, of blaming the holes in his evidence on Clinton's alleged obstructionism.

Few observers have commented on the obvious: If Starr goes with a perjury case around Monica Lewinsky—concerning events which allegedly took place at the end of 1997 and early 1998—what does that say about what Starr has been doing for the past four years? He started with investigating a 1980s real estate transaction in Arkansas, went onto the Vincent Foster case, Filegate, Travelgate, and finally ends up with "Sexgate"—centering on events that took place four years after the first appointment of a Whitewater independent counsel!

### **'The rocket docket'**

During the week prior to the Supreme Court ruling, information also resurfaced indicating that Starr is using a grand jury in the notorious Eastern District of Virginia. Shortly after the Lewinsky affair broke in the news media in January, there were a number of reports that Starr had opened a new grand jury in Alexandria—the famed "rocket docket" known for its quick trials and rapid convictions. There are reliable reports that Starr would like to indict Monica Lewinsky and others in Alexandria, where cases move to trial much faster than in Washington, D.C., and where defense motions are routinely denied, and the predominantly white jury pool is much more favorable to government prosecutors than in Washington, D.C.

This is reminiscent of what the Justice Department did in the Lyndon LaRouche case ten years ago. LaRouche and a number of his associates were first indicted and tried in Federal court in Boston, in a proceeding spread over four years. In May 1988, after five months of trial which were interrupted by hearings on government misconduct, a mistrial was declared; jurors took a poll among themselves and determined that they would have acquitted LaRouche and his co-defendants on all charges. So, the Justice Department moved the case to the Alexandria Federal court, where indictments were issued in October, the trial began in November, the defendants were convicted in December, and were in prison by the end of January.

While it is unlikely that Starr will attempt to indict Clinton personally, Starr would—if his past practice is any guide—use the indictments of others to pressure them to provide manufactured evidence and false testimony against the President. From Starr's standpoint, Alexandria is the ideal location for such a scheme.

# LaRouche Dems win thousands of votes for exoneration, New Bretton Woods

by Marianna Wertz

The Spring electoral offensive of the LaRouche political movement was completed on June 2, with the first big round of Congressional primaries. These followed fast on the heels of the May 12 election of former State Sen. Don Eret, a LaRouche Democrat, as the Democratic nominee in Nebraska's First Congressional District; and *New Federalist* Editor-in-Chief Nancy Spannaus's campaign for the Democratic Party nomination in Virginia's 10th CD (see *Documentation*).

On June 2, four LaRouche Democrats scored more than 13,000 votes, in primaries in four states, which were otherwise most notable for their record low turnouts. Campaigning for justice in the United States—including Lyndon LaRouche's exoneration and an end to the assault on the Presidency—and for implementation of LaRouche's proposals for global financial reorganization, the candidates in New Jersey, South Dakota, and California demanded that voters take up these issues and act on them.

LaRouche Democrat Ron Wieczorek won 6,483 votes (23.2%) against Jeff Moser, the candidate of the Democratic Party bureaucracy, in the primary race for South Dakota's only Congressional seat, held by incumbent John Thune (R). In New Jersey, Dennis Speed won 8.4%, with 2,201 votes, against incumbent Democrat Donald Payne (10th CD), while Lewis du Pont Smith won 4.3%, with 336 votes, coming in third in a four-way primary, in his bid to challenge incumbent Republican Chris Smith (4th CD). Art Dunn, in California's 17th CD, came in third in the state's six-way "open primary," behind incumbent Democrat Sam Farr and leading Republican challenger Bill McCampbell; Dunn received 5,397 votes, or 7.8%.

New Jersey LaRouche movement leader Dennis Speed, who campaigned hard against Donald Payne, holding the Prudential Insurance Co. operative responsible for complicity in the genocide in the Great Lakes region of Africa, told supporters on June 3, "At a Sunday campaign event, several people, including Africans from some nine or more countries, urged that I continue my campaign against Donald Payne. As is clear from recent developments, particularly in Burundi, as well as the Great Lakes region generally, the destructive effects of Payne's continuing to front for the State Department's Office of Population Affairs, have resulted in a new escalation in the genocide in that area. . . . I hereby, therefore, make it official, that I concede nothing to Payne, no matter if he should win the election [in November]. He, and the policy that he

represents, must be stopped."

One of the most successful and aggressive campaigns was conducted by South Dakota farm leader Ron Wieczorek, whose advocacy of LaRouche's solutions to the economic crisis struck such a deep chord in the devastated state, that he was able to substantially break through the kind of press slander and blackout that normally characterizes the media's coverage of LaRouche. Dozens of radio and television interviews, press commentaries, and newspaper columns gave straight reports of Wieczorek's campaign.

Throughout his campaign, Wieczorek reminded voters that LaRouche and he had warned more than a year ago that the so-called "tigers" of Southeast Asia would collapse under the \$130 trillion derivatives bubble, and the immoral attacks of British free trade. Today, he warned, without a New Bretton Woods system, within a year the United States will be torn by economic collapse and political strife, as Indonesia is today. The International Monetary Fund "has done more damage than the bombs that were dropped during World War II. . . . It is the disease," Wieczorek told one radio interviewer.

In a press release issued June 1, responding to the tornado that had destroyed the town of Spencer over the previous weekend, Wieczorek compared the storm's destructive power to that of the "long-term economic, moral, and spiritual collapse that the state and nation has been undergoing for the last 30 years." South Dakotans, Wieczorek said, "must know that their government is committed to the long-term stability of their families through economic and social progress, as promised in our Declaration of Independence and Federal Constitution."

## Unmasking hypocrisy

Lewis du Pont Smith, an heir of the famous du Pont family, campaigning in the Trenton area of New Jersey for incumbent Republican Chris Smith's seat, released a leaflet on May 14, unmasking Smith's "human rights" record as a front for British intentions to destroy China, and especially China's plans for large-scale industrial growth. "To escalate their hate campaign against China, and against the American Presidency, the British used their agents and assets within U.S. politics—in particular, New Jersey Congressman Chris Smith. For years, Representative Smith has been an operative of a blood-stained British Intelligence front, misnamed 'Christian Solidarity International' (CSI), run by Baroness Caroline Cox, a Deputy Speaker of the House of Lords," du



*LaRouche Democrat Ron Wiczorek won 23.2% in the Democratic Primary in South Dakota, campaigning for a new world monetary system, and against IMF free trade.*

Pont Smith charged.

California candidate Art Dunn, who has owned and run a small telecommunications firm in Monterey for 35 years, stressed, in an interview with this author on May 27, the importance of implementing LaRouche's New Bretton Woods proposal for his state, where over 50% of exports go to Southeast Asia and Japan. "Boeing Corporation, I noted already a couple of weeks ago, indicated that because they had to cancel contracts to Southeast Asia for airplanes, they'll be laying off 3-4,000 workers in California. Also, the destruction of these markets over there has come about through currency speculation. The speculators have walked off with hundreds of millions and put millions of people out of work and impoverished them, and that is our export market. These speculators have been allowed to impoverish the people in our export markets, and the bankruptcies over there have caused a situation where they can no longer keep up the level of imports from us that they previously had. That's going to impact us very, very strongly," Dunn said.

"So, in order to rectify that," Dunn said, "we should go back to a system that worked. The present system of floating exchange rates should be changed to the Bretton Woods policy, which we had after World War II, and which really built up the world after the ruination of the Second World War. That system worked well. It included fixed exchange rates and it prevented this type of currency speculation, which wrecks our export markets and put a lot of people out of work here in California."

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## Documentation

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### Spannaus: Treat politics as a life or death matter

*LaRouche Democrat Nancy Spannaus addressed the Virginia 10th CD's Democratic nominating convention in Front Royal on May 30. She had won four delegates to the convention, running against lawyer Cornell Brooks, in a caucus system deliberately designed to ensure a low turnout. Only about 872 people voted in the 14 caucuses; about one-third of them were mobilized by Spannaus. Here are excerpts from her speech to the convention.*

Start by thinking of a radical transformation in politics. To many of you, 18-year incumbent [Republican Frank] Wolf has become a permanent fact of life—rather like a piece of old furniture. . . .

But we are about to leave this era of "practical politics," for a period of dramatic change. Think back to the 1960s civil rights era, when politics was a matter of passion, and people risked their lives to realize an ideal. Think back to the even more profound transformation that occurred when Franklin Delano Roosevelt led this nation into fighting fascism in World War II. All of a sudden, people put their petty concerns aside, and threw themselves into a war against evil, and for the universal values which all nations deserve. . . .

This is the kind of economic and political shift that we must provide leadership for. . . . Are we going to defend "free markets" when they result in the impoverishment and death of masses of people, as Frank Wolf does, or, like FDR, will we demand responsible government use of credit? Are we going to let a set of corrupt, rogue prosecutors destroy the Presidency, and those individuals who defend the interests of the people, as Frank Wolf would do, or stand up for justice?

There are crucial *moral* issues between us and the Frank Wolf kind of Republican. . . .

The Wolf Republicans say morality stops at the markets' edge—we say, constitutional government must protect people from predatory markets.

The Wolf Republicans say freedom means that everyone has a right to fail—we say, everyone must have the opportunity to succeed.

The Wolf Republicans say any individual is guilty until proven innocent—we say, innocent until proven guilty.

The Wolf Republicans worship at the altar of the Balanced Budget—we say, the general welfare comes first.

The Wolf Republicans say the ends justify the means—as in Ollie North's running cocaine, and Wolf's demand to partition the nation of Sudan. We say, *nothing* justifies selling cocaine to our youth, and causing genocide. . . .

So, Frank Wolf can be beaten! All we have to do is launch an all-out mobilization to tell the truth.

*We have to tell the truth on the economy.* People know the authorities are lying about a recovery, they know the infrastructure is collapsing—from roads to sewer systems. They know we need to *change direction* to rebuild our country again, and they will support our bold fight to do so. Just as our citizens rallied behind FDR's Bretton Woods system of 1945, they will rally behind LaRouche's new Bretton Woods system that stops speculation, and puts us on the road to long-term economic development.

*We have to tell the truth about the justice system,* about how the permanent bureaucracy at the Justice Department, some of it left from J. Edgar Hoover's day, has ripped up the Constitution in its pursuit of black elected officials, labor, and the LaRouche movement. There's a bill in Congress with more than 150 sponsors, which would finally penalize prosecutors for violating rights of citizens. We must fight for that bill, the McDade-Murtha bill, and for hearings exposing those abuses, centering on what former Attorney General Ramsey Clark has called the most extensive example of prosecutorial abuse he's ever seen—the LaRouche case.

*And we have to tell the truth about Frank Wolf.* Beneath that placid exterior . . . is a person who couldn't give a damn about his constituents, but follows a political agenda of religious and ethnic conflict set by the likes of British Lady Caroline Cox. (I know a political extremist when I see one.) [laughter]

Just as our President is about to forge a crucial strategic alliance with China to help world peace and prosperity, Wolf seeks to kill the deal.

Just as Sudan seeks to mend conflicts with its neighbors and create harmony within its nation, Wolf spreads hate propaganda against Islam and tries to impose sanctions that would cause genocide.

Wolf pushes the so-called Freedom from Religious Persecution bill. . . . Yet, he spreads lies about one nation after another, promotes wars, and supports draconian repression in the United States. As the cases of political prisoners Mike Billington, Anita and Paul Gallagher, and Larry Hecht show, in his home state of Virginia, Wolf has never objected to decades-long jail sentences, or political imprisonment. And I don't think he ever met an execution he did not like, here in the United States.

And while Wolf congratulates himself for balancing the budget, he votes for the bills that let HMOs treat our sick as the Nazis treated "useless eaters."

It's time we Democrats, and our fellow citizens, once again took up politics as the life or death matter it is. This coming period of crisis is going to determine whether we go into a period of depopulation and disease like the Dark Ages, or whether we reaffirm the principles of man and woman made in the image of God, upon which our republic, and civilization, are based. . . .

# White House debunks GOP flap over Loral

by William Jones

In a highly unusual move, the White House has declassified internal correspondence and memos relating to the February 1998 decision to grant a waiver allowing Space Systems/Loral to launch a commercial satellite on Chinese Long March rockets. This move was made in an effort to expose as a hoax the Republican claims that the Clinton administration, for alleged pecuniary reasons, "had looked the other way," as technology has been transferred to upgrade the Chinese missile program.

The whole incident centers on an alleged "technical violation" by the Loral company in its investigation of an explosion in 1996 of a Chinese Long March rocket that was carrying one of its satellites. Although the explosion seems to have been caused by a low-tech problem involving soldering on the Long March rocket, portions of an analysis of the accident by Loral engineers may have been revealed to the Chinese. If this did occur, it may have been a violation of the stringent regulations governing these matters. Although the violation became the subject of a Justice Department investigation, the inquiry remains in its preliminary stages. Two years after the alleged violation was discovered, there has not even been a grand jury convened to examine the charges.

Nevertheless, when the Clinton administration was preparing to give Loral an additional waiver in February 1998, concerns were expressed by a top official in the DOJ Criminal Division, that issuing a waiver to Loral now would make it difficult to get a jury to convict them of the previous violation, were that case ever to go to trial. This, in spite of the fact that Loral had been issued two additional waivers since the alleged 1996 incident, without any concern being raised that violations might occur. The waiver for the rocket that crashed in 1996 had in fact been issued by President George Bush.

This was standard operating procedure. In the case of these waivers, both the State and Commerce departments must make their recommendations. A memo from National Security Council Deputy Counsel Newell Highsmith notes that both "State/DTC and Commerce confirmed that they would not typically delay licensing based on the existence of an investigation." Were an indictment issued, the waiver would have been withdrawn. If a violation had indeed occurred, it was not clear that it was intentional, and in cases like this, the presumption of innocence until otherwise proven, retains its relevance. State Department policy was that absent an indictment, the waiver should proceed.

When the waiver was granted, there was still a further step that had to be taken by the Commerce Department before an export license could be issued. Since this process would take 90 days, it was considered by officials as an additional safeguard. Were an indictment to develop out of the pending DOJ investigation, the administration could withdraw the waiver and take punitive steps against Loral.

Without the waiver, however, the deal could have been cancelled by the Chinese. Loral needed roughly 14 months lead-time for a launch with the Chinese Long March rockets, because of the safety concerns. Gary Samore, the National Security Council's top proliferations expert, commented on Feb. 11, "By the time we finish tinkering with this, the Chinese will cancel the contract." And yet, more was at stake than simply a satellite contract. The cooperation in this area had become a vital part of the strategically important U.S.-China relationship. This was expressed in a note by Highsmith after discussions with William Lowell of the Defense Security Agency. "Blocking could damage bilateral relationship," particularly cooperation in the area of arms sales and non-proliferation, Highsmith wrote.

But damaging the U.S.-China relationship had indeed become the goal of key Republican lawmakers. In the case of the 1996 crash, they have continually claimed that technology was transferred to China which could help them in their missile guidance system—a total fabrication. Hearings are now being organized to investigate the charges. With the demise of the Soviet "threat," these Cold Warriors are seeking a new "enemy image" against which they may harangue in order to lure gullible souls to give them their votes in November.

### **A Reagan-Bush policy**

Ironically, the policy of allowing China to launch U.S. satellites was actually promulgated in 1988 during the Reagan administration. It was during this period that a very rigorous policy was worked out to prevent any of the satellite technology from benefitting any Chinese weapons program. U.S. observers accompany the satellite from transport to launch, and strictly control access by Chinese personnel. Although President Reagan did not grant a waiver in the short time left in his term, President Bush did—nine times.

Republican advocates of the "China-bashing" have also had to distort the facts surrounding the decision to transfer jurisdiction for initiating such commercial satellite launches from the State Department to the Commerce Department, again claiming "crass" economic motives on the part of the White House. This transfer, which would take satellite launches off the State Department-controlled Munitions List and put them in the dual-use technology category (controlled by the Commerce Department), was consistently sought by President Bush during his term in office. In 1996, legislation to that effect (the Export Administration Act of 1996) was introduced by Toby Roth (R-Wisc.), and passed in the House of Representatives. The legislation became somewhat moot, a

White House official pointed out, when the White House indicated to Roth that it would move for Executive action to expedite such a procedural change.

Nevertheless, every satellite waiver must still have the clearance of the State and Commerce departments. In the case of the most recent February 1998 waiver, over which Republicans are drumming up their new "red scare," State, the Defense Department, and the Arms Control and Disarmament Agency had all given a clear "thumbs up." In addition, the administration took the precaution of soliciting the views of the Justice Department, in light of its pending investigation. Although concerns were expressed by an Deputy Assistant Attorney General regarding the effects a Presidential waiver would have on any jury sitting in judgment on the 1996 incident—were this slow-moving case ever to get that far—this was not deemed an impediment serious enough to throw into confusion the entire U.S.-China cooperation in this area.

Under normal conditions, the whole affair would have been written off as a tempest in a teapot. But, in the highly charged atmosphere generated by the British-steered Republican assault on the Presidency, these games of political brinkmanship count for more than the overriding national security and economic interests of the United States embodied in the Clinton policy of engagement with China.

**"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.



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# Re-regulate, re-build U.S. railways: maglev technology to lead the way

*This testimony was submitted on June 3 to the U.S. House of Representatives, Committee on Transportation and Infrastructure, Subcommittee on Railroads, by EIR Economics Editor Marcia Merry Baker and History Editor Anton Chaitkin.*

The breakdown condition of the United States rail system, now receiving special attention by Congress, the U.S. Department of Agriculture, and other agencies, besides the Surface Transportation Board, is not an *episodic* problem that can be fixed by tinkering, but part of the “end of the line” phase of a 30-year decline of the U.S. physical economy, in particular the infrastructure base—water, mass transit, highways.

What needs to be reviewed and acted upon, in addition to immediate interventions to relieve the worst problems, is a policy of rebuilding and expanding the railroad infrastructure base of the United States, and of the hemisphere and continents abroad. We here provide guidelines for that objective, including the historical precedent of how the U.S. rail grid was originally constructed by backers of the “American System” of economic development (see appendix).

First, we turn briefly to the global context of financial crisis, then to the background of how the U.S. rail grid was subverted under the merger mania/“free” market years of deregulation, and finally what can be done—development policy, new technologies, strategic necessities.

Throughout this testimony, we refer to the perspective repeatedly provided to U.S. policymakers in recent decades, by our founding editor, economist Lyndon LaRouche. To begin with, his forewarnings years back, that the global financial system faced imminent breakdown, are now confirmed in day-to-day crisis events, as of June 1998.

## **End of the IMF-era: chaos or ‘New Bretton Woods’?**

The special impetus for a rail- and infrastructure-building policy, is that, at present, the world financial system of the “IMF-era” is blowing out, and new financial emergency measures are required—a “New Bretton Woods,” which should serve nations and build economies, not further speculation and social destruction. Financial bubbles (speculation on mergers, “emerging markets,” stock shares, foreign currencies, derivatives) are beginning to pop, that were ballooned

to cancerous proportions over the past 25-30 years, during which time, investment *declined* into building and maintaining infrastructure, and other aspects of the real, physical economic base.

The present-day blowout, which for certain reasons (involving George Soros, hedge funds, and London policy), started in East Asia in 1997, and is now hitting Brazil, Russia, and spreading elsewhere, will either result in chaos and devastation, or we can make it into an opportunity to intervene with new, nation-serving financial measures.

Thus, taking on the challenge to rebuild and expand railroads, is one part of the sensible approach to reversing the financial and economic breakdown.

The essence of a “New Bretton Woods” approach to the systemic crisis, involves actions, by a concert of nations, to take such obvious “1950s” measures as re-pegging currencies, imposing capital controls, replacing “free”—which is really *rigged*—trade, with nation-serving, mutual-interest trade, etc. One vital improvement on the original, 1940s Bretton Woods system, is to back nations in setting up a system of national-interest central banking, and put an end to private central banks, such as the U.S. Federal Reserve System.

In this kind of context, “Chapter 11-style” bankruptcy re-organizations can be pursued for whole nations, to protect and restore priority economic activity, for example, in Indonesia, South Korea, Russia, and, in fact, the United States. The pursuit of continental development projects—for example, the grand “New Silk Road” rail scheme of China, to form a Land-Bridge of rail-based development corridors, across Asia and Europe—can re-start economic production, and restore hope.

## **Decrepit U.S. transportation system**

America does not have a rail system to move goods, or people, commensurate with either its real needs, or with even what existed 30 years ago. That fact is dramatically apparent in the inability of Union Pacific to move even bulk grain—the staff of life—cross country. Though the Agriculture Department and farm state Congressmen chose the diversionary tactic of focussing on European farm subsidies to take the blame for the shipment of Finnish barley to California for dairy herd feed, the truth is that California feed suppliers cannot rely on the U.S. rail grid to deliver grain in a reliable

way, to meet the schedule for the cows' lactation rations! Another case of, "You can't fool Mother Nature."

In the course of its hearings this spring, the Committee has had extensive testimony on the many other aspects of the railroad breakdown situation, and the resulting harm and losses to the economy. We here provide just some summary parameters of the take-down of the rail system:

- *Rail density shrinks.* In 1929, America had 229,530 route miles of track in operation; by 1995, it was down to 109,332 miles. Between 1950 and 1995, on a per-household basis, America's Class I carrier road mileage dropped by 73%. In Iowa, a premier farm state, the railroad track length decreased by one-third in the 1980s.

- *Rail workforce shrinks.* In 1980, there were 458,000 railroad workers employed; by 1994, there were only 190,000; 59% of the rail workforce were axed over that time. Many workers 50 to 65 years old, were forced into early retirement; most were skilled, such as engineers or trainmen, with 30-40 years experience. The railroad companies, during the "free-market"/deregulation years, squeezed out profits by such cuts as reducing rail crews from four workers per train, to three and even two workers.

All of this directly contributed to a decrease in safety. As LeRoy Jones, national legislative representative and executive vice president of the National Brotherhood of Locomotive Engineers, said in a Feb. 29, 1996 interview, "When you remove workers, you remove an extra set of eyes on the train. When you travel, that becomes extremely important, because often an engineer can't see everything because of all he has to do." Moreover, he warned of the consequences of the practice of compensating for so many layoffs, by requiring the remaining workers to put in long hours. They could be told to work 60- to 70-hour weeks, back-to-back double shifts, and irregular hours. "You can be called to work one day at noon, then the next day at 9 a.m., and the following day at 9 p.m., to work through the night. Your body gets messed up. It's like having constant jet lag."

- *Locomotives.* In 1980, there were 28,094 locomotives in operation. As of 1996, the figure was 18,505, a plunge of 34%.

- *Rail cars.* In 1980, there were 1,068,114 Class I carrier-owned freight cars in operation; in 1996, that was down to 590,930, a collapse of 45%. The loss in freight-car capacity showed up dramatically in the food chain. During the summer and winter of 1995, grain piled up on farms and at silos in the Midwest; again, in 1997; and the same situation is projected for 1998.

### **'Deregulation': another word for looting**

In 1980, the law deregulating the railroad industry was enacted, the 1980 Staggers Act, named after Rep. Harley Staggers (D-W.V.). This act was one part of a de-reg orientation of U.S. economic policy, in line with what became known, over the 1980s, as "Thatcherism." In practice, the

policy consists of granting looting rights to private networks to privatize, asset-strip, and profiteer off the economic base of a nation. In Britain, this process went so far that as of 1996, rail cars were taken out of train museums, to try to meet rolling stock needs of the stripped-down rail system!

In the United States, all aspects of the transportation system were degraded through deregulation over the 1980s and 1990s. The result was indisputable — looting of the rail assets of the nation, against the public interest.

The 1980 "free-enterprise" rail deregulation was the excuse for financial circles (interconnected with London directly and indirectly), and with the Big Five (as of 1998) rail cartel companies — Union Pacific/Southern Pacific, CSX, Norfolk Southern, Burlington Northern Santa Fe, Consolidated Rail (ConRail) — to restructure the industry to maximize speculation and short-term returns on profit.

Originally, private rail companies were understood to have a role in fostering the public good. The Interstate Commerce Commission (ICC) was created in 1887, which gave the rail service a mission of building the nation. Rate-setting bureaus, in which railroads participated under the supervision of the ICC, set rail rates at levels that allowed owners to earn a return that covered capital and operating costs, including a fair wage to labor, and some profit, for technological improvement and expansion. The railroads had to agree on a rate for a particular zone of the country, and get the ICC's approval. The railroads had to agree to serve customers, no matter how small, in every region of the country, at the same rate that was offered to large, influential customers.

Nearly a century later, after deregulation, a railroad company could raise its rate as much as 180% of its operating cost, without getting prior ICC approval. It only needed approval, if it went above that level. A spokesman for the Association of American Railroads (AAR), which represents the Class I carriers, explained in February 1996, that 130% of operating costs was breakeven. So, at rates of 180%, returns are more than 38% above breakeven. Another AAR spokesman explained in March 1996, that, prior to 1980, no specific rate of return was aimed for, but records show that an average annual return on net investment of 5-7% was achieved in years which did not have significant economic downturns. He said that as of 1996, the industry was shooting to get an industry-wide 12.2% rate of return, double the level of the 1970s. In 1995, the rail industry was the favorite of Wall Street, as rail stock prices rose 20%.

The recent history is well known to the Committee. In 1995, the ICC itself was abolished; rail corporate consolidation continued. The number of Class I carriers in the United States fell from 25 in 1980, down to 4 in 1997. In September 1996, the infamous mega-merger of Union Pacific and Southern Pacific occurred. The facade of profiting off looting continued, when, as of summer 1997, UP announced that second-quarter earnings were up 33%. But soon, reality asserted itself.



Over succeeding months, UP—the owner of 36% of all Class I rail operations in the United States, and biggest on the continent—couldn't move the goods. Grain piled up in the farm states; containers piled up in the Port of Los Angeles; thousands of stranded rail cars filled yards and sidings in Texas and elsewhere.

Not only UP's earnings went down, but the losses to farmers, factories, chemical, plastics and other plants, and to all manner of vital economic activity have soared to the multi-millions of dollars. The only thing missing is a 19th-century railroad ballad, on the "Wreck of the Old UP!"

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*For the immediate financial breakdown crisis situation facing the United States, and all nations, undertake domestic precautions and emergency measures based on the spirit of the U.S. Chapter 11 bankruptcy laws—namely, to keep vital functions of the economy and social life of the nation intact and in operation (physical production and trade flows, food, medical care, pensions).*

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## **Restore railroads; rebuild economies**

What is required? Rebuild the railroads; rebuild the economy; maglev technology is essential. The following are relevant points for this task. They are based on the white papers from 1992, on "Building New Railways, Waterways, and Highways," and "Maglev: The Technology of the 21st Century," from the national campaign program book of LaRouche for President, Independents for Economic Recovery. (The papers were also run as full-page advertisements in the *Washington Times*, in 1992.)

1. *Overview.* Mandate a Federal assay of the priority routes, components, and densities, of a surface freight and passenger movement system (coherent with air traffic, waterways, and marine shipping), required to serve an expanding economy of the United States, and interconnect with Canada, Mexico, and beyond.

2. *Reconstruction.* In the context of the emergency financial measures cited below, initiate a national railroad reconstruction project, as part of an overall infrastructure-building drive (water, power, mass urban transit, flood protection), involving the use of public and private contracts, at Federally-set low-cost financing, to undertake the work. Make provision

for appropriate public and private ownership of new and restored rail companies. Make provision for regulating rates and services in the public interest.

3. *Financial emergency measures.* For the immediate financial breakdown crisis situation facing the United States, and all nations, undertake domestic precautions and emergency measures based on the spirit of the U.S. Chapter 11 bankruptcy laws—namely, to keep vital functions of the economy and social life of the nation intact and in operation (physical production and trade flows, food, medical care, pensions). In response to financial crashes and insolvencies of various kinds: Be prepared to differentiate between "worthy" and "unworthy" internal and foreign debts and obligations; to impose capital movement controls as needed; to participate in re-establishing pegged currency rates; and to move to put an end to "free" trade practices and presumptions, and resume traditional mutual-interest national trade.

In this regard, for example, it is essential to restore such domestic policies as parity-based pricing for farm commodities, which means cancelling the 1996 "Free Markets" Farm Law, and reverting to the 1949 standing-law for parity pricing.

The sovereign interest, in all decisions, lies with honoring those claims, obligations, and needs respecting the health and welfare of households and essential economic activities, and *not* honoring unpayable demands created by speculation.

Cease the mandate for private central banking in the United States, by "nationalizing" the Federal Reserve System, as a national-interest central bank. Among the first tasks of the national bank, in conjunction with the U.S. Treasury Department, is to make low-interest credits available for priority contracts for production and services on designated national infrastructure projects.

*New Bretton Woods.* These kinds of nation-serving (not "markets"-serving) measures, amount to the kind of national bankruptcy reorganization approach which is needed around the globe, and which the United States is uniquely placed to initiate, as a "New Bretton Woods" effort among nations. It goes without saying, for the purposes of this testimony, that the International Monetary Fund is defunct, and should be terminated.

4. *Labor force development.* A vastly increased demand for skilled jobs in the United States will be created by this infrastructure development drive. The job creation effect will amount to more than 3 million directly, and another 3 million indirectly, from the workforce required to construct needed projects and provide supplies and services. Also, U.S. involvement in contracts for construction of such world-priority strategic development projects as China's "New Silk Road" plan for Eurasian Land-Bridge routes, will create demand for even more jobs and output.

In this context, the opportunity is posed for the restoration of classically-based education, and abandonment of the dead-end, "outcome-based" schooling that has dumbed down millions of Americans.

5. *Maglev/machine-tool sector.* At the forefront of the

new U.S. railway grid must be magnetically-levitated systems on selected priority lines, for example, the East Coast corridor from Boston to Washington, D.C.; east-west corridors through Chicago; and West Coast corridors for the Pacific cities.

This poses the need to restore the heartbeat of economic development to any nation—science, and the machine-tool capability.

The various maglev technologies are ready and waiting. Sen. John Chafee has become an outspoken champion of maglev in the Senate, and counterparts in the House have had the pleasure of taking a ride on the Transrapid demonstration link in Germany.

Action by this Committee to break with the premises of the “de-reg” era—which, as the U.S. rail crisis shows, is falling apart before our eyes—and to move ahead with a commitment to infrastructure-building, and public-interest policies, will be a much-hoped-for signal to other leaders here and abroad to do the same. Please take this step.

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## **Appendix: Historical precedents for rebuilding U.S. railways: 19th-century origins of railroads**

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Should nations promote productive industry through government subsidy or other protection and encouragement? Or are such efforts “corruption” and “government interference”?

Public officials are everywhere confronted with infrastructure breakdown, transport crises, and traffic gridlock. Must their impotent lament, that no resources are available to solve these problems, be the final word?

The proud record of America’s own creation of railroads is a useful guide for today’s national strategists everywhere in answering these questions. In the United States, the railroads were planned by the Army, and financed by government, as projects vital for national defense and economic development.

The General Survey Act of 1824 authorized “the President of the United States . . . to cause the necessary surveys, plans, and estimates, to be made of such Roads and Canals as he may deem of national importance, in a commercial or military point of view.”

Under this act, President John Quincy Adams began assigning U.S. Army engineers to design the country’s first railroads. The original such project was the Baltimore & Ohio, chartered in 1827; Adams ordered 14 engineers to plan and supervise that construction, to link the Atlantic Ocean port of Baltimore with the Ohio River and its Mississippi connection. Adams deployed Army personnel to start up several other railroad projects, until the end of his Presidency in 1829.

Adams’s Secretary of War, James Barbour, explained the assignment: “The successful introduction of Rail-Roads, into

this country, is viewed by the [War] Department as of great national importance, and especially any practicable mode of connecting the Atlantic States with the Western; . . . so that the commodities to be found in either can be conveniently and cheaply conveyed to the other, across the barriers which divide them, and which . . . offer the most sure and economical means to the Government to convey, to the different parts of the Union, the means of defence, in the transportation of men and munitions to the seat of war, wherever it shall exist.”

Andrew Jackson, John Q. Adams’s successor, continued assigning Army engineers to plan railroads. Under the General Survey Act, up until 1838, the new technology of steam power and metal rails was implemented by Army design on at least 60 railroads. Army men worked on still other new lines during official furloughs, or in their spare time, with official blessing.

This government action was indispensable, because the U.S. Military Academy at West Point was the only engineering school in America when railroads began. West Point’s officer-graduates made up almost all of the available civil engineers, and Army regulations were implemented to discipline and organize the new railroad companies.

Though these companies were mostly private enterprises, all significant such railroads were subsidized by government funds. The State of Maryland, and the city of Baltimore and other municipalities, put up the bulk of the capital to construct the Baltimore & Ohio. The State of New York paid for the great Erie Railroad, to match its Erie Canal; similarly with Massachusetts and the central line from Boston to Albany. Pennsylvania, state and municipalities, financed massive canal and railroad works, as did Michigan, Indiana, Georgia, and Virginia. Cities and counties also poured huge sums into creating the great railroad network. In the 1850s, the Federal government began making giant land grants to complete the construction in the Midwest. Illinois political leader Abraham Lincoln personally organized the flow of state and Federal subsidies which created the Illinois railroads and made that state the nation’s productive center. After he became President in 1861, Lincoln employed the Army and the nation’s capital to build the transcontinental railroads.

State and local governments provided at least half of the capital for the construction of America’s railroads, most of which took place between 1828 and the 1870s; various Federal subsidies significantly raised this ratio of government involvement.

The fact was that financiers were unable to do the job without such grants, loans, and stock purchases, as different levels of government offered to start up the railroads. Neither the New York Stock Exchange nor the eminent Boston bankers played a significant role, while the Army and the community pitched in to build the rail lines. Later, these financiers bought up lines and began to treat them as speculative instruments. The results were not altogether wholesome. Is it now honest for their heirs to warn us against “government involvement”?

# National News

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## Postal privatization sparks union protest

The increasing privatization of the U.S. Postal Service was the target of a national one-day protest by postal workers on May 27. The most recent move which sparked the demonstration was USPS's decision to contract out its Priority Mail service to Emery Worldwide Airlines. USPS is also looking to privatize its bulk mail facilities. With the Emery contract, the USPS has begun processing First Class mail, a core function, outside the Postal Service for the first time in history.

According to a fact sheet from the American Postal Workers Union, in 1997 USPS awarded a 58-month contract for \$1.7 billion to Emery to create a new Priority Mail network, despite the fact that the Postal Service had spent several years designing the Priority Mail network for in-house operation with postal workers. However, according to the APWU analysis, postal workers, who are unionized and paid more than Emery workers, could perform Priority Mail processing in-house for millions of dollars less than Emery. Even the Postal Service's analysis determined that Emery was more expensive.

The APWU's Dave Gibson told EIRNS: "The Postal Service historically — Benjamin Franklin set it up — was set up not to be a profit-making organization. It was to serve the country, the community, to have a mail service." Privatizing mail delivery, however profitable, said Gibson, "is a disservice to the American people, to start doing this."

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## FOIA suit seeks Defense records on Linda Tripp

EIR's Anton Chaitkin filed a Freedom of Information Act lawsuit against the Department of Defense on May 4 in U.S. District Court in Washington, asking the court to enjoin the department from withholding information which must be released under FOIA, regarding the employment of Linda Tripp, who allegedly taped 20 hours of phone conversations with Monica Lewinsky, in which

the White House intern claimed to have had an affair with the President. Shortly after both she and Lewinsky were subpoenaed in the now-defunct Paula Jones case in December 1997, Tripp — a Bush appointee, who acted against Clinton from within the White House — took her tapes over to independent counsel Kenneth Starr.

Tripp's resumé, which the DOD released to the media in February 1998, shows that she had a history of working in sensitive military and intelligence positions during her DOD career in the mid- to late-1980s. Chaitkin filed FOIA requests with various Defense units, to obtain the department's version of the jobs listed in her resumé, and any related material, such as her education and training by the DOD, for those jobs. All units except the Office of the Secretary of Defense (the civilian leadership component), which currently employs Tripp, professed themselves unable to find anything. OSD refused to hand over the documents, because they'd been "advised" by Starr's office, that doing so would interfere with a "law enforcement proceeding."

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## HMOs create class of 'virtually' uninsured

According to a complaint by the Maryland Hospital Association to the state's Insurance Commission, health maintenance organizations (HMOs) have created a new class of individuals who have insurance coverage, but whose insurers won't pay for treatment. The April 21 complaint, which was released to the public last month, shows that the state's top HMOs refused to pay over \$50 million for 20,000 hospital patients with discharge dates in 1997. MHA cited Mid-Atlantic Medical Services Inc. (MAMSI), one of the state's largest insurers, for illegally refusing to pay for part or all of hospital care given to 1 in every 10 patients in 1997, an increase in payment denial by 50% from 1996, when the insurer informed its shareholders that it had sustained a loss for the year. In a July 12, 1996 letter to physicians, MAMSI imposed draconian restrictions on specialist referrals.

MHA's complaint documented a substantial number of refusals to pay for emer-

gency cases, in which hospitals had complied with all requirements to provide timely information to the insurer, had obtained pre-approval for treatment, or had documented that the patient was unconscious, requiring the hospital, by Federal law, to perform necessary stabilizing procedures.

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## Hispanic state lawmakers endorse McDade-Murtha

Two leaders of the National Hispanic Caucus of State Legislators issued a statement announcing the NHCSL endorsement of the McDade-Murtha "Citizens Protection Act." The act would place stiff penalties on prosecutorial abuses by the Justice Department.

The statement, by NHCSL President Sen. Efraim Gonzalez (New York) and Treasurer Rep. John Martinez (Connecticut), was released at a Houston press conference on May 27, to protest the Department of Justice's decision to retry their failed "Houston Five" case against minority city officials (see EIR, June 5). The NHCSL officials wrote: "We have become aware that the U.S. Department of Justice has been accused of targeting minority elected officials in Houston, Texas, and then of devising a sting operation to entrap them. We are familiar with the practice of racial targeting by the FBI and the DOJ under 'Operation Fruhehmen-schen,' and are very concerned. . . ."

"After reading about this trial, we were pleased to hear that a mistrial was declared, but then were surprised to learn that the DOJ prosecutor is proceeding with a second trial. We can assure you that, as officials of the NHCSL, we will be watching this case closely."

In a related development, the National Association of Assistant U.S. Attorneys sent a frantic letter to all Congressional offices taking the "strongest exception" against McDade-Murtha, which complains that such a law would be a "waste of time and money." "Quite simply, the notion that the American people need a statute to protect them from the Department of Justice is, in our view, absolutely ludicrous," and it would have a "detrimental impact upon the morale" of DOJ employees.

**PRESIDENT CLINTON** should remain involved in fostering peace in Ireland, said Sinn Fein President Gerry Adams at a Washington press conference on May 29. Prior to meeting President Clinton, Adams identified economic investment and policing reform in Northern Ireland, as crucial areas for U.S. help.

**TRANSIT WORKERS** struck the Southeastern Pennsylvania Transit Authority (SEPTA) on June 2, as months of bargaining over a new contract broke down. The Transport Workers Union of Philadelphia, Local 234, has tried, since their contract expired in March, to avoid a strike, TWU spokesman Bruce Bodner said. "But, we came to the point in May, where SEPTA said that basically they were unwilling to negotiate any further unless we were willing to accept all of their takeaway demands."

**EXECUTIONS** in Virginia are the most efficient in the country, as the only state in the nation that has executed more people, 50, than it now has on death row, 44. A new U.S. study shows that from 1973 to 1996, only 6% — the lowest rate in the nation — of the 103 men sent to death row in Virginia had their convictions or sentences overturned in court. The average rate is about 35%.

**THE U.S.-CHINA 'HOTLINE'** was used for the first time by Presidents Clinton and Jiang Zemin on May 25. White House spokesman Mike McCurry confirmed on May 29 that President Clinton had phoned President Jiang to discuss "our mutual concerns about the situation in South Asia and the ways in which it could be addressed."

**LIONEL JOSPIN**, France's Prime Minister, will make an official visit to Washington to meet with President Bill Clinton in a "working session" in June. Other evidence of the thaw in Franco-U.S. relations was First Lady Hillary Clinton's private trip to France to meet with First Lady Bernadette Chirac, who was a candidate in local elections.

## CSI's Rep. Smith backs Indonesia separatists

Rep. Chris Smith (R-N.J.), a U.S. leader of the British intelligence destabilization outfit Christian Solidarity International, delivered a letter to Indonesia's President B.J. Habibie on May 20, demanding a laundry list of "democracy" and "human rights" reforms, and implicitly threatening a foreign-aid cut-off. The letter, signed by 15 Congressmen, also demands special consideration for long-simmering ethnic and separatist movements in at least five regions. "In the coming months," the letter warns, "we will be watching the events in your country with interest and with a continued concern for the welfare of the Indonesian people."

According to the *International Herald Tribune* of May 28, while in Jakarta, Smith called for the Habibie government to release certain political prisoners, although Justice Minister Muladi has ruled that those guilty of subversion cannot be released for national security reasons. Topmost among these is Xanana Gusmao, head of the East Timor Fretilin terrorist movement, who, as recently as May 25, declared from prison that he will not renounce the use of terrorism.

## Wall St. Journal looks at Lott's 'Money Trail'

An exposé by the *Wall Street Journal* on May 28 revealed some of the benefits of making big contributions to Senate Majority Leader Trent Lott's political slush fund, "Republicans for a New Majority." The *Journal* profiled the 114 persons who contributed the maximum of \$5,000 in 1995-97, and found that "four out of five donors to the Mississippi Republican's PAC had identifiable stakes in specific programs and policies pending before the government." Just before Congress closed in 1996, Lott pushed through the National Securities Markets Improvement Act, which lifted limits on how many investors a hedge fund could suck in. Before the bill passed, Stan

Druckenmiller of Soros Fund Management LLC gave \$250,000 to the Republican National Committee. Tiger Fund Management's Julian Robertson gave the RNC \$100,000 before passage, and another \$100,000 afterward.

Among those who gave to Lott's PAC were former Bush White House Counsel C. Boyden Gray, who had been hired by Tiger Management hedge-fund to lobby for the new investor rules. Gray's secretary also ponied up \$5,000. Another contributor was Jeremy Jacobs, head of Delaware North Companies (originally the organized crime-linked Emprise). Wrote the *Journal*: "The gift got Delaware North's in-house lobbyist, Bill Bissett, into a small dinner with Mr. Lott at the City Club in Washington. 'We thought it would be a chance to get the issue in front of Senator Lott,' Mr. Bissett says. 'We wanted to see it passed.'"

## Moldea exposes Starr's policy of press leaks

Investigative author Dan Moldea, who has just written *A Washington Tragedy* debunking the Vincent Foster "murder" theories, said in a speech in Washington in late May that special prosecutor Kenneth Starr has a policy of orchestrating leaks to news reporters whom he considers sympathetic to him and hostile to President Clinton. Moldea said that the "rules" of Starr's Office of Independent Counsel, were explained to him by Starr's top deputy in Little Rock, Hickman Ewing. OIC, Ewing told Moldea, regularly talks to reporters, including "providing information that is not on the public record."

"This information is provided to approved writers on an off-the-record basis," Moldea said he was told, adding, "Ewing made it clear to me that no reporter or book reviewer receives anything from the OIC without Starr's expressed approval." Moldea said that he decided to go public, after Starr issued a denial that he had ever leaked information to a reporter. Moldea said that this is further proof that Starr's investigation of Clinton is "political, partisan, and punitive."

# *LaRouche's enemies are Clinton's enemies*

It was inevitable, as the controversy heated up around the death of Princess Diana, and as *EIR*'s role in the probe gained new attention in Britain (with several U.K. television appearances by Counterintelligence Director Jeffrey Steinberg the first week of June): The British monarchy and the Hollinger Corp. media empire, which have been at the center of the assault on the U.S. Presidency since the 1993 inauguration of Bill Clinton, could no longer contain their fury.

In the June 4 edition of the Hollinger Corp.'s *Daily Telegraph*, Ambrose Evans-Pritchard, the infamous "Clinton-basher," penned a shameless slander against *EIR* and Lyndon LaRouche, absurdly blaming us for the "conspiracy industry" that has built up since the Aug. 31, 1997 death of Princess Diana, her companion Dodi Fayed, and driver Henri Paul. In typical Evans-Pritchard style, the British poison pen, who admits to close collaboration with Britain's MI6 intelligence service in all of his overseas assignments, lied that *EIR* is "accusing the Queen of ordering the assassination of Diana, Princess of Wales." He continued, "The group is led by Lyndon H. LaRouche, 76, a cranky economist, convicted felon and publisher of a book that accuses the Queen of being the world's foremost drug dealer." The latter bit of black propaganda is a reference to the book *Dope, Inc.*, first published in 1979, which laid bare the role of the London-centered offshore financial institutions and allied intelligence services, in running the global drug trade, from the time of Britain's nineteenth-century Opium Wars against China.

Evans-Pritchard also dragged out a British woman, Francesca Pollard, known to be on the payroll of the royal family's hired thug Tiny Rowland, to link LaRouche and *EIR* to Mohamed Al Fayed, the father of the late Dodi Fayed, and a leading force in the effort to get at the truth of what was behind the fatal car crash that killed Princess Diana and his son.

Evans-Pritchard borrowed slander formulations directly from the "Get LaRouche" task force, the illegal government-private sector team that framed up

LaRouche and associates during the 1980s, in what former Attorney General Ramsey Clark called one of the greatest travesties of American justice he has ever witnessed. LaRouche was jailed for five years, and is now on parole; four of his associates are still in prison, serving draconian sentences of up to 77 years, for "securities violations" of which they are innocent.

Evans-Pritchard's emergence as the Hollinger Corp.'s "hit-man" against LaRouche underscores, as we documented in our cover story on April 3, 1998, that "any enemy of LaRouche is an enemy of Clinton."

Evans-Pritchard was dispatched to Washington at the very outset of the Clinton administration, to help organize the media and legal onslaught against the Presidency, a fact he frequently boasted about in his weekly columns for the *Sunday Telegraph*. He was the driving, instigating force behind Paula Jones's now thoroughly discredited civil lawsuit against President Clinton, a lawsuit that Evans-Pritchard and his Hollinger Corp. owners hoped would bring about the destruction of Bill Clinton, and an administration that has broken with the so-called Anglo-American "special relationship."

By the summer of 1997, as Evans-Pritchard's antics and his British intelligence pedigree became notorious all over Washington—in part as the result of *EIR*'s exposure of them—he had become such a liability for the Clinton-bashers, that his bosses called him back home. His final piece of filth breached the fine line between black propaganda and outright paranoia: It was a book-length fantasy accusing President Clinton of everything from the Vince Foster "murder," to the Oklahoma City bombing, to responsibility for George Bush and Ollie North's dope-for-guns pipeline between Central America and the United States.

With Evans-Pritchard now joining the discredited ranks of "Get LaRouche" black propagandists, the time has come for the President to really drive Evans-Pritchard and his backers up the wall. The best way to do that, would be to exonerate Lyndon LaRouche.

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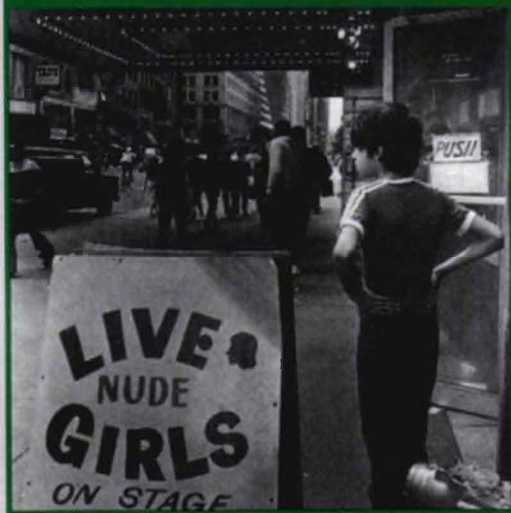
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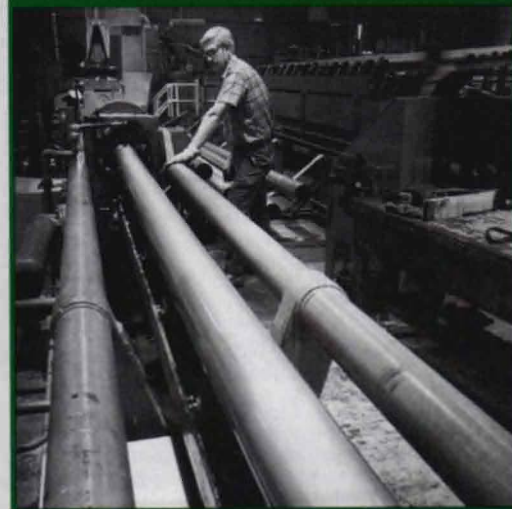
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