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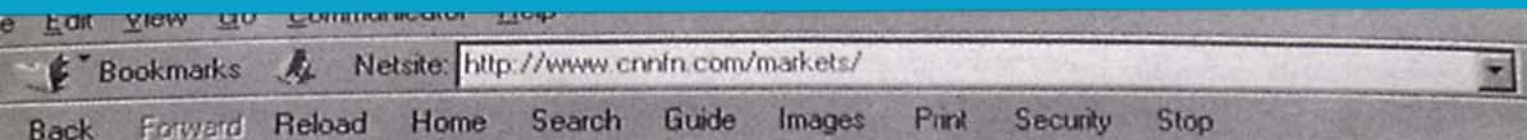
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China vows not to devalue its currency
Will new scandals bring down Ken Starr?

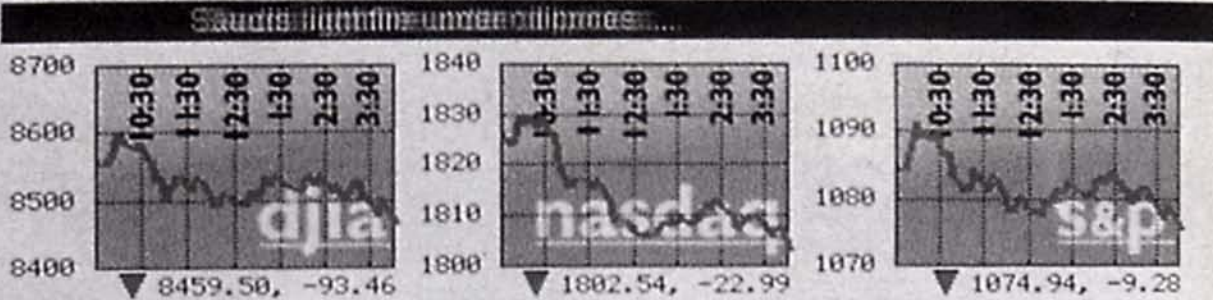
Mathematics & measurement: Science versus ideology



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“...independence”

*The issue of individual human freedom, is not the issue of "democracy."
The essence of freedom, is the right to define oneself as a world-historical
individual—to be a resident of the simultaneity of eternity—rather than
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—LYNDON H. LAROCHE, JR.
May 28, 1998

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From the Associate Editor

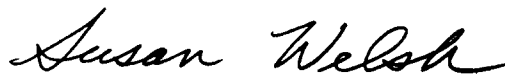
The image on our cover shows you how *not* to think about measuring the health and sanity of an economy. But the question is, what method might produce an actual scientific understanding of what is going on, rather than mere ideology, hot air, and virtual reality?

As Lyndon H. LaRouche, Jr. writes in his *Feature* study: “How did it happen, that, in the U.S.A., in particular, so many among government officials, and others, have been misled into supporting those policies which have ruined the U.S. economy during the course of the recent quarter-century? Was their self-delusion the result of wishful thinking? In part, the answer is, ‘Yes.’ However, stock brokers’ and others’ wishful fantasies put to one side, the methods of calculation used to support those ruinous policies, for both general forecasting and national-income accounting, have been consistently absurd. How could a once-literate U.S. population have miscalculated so badly?”

LaRouche’s discussion of the methodology of real economics, the economics of the physical economy (and its most important component, the human being), is must reading for all citizens and policy-makers. It is the latest in a series of such articles on the fundamentals of economic science (see also “What Economics Must Measure,” *EIR*, Nov. 28, 1997, and “The Principles of Long-Range Forecasting,” *EIR*, April 17, 1998).

Elsewhere in this issue, we have exclusive reports on the breakdown crisis in the world financial and economic system, and how nations are responding: the “rolling crash” of the stock and currency markets; the policy vacuum in Japan; China’s stand against the financier oligarchy, in refusing to devalue its currency; Malaysia’s battle against the International Monetary Fund.

In *International*, we introduce the first leads on who was responsible for the terror bombings in Kenya and Tanzania, and what the policy objectives behind them are. We have an exclusive report on the surprising developments in Congo and Rwanda. And Scott Thompson contributes an investigative dossier on the British monarchy’s connivance with officials of the World Bank, to mobilize world religions in support of a *pagan*, feudal world system, without economic growth, without technology — and without Christianity.



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A 'rolling crash' hits global financial markets

by William Engdahl

A senior strategist with a large European bank characterized the global market falls during the first weeks of August: "We are in the beginning of what I would call a rolling crash. The international financial system is in such a state, that the wrong news at this point could crack it open." This source, who had accurately forecast the October 1987 stock market crash in May of that year, added, "We are not quite there yet. For this to turn into a global crash, we would need a free fall of the U.S. dollar, triggered by foreign liquidation of both stocks and U.S. Treasuries."

Since its all-time high in early July, the Dow Jones Industrials index, the world's most widely watched stock barometer, has declined almost 10%. On paper, the net worth of all publicly traded stocks in the United States has dropped by more than \$1 trillion in four weeks. With wild swings of 200-300 points in a single day, some Wall Street analysts predict a fall of the Dow to 7,200 in coming days. That would bring stock losses to more than \$2 trillion.

Greater vulnerability

Complicating the situation is the fact that private American households in recent years have turned to stocks as never before, to save for retirement, their children's college education, etc. More than 43% of American households today own stock shares, and many households, believing the Wall Street myth that stock markets will "trend up" infinitely, have taken out home equity loans to buy more stock, expecting 30% per annum gains. Other families have been persuaded by their brokers to buy more stock "on margin," that is, paying only 50% of the listed purchase price, getting in effect a loan from their broker for the other half, in expectation that booming stock profits will give them the means to service the purchase

costs. Still other families have used their stocks as collateral to take out personal loans to buy cars or homes. In short, a sharp fall in the New York stock markets over the coming weeks could potentially devastate the real economy unlike at any time in history, even during the Great Depression of 1929-36.

Stock markets across Europe have plunged as well in recent days, often by 3-4% per day since Aug. 5. The largest continental European stock market, the German, has fallen 19% since its all-time high of 6,400 in mid-July. France, Switzerland, Italy, Holland, and London have all registered similar steep slides.

And, with every report of a new financial disaster out of Russia, Europe's markets plunge further. Despite the announcement in July of an emergency \$22.6 billion International Monetary Fund-led bailout of Russia's state sector, investors have headed for the exits before all is lost. "All the money from the IMF for Russia has done nothing to solve the problem," a European central banker commented to *EIR*. "The underlying problem is that the Russian government does nothing to change. No one knows where all the money is going, not even the IMF."

German banks hold an estimated \$170 billion of exposure in the Russian market, in ownership of GKO state paper, bonds, bank loans, and indirect credit exposures. The prevailing view is that a collapse of the Russian ruble or a default on Russian foreign debt would have a devastating impact on German and Swiss banks, the largest lenders in the Russian market. That would pull the French market down with it, and some say it could jeopardize the launch of the euro single currency in January 1999.

On Aug. 12, the London *Financial Times* said that the

recent free fall of Russia's stock and bond markets "threatens to wreck the government's debt-restructuring plans." The Russian banking system is reportedly suffering a massive liquidity crisis, which is forcing it to liquidate its holdings of government bonds to raise dollars, further weakening the ruble. Russian banks, according to the Aug. 13 *Wall Street Journal*, now face a liquidity crisis because "Western banks are calling on them to replenish collateral that the Russian banks have put up for dollar credits." The foreign banks are reportedly demanding cash. A collapse of the ruble would trigger an exodus of foreign investors, who have propped up the Russian financial market since Cr dit Suisse engineered a novel scheme to stabilize the banking system in 1995.

London-linked hedge fund speculator George Soros has not helped to calm the Russian markets. On Aug. 13, he told financial press that Russia's finances were "in a terminal state," and called for a 15-25% ruble devaluation, which panicked especially foreign holders of Russian bonds. Late that day, yields on GKO securities soared to 210%, up from 137% the previous day, but still there were few takers.

The Asia focus

In Asia, the major target of speculation in recent days has been Hong Kong, once the pearl of the Pacific, and only a year ago considered a major capital source for China's economic reconstruction. In August 1997, as the "Asian crisis" was still an isolated problem affecting several East Asian countries, the Hong Kong stock index, the Hang Seng, stood at 16,820. By Aug. 13, 1998, it was down to 6,660, a fall of more than 60%. Stocks and real estate are the backbone of the huge Hong Kong financial system, leading to suggestions that one or more of the large Chinese Hong Kong real estate conglomerates could fail. Hopewell Holdings, one of the larger listed Hong Kong companies, headed by Sir Gordon Wu, has incurred large financial losses, according to informed Asian banking reports. This, after significant losses already in the year ended June 1997, owing to a HK \$5 billion Thai investment loss write-off.

The Hong Kong dollar is firmly pegged to the U.S. dollar, as it has been for the past 14 years. Under Hong Kong's Currency Board central banking system, central bank interest rates to banks automatically rise the moment the currency comes under selling pressure. The rising rates tend to offset the attraction of selling the Hong Kong dollar and, once the speculative attack subsides, as it did last October when rates briefly hit 300% to defend the peg, rates fall back to normal.

The problem has been, that the Asian economic and financial collapse has kept Hong Kong interest rates far too high, creating an enormous liquidity squeeze on Hong Kong real estate firms, the heart of Hong Kong's traditional Chinese financial structure. Many of the real estate giants, along with banks such as the Hongkong and Shanghai Banking Corp., form the core of the Hang Seng stock index. According to

July data from the Hong Kong Land Registry, property prices in Hong Kong are 40% lower than a year ago, and prices continue to fall despite a government freeze on land sales until March 1999. Jardine Fleming Securities in Hong Kong predicts that land prices will drop another 30-40% in the near future. As real estate assets form the collateral of the Hong Kong financial edifice, a collapse there is ominous for the future not only of Hong Kong, but also in respect to the capital China urgently needs for continued industrial development.

On Aug. 5, the Hong Kong government, in the worst economic report in 30 years, revealed that unemployment had reached a 15-year high at 4.5%, the economy had contracted 2.8% in the first quarter, and the second quarter is expected to be far worse. According to City of London sources, that report was the trigger for renewed speculative attack by major international hedge funds and banks against the Hong Kong currency and the Hang Seng. This time, however, the assault did not force Hong Kong money rates toward 300%, but to 9-11%. The result was less than hoped for by the speculative funds. At that point, the speculators' focus shifted to Indonesia, where an unnamed banker from the French Indosuez Bank told *Bloomberg News* on Aug. 11, that Indonesia had "defaulted" on its foreign debt payment due that week. Wire service reports of an "Indonesian default," on the back of already-nervous markets, triggered panic selling in many places. The Indonesian government clarified within hours that no default had taken place, that interest due that day had been paid, and the principal due would be renegotiated in September at the Paris Club creditors meeting.

Sanity from China

The key development in Asia has been the sanity demonstrated by the Chinese government, in opposition to the insanity of such speculative assaults. On Aug. 12, the Chinese government tossed the cat among the pigeons. In a Beijing press conference, People's Bank of China Deputy Governor Liu Mingkang stated unequivocally that China would not devalue its currency, and that speculators should take warning. "Devaluation is not a good policy for China," Liu said. He stated: "I would like to tell speculators, that China is a big player, and they had best not miscalculate."

Liu Mingkang made clear, that the government policy is based on its understanding that devaluation would only undermine China's national economy. "Devaluation is a means to stimulate exports and promote economic recovery, but not the best measure," he said. "China's long-term strategy to promote exports is to increase the quality of services and the technological content of products; competition should be based on this.

"China is a responsible member of the international community; her policy must take into account other nations' interests. A big devaluation of the RMB [renminbi, China's currency] would be a blow to other economies; a small

devaluation would have no effect, because, of China's export of manufactured products, imports make up over 50% of the price. Devaluing by 10% would yield a price cut of less than 5%, but would immediately cause a domestic increase in prices and foreign resistance, and, in the end, would just cause severe damage to market confidence."

Liu Mingkang emphasized that China has very large foreign exchange reserves, and has carefully managed its foreign currency investments. Also, he focussed on China's potential for internal development of its huge economy. "There are," he stated, "the huge central and western regions of the country, whose capacity for absorption of investment is huge, and, apart from this, in many sectors of the domestic economy, the adjustment of structure of production can also stimulate the demand for investment. These are important factors determining the decision not to devalue the RMB."

Chinese economists are rapidly learning the lessons of the crisis destroying their Asian neighbors. An article published in the *People's Daily* on Aug. 13, described how currency devaluations had destroyed, rather than increased, other Asian nations' ability to export. Moreover, the real reason for the collapse of their exports was not their currency rates, but the financial crisis and credit crunch which has crippled their capacity to produce.

These policies in Beijing are being closely coordinated with the government of Hong Kong. On Aug. 13, Hong Kong Financial Secretary Tsang Yam-kuen was categorical: "I am certain that if anyone is speculating against the Hong Kong dollar peg, we have the skill and strategies to handle it easily," he said. "If speculators want to attack the Hong Kong dollar, they will be punished as usual." On the renminbi, he said: "There is no reason . . . to devalue. . . . Most of the so-called threat of devaluation speculation has emanated from speculators themselves."

Japan is still the number-one problem

"These are very thin volume markets at this time," said the European central banker. "That always adds to volatility as smaller trades have a magnified impact either up or down. But the most important element of instability now is the uncertainty. No specific steps are being taken, not in Japan, not in Russia, not in the G-7. And that makes financial market investors extremely prone to sell. But in my view, the number-one problem in the world today, is Japan. The entire world central banking community of the BIS [Bank for International Settlements] is pushing Japan finally to move to clean up its banking problems and restart its economic growth. If they do not succeed to make any significant move on this, it is indeed quite possible, as some have suggested, that the yen will go to 200" to the dollar.

Japan is viewed not only by the Clinton administration, but by the rest of Asia, as key to the stabilization of the Asian crisis. It is at this point more likely to become the detonator

to the worst global financial crisis in history, if the recent actions of the new Obuchi government are indicative.

Barring some domestic political miracle, or a rapid new election which breaks the present grip of the banks on LDP policy, the world is on a short fuse to a generalized explosion as early as this autumn. Well before then, relevant governments would do well to adopt Lyndon LaRouche's proposal for a New Bretton Woods system.

China makes clear: No devaluation of RMB!

by Jonathan Tennenbaum

In early August, while the world financial press was full of rumors that the fall of the Japanese yen and domestic economic problems would trigger an "inevitable" devaluation of the Chinese renminbi (RMB), leading Chinese officials and economic experts stepped forward to reaffirm China's commitment to maintain the value of its currency, providing very credible reasons to back up their policy.

Commenting on the recent discussion on the RMB, Lyndon LaRouche stated, "The currently widespread, mistaken opinion is, that a continued collapse of the market-price of Japan's yen would oblige China to devalue its own currency. This mistaken opinion is being encouraged by the same powerful, London-centered financial interests which organized the 1997-1998 collapse of the financial systems of Southeast Asia. Contrary to such opinion, the attempt to price China's, or any other currency, in competition with a collapsing yen, would be the worst possible response. The result of such a policy, would be to set off a spiral of competitive price-cutting, and an accompanying spiral of collapse of the total U.S.-dollar-denominated volume of China's net foreign-exchange earnings from exports. The disastrous consequences of the blunders of Japan and the IMF, in both Japan itself, and the recent and continuing spiral of collapse in Southeast Asia, are the result of the same kind of wrong thinking which now proposes that China must devalue its currency to compete with the effects of a falling price of Japan's yen."

The statements by Chinese officials, reaffirming the policy *not* to devalue the RMB, are coherent with LaRouche's points. Contradicting the rumors of "inevitable devaluation," both the Chinese and international press reported that Chinese President Jiang Zemin had told the Japanese Foreign Minister (in Beijing to prepare Jiang's coming visit to Japan), that "China has no intention to, nor will it devalue its cur-

rency.” A Chinese financial expert told *EIR*, that Chinese leaders have recently even hardened their stand on maintaining the RMB. Whereas until recently many spokesmen privately spoke of China “keeping the present value of the RMB fixed *at least* through the present year,” the formulation has been changed, “to maintain the RMB’s value through the year 2000 and beyond.” China’s leaders are adopting a wide array of measures in support of this policy, including: 1) returning a portion of export taxes to Chinese producers, thus effectively lowering the cost of exports without devaluation; 2) compensating the corresponding loss in government revenue by cracking down on speculation and rampant smuggling, improving the tax system, and other means; and 3) pushing forward with the policy of greatly expanded infrastructure investment, to stimulate domestic economic growth. This policy, Chinese observers stress, will in no way be changed as a result of the recent flood disaster; rather, it will be intensified.

A reasoned policy decision

At a press conference at the State Council, reported in the official *People’s Daily*, Vice-Director of the People’s Bank of China (China’s Central Bank) Liu Mingkang explained: “Devaluation can be a means to stimulate exports and promote economic recovery, but it is not the best measure. China’s long-term strategy to promote exports is to increase the quality of services and the technological content of products. Increased competitiveness should be based on this. A major devaluation could bring temporary results, but cannot provide advantages in the long term.” Clearly referring to the disastrous effects an RMB devaluation would have on the Asian-Pacific region and around the world, Liu said: “China is a responsible member of the international community, and her policy must take into account other nations’ interests. A big devaluation of the RMB would be a blow to other nations’ economies, while a small devaluation would have no advantage” to China. He noted: “Imports [of components and equipment needed for export production] make up over 50% of the price of China’s export of manufactured products. Devaluing by 10% would yield a price cut of less than 5%, but would immediately lead to increases in domestic prices and a negative foreign reaction, and in the end would just cause severe damage to market confidence. Thus, for China, devaluation is not a good measure.”

Liu emphasized the enormous growth potential of China’s central and western regions, and the potential for technological improvements in many sectors of the economy, all of which the government intends to tap in order to stimulate domestic demand and growth, and compensate for the negative effects of the international financial crisis. This, together with the existence of large foreign reserves and the commitment to “careful management of foreign currency investments . . . are important factors determining the decision not

to devalue the RMB.”

Pragmatic, but otherwise weighty policy considerations, were summarized by economist Lin Yifu, director of the Beijing University China Economic Research Center, in *People’s Daily*. Entitled “There Is No Need to Devalue the RMB,” Lin debunks the widespread myth, that the massive devaluation of Southeast Asian currencies has increased their competitiveness in international trade, or that China would have to devalue because of a falling yen.

“People who support devaluation are worried about the influence of the Southeast and East Asia crisis on the competitiveness of our exports,” Liu writes. “They think that a big devaluation would increase the competitiveness of our products, reverse the tendency for slipping back, and expand the scale of our exports, thereby creating the conditions for realizing our economic growth target [8%, set by Prime Minister Zhu Rongji]. But, the slippage in our exports is not due to the devaluation of East and Southeast Asian nations having increased their export competitiveness, squeezing our export markets. In reality, devaluation has not given a big advantage to the competitiveness of those nations. That is because the absolutely largest part of those nations’ exports are based on “importing materials and adding value,” the imported component of the export value making up about 60%. That also means that the advantage of devaluation is right away diminished by 60%, by the increase in import prices. Besides, because of the financial crises in these nations, most companies there are suffering from a huge increase in the cost of capital, further reducing the positive effect of devaluation on exports. Most importantly, because of the chaos in the financial system, many firms in those countries are basically unable to find funds, and cannot carry out normal production.”

The case of Japan

Turning to the crucial case of Japan, Lin writes: “The Japanese yen-devaluation’s impact on our country has positive and negative aspects. Because of the gap in development, our country’s exports to Japan are mainly foodstuffs, processed foods, and labor-intensive manufactures, while Japan’s main exports to us are relatively technology-intensive and capital-intensive machinery, industrial equipment, and all kinds of apparatus. Thus, on the international market our products and Japan’s products are not in direct competition, and so Japan’s devaluation does not have a direct effect on the competitiveness of our exports. Japan is our biggest trade partner, our second-biggest export market, and our biggest supplier of imports. The Japanese devaluation increases the difficulty of our exporting to Japan . . . but the devaluation of the Japanese yen also reduces our expenditure for import of machinery and equipment from Japan, thereby reducing the cost of our own exports, and helping to increase our exports to other regions. . . . Since Japan is our country’s largest foreign

source of credit, and the portion of these credits calculated in yen is relatively large, the devaluation of the yen also basically reduces the cost of our repaying its loans to us.

“Our reserves of \$140 billion are the second largest in the world; we have surpluses both on current and capital account, and our reserves are gradually increasing. From the standpoint of the foreign currency market’s supply and demand, there is hardly any reason to devalue the RMB. The main cost of not devaluing the RMB is in not being able to thereby stimulate our exports to the U.S., Europe, and Africa. But there are many other methods to accomplish that.” According to Lin, an increase of eight percentage points, for example, in the export taxes reimbursed to Chinese producers, would have a corresponding stimulating effect on exports equivalent to devaluing the RMB by 16%.

“Summing up, the drawbacks of devaluation are large, the benefits small, and the advantages of devaluations can be obtained by other methods. Therefore, in terms of the present situation, it is not necessary to devalue the RMB and we should not give up the policy of not devaluing the RMB.”

Defensive measures are not enough

There now appears to be a strong consensus among leading circles in China, on the policy of non-devaluation. While quite rational in and of themselves, the reasons given so far in public do not adequately take account of the reality of a world on the edge of the greatest financial cataclysm in modern history. Thus, the danger which China and the world’s other nations really face today, is orders of magnitude more serious than anything which the so-called Asian crisis has produced so far.

LaRouche stressed that only “sudden, and very radical changes in international and national financial, monetary, and economic policies” could avert an otherwise impending, total disintegration of the world economy. In order to survive the crisis, LaRouche said, “the monetary and trade policies of China, the U.S.A., and other relevant nations, should be: 1) to establish, as early as possible, a new international monetary order, eliminating the present ‘floating-exchange-rate’ system, and establishing a set of adjustable, but approximately fixed parities, similar to the pre-1959 form of the Bretton Woods agreements; 2) to establish forms of regulation of international trade which are consistent with a return to a system of relatively fixed exchange-rates among leading currencies; 3) to orient financial, monetary, and trade policies to promoting long-term flows of development of basic economic infrastructure and advanced technologies of agriculture and industry from the already industrialized to the so-called developing nations.”

China’s current resolve, not to give in on the issue of the RMB, is a crucial factor holding the world back from the abyss. It is urgent now to push beyond mere defensive measures, to forge a strategic alliance for radical reform of the world financial and economic order.

IMF package is no solution for Ukraine

by Konstantin George

An agreement between the International Monetary Fund and Ukraine on July 31, if it sticks, may narrowly avert a state default on foreign debt obligations that had been projected for September. The IMF loan is a three-year Extended Fund Facility of \$2.2 billion, to be paid out in quarterly tranches of up to \$250 million. The agreement, which was reached with an IMF delegation in Kiev, Ukraine’s capital, on the last day of its five-day stay, has to be ratified by the IMF Board. That decision, according to Ukraine’s Economics Minister Vasyl Rohovy and the IMF, will be taken at the end of August or the beginning of September.

As always concerning the IMF, Board approval will be contingent on the recipient country complying with horrendous conditions. Indeed, Ukraine will pay a very high price: The main requirement is that the 1998 budget be cut 30% across the board. Parliament recessed in the last week of July without approving these draconian cuts. However, the Parliament voted Ukraine President Leonid Kuchma the authority to slash the budget by decree. This occurred after a statement to the visiting IMF delegation on July 27, by Speaker of the Parliament Oleksandr Tkachenko of the Socialist Party, that President Kuchma and the cabinet have the right, under Ukrainian law, to slash the 1998 budget. Tkachenko’s statement meant the de facto end of Parliamentary resistance to IMF demands. A budget-cutting decree was prepared by July 31, and signed by Kuchma during the week of Aug. 3. These cuts will come on top of an already bare-bones austerity budget.

The demographic catastrophe

The primary indicator of what IMF shock therapy has done to Ukraine since 1992, is the demographic catastrophe. For the third time this century, Ukraine’s population is experiencing a sharp fall (the first was Stalin’s genocide of 1932-33, in which up to 8 million Ukrainians were killed during a famine; the second, was World War II and the Nazi occupation). In an article in the July 14 *Vechirniy Kiyiv*, titled “There Are Fewer of Us by 1.7 Million People,” Halina Balbut reported, based on data recently released by the Ukraine National Academy of Sciences Institute of Economy, that Ukraine’s population has fallen from 52.2 million in 1992, to 50.5 million people today. Every year, she wrote, it’s as

though a city the size of provincial capitals like Zhitomir or Chernihiv, disappeared from the map, and the cumulative total, so far, is like an entire region vanishing.

The Institute of Economy says that only an "improvement in the socio-economic situation" can turn around the demographic nightmare, but they see no such improvement in sight. Nearly 20% of the population is 60 years and older. Life expectancy is 73.2 years for women and 62.3 years for men. The institute notes that conditions have produced a reverse migration, from the cities back to farms and villages. In addition to those who have permanently resettled, nearly every family, on a seasonal basis, "migrates" to work their own plot outside the city, or land held by relatives, at least for a few days each week, and for longer stints during planting and harvesting.

Cuts into the bone

The newest spending cuts will be even more severe than the July budget data would indicate. The budget must be cut to a deficit of no more than 2.3% of GDP. The revenue side of the Ukrainian budget consists of two main components: tax revenues, and money pulled in from privatization of state enterprises. In August, the latter will drastically fall, because the government badly overestimated 1998 privatization earnings.

This was all made public on July 28, the second day of the IMF delegation's stay in Kiev, when Oleksandr Bondar, head of the Ukrainian State Property Fund, announced that the Fund will ask the government to halve the 1998 privatization target and incorporate this new target into the revised budget for 1998. Bondar revealed that the government had only earned a paltry 241 million hryvnia (\$113 million) from privatizations since Jan. 1, 1998, and the Property Fund has had to cancel dozens of privatizations since January, because they failed to attract even a single bidder.

So, in exchange for the deepest budget cuts ever, Ukraine will get a financial stay of execution (assuming the disbursements actually arrive). This will allow Ukraine to squeak through the third quarter, but Ukraine will then be confronted with a renewed threat of state bankruptcy in the fourth quarter, and require more assistance from the IMF or other sources. Given the relatively small amounts needed to postpone a default until the fourth quarter, it is assumed the IMF Board will approve the agreement.

The state is throwing everything into the breach to manage the crisis in August, when about \$1 billion in debt redemptions fall due, on top of debt interest payments. On Aug. 12, a \$450 million Eurobond issue fell due; the total of domestic debt issues being retired stands at more than \$500 million during August. As in Russia, there are no takers nowadays, neither foreign nor domestic, for Ukrainian Treasury bills, known as OVDPs, Ukrainian cousins of the Russian GKO's. Therefore, every issue that comes due is retired, further draining Ukrainian Central Bank foreign exchange reserves. As with Rus-

sia's GKO's, the existence of exorbitant OVDP interest rates has done nothing to mitigate the problem that there are no takers. In Ukraine, as of July 24, OVDP annual rates were at 65%.

Technically speaking, the Ukrainian Central Bank can meet the August crunch. As of June 30, it officially had \$1.75 billion in foreign exchange reserves, and by the end of July it still had around \$1.7 billion. This is probably enough to handle the August debt retirement and interest payment load, but, going into the September round of OVDP redemptions, it is far short of what is needed. The projection of default in September, was based on the unrealistic assumption that there will be no runs on the Ukrainian currency, the hryvnia, during August.

In reality, runs on the hryvnia are likely. This prognosis occasioned an announcement on July 27 by Standard & Poor's, that Ukraine's foreign exchange reserves of "less than \$2 billion" were "not enough" to cover the August load of debt redemptions and at the same time prevent a devaluation of the hryvnia. The announcement was coupled with a scathing attack on Ukraine, meant to provide the regime an impetus to implement the "reforms" that the IMF is demanding. Standard & Poor's called Ukraine "one of the most difficult business environments in eastern Europe, reflected in poor transparency, excessive taxation, burdensome regulatory constraints, contradictory legislation and widespread criminalization."

On July 28, Moody's Investor Service gave its equally bleak assessment, that it is considering downgrading Ukraine's single-B-2 debt rating. Moody's said that it was worried about the depletion of Ukraine's foreign currency reserves over the past few months. Moody's said that if Ukraine were unable to get a new IMF credit or borrow from international financial markets, it could run out of reserves "before the end of September."

If the IMF tranches are all the help that Ukraine gets this year, then a fourth-quarter crunch even worse than August is to be expected. Foreign investors have been stampeding out of the Ukrainian OVDP market during 1998. The figures are telling: In 1997, about 50% of OVDPs were held by foreigners (including Russians). As of June 30, 1998, this figure had fallen to 28% of the \$4 billion in outstanding OVDPs.

Knowing full well that the IMF tranches are not enough, Ukraine is desperately seeking to return to the international financial markets, where it is considering two bond issues: a privately placed short-term Treasury bill split into dollars and hryvnia, through ING Barings; and, a deutschemark-denominated issue through Commerzbank. It won't be easy. Ukrainian Eurobonds in the last week of July were trading at an annual yield of more than 24%, nearly eight points above the 16% Ukraine was paying on its deutschemark-denominated debt, from what now seems like another epoch, "way back then," in February 1998.

Japan in political, economic collapse

by Our Special Correspondent

The shell game is over. According to the latest statistics released by the Japanese Economic Planning Agency (EPA), the Japanese economy is officially in the onset of a full-blown economic depression. The previous official characterization by Tokyo, was that the economy was in a state of “stagnation.” Now, part of the truth is out: The Japanese economy contracted 0.7% in the year ended on March 31, its worst performance since the end of World War II. EPA director Taichi Sakaiya reported that the economy could shrink an additional 0.5% in the coming year. Probably the most significant indicator is the machine-tool sector decline from last year of 7.8%, while auto production and sales are also in a deep descent.

At an Aug. 12 press conference, EPA chief Sakaiya also reported that housing construction and capital spending are foundering, production is on a declining trend, and corporate profits are sliding. Unemployment hit a record-high 4.3% in June, an event unheard of in postwar Japan.

The entire financial sector, including the top 19 city-banks, has incurred huge losses as a result of not only the bad real estate debt, but also the systematic collapse of the Asian economies, in which Tokyo is the largest creditor. Japan’s largest bank, the Bank Tokyo-Mitsubishi, has lost 35% of its stock value during the year to date, and could go down further because of the inability of the Asian countries to repay their debt. As a result of both the financial and physical contraction of the economy, the yen fell below 147 to the dollar, and, with no joint U.S.-Japanese intervention to defend the yen in sight, the yen could slide to the 160-180 level. Unlike last June, when President Clinton ordered U.S. intervention, this time there is no prospect of such action.

LaRouche: Japanese leaders are crazy

The global impact of the Japanese developments is enormous. Lyndon LaRouche recently stated that the Japanese elites at this moment in history are simply “crazy.” They don’t want to face the reality that the “real estate bubble they created” is indefensible, and as a “political class,” the present leadership’s defense of their “property values” could trigger a global collapse. “Because the difficulty right now,” LaRouche said, is that we are faced with a situation, where the system is blowing, things are getting worse and worse. “If Japan does not correct the errors in its thinking very soon,

the political, economic, and financial situation in Japan will become incalculable.”

On Aug. 7, newly elected Japanese Prime Minister Keizo Obuchi promised some quick moves to pull his country out of its “deepest recession in decades.” But, his new cabinet is an amalgam of Liberal Democratic Party (LDP) factions, each with its own interests on how to handle the crisis. The political opposition which controls the Upper House of the Diet (Parliament), is opposed to many of the proposals of the Obuchi cabinet. The latest polls show that this government is the most unpopular government in modern Japanese history; even the Japanese Communist Party is more popular.

To make matters worse, Obuchi’s appointment of Kiichi Miyazawa to the Finance Ministry post is seen as a ploy to cover up the incompetence of the present policies. Miyazawa was not only Finance Minister during the “bubble economy” years, but was also a Prime Minister during the early 1990s, when President George Bush was in office. According to a high-level Japanese source, the Miyazawa appointment “is simply a ploy to convince the global markets that there’s a competent manager at the helm. Nothing could be further from the truth. He’s the man who pushed the ‘bridge bank’ idea during the Hashimoto government.”

Although Miyazawa’s public role in the bridge bank proposal is generally known, in reality the bridge bank idea came from Harvard professor Jeffrey Sachs, whose advice on how to deal with the “bad loan” problem has been solicited by the LDP leadership. Sachs, who almost singlehandedly destroyed the Russian economy, and William Seidman are pushing Tokyo into developing the unworkable “bridge bank” idea—a poor replica of the failed Resolution Trust Corp. plan to solve the U.S. savings and loan crisis during the 1980s (see *EIR*, July 31, pp. 15-25).

As one former senior Ministry of Finance official told *EIR*, “The bridge bank is doomed to fail. It’s simply a technical mechanism designed to save insolvent banks.” Moreover, the amount of bad debt is growing rapidly, and, according to U.S. Treasury sources, that debt is already well more than \$1 trillion. This U.S. source stated that unless a major overhaul of the banking system is carried out, no “technical” measures will work.

Another former Finance official was even more explicit. “We’re headed for a disaster, and unless some approach like Mr. LaRouche’s bankruptcy reorganization is taken as a priority, Japan is slated for troubled times,” he said. What this official found attractive about the bankruptcy reorganization proposal, is that the Japanese government could set up a new national bank and buy the designated bad debt and discount it, but then sell the debt as a future credit instrument for investment into the productive economy—both in Japan and throughout Asia. Although this is a minority view, it is gaining currency among some Japanese policymakers.

Unfortunately, the Obuchi government’s package is a reworked version of the previous government’s proposals. A

call for tax cuts on personal and corporate income and an increase in budget allocations for public works projects to stimulate the economy, are very slight improvements from the Hashimoto cabinet's ideas. On another level, Obuchi, Miyazawa, and leading bankers are still immersed in disputes as to what constitutes "bad debt," and how to mediate disputes over ownership of property which was used as collateral for loans gone bad.

According to Bloomberg news service, Obuchi's proposals to deal with Japan's internal bad debt include the following: expediting court auctions of such properties and allowing private companies to offer loan-collection services; publicizing information on properties compiled by the Housing Loan Administration Corp., a public company set up to collect loans left by Japan's seven failed housing lenders; and, making it easier for creditors to sell properties without the consent of the debtors.

This package does almost nothing. It shows how deep in denial the leading institutions are. In fact, the LDP and the banks are locked into an arrangement not only to protect their real estate holdings, but there is a political alliance including the LDP, the banks, and the Ministry of Finance.

"It's an oligarchic arrangement," one Japanese source reported. "Unless there's a complete catastrophe, there is little that could be done, since the banking establishment finances the political elections of the LDP, and the LDP, in turn, protects the banks from transparency and full disclosure."

Compounding the incestuous arrangement is the fact that the newly appointed special adviser on financial matters to the Obuchi cabinet, is Toyoo Gyohten. A graduate (like all Finance officials) of Tokyo University's Law School, Gyohten is a senior adviser to the Bank Tokyo-Mitsubishi. He was Vice Minister for International Affairs during the infamous Plaza Accords negotiations in the 1980s, when the Japanese yen appreciated 100%, from 250 yen, to 125 yen to the dollar. Although Gyohten decries the present instability in the international monetary system, and would like a more predictable exchange-rate mechanism, he has advocated the "internationalization of the yen" as the alternative to maintaining the dollar system. At this point, Gyohten's advice is predicated on saving the big Japanese banks, rather than forcing through a major bankruptcy reorganization. In addition, officials like Gyohten and Miyazawa are still deeply attached to the International Monetary Fund's austerity packages for Asia—a policy that has unleashed a complete breakdown crisis throughout the region.

U.S. fears grow

Despite the public face displayed by the Clinton administration, that it can "crisis manage" the situation, the reality of a Japanese meltdown is starting to dawn on some officials. President Clinton cut short a West Coast fundraising trip, not only because of the U.S. Embassy bombings in Africa, but

because the crisis in Japan is growing. Clinton held discussions with National Security Adviser Sandy Berger, Federal Reserve Chairman Alan Greenspan, and Treasury Secretary Robert Rubin on the looming disaster in Japan.

According to one high-level U.S. source, the administration is desperately hoping that the measures taken by the Obuchi government stave off the worst from happening. However, Fed Chairman Greenspan's disquiet with Japan was revealed when word leaked out to the German magazine *Focus*, that during his conversations with German Chancellor candidate Gerhard Schroeder, Greenspan said that he believes the Japanese crisis is not only deepening, but is almost uncorrectable.

Without a major change in the political leadership in Tokyo, "we are slated for a situation not unlike the 1930s," said a senior Japanese official. "The problem is that the politicians and the Obuchi government are only concerned about developments in Japan and not the reality of the global crisis, especially in Asia. We must have a quick change in the political composition within the next few weeks in order to force through some necessary changes." When asked what these changes should be, he stated, "Unless there is a new Bretton Woods policy that is adopted not only by Japan, but by the U.S. and the rest of Asia, the world is essentially headed for political and social chaos."

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Malaysia battles the IMF on national, international fronts

by Michael O. Billington

The political leadership in the small but strategically critical Southeast Asian nation of Malaysia has apparently taken to heart the words of the great “Poet of Freedom,” Germany’s Friedrich Schiller, that one must be, at the same time, “a patriot of one’s nation, and a citizen of the world.” Faced with continuing speculative attacks on its currency and equity markets, attempts by foreign intelligence agencies and their press outlets to undermine political unity, and the devastating effects of the on-rushing world depression, Malaysia’s government has escalated its international counter-offensive against the institution at the center of the attack—the International Monetary Fund (IMF)—while also introducing an emergency domestic economic policy for survival without submitting to the killer conditionalities demanded by the IMF in exchange for debt relief. The IMF and its minions are very unhappy about this Malaysian counter-offensive, and have responded with new outrageous attacks on Malaysia’s economic sovereignty.

From the beginning of the crisis in the summer of 1997, Prime Minister Dr. Mahathir bin Mohamad has taken the lead among world leaders in telling the truth about the collapse, a truth familiar to readers of *EIR*, that the unregulated hedge-fund speculators, such as George Soros, intentionally brought down the Asian currencies, while the IMF has led the speculative looting of the ailing Asian economies under the guise of “bailouts.” Now, as world leaders on every continent are increasingly forced to admit that Mahathir was right, the Malaysian leaders, speaking not only for themselves, but for the entire region, and, in fact, for the world, are taking a more forceful stand, demanding international action to transform or replace the world monetary system.

Most important in this regard is the role of Deputy Prime Minister and Finance Minister Anwar Ibrahim. Anwar has, until recently, taken a more restrained public position than Prime Minister Mahathir. He has been the subject of an endless stream of articles in the Western press over the past year, aimed at dividing him from the Prime Minister, portraying him as more reasonable and more sympathetic to IMF globalization and deregulation. All the more shocking then, was Anwar’s press conference of July 20 in Washington, when he

not only denounced the IMF policies, but demanded a change in those policies:

“We wish to reiterate the point expressed by many of our colleagues in the region,” Anwar told the Washington press corps, “that we are not satisfied with the manner in which the IMF imposes rigid conditions.” He singled out Indonesia as a situation in which IMF policy has severely aggravated the economic and political crisis.

Anwar has recently assumed the chairmanship of the IMF-World Bank Development Committee, and demonstrated that he intends to assert the authority of that position. “I certainly would expect change in the direction and manner in which the IMF deals with the problem,” he said. He also asserted that the problem would be taken up seriously at the next general meetings of the IMF and World Bank. When asked about the mounting criticism of the IMF around the world, Anwar responded that there was a role for the IMF “for the present,” and made reference to the call for a Bretton Woods-style arrangement for a new “international architecture of the financial system,” a call widely known as the proposal introduced by *EIR* Founder Lyndon LaRouche.

Keep the IMF out

Of the Asian nations hardest hit by the crisis, Malaysia is the only one which has not submitted itself to the brutal conditionalities demanded by the IMF in exchange for emergency loans. However, Malaysia nonetheless has made efforts to implement, on its own, at least some of the “expert advice” handed out by the IMF.

On July 23, however, the government released a new, comprehensive domestic program, the “National Economic Recovery Plan,” prepared by the National Economic Action Council under the direction of Special Functions Minister Tun Daim Zainuddin. Daim, a longtime friend and adviser to Mahathir, had been called back into government service to head the government’s efforts to meet the economic emergency.

The IMF, said Daim, has “failed, and failed miserably.” The Recovery Plan is a dramatic shift away from orthodox monetarist prescriptions peddled by the IMF. However, most



Malaysian Deputy Prime Minister and Finance Minister Anwar Ibrahim (right) inspects the troops with U.S. Secretary of Defense William Cohen (left). Anwar demanded a change in International Monetary Fund policies during a July visit to Washington. "We are not satisfied with the manner in which the IMF imposes rigid conditions," he said, making clear that the Malaysian leadership is united in its fight for sane economic policies.

importantly, the plan makes abundantly clear that neither Malaysia, nor any other *single* nation, can recover, or even survive, if the IMF-dominated world financial system is allowed to continue to drag the world economy into Hell. The opening section of the plan states that despite "bold measures," there are several "risks which could still derail all projections." Among these risks are: continuation of "the regional economic and financial crisis in the medium term"; a devaluation of the Chinese yuan, or a further depreciation of the Japanese yen; or, "a large market correction of the Dow Jones."

In addition, the Recovery Plan repeatedly identifies the global causes of the crisis, which is essential if the necessary defensive measures are to be implemented. "The early 1990s," the plan reports, "saw the dramatic increase in the flows of private capital from the industrial countries to the emerging economies. . . . The daily currency turnover in the foreign exchange market in 1995 was some \$1.2 trillion, compared with an average of \$190 billion a decade ago." The financial capital flow was thus almost entirely speculative in nature rather than direct investment in real industry or infrastructure, leading to "asset price inflation, including in real estate and equity markets." At that point, the currency fund and hedge fund traders attacked the Asian currencies, causing "the sudden withdrawal of hot money," with "devastating effects on jobs, business, and people."

The Recovery Plan then presents an extensive package of policies, interspersed with calls for a new international system as inseparable from any domestic efforts. The plan includes:

1. *Adequate credit to productive activities.* To achieve this, interest rates will be held down to at least the current rate of 11-12%.

2. *Lending into arrears*, or bailouts, for certain companies which are threatened with bankruptcy due to, as of Aug. 11, the 40.7% collapse of the Malaysian ringgit since July 1997, the 72.8% collapse of the Malaysian stock market (KLSE) over the same period, and the severe credit crunch. The decision as to which companies will receive this support "must be guided by national interest [or] strategic interest." National interests include banks, education and some infrastructure facilities, while auto, aerospace, and shipping are examples of strategic interests. Only those firms that would be viable if not for the credit and currency crisis would qualify.

3. *"Infrastructure projects* should continue to provide a catalyst for sustaining a reasonable rate of economic growth." Mahathir singled out this aspect of the program, announcing that the government will "implement infrastructural projects on a large scale to stimulate the economy toward recovery . . . and spin-offs to stimulate other industries." The emphasis will be on ports, airports, and rail and road development. The national oil company, Petronas, announced simultaneously

that it will undertake a new rail project to facilitate industrial development needs, the first new large project since the breakdown began last year.

4. *Exchange controls*, including moves toward establishing an “exchange rate band against a trade-weighted basket of currencies.” Here, especially, the Action Council emphasizes the necessity for international action, by calling for “work toward an international agreement for more transparency and disclosure in the operations of investment funds like pension funds, currency funds, and hedge funds,” and efforts to “strengthen international surveillance for an *orderly international monetary system that is based on sound banking and financial systems*.”

The report also recommends reducing the nation’s dependency on the dollar, by conducting trade in local currencies and building up reserves of different currencies. It proposes that “a study should be conducted on the feasibility and prerequisites of adopting an ASEAN [Association of Southeast Asian Nations] currency at a future date.”

5. *Recapitalizing troubled banks* through the issue of government bonds, to be purchased by the large government industries (such as Petronas), with the proceeds loaned to the banks at long-term, low-interest rates. The explicitly stated purpose of this approach is that “it would make foreign acquisition of domestic banks unnecessary.”

The Recovery Plan also includes tax cuts, price controls, and other means for assuring that essential commodities remain available to all. It makes some concessions to “international investors,” including eliminating the limits on foreign ownership of certain productive industries, if purchased by Dec. 31, 1999.

The IMF reacts

Essential to the program is the plan to raise several billion dollars through the issuance of bonds on the international markets. Special Functions Minister Daim and Deputy Prime Minister and Finance Minister Anwar were prepared to depart on a “roadshow” around the world to secure these bond sales. They were confident that they would be successful, since, as Daim pointed out, Malaysia had not been to the international market for the last eight years, and it was one of the few A-rated countries in the region.

Then, only one day after the release of the Recovery Plan, and two days before the “roadshow” was to begin, Moody’s Investor Services and Standard & Poor’s, U.S.-based rating agencies which both function as hit-squads for the IMF and market speculators, suddenly downgraded Malaysia’s sovereign credit rating by an astonishing *three notches*, reducing the rating overnight from single A-2 to Baa-2, only two steps above junk bond status. Daim and Anwar were forced to cancel their international tour, since the rating agencies’ treachery would result in usurious rates on any bond offerings, a load beyond the means of the Malaysian economy

to bear. On Aug. 6, a third U.S. rating agency, the New York-based Thomson BankWatch, also downgraded Malaysia’s sovereign debt, and the senior debt and subordinated debt ratings for the country’s number-one bank, Malayan Banking Bhd.

Daim has suggested that steps could be taken to garner the internal resources of the country to meet at least some of the needs. But one must ask: What transpired in the *real economy* of Malaysia in a 24-hour period that could justify the drastic action by Moody’s? This was the same question asked last year by Lyndon LaRouche, following the nearly

The real, and fake, opponents of the IMF

In February 1997, Lyndon LaRouche called for a war of annihilation against the International Monetary Fund, warning that nothing short of a new world monetary system could prevent the descent into a global depression worse than any seen since the collapse of civilization worldwide in the 13th and 14th centuries. Now, rapidly growing numbers of political leaders and economic officials are beginning to understand the truth of that dire forecast, and to openly oppose the IMF’s destructive role in the world. As a result, several spokesmen for the financial oligarchy, which created the on-rushing global depression in the first place, are staking a claim as spokesmen *against* the IMF, with the intention of diluting and sabotaging the honest opposition to the IMF. These charlatans claim that the IMF should have left the collapsing economies of the world alone, to let the “free market” run its course. One of the most public proponents of this phony opposition to the IMF is the notorious Jeffrey Sachs, director of the Harvard Institute for International Development, who, in league with mega-speculator George Soros, designed the “shock therapy” imposed upon Russia and other former East bloc nations, creating economic and social devastation.

On July 27, the Singapore *Straits Times* ran a “Crisis Special,” with essays by various opponents of the IMF. The *Times* reported that six months earlier, it had asked “if the IMF was the amputating god, or angel of mercy,” and that the subsequent period had proven that the answer is the former—the amputating god! Two essays, one by Sachs, with the collaboration of fellow Harvard professor

instantaneous plunge of the Asian currencies by 35% to 80%. Had anything in the *real economy* changed, or was it purely manipulation and financial warfare by the international speculators and financial institutions?

It is of note, in this regard, that the chief economist at the World Bank, Dr. Joseph Stiglitz, who worked in the first Clinton administration and has been an outspoken critic of the IMF policies of the past year, wrote in the *Straits Times* of Singapore on July 27: "The major credit ratings agencies did not lower their ratings of the East Asian countries until after the crisis struck. If the problems in East Asia are so

obvious in retrospect, why did developed country banks, or their presumably sophisticated regulators, not seem to notice them?" (See box.)

Malaysia will continue its international campaign to recruit other nations to the necessity of forging a new world monetary system, and proceed with whatever domestic policies are necessary to survive in the interim. No nation can afford to simply wait to see if Malaysia's domestic program succeeds or fails, but must join now in demanding a New Bretton Woods conference of sovereign nations to replace the bankrupt, and criminal, IMF.

Dr. Steven Radelet, and another by World Bank chief economist Dr. Joseph Stiglitz, counterpose clearly the ulterior, colonial purpose of Sachs's "opposition," to one of the more serious opponents of the failed policies of the IMF, Stiglitz.

Stiglitz, who served in the first Clinton administration before going to the World Bank, states first that the crisis in East Asia was "not the result of standard macro-economic mismanagement," that their "debt was relatively modest compared with the size of their economies and domestic savings rates. . . . These were not profligate countries." The problem arose from the excessive short-term dollar debt. The problem was not "government misdirection," but the lack of regulation over the speculative money flows. Stiglitz states clearly: "It is not just domestic borrowers who bear the responsibility for these problems, but also foreign lenders." He also castigates the foreign institutions and rating agencies which now "blame the corrupt and nepotistic East Asian firms that misallocated their foreign borrowings," and asks: "If the problems in East Asia are so obvious in retrospect, why did developed country banks, or their presumably sophisticated regulators, not seem to notice them?"

Stiglitz's proposals, although totally lacking in any suggestion of the most necessary step—the replacement of the IMF—do include relatively cogent and necessary steps for survival for the affected nations. The similarity to several of the main points in Malaysia's new National Economic Recovery Plan (see accompanying article) is probably not accidental. He calls for an "expansionary macro-economic stance"; for "quick and decisive actions to strengthen the financial system . . . in a manner that continues credit to exporting firms" based on clear information on the viability of firms, with "due attention to moral hazard concerns"; for "credit to those sectors most adversely affected or which can jump-start the economy," including agriculture, medium-sized enterprises, and exporters. He insists that companies should be saved from

bankruptcy when their debt problem is due only to "large devaluations, increases in interest rates, and falls in demand."

The Sachs maniac

Compare this serious, if flawed, approach to that of the devious Sachs. His essay, "Why Not Let the Banks Own the Debtor Firms?," is more radical in his denunciations of the IMF's "contractionary policies" than is Stiglitz. But what are his recommendations? Like the snake-oil salesman, he proposes three easy steps to a turnaround.

First, let the banks (foreign and domestic) holding corporate debts turn the "debt into equity," i.e., let the banks assume ownership of the nation's corporate structures.

Second, "accelerated re-capitalization of Asia's banking sector," which, in Sachs-speak, means accelerating the rapidly expanding takeover of the Asian banking system by British, American, European, and Canadian banking conglomerates, as happened in Ibero-America after the 1994 Mexican crisis, and is well under way in Asia.

Third, with the new colonization of corporate Asia thus complete, Sachs proposes "easier monetary policies," but, of course, *with no controls over his friends in the hedge fund racket*. It is widely understood that simply lowering interest rates, without establishing currency controls to hold off the speculators, would lead immediately to further drastic and deadly declines in the Asian currencies. In fact, Sachs welcomes this speculative windfall to the vultures in the currency markets. "Not every goal can be achieved," he proclaims. "The yen is likely to depreciate further, for example; the Chinese yuan is also likely to depreciate at some point in the future; and Hong Kong will suffer more from its fixed peg to the dollar." British designs for the demise of China and of the crucial U.S.-China alliance stand clearly exposed in Sachs's vision, as well as his colonial intent toward Southeast Asia, regardless of his apparent protestations against his friends and mentors at the IMF. —*Michael O. Billington.*

No truce in nuclear power wars

While the CDU leaders are propitiating the ecologists, some among the party base are brave enough to say the truth.

The German government is committed to hold on to nuclear power technology, Environmental Affairs Minister Angela Merkel, who also oversees nuclear energy, stated on Aug. 11. An immediate end to nuclear power, as called for by the main two opposition parties, the Social Democrats and the Greens, would be “irresponsible” and “meaningful from neither a safety, nor from an economic viewpoint,” she said.

Fine and good. But she also announced that all transport of nuclear waste will be called off until the elections for national Parliament on Sept. 27. The government and the main ruling party, the Christian Democratic Union (CDU), are bending over backward to make concessions to the media and anti-nuclear “public opinion,” which is shaped by the media.

This propitiation of irrational ecologism has characterized the past 20 years of politics in Germany. Since 1978, no new nuclear power plant has been built, and the CDU leadership has abandoned its previous clear endorsement of nuclear technology. These days, as the CDU of incumbent Chancellor Helmut Kohl is not at all certain of winning the elections, the party is bowing to anti-nuclear sentiments even more than before. The CDU campaign platform gives verbal support to atomic energy, but only in the context of “reducing the CO₂ content of the atmosphere.”

There are many among CDU activists and voters who oppose nuclear power, either because they subscribe

to irrational fears about contamination, or because they do not dare say otherwise, on orders from the top leadership. The CDU leaders want to avoid any “nuclear provocation” of the greenie Social Democrats, who may be their partner in a new Grand Coalition, after Sept. 27.

But there are some at the party base, who refuse to shut up, for example, in the youth section, Junge Union. The JU in the state of North Rhine-Westphalia (N.R.W.), the biggest among the 16 state caucuses, passed a pro-nuclear resolution on May 9, at its state convention in Ahaus—one of the sites for the storage of nuclear waste.

The Ahaus Resolution states: “The nuclear power plants that are in operation in Germany contribute to a safe and efficient energy supply. . . . We will not be able to do without them in the future. That is why now, the legal and actual preconditions for investments in the sphere of nuclear technology have to be created, so that in the future, new and improved nuclear power plants can be built in Germany.”

The paper also warns that the general take-down of nuclear technology is bringing the nation to the verge of losing its high-tech engineering skills in that sphere. This refers to the alarming fact that among German universities, only one is left, in Aachen, which offers a full course in nuclear physics. There are already too few students studying nuclear physics to be able to operate the 19 existing power plants,

during the first decade of the next century. And new enrollments in nuclear physics are down to one-fifth of what they were in 1990.

The Ahaus Resolution also endorses the return to high-temperature reactor development (the gas-cooled THTR), as well as starting up the long-planned, but much-delayed, International Thermonuclear Fusion Experimental Reactor (ITER) at the earliest opportunity. This is the only political initiative in Germany to date, outside those taken by the LaRouche movement, for post-fission technologies in the nuclear sector.

“The N.R.W. Junge Union regrets,” the Ahaus Resolution states, “that the inherently safe and future-oriented technology of the high-temperature reactor is not being pursued in Germany, because of red-green policies, and it denounces the fact that the HTR [experimental site] in Hamm-Üntrop was switched off by the [Social Democratic Party-led] state government, as a regression in energy policy.

“Research in the field of thermonuclear fusion therefore has to be propelled forward. The delay of the start-up of the international ITER research project by three years is understandable, in this tense world economic situation and in view of the high costs of 6 billion euro [\$7 billion], but it is also regrettable. Building such a facility must be given the highest priority for all involved states, in view of the threatening climatic catastrophe.”

Well, there it is again, the seemingly inevitable obeisance to the absurd CO₂ debate; but still, the Ahaus Resolution as a whole is far less propitiatory to “public opinion” and more pro-technology-minded than the rest of the CDU platforms. If the CDU as a whole were more like that, Germany would be much better off, on the eve of the elections. Instead, the CDU is on the retreat in this “nuclear war.”

Privatization contaminates Sydney water

The culture of privatization has given Australia's largest city a Third World reputation, and a bellyache.

On the morning of July 30, the 4 million residents of Sydney woke to the news that their water supply was undrinkable, and would have to be boiled for two minutes before being consumed. At first limited to the southern half of the city, by the next day the drinking bans were city-wide, and were maintained for several days. School faucets were taped over, hotels spent up to \$2,000 per day on bottled water for toiletry needs for their guests, and tourists arriving at Sydney Airport were met with warning signs ordinarily more suited to Calcutta—all this in the host city of the Year 2000 Olympic Games, now only two years away.

Sydney's water system was found to have been contaminated by two parasites, giardia and cryptosporidium, both dangerous stomach bugs; although giardia is treatable with antibiotics, cryptosporidium is not. Their debilitating effects, which include chronic diarrhea, nausea, abdominal cramps, and weakness, are known variously as the Pharaoh's Curse in Egypt, Montezuma's Revenge in South America, and "tourist tummy" in Asia. The contamination posed a serious threat to Sydney's HIV-infected community, whose weakened immune systems make them especially susceptible to cryptosporidium.

A more insidious parasite, however, is Australia's privatization "culture," which, through its contamination of Sydney's infrastructure policy, has yet again proved itself a threat to human life.

In 1996, four privately owned water treatment plants were connected

up to the water supply system of the Sydney Water Corp., a wholly government-owned, but "corporatized" (ready to be privatized) company worth \$13 billion. At that time, the New South Wales (NSW) state government minister responsible for Sydney's water, Urban Affairs Minister Craig Knowles, answered concerns raised in Parliament about the safety standards of the new plants, by saying that Sydney residents would be drinking the "best quality of water anywhere in the world," and that discussion of a possible cryptosporidium outbreak was "little more than scaremongery."

However, it has now been revealed that routine testing for cryptosporidium was not being done. In July, Health Minister Dr. Andrew Refshauge justified this to the NSW Parliament, telling the state opposition health spokesperson, "The 1996 Australian Drinking Water Guidelines state that routine monitoring for cryptosporidium is not appropriate." Following the outbreak, Australian Water Services, the private company which operates the Prospect water treatment plant, one of the four private plants and to which the outbreak was traced, admitted that it did not test for giardia and cryptosporidium, but a spokesman claimed the company had been "following all the requirements" stipulated in their contract with the Sydney Water Corp.

The Prospect plant is one of the largest and most modern in the world. Experts maintain that the plant, equipped with a state-of-the-art, multimillion-dollar sand filtration system, should have been able to filter out

the parasites, even despite the two dead foxes discovered in an intake canal connecting the plant to a reservoir (the probable source of the contamination). This structural failure has raised questions about infrastructure maintenance. In the last fiscal year, the Carr Labor government siphoned \$250 million from Sydney Water Corp., to balance its own budget, five times more than was taken in 1991-92, despite a five-year low in capital expenditure on water and sewerage projects. Some \$280 million more is earmarked to be taken away this year.

The July 31 *Sydney Morning Herald* editorial demanded answers. "Is the government milking Sydney water as a cash cow to the detriment of the quality of its operations?" it asked. In 1994, Australian Water Services warned that the entire 20,000 kilometer water reticulation system needed to be flushed and scoured before the new treatment plants came online. Despite the warning, Sydney Water had canned the idea, undoubtedly because of its cost. Jeff Angel, a clean water campaigner, stated: "The government should investigate if the corporate culture of Sydney Water has become too focussed on the business of producing dividends and cutting corners to make efficiencies."

This "corporate culture" has contaminated the highest levels of the N.S.W. government. Premier Bob Carr is a proud member of the Centre for Independent Studies, a front for the British Crown's Mont Pelerin Society which has directed ruthless privatization programs in Australia and New Zealand. Earlier this year, New Zealand's largest city, Auckland, was blacked out for weeks following infrastructure cuts made by the privatized power company. To date, the most notable achievement of privatization, has been its ability to reduce modern cities to Third World conditions.

Business Briefs

Northeast Asia

New development bank to focus on infrastructure

Plans for a Northeast Asian Development Bank were discussed at the Northeast Asia Economic Forum in Yonaga, Japan on July 28-29, in which scholars and officials from China, Russia, Mongolia, North Korea, South Korea, Japan, and the United States participated, the July 30 *Japan Times* reported. The bank would focus on "improving infrastructure in the region."

One proposal put forward at the conference, is for these countries to contribute a total of \$20 billion for the bank's core capital. Representatives of the U.S. government signalled that the United States would contribute. An infrastructure investment volume of at least \$7.5 billion per year could be financed by the bank, in particular for poorly developed regions such as Northeast China, the Russian Far East, North Korea, and Mongolia.

Japan Times reported that conference participants called upon the United States to play a pivotal role in launching this urgently needed effort. Sources in Washington have reported to *EIR* that the United States is quietly speaking with allies in Asia about the need for a Marshall Plan-type initiative on a case-by-case basis, to help the Asia countries that have been economically devastated in the past 18 months.

Infrastructure

Eurasian Land-Bridge to connect to Africa

A high-speed rail line from the western bank of the Suez Canal to the Palestinian border city of Rafah, will be operational in the year 2000, the Egyptian daily *Al-Ahram* reported on July 27. The Egyptian project includes a 640-meter-long drawbridge over the Suez Canal, a 252 kilometer railway, and 13 new stations, canals, and roads, extending from the north of Ismailiya on the western bank of the Suez, across the canal, to the north of Sinai's Mediterranean coast, and eastward to Gaza and Israel.

Egyptian Infrastructure Minister Sulaiman Mitwalli emphasized the role of the rail line in the context of the "National Plan for Development of Sinai," which includes transferring water from the Nile to agricultural and industrial projects covering 400,000 feddans (a feddan is roughly an acre). *Al-Ahram* stated that the 160-200 kilometer per hour high-speed train will be part of the "Orient Express, linking Egypt with the other Arab countries and Europe."

Eurasia

'Silk Road' conference planned in Azerbaijan

On July 23-25, a planning meeting was held in Baku, Azerbaijan, to prepare for an "International Conference on the Restoration of the Historical Silk Road," to be held in Baku on Sept. 7-8, the Russian-language Azerbaijani paper *Bakinsky Rabochy* reported on July 28. The meeting prepared a number of documents in the framework of Traseca, the Europe-Caucasus-Asia transportation corridor, chiefly promoted by the leaders of Georgia and Azerbaijan, in coordination with the European Union. A main Traseca agreement, and technical supplements on automobile transport, international rail transport, merchant shipping, customs procedures, and documents processing, were initiated by representatives of Azerbaijan, Bulgaria, Georgia, Kazakstan, Kyrgyzstan, Mongolia, Moldova, Poland, Romania, Turkey, Uzbekistan, and Ukraine.

Azerbaijani Deputy Foreign Minister Khalaf Khalafov told the Azertaj agency that an intergovernmental commission and a permanent secretariat of the group will be set up, possibly based in Baku. Azerbaijani Deputy Prime Minister Abid Sharifov attended, and the Azerbaijani press played up "the initiative of Azerbaijani President Heidar Aliyev, in association with the European Union," in convening the conference.

The Traseca projects are genuine, but wherever Aliyev, an intimate of British intelligence circles and a recent visitor to London, is involved, there is a dose of geopolitics. Key "Silk Road" countries, including China, Iran, Russia, Armenia, and Turkmenistan, are not on the prospective list of parti-

cipants, although they have numerous bilateral and multilateral infrastructure and other deals with the participating countries.

South Asia

Iran, India promote trade, rail links

Iranian Minister of Commerce Mohammad Shariatmadari met with India's Ambassador to Iran Rajendra Sing Rathor on Aug. 2, to seek rapid expansion of trade ties, the Iranian daily *Ettela'at* reported. The Iranian minister cited cooperation in petrochemicals and in setting up a pipeline for the export of Iranian gas to India, as examples of needed cooperation, but urged more rapid implementation of deals already agreed upon.

At the same time, the Iranian News Agency reported that India has agreed to participate in a trans-Asian rail link from Europe to Southeast Asia, via Iran, Pakistan, India, Bangladesh, Myanmar, Thailand, and Malaysia. The director of public relations for the Indian Ministry of Railways, D. Mukou-paddyay, said that India would participate in a meeting in Tehran in September on the subject. He said that the project was still "more of a concept" than a reality, and that "a clearer picture will emerge only after the Tehran meeting." He added that he hoped it would become a reality by 2001. He noted that the stretches of rail line on the Europe-Singapore route still to be completed include Kuala Lumpur-Ipoh, Bangkok-Yangon, and Zahedan-Kerman.

Brazil

Telebras auction called a crime against nation

Telebras, Brazil's national telecommunications grid, was broken up into 12 different companies and sold for \$19.2 billion on July 29. The sale was denounced as a "crime against national sovereignty" by Barbosa Lima Sobrinho, the 102-year-old president of the Brazilian Press Association and the

U.S. TREASURY Secretary Robert Rubin announced on Aug. 5 that, starting with the Aug. 10 auction of three- and six-month Treasury bills, investors will be able to make purchases for as little as \$1,000. Until now, minimum purchases were \$5,000 for two-year notes or \$10,000 for shorter-term bills. The announcement came amid growing stock market jitters.

CENTRAL ASIA will gain access to Pakistani ports, through construction of a highway linking Uzun-Agach, Kazakhstan to Kemin, Kyrgyzstan, which will then be connected to the Pakistani road system. An international tender had been opened for the 87 kilometer highway.

ISRAELI unemployment rose to 9.3% in May, up from 8.4% in January. Growth has dropped from a high of 9.5% during the height of the peace process in 1994, to 1.5% this year. Unemployment is the number one issue on the minds of most Israelis, the daily *Ha'aretz* reported.

THAILAND and Malaysia have eased up on deporting illegal aliens, because only the aliens will do some of the dirtiest work. Thailand, which has expelled 230,000, is allowing 95,000 illegals to stay for work on rubber and sugar plantations, pig breeding, water transport, and rice mills. In Malaysia, 100,000 new foreign workers have been approved for work on plantations.

THE GRAIN HARVEST in Russia, "under the best circumstances," will be 67 million tons, compared to 88.5 million tons last year. Agriculture Minister Viktor Semyonov reported to the State Duma (parliament) in early August.

PAKISTAN'S Finance Minister Sartaj Aziz told the Aug. 6 *Wall Street Journal*, that the International Monetary Fund has "enough casualties on their hands. They don't want another. If we get \$3 billion, that's what we pay back out anyway — we will get no net benefit. And unless we get resources, we can't pay."

Movement in Defense of the National Economy. In an article in *Tribuna de Imprensa*, Lima Sobrinho argued that this is the case, because telecommunications are a strategic sector for the country; Telebras was both efficient and profitable, and the government had invested more than \$30 billion in its improvement since 1995; and with the sale, Telebras's Research and Development Center, "one of the five most important and advanced" such centers in the world, will be liquidated.

The money from the privatization of Telebras will be used to pay off Brazil's public debt. Andre Carvalho, an economist at Banco Fleming Graphus, told the daily *O Globo* that the money "won't reduce the debt very much," but will rather "have an impact on the speed with which it grows. The privatization will lengthen the time before which the public debt becomes critical, and will give the government more time to promote fiscal adjustment." Economist Lauro Vieira de Faria of the Getulio Vargas Foundation said that Brazil will spend close to \$60 billion this year just in interest payments, more than three times what the Telebras sale generated.

Trade

Italy expands economic relations with Iran

Italy is moving ahead to expand economic relations with Iran. In late July, Iranian Minister of Industry Shafei was in Rome as head of a delegation, and had talks with government representatives and industrialists, including Giorgio Fossa, head of Italy's industrial association Confindustria. Shafei told businessmen that Iran is offering special conditions for investment in the free-trade zones, "among them, tax exemption for 15 years, permission to repatriate profits, government guarantees, authorization for banks to open, and no visa requirements for foreign investors." Some 1,600 foreign firms have already invested in three free-trade zones and 11 industrial zones.

Fossa said that Iran represents a first-rate market for Italian firms, because "it has restructured its foreign debt satisfactorily, and,

despite the large drop in oil prices, has always honored its commitments on time, closing its balance of payments in advance."

At the same time, an Italian delegation was in Tehran, led by Foreign Trade Minister Augusto Fantozzi, to take part in the third joint economic commission. The group, which had not met for seven years, is discussing increasing trade from the \$13 billion level achieved during 1992-96, and to reach a trade balance, exclusive of oil. Iran will continue supplying Italy with oil, but intends to expand non-oil trade, and cooperate in the fields of "finance and banking, small and medium-sized industries, transportation, oil and gas, petrochemicals, mines, agriculture, food, housing, and urban development." Fantozzi said the memo of understanding would resolve existing financial problems and reopen Italian state credit guarantees. The Iranian press reported that these guarantees would be "unlimited." Italy has said that it is "fully ready" to cooperate with Iran, i.e., that it poses no political conditions.

Agriculture

Polish farmers protest low grain prices

On Aug. 4, Polish farmers blocked 250 roads and several transit points to protest extremely low grain prices, the *Berliner Zeitung* reported. Grain prices have been going down in the central European free trade zone, CEFTA, which includes Poland. Most farmers had to finance their harvests by taking out loans, expecting to repay the loans from the proceeds. Now, they are facing bankruptcy if they cannot sell their crops.

Normally, the state-controlled Polish agriculture company is obliged to buy up grain on the market to keep prices at a certain level. But the company has not intervened, because it has no money, and grain stocks remain from last year's crop. The government reminded farmers that street blockades are illegal, but the farm organizations answered that such demonstrations are the "European standard," and the government, which is more interested in joining the European Union than protecting its industries, would have "to get used to these standards."

MATHEMATICS & MEASUREMENT

Science vs. ideology

by Lyndon H. LaRouche, Jr.

July 28, 1998

A literate secondary-school graduate, as defined by Alexander Dallas Bache's standards for education,¹ would have had the skills required to show, that, since 1971, the U.S.A.'s per-capita physical output and (physical) standard of living, per-capita, have been in an accelerating spiral of general, physical-economic contraction.² *EIR* has repeatedly documented the facts which prove that this contraction has occurred; the proofs are elementary in form, and the facts are conclusive. Nonetheless, around the world, up to the moment this is being written, most among today's governments appear either to believe, or to pretend to believe, that a U.S. economy which has been shrinking without interruption for more than a quarter-century, has been growing!

The question is: How did it happen, that, in the U.S.A., in particular, so many among government officials, and others, have been misled into supporting those policies which have ruined the U.S. economy during the course of the recent quarter-century? Was their self-delusion the result of wishful thinking? In part, the answer is, "Yes." However, stock brokers' and others' wishful fantasies put to one side, the methods of calculation used to support those ruinous policies, for both

general forecasting and national-income accounting, have been consistently absurd. How could a once-literate U.S. population have miscalculated so badly?

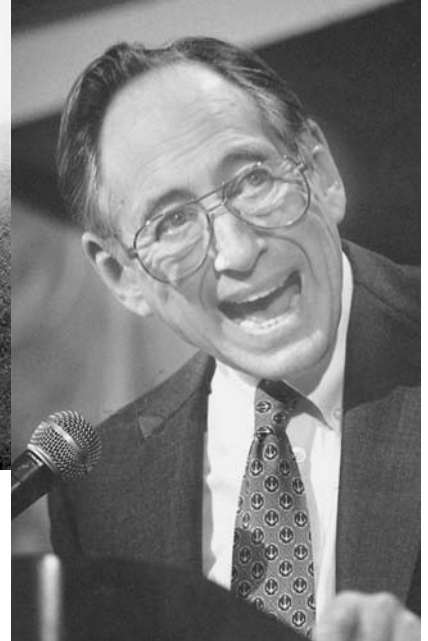
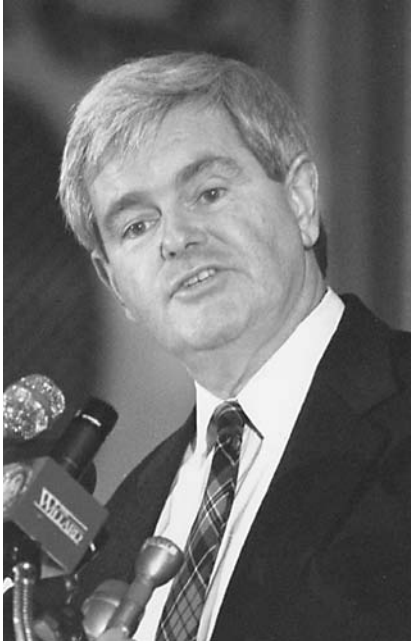
"Calculation" is the word we emphasize in this report. The essence of the problem, as we shall show here, is that our government and Wall Street, to name but two relevant cases, have chosen a kind of mathematics which is intrinsically absurd when applied to economic analysis. What may appear to work quite neatly for ordinary mechanical engineering, for example, is incompetent for addressing economic processes, or other subjects in which the principles of life as such, or of human cognitive behavior, are the determining, or, in Leibniz's usage, *characteristic* form of action through which the ultimate outcome of the process is shaped.

Even if most of today's policy-shapers lacked knowledge of the relevant issues of mathematics, there was no excuse, even by relatively unsophisticated standards of reasoning, for the blundering miscalculations by means of which the present crisis was generated. By any reasonable physical standard, engineering or other, the figures of those policy-shapers simply do not add up.

For example, today, we have the typical fanatics encountered among the monetarists of Wall Street and Washington, D.C. These fellows insist, still today, that there are wonderful benefits to be obtained from that NAFTA program against which former GM stockholder Ross Perot warned nationwide television audiences back in 1994, when he spoke of "that great sucking sound." Perot then pointed, prophetically, to such present effects of NAFTA as the continuing collapse of levels of production and employment in the U.S., as a result of the export of U.S. jobs into virtual slave-labor camps in filthy slums located just south of our Mexico border. His case was presented quite simply and accurately, using facts with

1. The U.S. standards for modern secondary education were set by Benjamin Franklin's great-grandson, West Point graduate and scientific collaborator of Germany's Alexander von Humboldt, Alexander Dallas Bache, in his model program for Philadelphia. See, Anton Chaitkin, "Humboldt in America," *Executive Intelligence Review*, June 26, 1998, p. 25.

2. Admittedly, such literacy is rare these days. The point is, that an adolescent who had been given a fair chance at a decent, Classical education, would have such skills. Hence, my point is: such competence is within the reach of a typical adolescent, provided that adolescent had been provided a decent education and matching cultural environment.



"Third Wave" cultists (left to right) Newt Gingrich, François Quesnay, and Alvin Toffler. Quesnay's doctrine that "bounty" inheres in the feudalist form of property title to the land, forms the kernel of what became Gingrich's "Contract on America" manifesto.

which no honest and sane person could disagree today. Similarly, glassy-eyed advocates of "globalization," insist on defending the delusion, that the present, ever-deeper lowering of average physical-economic output per-capita, globally, must be continued, as a general benefit to not only the U.S., but also the world economy. Apparently, such advocates have not mastered even the simplest operations of addition and subtraction.

The fact that, even after the catastrophes of the recent six years, such follies as NAFTA, "free trade," and "globalization," are presently still tolerated opinions in Washington's policy-shaping, is more than sufficient proof, that something is very wrong in what passes for the economic calculations of the majority among today's policy-shapers. Thus, blind faith in mere financial-accounting practice persists, despite the recent twelve months' stunning accumulation of contrary evidence. This takes us beyond the apparent inability of Perot's critics to add and subtract; it reflects two deeper problems, which are the timely subject of this report.

The first, simpler, more immediate of the latter two problems, is, that the stubbornly persisting miscalculations in the economics reports of our government, Federal Reserve Chairman Alan Greenspan, and most other so-called "financial experts," reflect a broader, quarter-century's collapse in the levels of rationality, at nearly all levels of the population. As each older generation has been replaced by generations newly entering adolescence and adulthood, the incompetence of the policy-makers and credulities of the population have reached

new depths of irrationality. As I have pointed out recently, this collapse of rationality, in turn, correlates with a continuing down-shift in the composition of employment, away from productive modes of employment, into more or less parasitical, and, therefore, increasingly irrational modes of so-called "services" occupations, such as employment in "financial" and other usually doubtful qualities of "services" employment.³

The fact that such a continuing, quarter-century trend, away from productive forms of employment, has been tolerated to the extent it has during the recent quarter century, reflects the deeper, more long-standing problem addressed in this report. If one looks more closely at the evidence, an ominous shortfall in the intellectual development of our population, was already taking over the majority of even the presumably literate rations of our population, even prior to the 1964-1972 down-shift into "post-industrial" utopianism. Prior to the assassination of President John F. Kennedy, the problem was, admittedly, marginal, relative to the disastrous situation today; but the intellectual seeds of future economic disaster had already been planted.

Evidence such as comparative studies of the popular literature, entertainment, textbooks, and public policy-debates of the U.S., sampled from a succession of various intervals since the beginning of this century, points toward a leading contrib-

3. Lyndon H. LaRouche, Jr., "The Eagle Star Syndrome," *Executive Intelligence Review*, August 7, 1998.

uting cause for the problem. In most departments of learning and popular discourse, for example, a relative degeneration of standards of education and literacy was already in progress during the first half of this century, and up through the time of the Kennedy Presidency. By the standard of content-analysis applied to the congressional and comparable oratory since the period of President Franklin Roosevelt's terms in office, a growing ratiom among today's elected and party officials, such as Speaker Newton Gingrich, are virtually incoherent ranters, of a type which is usually incapable of addressing an important issue honestly and rationally.

Admittedly, the disintegration of public education systems, worsened by that irrationality and illiteracy which has become typical of the popular mass media, has been a factor in this moral decay of the population. The cultural rot shown by audiences' toleration for the decadence of the most popular, most influential of the mass-circulation news and entertainment media, reflects the process of ongoing general collapse of the level of rationality of the population, not only during the recent thirty years, but over the course of the century.⁴ A partial exception to this long-standing prevalence of erosion in our national intellectual life, is to be found in so-called "hard science" and engineering from the decades prior to the Kennedy assassination. That noted, with few, and diminishing exceptions, the post-World War II "liberal arts" programs of public school and university education, were predominantly a sham.

Ask, then: What was the reason for this apparently paradoxical contrast between increasingly frivolous "liberal arts" curricula, and a contrasting, continued level of relative competence in scientific and engineering curricula? Why is it, that, despite the half-century or so of intellectual decay in most departments of learning, prior to the 1964-1972 eruption of post-industrial utopianism, a kernel of competence persisted in the area of so-called "hard science" and engineering?

The more obvious answer to that question is, that the cause for that difference in quality of intellectual life between the two categories, was chiefly political. As long as physical-economic and related considerations of national strategic economic security, remained the one department in which education and practice were conducted with serious attempts at

4. Exemplary is the science policy of the *New York Times*. Notable are the *Times*'s opposition to Thomas Edison's development of the light bulb, its insistence that the Wright Brothers' experiments should be stopped, and its insistence that Professor Goddard's rockets could never reach beyond the Earth's atmosphere. The pro-Confederacy tradition of the family ownership of the *Times* might explain the publisher's kinship to "Fugitive" minds such as those of Robert Penn Warren, John Crowe Ransom, and William Yandell Elliot. The British connections of the House of Morgan also bear on the newspaper's science policy to such effect. Pro-Confederacy traditions aside, what must be taken into account, is that the U.S.A.'s putatively leading, and most influential daily newspaper is received as credible by so broad, so plainly corrupted a popular audience.

competence, self-respecting forms of intellectual life were concentrated, chiefly, in the mathematical-physical, and closely related disciplines.⁵

To account for the suddenness of that collapse of rationality in our nation's policy-shaping processes, which erupted among university populations during the 1964-1972 interval, we must focus upon certain defects in scientific curricula from earlier times, defects which were usually either overlooked, or merely shrugged aside, in the saner times before the Kennedy assassination. The irrationality we suffered during 1964-1972 and later, was already developing, like a fungus, even within those aspects of our nation's pre-1964 intellectual life, such as "hard science," in which *we, otherwise, had still enjoyed that degree of popular rationality of our citizenry which was consistent with our nation's continuing advances in productive forms of employment*. For the purposes of this report, our attention is focussed upon the continuing, pernicious influence of that specific kind of intellectual "fungus" which already polluted the mathematical-physical disciplines during the decades preceding the 1964-1972 eruption of the cult of "post-industrial" utopia.

Restate the preceding point in the following terms. The relevant flaw in those tainted aspects of pre-1964 forms of mathematical-physics and related education, is that specific taint of corruption in pre-1964 scientific education and practice, which prepared our nation—especially its university graduates of the years after 1963—to tolerate the 1964-1972 downshift of productivity, and, thus, to acclimate ourselves as a people, increasingly, to the consequent, subsequent descent, into the "Clockwork Orange" nightmare of "post-industrial" utopianism.

After we have addressed here the key technical error, that of "linearization in the small," which was tolerated within pre-1964 "hard science" education, we shall turn then to the second of the two deeper problems, the deeper, social basis for that disorder. We must focus then upon the origins of the still deeper, literally *axiomatic* implications of that same

5. Apart from the mathematical-physical and related sciences, the only important niche of rationality was found in the rapidly declining areas of study and performance of those Classical art-forms of poetry, drama, music, and plastic arts which traced their roots explicitly from Classical Greece, especially the exemplary traditions of Homer, Aeschylus, and Plato. Whatever degree of sanity and decency remained in popular art-forms, was rapidly wiped out by the onset and aftermath of the 1964-1972 rampage of the "rock-drug-sex youth-counterculture." The same pattern showed increasingly, during the 1950s and 1960s, in the frequent case a competent production management's efforts were ruined by the incompetence characteristic of the outside influences usually conveyed through the financial-accounting side of the management. Typical of the latter disparity, was the popularization of the lunatic doctrine of "value engineering," promoted through relevant Wall Street propaganda-channels, as early as the late 1950s. The latter doctrine could have been promoted by illiterates who had not laughed heartily at Oliver Wendell Holmes' famous spoof, "The Deacon's One-Horse Shay" ("Built to last for a year and a day").

gradual loss of rationality which took hold during the decades prior to the 1964-1972 “cultural-paradigm shift.”⁶

We shall show here, that *every relevant error in the mathematical argument used to defend today’s generally accepted economics dogma, is to be traced to relevant defects within those same mathematical methods which were generally accepted in most universities during most of this century, up through the end of the 1960s.* In that, in sum, lies the crux of the problem upon which we focus in this report.

What in Hell happened with Newton

For example, since the closing months of 1987, the world has watched, with horrid fascination, as the supposed “wonder economy” of recent decades, Japan, destroyed itself before the anxious eyes of officials such as U.S. Treasury Secretary Robert Rubin.

As we have watched this catastrophe unfolding, we have been confronted with the shameful fact, that Japan’s post-war reconstruction and later, brilliant industrial progress, prior to the second half of the mid-1970s, had been replaced by the rising influence of a monetarist’s gambling mania which is as wild, or even wilder than John Law’s famous bubble.⁷

We must recognize the specific quality of lunacy which has lately taken over leading financial circles in Japan, and also a large part of the U.S. population, especially since the combination of the “Plaza Accords”⁸ and the October 1987 U.S. stock-market crash. This madness is an echo of the same insanity as the Dutch tulip craze of the Sixteenth Century,⁹ or that “Pyramid Club” craze which duped a significant portion

of the U.S. population at the close of the 1940s;¹⁰ it is a quality of madness which should remind us of the moral depravity which was characteristic of Georgian England from the time of the South Sea Island and John Law bubbles, the depravity which Hogarth depicts in his *The Rake’s Progress*.

Industrial Japan has been ruined, through a takeover of the nation’s financial markets and key party leadership, by a present generation of prodigal sons: those pampered, “Third Wave” wastrels, whose wild miscalculations relied upon the so-called “artificial intelligence” provided by aid of the combination of a “handi,” an Internet connection, and a personal hand-held calculator.

What menaces us today, is far worse than some passing, crazy fad. The madness in the eyes of these young monetarist fanatics of Japan (and elsewhere) should remind us, ominously, of Europe’s rampaging hordes of Fourteenth-Century Flagellants.¹¹ This younger generation, in Japan, and also elsewhere, typifies a ruling stratum, like Babylon’s Belshazzar, whose role today is that of a caste which lacks the moral fitness to survive. Such a political class, in Japan, or elsewhere, will not survive; either it will be soon swept aside, and replaced, or the existing economies as we have known them, will be plunged into a global spiral of self-disintegration.

This madness which has taken over today’s Japan, should be seen as an ugly warning to the monetarist tycoons of Wall Street and London. No economy can run forever on the fictitious wealth represented by an outpouring of depreciating paper in the form of those recklessly inflated “Monopoly” dollars which flood the attempts to bail out a bottomless world financial system.¹² There is little relevant difference between

6. For all practical purposes, “rock-drug-sex counterculture,” “post-industrial utopianism,” and such dionysiac corruption as the influence of Georg Lukacs and the so-called “Frankfurt School,” should be taken as a single, common phenomenon.

7. The John Law bubble, also known as the Mississippi bubble, bankrupted France in the 1720s. It was based on a swindle by Scottish gambler John Law, who eventually became the Comptroller General of France. His Mississippi Company was set up in 1717 to sell shares of the Louisiana Territories to the French public, as buyers were told that the Territories were filled with gold, silver, and other natural wealth, and that they would make millions (the promised loot from Louisiana never materialized). A speculative fever took hold, and by December 1719, the original shares were trading at 40 times their original value. But, during that winter, the wealthiest speculators pulled out of the market, and the company collapsed, bringing the investors down with it.

8. At a meeting in New York’s Plaza Hotel in September 1985, the Group of Seven finance ministers agreed to lower the value of the dollar against other currencies. Within a short period, the dollar fell by 30% against the yen; by 1988, the yen had risen 86% against the dollar, helping to create a “bubble economy” in Japan.

9. Tulips arrived in the Netherlands from Turkey in 1593, and soon became the subject of a speculative explosion; the bulbs were never planted, and were never even seen by their purchasers, since sales took place by contract. Prices reached staggering heights by late 1636 and early 1637, but in February 1637, the collapse was on, and thousands of investors were bankrupted.

10. Pyramid Club mania swept the United States in 1949, making headlines in *Time* magazine, and other popular journals. In reviewing 1949, in its 1940-1950 volume of *The Fabulous Century* (Time-Life Books, 1987), Time, Inc. runs a reprise of the fad, with a *Los Angeles Herald-Examiner* photo of a California winner, waving fistfuls of money. “Mrs. Clyde grabs the loot she has won in a Pyramid Club. A craze in 1949, the clubs required members to pay, say, one dollar each, and recruit two others at a dollar a head. After 12 days a member theoretically won \$2,048—but most clubs folded because of the decreasing mathematical probability of finding new members.”

The same sophistry, “See, you can’t lose in this game,” which was the selling-point for the spread of the Pyramid Club mania, was the argument made to sell the “futures” swindle to those duped into the “derivatives” mania.

11. William F. Wertz, Jr., “The Lessons of the 14th-Century Dark Age,” *The New Federalist*, June 29, 1998, pp. 5-8.

12. Admittedly, the collapse of Russia’s financial and monetary system is an awful development, especially for western Europe, notably for a Germany which is Russia’s most important creditor. However, the crisis of Japan is far worse than the Russia case, for the world at large. Russia is a victim of the reform which was imposed upon it from outside. Japan typifies the rot at the core of the IMF system. The estimated \$1.5 trillions bankruptcy of Japan, is linked directly, chain-reaction fashion, like a detonator, to an approximately \$140 trillions “derivatives” bubble in the world’s financial system as a whole. Thus, the chain-reaction effects of a Japan collapse will rip through the world’s dominant financial and monetary institutions in a way which is far more significant than the collapse of Russia’s present financial system. Hence, our emphasis on the case of Japan, here.



Rembrandt van Rijn,
*"Belshazzar Sees the
 Handwriting on the
 Wall"* (c. 1636).

the combined performance, since 1979, of Federal Reserve Chairmen Paul Volcker and Alan Greenspan, and that of those German money-managers of 1921-1923 who, earlier, wiped out a national currency, their own, in the famous Weimar hyperinflation of 1923. "Buy 'Boardwalk,' anyone?"

What kind of mathematical ideology has led most of the world's governments and financial institutions to miscalculate so tragically? To answer this question, we should focus our attention, first, upon what passes for mathematical skills among those pitiable creatures of Japan and Wall Street who follow in the footsteps of Bertrand Russell, Norbert Wiener, and John von Neumann: that pathological, "Third Wave" style in mathematical thinking, which dominates the circles presently engaged in bankrupting the world's present global financial and monetary systems. That lunatic variety of mathematics represents the more obvious cases; but, as we have already stressed, to discover the corruption which led to Wall Street's tolerance for John von Neumann's "chaos theory" and similar cults, we must focus upon the susceptibility which is the outgrowth of a certain aspect of a certain, centuries-long current of modern European thinking about mathematics.

To begin, trace the modern history of this problem, as follows. Begin with the case of Newton: not only "Third Wave" freaks such as Alvin Toffler and House Speaker Newton Gingrich, but, also, Sir Isaac Newton. First, as we have

already emphasized, recognize the degree to which the pathological element in today's popular opinion about mathematics and economics, is at the center of the policy-making responsible for the presently accelerating, terminal process of disintegration of the world's economy. Then, after that, as we have promised, look at the same problem on a deeper level.

It is within the reach of any among that same, presently vanishing species of literate secondary-school graduates to which we referred at the outset, to reconstruct the crucial proof, that Sir Isaac Newton's formulation of a mechanistic notion of so-called "action at a distance," was a hoax, nothing more than a dubious parody of Johannes Kepler's earlier discovery of the principled characteristics of orbital motion within our solar system.¹³

Equally significant, ask this. After Carl Gauss demonstrated conclusively, by the case of Ceres, that Kepler had been correct, and Newton's method intrinsically wrong, why did the influence of Newton's followers remain *politically* hegemonic in most of both the English-speaking and positiv-

13. Johannes Kepler, *The New Astronomy*, translated by William Donahue (Cambridge, U.K.: Cambridge University Press, 1992), and *The Harmony of the World by Johannes Kepler*, translated by E.J. Aiton, A.M. Duncan, and J.V. Field (Philadelphia: American Philosophical Society, 1997). Also, see Jonathan Tennenbaum and Bruce Director, "How Gauss Determined the Orbit of Ceres," *Fidelio*, Summer 1998.



Indonesian currency traders, 1998. “What menaces us today, is far worse than some passing, crazy fad,” LaRouche writes. The younger generation in Japan, and elsewhere, typifies a ruling stratum, like Babylon’s Belshazzar, “whose role today is that of a caste which lacks the moral fitness to survive.”

ist currents of Nineteenth- and Twentieth-Century secondary and university education world-wide? Add to those questions, the following qualification, of direct bearing on the subject of the present report. What is the relevance of the mathematical method expressed by such toleration for Newton’s elementary error, to the widespread miscalculations underlying the presently ongoing disintegration of the world’s financial and monetary systems?

To pick up the threads of the Newton hoax — and, it was a willful hoax,¹⁴ trace European civilization’s history of mathematics since Plato’s Athens of the early to middle Fourth Century B.C., as Plato and his associates reflected on mathematical paradoxes already identified by the earlier work of Pythagoras on such topics as musical tuning and the existence of what we call “irrational numbers.” We shall indicate why those specific topics are of exemplary relevance for understanding the leading problems of mathematical economics today.

From Plato’s time, onward, the foundations of modern European civilization have developed around a debate be-

14. See below on the influence of Venice’s Paolo Sarpi in creating and shaping the establishment of Seventeenth-Century English empiricism. Also notable, in the perpetuation of the Newton hoax, was the role of another Venice agent, the same Paris-based Abbot Antonio Conti who became, in fact, the “Josef Goebbels” of the Newton myth.

tween two classes of opinion bearing upon the subject of mathematics. The one is represented by the followers of Plato and his Academy of Athens; the opposing faction is represented by those commonly classed as “the reductionists.” In academic circles, the reductionists of Classical and Medieval times, are usually recognized by such names as Eleatics, materialists, sophists, and Aristotle. It is the common fallacy of the method used by each and all of the second group, the reductionists, which is key to the mathematical aspects of the policies responsible for today’s onrushing, global financial collapse. For convenience, let us call the first faction, Plato and his followers, *the physicists*, and the latter, Aristotle, et al., *the nominalists*.¹⁵

Identify the issue in the modern history of mathematics in the following way. Pose the question: Why is it, that although Newton’s notions of universal gravitation are algebraic parodies of the earlier work of Kepler, Gauss’s work showed why Kepler’s original approach, that of Leibniz’s calculus,

15. On the significance of emphasizing Plato’s role as a physicist, see our references to Bernhard Riemann’s 1854 habilitation dissertation (*Über die Hypothesen, welche der Geometrie zu Grunde liegen, Bernhard Riemanns Gesammelte Mathematische Werke*, H. Weber, ed. [New York: Dover Publications reprint edition, 1953]). *Nominalist*, as used by me, here, emphasizes the reductionists’ axiomatic reliance upon formalism, such as that of Aristotle and his followers, or the Okhamite followers of Paolo Sarpi and Antonio Conti.

works, whereas Newton's does not?¹⁶ Where lies the source of that difference?¹⁷ The solution to that apparent Kepler-Newton paradox, takes us to the core of the issues of mathematical economics today.

What should we measure?

Logical positivists, including such devotees of Bertrand Russell as Norbert Wiener and John von Neumann,¹⁸ insist that the system of mathematics, and therefore also mathematical physics, must be reduced to the elaboration of a set of simple, *a priori* assumptions, including those respecting space, time, and magnitude.¹⁹ Deductive consistency with such *a priori* design, demands, that the elementary connections linking the successive stages of any action occurring within that system, must be considered to be linear, as Newton presumed, and as did Leonhard Euler and Augustin Cauchy.²⁰ Those are the essential, false, reductionist assumptions, which underlie the mathematical methods commonly employed by financial accountants, and others, ploughing the fields of economic analysis and forecasting today. That set of false assumptions, merely typified by the case of Bertrand Russell, et al., is key to understanding the intrinsic incompetence of all heretofore generally taught methods of economic analysis and forecasting.

Since the work of Plato, notably including his *Timaeus*, the current of physical science leading through Nicolaus of Cusa, Leonardo da Vinci, Kepler, Leibniz, and Gauss, has divided natural phenomena into two general classes. Cusa,

16. As Leibniz explained the issues, in his attacks upon Descartes, and then Newton, what Newton tacked onto a later edition of his writings, was not a calculus at all. Indeed, today's textbook calculus is largely the work of Augustin Cauchy, who replaced Newton with a castrated version of the Leibniz calculus, a version from which Leibniz's principle of the infinitesimal of non-constant curvature had been eliminated (by the notorious "Cauchy fraction"). From a formal standpoint, the history of the calculus begins with the work of Kepler, especially Kepler's discoveries stemming from treatment of the implications of the elliptical orbit of Mars. Kepler's pioneering approaches, as developed, chiefly, by Leibniz, and then as the hypergeometry (e.g., modular, multiply-connected functions) of Gauss and Riemann, focus upon the crucial role of characteristics expressed as non-constant curvature in the infinitesimally small, excluding the Newton-Euler-Cauchy hoax, of axiomatically presumed linearity in the infinitesimally small.

17. Obviously, if that question is not posed, the answer will not be sought; in that case, it were not likely that the unsought answer would be found.

18. Aristotle Society devotee Russell emphasized that he recognized no functional difference between his self-identification as a "radical empiricist" and the logical positivism of continentals such as the circles of Ernst Mach.

19. e.g., Alfred N. Whitehead and Bertrand Russell, *Principia Mathematica* (Cambridge, U.K.: Cambridge University Press, 1994, reprint of 1927 edition).

20. Euler committed a celebrated fraud, in which he purported to prove a principle of simple, linear continuity, by deriving this, as a theorem, from a form of geometry which already had the same theorem embedded within it, *a priori*, as an axiom of the system. Cauchy's fraction, which carried Euler's fraudulent assumption over into a deformation of the Leibniz calculus, has the same character and implications.

and these followers of his founding of modern experimental physical science, insisted that the differences between the two general classes, are defined by *measurement*, rather than by the deductive methods associated with *a priori* hypothesis. Kepler, following Plato, Cusa, Luca Pacioli, and Leonardo da Vinci, assorted the general classes of phenomena between those whose characteristic action is consistent with the implications of the Golden Section,²¹ and those lower species of existence whose characteristics were not consistent with this standard.²² Since the Nineteenth Century, we have assigned the term "entropy," to the lower species of existence; the term I use, anti-entropy, to avoid the recent decades' popular corruption of the term "negentropy,"²³ typifies that superior type, so identified by Pacioli, Leonardo, and Kepler.

The layman should not be put off by my unavoidable reference to certain historical-technical matters here. The highly practical — indeed, life-or-death — implications of this crucial technical point will be made clear soon enough.

There are three types of phenomena which meet the Plato-Kepler standard for processes of anti-entropic *characteristics* in the infinitesimally small: living processes generally, human cognition, and, as Kepler emphasized, the lawful ordering which is the underlying characteristic of the universe as a whole. In turn, the modern comprehension of such distinctions in characteristics, as extended into the infinitesimal, was continued beyond Kepler, by Leibniz. Leibniz's treatment of this matter was centered in his addresses to the topic of *non-constant curvature in the infinitesimally small*, and to the related topic of *analysis situs*. This Kepler-Leibniz development of the notion of multiply-connected manifolds, was brought to a relative degree of mathematical perfection by the work of Carl Gauss in founding what became known under the rubrics of *modular*, or *hypergeometric functions*.²⁴ This was featured as part of the same topic in Bernhard Riemann's treatment of hypergeometric functions,²⁵ and his related addresses to the topic of Leibniz's notion of *analysis situs*.²⁶ My own original discoveries in the field of mathematical economics rely, inclusively, on the implications of Riemann's discoveries.

21. e.g., the implications of the five Platonic solids.

22. Johannes Kepler, "The Six-Cornered Snowflake," translated by Colin Hardie (Oxford: Oxford University Press, 1966).

23. By the influence of Norbert Wiener's cult of "information theory."

24. See, Tennenbaum and Director, op. cit.

25. e.g., on the subject Abelian functions and hypergeometric functions otherwise.

26. Bernhard Riemann, *Theorie der Abel'schen Function Lehrsätze aus der Analysis Situs für die Theorie der Integrale von zweigliedrigen vollstendigen Differentialen*, in *Bernhard Riemanns Gesammelte Mathematische Werke*, H. Weber, ed. (New York: Dover Publications reprint edition, 1953). A partial English translation can be found under the title, *Riemann's Surfaces and Analysis Situs*, in David Eugene Smith, ed., *Source Book in Mathematics* (New York: Dover Publications, 1959).

Riemann's role in clarifying the mathematical-physics issues, was crucial for all modern science, including any competent form of mathematical economics. Although his solution to the problem was an original work of genius, that in the strictest sense, the problem he addresses, and largely solves in his 1854 habilitation dissertation, is an issue as old as Plato's work.²⁷ That problem, so situated historically, is key for solving the problem which is the subject of this report, a solution on which the continued existence of the present world civilization may depend, even in the short term.

The formalists, including such followers of Aristotle as the Immanuel Kant of his famous *Critiques*, assume the self-evident existence of certain axioms, without any proof other than so-called "intuition." These include, for example, the axioms of the usual classroom and textbook varieties of Euclidean geometry. Through mistaking deduction for rationality, as Aristotle and Immanuel Kant do, these formalists build their system around a deductive notion of *extension*, such as Newton's "action at a distance." For Newton, as for Hobbes, Locke, Mandeville, David Hume, Adam Smith, Jeremy Bentham, Leonhard Euler, Laplace, Augustin Cauchy, and other philosophical nominalists, extension is implicitly presumed, by intuition, to be linear, especially in the infinitesimally small.²⁸

What the formalists do, is to view the mathematical physics which they have come to adopt (up to each relevant present

27. "It is well known that geometry presupposes not only the concept of space but also the first fundamental notions for constructions in space as given in advance. It gives only nominal definitions for them, while the essential means of determining them appear in the form of axioms. The relation of these presuppositions is left in the dark; one sees neither whether and in how far their connection is necessary, nor *a priori* whether it is possible.

"From Euclid to Legendre, to name the most renowned of modern writers on geometry, this darkness has been lifted neither by the mathematicians nor by the philosophers who have labored upon it. The reason of this lay perhaps in the fact that the general concept of multiply extended magnitudes, in which spatial magnitudes are comprehended, has not been elaborated at all. Accordingly I have proposed to myself at first the problem of constructing the concept of a multiply extended magnitude out of general notions of quantity." Bernhard Riemann, *On the Hypotheses Which Lie at the Foundations of Geometry*, translated by Henry S. White, in David Eugene Smith, ed., *A Source Book in Mathematics* (New York: Dover Publications, 1959), p. 411.

28. While Aristotle was already implicitly a nominalist, that appellation must be applied with special force to the cases of the British empiricists and continental Cartesians and positivists. Modern empiricism, and positivism after it, was established by the influential Venetian Paolo Sarpi, a revision of Aristotle's method which Sarpi based explicitly on the model of the medieval obscurantist William of Ockham (of "Occam's Razor" notoriety). The form of empiricism and positivism popularized during the Eighteenth and Nineteenth Centuries, was a product of the influence of another Venice agent, the leading adversary of Leibniz during Leibniz's lifetime, Paris-based Abbot Antonio Conti. Conti was the founder of what became known as the Eighteenth Century "Enlightenment." Newton was a protégé of Conti, while relevant enemies of Leibniz's work, such as Leonhard Euler, Immanuel Kant, Augustin Cauchy, et al., were members of cult-circles established by Conti during the first half of the Eighteenth Century.

moment of their work) as a formal mathematical system of the reductionist type indicated (e.g., Aristotelean). *With only a few exceptional cases, which are of virtually no relevance to our discussion here, the mathematical systems of the formalists are each based upon the common assumption of Newton, Euler, Cauchy, Clausius, Bertrand Russell, John von Neumann, et al.: the deductive assumption that extension is, to all practical intent, "linear in the infinitesimally small."* From Aristotle, through Hobbes and Immanuel Kant and Cauchy, that typically reductionist assumption, of "linearity in the infinitesimally small," implies, mathematically, that the universe as a whole is governed by a principle of universal entropy. For that specific reason, anything which a reductionist, such as a financial accountant, says about the subjects of human behavior, living processes, or the universe in general, is, at its very best, axiomatically false.

Gauss' discovery of the orbit of Ceres presents a crucial demonstration of this point; the distinguishing characteristics of processes, for the purposes of a calculus, are located precisely in those facts which members of Conti's salons, such as Berlin's Leonhard Euler, insisted do not exist. These characteristics are located, precisely, within the non-linearity of the curvature of a process in its infinitesimally smallest interval.²⁹ In other words, in the typical case, the physical-space-time curvature of the action expressed in the most infinitesimally small, is never, contrary to Euler et al., the reductionist's "straight-line action at a distance." In the real physical universe, as for Carl Gauss, the action expressed in a measurable form, within the infinitesimal interval, has some distinctive curvature, a curvature which echoes the characteristic of the process as a whole.³⁰

This, as Plato and Kepler had insisted before Leibniz or Gauss, is precisely the distinction in *characteristic* which sets an anti-entropic process absolutely apart from an entropic one. This is the most crucial feature of the original discovery which Riemann presents in his 1854 habilitation dissertation. *We must never presume to define the characteristic action in a multiply-connected physical-space-time manifold, from an a priori, formalist standpoint; such questions must be answered, not in the domain of formalist mathematics, but, rather, belong to the realm of experimental physics.*³¹

29. Tennenbaum and Director, op. cit.

30. *ibid.*

31. "This path leads out into the domain of another science, into the realm of physics, into which the nature of this present occasion forbids us to penetrate." Riemann, *On the Hypotheses Which Lie at the Foundations of Geometry*, op. cit., p. 425.

To the degree that one operating manifold of validated physical principles is of a higher cardinality than another, we may conclude that the characteristic of an economy operating on the basis of the higher technology will be greater than that of an economy relying upon the less advanced manifold. However, the exact characteristic must be determined physically, not formally. This does not imply that the physical universe is in some way irrational; it signifies the elementary significance of living in a universe which is a multiply-con-

Riemann's argument to this effect, was already a crucial argument contained implicitly within Plato's *Timaeus*, and was also a central argument of Kepler's founding of the first comprehensive mathematical physics in his *New Astronomy* and related works. This same distinction, should be recognized as the fundamental theorem of any competent type of mathematical economics. This theorem is key for understanding the intrinsic incompetence of virtually all of the actually or implicitly mathematical analysis and forecasting presented by government and related circles today.

The key principle to be stressed in the remainder of this report, is the following reflection upon the point we have presented immediately above. *To be competent, mathematical-economic analysis must lay the primary emphasis upon measuring the characteristic relative anti-entropy of the economic process considered as a whole.*³²

The principled form of that measurement must be made in the same general form I have expressed this in my specification for an anti-entropic set of simultaneous inequalities.³³ It is the measurable changes in (Riemannian) relative anti-entropy³⁴ of the whole process, as expressed in per-capita and per-square-kilometer terms, which defines the relative characteristic distinguishing a relatively more successful stage of economic development, from a relatively poorer one. This must be defined, and measured, in Riemann's sense of a physical, rather than aprioristic characteristic.³⁵

Hobbes, Quesnay, and Smith

Presently, virtually all professional economics taught in our universities, is premised upon blind faith in those nominalist assumptions which were introduced, as empiricism, to the England of the Venice-linked Cecil family, by the agents

nected manifold, in which addition of new principles depends upon crucial validation of discoveries by experimental methods.

32. On this point, today, since the popularization of Professor Norbert Wiener's "information theory" hoax, it is strictly necessary to avoid the popularized connotations of use of what Wiener transformed into the cult terms "negative entropy," or "negentropy." Otherwise, ignorant popular opinion among today's academics will nod energetically, saying, "Yes, we must use the H-theorem."

33. Cf. Lyndon H. LaRouche, Jr., "An 'American Century' Seen as a Modular Mathematical Orbit," *Executive Intelligence Review*, July 24, 1998, p. 30.

34. In the LaRouche-Riemann method, three measurements are required. The first, my own original discovery, is expressed by the system of simultaneous inequalities which I counterposed to the arguments of Norbert Wiener and John von Neumann. The second, my own argument, is attributing anti-entropic changes in the characteristic physical-economic productivity of a society to accumulated advances in a combination of valid discoveries of both physical and Classical-artistic principles. The third, is my adoption of Riemann's notion of a multiply-connected manifold as the basis for defining the intellectual matrix which governs the possibility of realized increases in the physical-economic productive powers of labor. For this purpose, *potential relative population-density* of an entire culture, is a term which is virtually interchangeable with "productive powers of labor."

35. *ibid.*

and other followers of Venice's then-ruling figure of the post-1582 period, Paolo Sarpi. After Sarpi, these influences evolved into those forms of the British and French "Enlightenment" associated with the followers and associates of Venice's later, Paris-based spy-master, and most virulent Leibniz-hater, Abbot Antonio Conti. Notable in these connections, are Sarpi's personal lackey, the notorious Galileo Galilei, Sarpi's agent Sir Francis Bacon, Galileo's mathematics student and Bacon intimate Thomas Hobbes, John Locke, Bernard Mandeville, Physiocrat Dr. François Quesnay, Adam Smith, and the first head of the British Foreign Service, Jeremy Bentham. The essential features of that empiricist view are as I have outlined the principles of the empiricist form of reductionist method, here above.

Hobbes, for example, defines society as, virtually, a mass of percussively interacting, irregularly-shaped billiard balls. The varieties of elasticity and "spin" supplied to the individual interactions are presumed to be variants upon the theme of "The Seven Deadly Sins." If one knows the relevant axiomatic characteristics of mathematical thinking which "Leporello"-like Galileo adopted directly from the instructions of his master Sarpi, there is no doubt that we must emphasize the role of empiricist mathematical education in reading the way in which Hobbes' conception of society was formed, as a kind of statistical "gas system," of particles "each in war against all."

The subsequent addition of the naively deductive assumption of "action at a distance," to Hobbes' simply percussive interaction, made the model more complicated, but, for our purposes here, the relevant, axiomatic characteristics are not altered. "Action at a distance" is, in fact, adding "at a distance" as an implicitly included feature in the repertoire of percussive interactions; this addition serves as a ruse for providing the pretense of contextual universality for the system of percussive interactions.

After Hobbes, beginning with John Locke, the English empiricist school of political economy reinterpreted this expanded form of Hobbes' percussive-statistical model as the basis for what became the modern doctrine of "free trade." Like Hobbes, his liberal empiricist successors, Locke, Mandeville, Smith, Bentham, et al., insisted that their "kinetic gas theory" model of society, based upon the model of "The Seven Deadly Sins," was the only "natural" form of the social process, with which alleged tyrants such as France's Jean-Baptiste Colbert (or, Alexander Hamilton, John Quincy Adams, Friedrich List, or President Abraham Lincoln) must not "interfere."

A frankly satanic element, which is axiomatically implicit in the liberals' definition of their "free trade" dogma, was featured frankly in the arguments of the most malicious among liberal empiricists, such as Mandeville, who served as an inspiration for Mont Pelerin Society founder Friedrich von Hayek, and also Jeremy Bentham. For the purposes of our report, the clinical case of the utterly damnable Physiocrat,

Dr. François Quesnay, is most interesting for our consideration here.

Quesnay, like the notorious Voltaire, belonged to that Venetian circle which Paris-based Venice spy-master and Abbot Antonio Conti introduced to France. Quesnay was associated with the most corrupt circle infiltrating the court of Louis XV. It was from the writings of Quesnay and of Quesnay's Physiocratic follower and "free trade" advocate, A.R.J. Turgot, that Lord Shelburne's British East India Company agent, Adam Smith, plagiarized the important systematic features of the 1776 *Wealth of Nations*.

The political root of Quesnay's writings, is the most virulent of the pro-feudalist, anti-nation-state factions in earlier, Seventeenth-Century France, the notorious *Fronde*.

This *Fronde*, early associated with the Anglo-French feudal family of Beaufort, is best known in history for its treasonous military and related enterprises against Cardinal Mazarin, and Mazarin's famous protégé and successor, Minister Jean-Baptiste Colbert. It was Louis XIV's alliance with the *Fronde* faction, over Colbert's opposition to this policy, which plunged France into ruinous wars, Louis XIV playing thus into the hands of the disgusting Duke of Marlborough's Anglo-Dutch financier oligarchy. These wars dominated the late Seventeenth Century and the period of the relatively brief reign of England's Queen Anne. These were the wars through aid of which the butcher William of Orange, and Orange's protégé, George I, were brought to power in England.³⁶

Quesnay was among the prominent, pro-*Fronde* propagandists devoted to attempting to eradicate the intellectual influence of Colbert and Leibniz from France. Taking Turgot's influence duly into account, all of Quesnay's work, and Adam Smith's extensive intellectual debts to Quesnay, are to be understood from the standpoint of Venice's influence behind both the *Fronde* and the financier-oligarchy's establishment of the Anglo-Dutch monarchy of Orange and Hanover.

Typically *Frondist*, the principal axiomatic feature of Quesnay's Physiocratic doctrine, is the assertion of a divine right of the feudal landed aristocracy to rule its landed estates free of interference by any central national authority. To this effect, Quesnay insists upon the paganist doctrine, that all wealth originates as the bounty of nature, rather than as the fruit of the intelligence of the human will. Thus, he insists, the "bounty" inheres "naturally" in the feudal form of property-title to the land, and that that "bounty" belongs, therefore, to the feudal landlord who has received the property title as a divine gift. That is the axiomatic kernel of Quesnay's entire doctrine, especially that pro-feudalist doctrine of *laissez-faire* from which Adam Smith borrowed so liberally on behalf of his own doctrine of "free trade," and from which "Third Wave" cultist Newton Gingrich borrowed the kindred, piti-

36. Cf. H. Graham Lowry, *How the Nation Was Won*, Vol. I (Washington, D.C.: Executive Intelligence Review, 1988).

ably contemptible doctrine of his own Jacobin-style "Contract on America" manifesto.

Quesnay's pagan worship of Nature and all things mythically natural, is one of the keys for understanding how the present intellectual, and moral corruption of the United States' government and population has been accomplished. Opposite to pagans such as Quesnay, for the Christian, the most relevant connections are obvious ones: the essence of satanism, such as that of Quesnay's Physiocratic doctrine, is the assertion which counterposes satanic Gaia's Nature, as the enemy, to the Judeo-Christian notion of man and woman as made in the image of the Creator. The connection to be made is the following.

If we accept, as the challenge of the manifest paradox, the proposition that the individual mortal person is made *essentially* as a replica of the Creator of this universe, what is the crucial experimental evidence which enables us to discover a *provable*, validated meaning for those verses from *Genesis* 1? The only proof which satisfies that requirement, is the evidence that mankind increases its power over the universe through realization of validatable discoveries of both physical principle and of those Platonic, Classical-artistic principles properly informing the relations among human individuals.³⁷

This supplies unique significance for my own revival and further development of the Leibnizian science of physical economy. The only form in which mankind's increase of our species' lawful power over nature is expressed in both general and rigorous terms, is the same standpoint in physical economy represented, typically, by my anti-entropic set of simultaneous inequalities.

The reciprocal implication of the LaRouche-Riemann Model for *anti-entropic increase* of the potential relative population-density of an entire society, is that the anti-entropic change, for the better, in the implicitly measurable characteristic of that physical economy, expresses the function of individual human cognition in generating those discoveries of combined physical and Classical-artistic principle, from which the anti-entropic change in characteristic is derived.³⁸ Thus, *the principle of action* which underlies the anti-entropic characteristic of a successful form of society, is the developable, sovereign, *world-historical* cognitive potential of the individual human personality.

37. Lyndon H. LaRouche, Jr., "Russia Is Eurasia's Keystone Economy," *Executive Intelligence Review*, March 27, 1998, and "The Substance of Morality," *Executive Intelligence Review*, June 26, 1998.

38. See my following treatments of this subject-matter of the role of interacting discoveries of physical and Classical-artistic principles. "Russia Is Eurasia's Keystone Economy," *Executive Intelligence Review*, March 27, 1998; "The Principles of Long-Range Forecasting," *Executive Intelligence Review*, April 17, 1998; "The Substance of Morality," *Executive Intelligence Review*, June 6, 1998; "Where Franklin Roosevelt Was Interrupted," *Executive Intelligence Review*, July 17, 1998; "An 'American Century' Seen as a Modular Mathematical Orbit," *Executive Intelligence Review*, July 24, 1998.

Just as the evolutionary development of the biosphere³⁹ supersedes the generality of ostensibly non-living processes, so the sovereign cognitive processes inhering in each human individual supersede the generality of non-human processes. To attempt to superimpose the characteristic of non-living processes on the biosphere, is to practice death; to attempt to superimpose characteristically non-human forms of “natural” processes upon mankind, as Quesnay did, and as Britain’s heathen, Gaia-worshipping Prince Philip does, is a wildly dionysiac scheme, for imposing a demographic collapse far worse than anything attempted by Adolf Hitler’s regime. Quesnay’s followers, like Prince Philip, seek to degrade humanity to the population potentials and conditions of life of the wild beasts. Quesnay’s doctrine typifies the state of mind we must associate with plainly satanic implications of the pagan worship of “natural nature.”

If the anti-entropic development of human society does not come from the anti-entropic action of human cognition, whence could “profit” come? If there is no anti-entropy, then the potential relative population-density of humanity were fixed in the way in which the ecological potential of each among all lower species is relatively fixed. There could be no anti-entropic gain, hence, no “profit” to society as a whole, at least not in the typical U.S. citizen’s commonly understood notion of growth of a national economy.

In that case, as for Quesnay and the British East India Company, “profit” occurs only in the form of a tax which landlords, or financier oligarchs, for example, might impose, as parasitical looting, upon those parts of the human population unable to resist such depredations. In fact, Quesnay’s “bounty of nature” occurs only as the landlord’s bounty from looting of the subjugated social strata: not as a gain to society as a whole, but, rather, as a deduction from the previously existing levels of output of the society as a whole.

Shifting attention away from the landed aristocracy, to Adam Smith’s Venetian-style, Anglo-Dutch financier oligarchy, the modern cult of “free trade” replaces Quesnay’s “bounty of nature” with a queer assumption of its own. It presumes, as Adam Smith does, that the source of growth of wealth is the random, parasitical (e.g., “cheapest price”) interactions of a Hobbesian-like society operating, without interference, according to the statistical principle of “war of each against all.” That was the argument underlying John Locke’s doctrine of property. That was the explicitly satanic teaching of Bernard Mandeville’s *The Fable of the Bees*.⁴⁰ That is the doctrine of “free trade” presented by Adam Smith, Jeremy Bentham, John Stuart Mill, et al. Norbert Wiener adopted the same form of argument in presenting his H-theorem argument for his “information theory” hoax.

In short, there never was any rational basis for today’s

39. Vernadsky’s *noösphere*, for example.

40. Bernard Mandeville, *The Fable of the Bees, or Private Vices, Public Benefits* (London: 1934, reprint of 1714 edition).

widespread presumption, that “free trade” fosters an increase in wealth; such beliefs were never more than a matter of arbitrary blind faith by Enlightenment paganists such as Quesnay. In fact, as the argument of Clausius, Kelvin, et al. goes, the predetermined result of any characteristic form of economic action which is analogous to “free trade,” must be entropy, the degeneration and “heat death” of any system foolish enough to adopt such a policy.

If, as the liberal economists’ argument requires, there is no absolute growth in the productive powers of labor, no actual profit, then the increase of per-capita rates of localized, nominal profit, can occur only as it did under the influence of such follies as the U.S.A.’s Garn-St Germain and Kemp-Roth legislation. In these cases, the local profit of some, at the expense of many, assumes a purely immoral, parasitical character, to such effect that a constant rate of profit on the nominal capital so accumulated can occur only by looting the pre-existing economy virtually into the ground.

Thus, to the extent the influence of the East India Company’s Haileybury School economists influenced European civilization’s practices, the kinds of so-called “business cycles” Marx portrays in Volume III of his *Capital* did recur during the Nineteenth and early Twentieth Centuries. Contrary to Marx, these were not inevitable or natural cycles, were never intrinsic to the form of capitalism represented by the Franklin, Hamilton, List, Carey, American System of Political-Economy. They were strictly by-products of tolerating the impact of the inherently parasitical British “free trade” system within the realm of international trade and finance.⁴¹ These were by-products, not of capitalism, but of what President Franklin Roosevelt denounced as “British Eighteenth-Century methods.”⁴²

The worst was yet to come. It came with the Trilateral Commission’s disastrous role in destroying the U.S. economy under, especially, President Jimmy Carter and the influence of Vice-President and President George Bush. It is arguable, that the Trilateral Commission, whose policies were packaged, during 1975-1976, as the Cyrus Vance, Zbigniew Brzezinski, Miriam Camp “Project 1980s,” has done more damage to the economy and people of European culture, during the past twenty-odd years, than any war since 1648. Beginning the changes in U.S. economic policy during 1966-1967, the U.S. economy was deliberately collapsed, reaching

41. The so-called economists explicitly associated with the Haileybury School, included Adam Smith, Jeremy Bentham, Thomas Malthus, David Ricardo, and, at a later time, John Stuart Mill and his marginal utilitarian school. The Karl Marx whose education in economics was shaped chiefly under the direction of the British Foreign Service’s David Urquhart, not only belongs, properly, to the same school in economics thinking, but was among the most vigilant defenders of the appropriateness of the “free trade” principle, in vigorous opposition to the American System of political-economy in general, and to Friedrich List and Henry C. Carey in particular.

42. Elliott Roosevelt, *As He Saw It*, 1st ed. (New York: Duell, Sloan and Pearce, 1946), p. 36.

a zero-point about the time of President Richard Nixon's folly in destroying the Bretton Woods system, and replacing it, beginning mid-August 1971, with what quickly became the disastrous "floating exchange-rate system."

To understand the U.S.A.'s position and role in the currently ongoing disintegration of the world's financial and monetary system, we must situate the catastrophes introduced under President Jimmy Carter within the context pre-defined by the preceding, 1971-1974 measures under direction of London's agent of influence Henry A. Kissinger. Most of the damage was already done by the time a discredited President Carter, defeated for re-election, left office, at the beginning of 1981.⁴³ The kindred measures enacted under Presidents Reagan, Bush, and Clinton, have also proven disastrous, but these must also be appreciated as merely consistent with the trend established by the wrecking of the U.S. already done under the Trilateral Commission's Carter.

Situate the characteristic lunacy which has taken over U.S. economic policy since August 1971, in the light of the case of Quesnay.

Crucial issues of capital formation

Typical of the lunacy which has prevailed in U.S. economic policy-shaping during the recent two decades, are the monstrously immoral, as well as costly effects of the Garn-St Germain and Kemp-Roth bills. To understand the significance and effects of these bills adequately, we must view them as supplementing Federal Reserve Chairman Volcker's wholesale ruin of the Savings and Loan and other primary savings institutions.

Both Garn-St Germain and Kemp-Roth, which played a key role in promoting the Vice-President Bush era's looting of the Savings and Loan banks and the related pandemic of "junk bond" trafficking, were the looniest forms of financial speculation afoot, until the ultimate in psychedelic accounting practices, the "derivatives" swindle, took over, in the aftermath of the 1987 New York stock-exchange crash.

Seeing these and related bills in the context of Volcker's Trilateral wrecking of the U.S. financial system, illustrates with especially shocking clarity the always disastrous effects of introducing policies based upon Quesnay's *laissez-faire* doctrine to modern society. The essential facts of that case are as follows.

During the Spring of 1979, Volcker himself, while in Britain, where he was campaigning for nomination as President Carter's new Chairman of the U.S. Federal Reserve System, affirmed his adherence to the doctrines of the Trilateral Commission. He stated, that he considered "controlled disintegration of the economy" to be acceptable policy. This recipe, copied directly from the New York Council on Foreign Rela-

43. The most important of the changes under President Carter's administration, are identified in my already referenced "When Franklin Roosevelt Was Interrupted."

tions' "Project 1980s" manual,⁴⁴ was implemented immediately after Carter's nomination of Volcker to that post. The policy was put into effect during October 1979, immediately after the confirmation of Volcker's appointment.

Immediately after Volcker had been appointed, I issued a widely circulated warning by my 1980 campaign for the Democratic Party's 1980 U.S. Presidential nomination. I warned, that if Volcker's just-announced policy were not immediately reversed, the result would be a very early collapse of the U.S. economy into a deep recession lasting several years. At the close of November, I issued another statement on this same subject, forecasting the eruption of a deep recession caused by Volcker Trilateral measures to begin by no later than February 1981.⁴⁵ From that time, through the close of 1983, my quarterly forecasts were, consistently, the most accurate provided by any source. To the present day, the U.S. economy has never recovered from the effects of Volcker's Trilateral actions.

Now, look at the combined effects of the Volcker measures, the Garn-St Germain and Kemp-Roth legislation, and the Carter deregulation binge, from the standpoint of what we have referenced here as feudalist ideologue Quesnay's pro-feudalist dogma. Do not look at these effects in isolation; but, rather, contrast these ruinous combined effects of Volcker's measures, Garn-St Germain and Kemp-Roth, with what I propose must be an integral part of the urgently needed economic recovery actions to be taken beginning the weeks immediately ahead of us.

To that purpose, focus for a moment on the narrowed implications of the issues posed by Garn-St Germain and Kemp-Roth.

There are two mutually exclusive notions of the way in which a modern agro-industrial society might generate what is called "profit." The first notion is developed from the standpoint of physical production, as U.S. Treasury Secretary Alexander Hamilton, for example, presents the case in his December 1791 Report to the U.S. Congress *On The Subject of Manufactures*. The opposing notion, which coincides with the "zero-growth" implications of Quesnay's feudalist doctrines of "bounty of nature" and *laissez-faire*, presents nominal "profit" as the apparent fruit of financial speculation, rather than production.

44. Fred Hirsch, former editor of the London *Economist*, writing in *Alternatives to Monetary Disorder* (New York: Council on Foreign Relations, 1977), affirmed that "controlled disintegration in the world economy is a legitimate object for the 1980s." Paul Volcker delivered the Fred Hirsch Memorial Lecture at Warwick University in Leeds, U.K., in November 1978, and began his speech by citing Hirsch's dictum on controlled disintegration.

45. My statement as a U.S. Democratic Presidential pre-candidate, in New Hampshire, October 16, 1979 (published in *Executive Intelligence Review*, Oct. 23-29, 1979, pp. 8-9); see also my specific forecast of the timing of the outbreak of the U.S. Volcker recession, November-December 1979. The latter forecast was based upon a computer-based projection of the LaRouche-Riemann Model.

The principled difference between the two, mutually exclusive notions of “profit,” is key to understanding the way in which the policies of the U.S. Carter Administration unleashed the process leading into the presently ongoing disintegration of the world’s financial and monetary systems. Nothing promoted by Garn-St Germain or Kemp-Roth promoted physical-economic increase of productivity; that legislation was focussed upon increasing the rate of parasitical financier looting of both the U.S. Treasury and the U.S. economy otherwise, thus not only failing to promote growth, but actually forcing an increase in the rate of contraction, the rate of negative national-economic growth.

In the real world, profit from production or development of basic economic infrastructure is generated in the following way. A certain accumulation of valuable assets, as productive labor, infrastructure, or materials of production, is expended on the economy. As a result, a physical output is generated. In the happy case, the total output exceeds substantially the combined amount of labor, infrastructure, and materials of production used up in that cycle of production; this margin of increase of costs over output, is the gross profit of production. After deducting justifiable administrative and non-productive services outlays from that gross profit, an operating profit of society is defined, as the margin of useful labor and goods free, after costs of production, to be used in expanding or otherwise improving the economic process as a whole. In the U.S. economy, especially since Volcker, Garn-St Germain, and Kemp-Roth were turned loose, we don’t do that old-fashioned good stuff much any more.

This brings us to the opposing notion of profit; an over-imaginative accountant’s version of no-calorie, sweet-tasting, fresh-blown circus candy. It fills up visual space, but not your digestive processes. This was Garn-St Germain and Kemp-Roth. The so-called Quesnay-like, *laissez-faire* philosophy of Kemp-Roth is sufficient illustration of the point being made.

By cutting the capital-gains tax-rate, the rate of after-tax profits on purely parasitical, financial-speculative pursuit of financial capital gains zoomed, at the same time that the continuing after-effects of Carter Administration deregulation and Volcker measures were collapsing even existing levels of investment in useful goods. The effect of Kemp-Roth and related tax-boondoggles was to cause the rate of financial capital-gains to zoom, while accelerating the rate of collapse of investment in useful employment and production. As these and related parasitical schemes piled the volume of nominal financial holdings higher and higher, the pressures of financial leverage escalated the demand for greater new volumes of the same type of purely speculative capital gains. Washington and the Federal Reserve System obliged; more and more liquidity was generated and pumped into such forms of financial speculation. Meanwhile, the new sums used to finance the growth of this financial-asset bubble were obtained by looting the wages, pensions, health insurance, educational systems, and so on, of the real people and real economy.

In these pathological and kindred monetarist policies, the object is not to generate a profitable margin of useful goods and services. The object is the creation of a marketable, although purely fictitious, financial capital gain. Part of this financial gain might be liquidated in the form of purchase of physical assets. The more significant ration is not so liquidated; that more significant ration is nominal financial gains generated out of “hot air,” out of financial leverage. The launching of the “junk bond” swindle, and related leveraged “buy-outs” and looting of victim banks and other firms, that chiefly as a by-product of Garn-St Germain, is a prime example of this.

“Derivatives” are a much more extreme expression of the same sort of bubble-blowing, a “Pyramid Club” type of chain-letter financial scheme on an astronomical scale. Today, for example, there are more than \$140 trillions of worthless paper, called “derivatives,” and related “hedge fund” accounts, dominating the world’s financial and monetary system. All of this is essentially a giant swindle. As the current Japan crisis illustrates this point: Either the governments intervene simply to cancel payments on the account of “derivatives” and kindred claims, or the world’s entire financial and monetary system, and, the world economy with it, goes into a disintegration phase during the period immediately ahead of us now.

What we are going to do, if we are not insane, is, we are going to put the world’s entire financial and monetary systems into government-supervised bankruptcy-reorganization. Most of the financial claims, such as the claims of a majority of Japan banks, are to be simply wiped off the world’s books. Productive assets, honest savings of family households, and so forth, will be protected under rules of financial reorganization. Everything possible will be done, by responsible governments and cooperating private agencies, to ensure the continuity, and also the expansion of production of, and world trade in, agricultural and industrial goods. Pensions will be protected; the social fabric must be protected in this and related ways. Vast amounts of newly created credit, backed by governments, will be mobilized to bring the world economy, as rapidly as possible, above the physical-economic break-even point of physical-economic profitability.

How the recovery will work

There is only one way in which we could avoid the disintegration of the entire world’s financial, monetary, and economic systems during the course of the months immediately ahead. Since workable remedies taken in times of emergencies, such as the present world emergency, must rely as much as possible on tried and true examples from past experience, the measures which must be taken now, to prevent the collapse of this entire planet into a prolonged “new dark age,” will be modelled, at least in large degree, on the measures projected by U.S. President Franklin Roosevelt for the post-World War II, global economic reconstruction.

This means, a protectionist form of global “Bretton

Woods” conditions, modelled upon the most successful features of the pre-1959 period of post-war reconstruction. This will include the elimination of most of the so-called “globalization” measures adopted during the recent nearly thirty years of folly, and will feature pegged currency-rates, kindred pricing agreements on goods trade, and so on. This will include the wholesale write-off of the greatest amount of speculative forms of financial assets, writing off not less than \$140 trillions of present claims on accounts of “derivatives” and similar financial trash, in order to save the useful and honorable part of the world’s financial assets and obligations.

In the real world, such actions will be taken only if they occur under the most desperate conditions of clearly perceived global financial, monetary, and economic emergency. Such emergency actions will occur only if taken jointly, and suddenly, by an aggregately powerful concert of sovereign nation-state republics, probably led by the President of the U.S.A. Otherwise, if such action is not taken during those weeks and months immediately ahead, the world is going over the brink, directly into Hell, where it will remain for at least a generation or two. Those are your options; those are your only available choices.

If the required emergency action is taken, we shall reorganize a rapid expansion of investment in basic economic infrastructure, agriculture, and industry. This must be, and will be done, either on a global scale, or something close to that. The measures used to accomplish this will be modelled on the types of economic mobilizations which the U.S. launched during and following World War II. A combination of reasonable austerity, but net real growth in per-capita incomes and output, will prevail. Nations will cooperate to create the large-scale, long-term credit required to launch and sustain such a global expansion of the world’s physical economy.

As I have indicated in other locations, the heart of a global economic-recovery program centers around the issuance of low-priced, long-term capital-improvements loans to nations such as China and India, to facilitate a boom in large-scale growth of machine-tool and other capital-goods exports from high-technology sources such as the U.S.A., Germany, Japan, and the revived machine-tool-design capabilities of the former Soviet scientific-military industrial complex. These would be loans with maturities from five to twenty-odd years, often featuring relevant grace periods, and issued at rates of between one and two percent per annum. Experience with successful growth of basic economic infrastructure and agro-industrial capacity, provides some important indications as to how such a new system of international lending would operate.

Before turning to our concluding topic, consider a few samples of those issues which such a recovery-program poses.

Long-term capital loans of these types are affected by three leading factors. First, the physical-economic “half-life”—e.g., physical depreciation—of the physical investment. Second, the relevant rates of what is termed “technolog-

ical attrition:” as technological progress accelerates, the competitive productivity of capital improvements is used up more rapidly. Third, the characteristic rate of increase of the productive powers of labor, as measured in per-capita and per-square-kilometer terms. Given, a determined, required rate of physical-economic capital-intensity, and an associated rate of growth of physical-economic productivity per capita, a ceiling is defined for rational terms of repayments and borrowing charges.

Generally, economic history supports the following generalization. Unless we limit large-scale international lending to capital-intensive modes of increased (per-capita) physical-economic productivity, and hold prime rates of lending to between one and two percent on long-term, it is not possible to achieve the kind of global rates of real economic growth we require for pulling the world economy back from its present brink of global disintegration.

The U.S., China, India, and Russia

To make the case for emergency action clearer, consider the following summary of the course of action which should be launched jointly by the governments of the U.S.A., China, India, Russia, and other cooperating nations. Begin with a few of the most crucial strategic facts.

Presently, China’s is the only relatively stable economy on this planet. This stability is the result of a relatively happy combination of circumstances.

First, China’s recent relative successes and prospects, rest upon natural opportunities. China is presently the world’s largest nation, situated, at the other extremity of the United States’ historic direction of development of its economic relations, on the rim of the great natural channel for growth of world trade, the Pacific Ocean. It is the keystone national economy, among a group of nations in Asia which represent, in total, more than half the world’s population, and, thus, all facts considered, represents the greatest potential for growth of the world’s economy.

Second, during a period of approximately twenty years, China has astonished the sentient among its onlookers with the vigor and success of large-scale economic and social reforms. It is also the world’s most stable society of the moment. It has developed a new stratum of leadership for its nation which reflects the experience and lessons learned in the process of achieving these relative successes. There are difficulties and dangers threatening China, but these are reflections of problems thrust upon China from other parts of the world, such as the October 1997 outbreak of a new round of global financial and monetary crises affecting the entirety of the world.

Third, China is situated as the presently leading nation of Asia, in a region which includes special resources on a vast scale. These resources include the very size of the Asia population itself, more than half the world’s population. Otherwise, the most notable resources feature the potential for de-



An Indian peasant in Uttar Pradesh collects cow dung for fuel. "The development of the standard of living of the Asia population requires massive infusions of investment in basic economic infrastructure, plus high rates of infusions of technological advances in the productive powers of labor at the point of production and elsewhere. The ratios of per-capita capital-formation implied by such undertakings can not be endured within these parts of Asia, without high rates of technological progress."

veloping large-scale reconstruction of the water-resources of Asia, extending so to the Arctic and into the land-locked island of the South Asia subcontinent.

Take the case of India, for purposes of comparison. The key problems of India are a worsening rate of extreme poverty within the majority of the population, especially since the assassinations of Prime Minister Indira Gandhi and her son Rajiv. Mrs. Gandhi was devoted to policies, and matching practices, which fostered improvements in the conditions of life of, notably, the rural poor. One of the former advantages and disadvantages of the leadership provided by Nehru and Indira Gandhi, is that that family personified India to a degree which has not been successfully replaced since the assassination of Rajiv.

The outstanding, historically determined problems of India's economy and political being today, are chiefly four. First, lack of development of the education of the poor, and under-utilization of the potential represented by the students and graduates of the scientific programs of its universities, especially of the IITs. Second, a failure to take on the urgent task of sub-continent-wide water management, a task often proposed for action by India's leaders, but a task which has never been effectively undertaken, because of blocking actions from within India's famous bureaucracy and other political impediments. Third, the failure to develop an adequate new power grid, freeing India from the disastrous effects of

transporting poor-quality coal from North to South, and related circumstances. Fourth, the failure to lift India out of the effects of the decay of a rail system virtually unimproved since independence.

Although the situation in China is significantly different, the same four kinds of needs for educational and infrastructural development, are the commonly most urgent characteristics of all East, Southeast, South, and Central Asia.

There is a fifth crucial problem characteristic of this entire region within Asia. The possibility for raising the standard of living of the population of Asia in general, as in the case of goals adopted by the government of China, requires the formation of social capital, especially for development of infrastructure, on a vast scale.

The development of the standard of living of the Asia population requires massive infusions of investment in basic economic infrastructure, plus high rates of infusions of technological advances in the productive powers of labor at the point of production and elsewhere. The ratios of per-capita capital-formation implied by such undertakings can not be endured within these parts of Asia, without high rates of technological progress. Economies are able to afford high rates of social formation of productive and related capital, only when the cost of replacement of such capital is being greatly reduced by relatively high rates of technological progress.

For those among us familiar with the areas of East, South-

east, and South Asia apart from the special case of Japan, the outstanding obstacle to improvement of the conditions of life throughout Asia as a whole, is the lack of adequate machine-tool-design capacity on the ground within the territory of these nations. The increase of the number of advanced science-graduates from qualified universities, which must be coupled with high rates of progress in those graduates' participation in crucial experimental proof-of-principle developments in technology, is the great technological bottleneck which must be overcome if the social goals of development for Asia are finally to be realized.

This latter challenge defines the need for a special new kind of partnership between these countries of Asia and the traditionally more advanced economies of the U.S.A., Germany, Japan, and so forth. In that new global division of labor required as part of a planet-wide economic reconstruction-program, those nations which used to be the traditional machine-tool-design-exporting economies of the world, must revive and greatly expand this role. Their function must be, not only to deliver greatly expanded machine-tool-design capability to the nations of Asia; they must also assist in building up a much-needed machine-tool production and service capability, in depth, within these economies of Asia.

To illustrate the point, consider the role of Japan in this. The tragedy of Japan, was the exemplary role of Henry A. "Tweedledee" Kissinger and Zbigniew "Tweedledum" Brzezinski, in shutting down Japan's efforts to provide countries such as Iran and Mexico, oil-for-technology and kindred trading agreements by means of which to aid in transforming so-called "developing nations" into modern economies living in political parity with the United States and western Europe. Japan was pushed by such creatures as the pair of Tweedledee and Tweedledum, into shifting out of a high-technology, heavy-industry, capital-goods-export orientation into developing nations, into dumping consumer products, cannibalistically, into the markets of North America and western Europe. Now, Japan must exactly reverse the trend forced upon it beginning the 1970s, to return to a heavy-industry, machine-tool-design export orientation, to function as the leading machine-tool economy of the Asia side of the Pacific rim.

Japan must scrap the worthless financial capital which is suffocating it today, to convert its salvageable debt into elements of a mechanism of credit to be used for a return to the technology and export orientations of the happier days before Kissinger and Brzezinski.

The U.S.A. and western Europe, the latter led by Germany, must make the same kind of reversal of recent trends in economic policy.

These stated requirements for cooperation among the nations identified, must also take into account the urgency of stabilizing Central Asia, of ridding that region of the currently ongoing efforts of British and other elements of influence to revive the "Great Game" of the Nineteenth Century. The resources for assisting Central Asia in finding such stability

are presently concentrated chiefly in China, India, and Russia. Cooperation with the latter three nations, and other nations of the region, must be supplied from the U.S., western Europe, and so on, but cooperation can not be supplied efficiently without a leading role by cooperation among the three named, leading nations of Eurasia today.

Russia figures in this equation in another, related, but distinct way.

The only possibility for the economic revival of Russia lies in the role to be played by the most advanced ration of Russia's combined present and former labor-force, notably the scientific-military-industrial complex developed within the former Soviet Union. For Russia's economy itself, the problem is, that without reactivating that complex as the basis for an export-oriented, vast machine-tool-design complex, there is no possibility of halting the presently accelerating plunge of Russia and adjoining former members of the Soviet Union into a strategically world-perilous form of disintegration. The potential markets represented by the indicated prospects for economic reconstruction of Asia represent the margin of opportunity without which Russia could not be brought to economic and financial stability.

The combination of large-scale infrastructure development in Eurasia (in particular), with the global role of a rapidly expanding machine-tool-design sector, is the strategic key to the prospects for survival of civilization at this time, a prospect which demands a quality of thinking about economics directly opposite to the trends which have taken over, increasingly, in the U.S.A. and elsewhere, during the recent thirty-odd years.

Contrast to such prospects for Eurasia, the case of the effects of the measures introduced, beginning October 1979, by Federal Reserve Chairman Paul Volcker. By skyrocketing prevailing interest-rates to a super-usurious rate of eighteen percent per annum, and even higher, Volcker did exactly what he and the Trilateral Commission had promised to do: to subject the U.S.A.'s and world's economies to a process of "controlled disintegration."

The recent pattern in "IMF conditionalities" is the same lunacy expressed by Volcker's actions of 1979-1982. To slash investment in basic economic infrastructure and productive capital, while elevating borrowing costs to levels of usury, has precisely the same kind of predictable effect as Volcker's measures of 1979: controlled disintegration of any economy unlucky enough to have the gun of "IMF conditionalities" stuck against its head. Worst of all, is the implicitly criminal practice of subjecting national economies to floating exchange-rates, while, at the same time, placing control over the prices of currencies and loans in international markets at the discretion of financial speculators such as George Soros. No sane authority would do as the IMF has done repeatedly. No sane government, or banking agency, would propose to reform a sickened economy by driving its levels of productive output way below the physical-economic break-even point,

in the name of “austerity.” Directly the opposite course of action is mandatory.

To restate, in summary, the proposition outlined above: Any sane government does as U.S. President Franklin Roosevelt did, when he attacked the challenges of both the 1930s Depression and the World War II mobilization. One quickly writes off bad debts not worth salvaging, such as the perhaps \$2 trillions of the worthless paper cramming bankrupt Japan banks; at the same time, one uses the sovereign power of government to create masses of very low-cost, long-term credit, concentrating that newly mobilized credit into investments in basic economic infrastructure, increased employment in combined agricultural, construction, and industrial operatives’ work-places, into expanded physical output, and into higher levels of technology employed.

This is the gist of the new directions we must take, if this nation, and civilization generally, are to outlive the end of President Bill Clinton’s present term in office.

What matters in economics

The deeper issue, which we have promised to address, has a twofold character. First, to account for the axiomatic root of the incompetence respecting economics, as represented by Wall Street and like-minded institutions today, we must address the phenomenon of the oligarchical mentality as a type. Second, we must show how the axiomatic implications of that oligarchical mentality as such, coincide with, and explain the coincidence between the linear mathematical ideology of the empiricists such as Hobbes, Locke, Smith, Bentham, et al., and the refusal of the pro-oligarchical ideologue to recognize that it is mankind’s physical relationship to nature, rather than financial relations, which determine the ultimate outcome of economic systems. When these connections are recognized, the reasons Wall Street and other relevant circles behave as irrationally as they do, are more readily understood.

Take these connections in the following order. Begin by reporting on one crucial implication of the nominalist method which we have not addressed up to this point: why and how the nominalists (reductionists) refuse to acknowledge the physical implications of their own formalism. Show that implication, by focussing upon the mathematical meaning which we should associate with the term “physical.” From that point, turn attention to the fact that the ordering of physical-economic processes is a willful form of functional relationship between man and the physical universe, between the human species and that universe.

Proceed by reporting that the way in which the term “non-linear” is generally used among today’s mathematicians and physical scientists, is a slovenly practice. It has become, so, in those mouths, one of those kinds of terms which pretends to mean something precise, and yet, on closer inspection of that speaker’s head, means virtually nothing. What it ought to signify, is that Enlightenment ideologues such as Leonhard

Euler and Augustin Cauchy are babbling nonsense. The reality to which a meaningful use of the term “non-linear” ought to refer, is a reality which the fellow-ideologues of Newton, Euler, Cauchy, et al. have refused to admit exists. That reality is simply the non-existence of linearity in respect to any matter expressing the distinctive characteristic of any physical process in the infinitesimally small. It is a view of such characteristics from the standpoint of the Kepler-Leibniz-Gauss-Riemann conception of a multiply-connected physical-space-time manifold.

In that occurrence, “non-linear” signifies what Leibniz and Gauss indicated it to signify: that characteristic of a physical process which is expressed in the smallest infinitesimal interval of action of that process. In real physics, as opposed to the aberrant sentimentalities of the philosophical materialists, empiricists, and so on, matter is not defined as the durable objects seen at the extremity opposite to sense-perception. To repeat the crucial point: In physics, what we signify by a physical process, is that kind of characteristic which appears in the form of a characteristic expressed as a non-constant curvature in the infinitesimally small interval of action within a multiply-connected manifold. That characteristic is the only meaningful phenomenon of the quality of being a “physical” type, which science presently knows.

To the extent that we should be permitted to say “we know” anything about such physical processes, we know the physical realm only to the degree we are able to supply crucial experimental demonstrations of discovered physical principles, that we are able to willfully change a physical process in this willful way. Thus, “physics” should be limited in meaning, to signifying that we are able to change the human species’ relationship to the universe through validated discoveries of principles. We are thus able to change the way in which the physical universe behaves, by introducing the efficient action of a newly discovered, validated principle. We are thus, in that manner, and in that degree, able to bend the universe’s physical characteristics to our will.

The test of that relationship, is mankind’s manifest power to increase our species’ potential relative population-density in this way.

In all such connections between man and the universe as a whole, the changes effected originate in a process of the sovereign individual human mind, the process of cognition which Immanuel Kant, for example, denied to exist. This process, through which ontological paradoxes are transformed into discoveries of validatable newly discovered physical (for example) principles, is the mode of physical action by means of which mankind is able to introduce successful, willful changes in the characteristic behavior of those physical processes upon which we act.

Without that efficient connection between cognition and the physical processes of the economy as an integrated process, there is no economics. Every result depends upon that connection.

This now tells us a great deal about the deranged mind of the monetarist. The typical monetarist assumption, that interactions between financial magnitudes determine the performance of economies, is clearly a delusion. The efficient, actual relationship underlying any real economy, is located in the physical actuality of the process, not the financial price-tags attached to the physical realities. The function of prices is no more than an administrative act, the intervention into the physical-economic process with a decision about allocation. The only lawful consequence of financial relations, is the impact of the changes in physical allocations consequent upon the ordering of financial relations. It is solely within the physical-economic side of the process that the consequences of allocation-decision are determined. Monetarist theory is therefore lunacy, often a dangerous form of lunacy.

There is no intrinsic right or wrong about prices; the right or wrong of the matter is located entirely in the consequences of the physical-economic action as such. It is solely within the lawfulness of the physical-economic process, that the right or wrong about prices is determined.

For example, the general policy of a sane republic, is that forms of economic activity which are both desirable and well performed should be profitable to those who undertake them on behalf of society.

A sane society regulates general freight-rates, for example, to ensure the competitiveness of every community of the nation which we intend should be competitive. The awful consequences of deregulation of freight, show, therefore, that deregulation is morally wrong. The disastrous effects of our national experience with deregulation, since 1980, have clearly proven, that the ranter who insists that deregulation will bring the eternal blessings of “free trade” to the delivery of freight, is either a malicious person, or a blundering idiot not to be let out of the house without a keeper.

There is no general principle of prices, other than the general principle I have just illustrated. A sane society formulates rules, affecting prices, taxation, tariffs, and so forth, to the purpose of producing a nationally desired physical-economic effect. These formulations, which shape the markets within which public and private enterprises operate, become the rules of the game by which enterprises and their customers play. It is the importance of having government intervene, from time to time, to arrange a lawful set of such rules appropriate to changed circumstances, which goes directly to the morality of such rules and their observance. There is no monetarist’s or kindred general theory which is capable of providing a sane alternative to this approach to such matters affecting pricing policy.

Now, that much said thus far, it is now time for us to focus upon the issues embedded in the nominalist’s ideologically-motivated reliance upon linearity in the infinitesimally small.

The application of assumption of linearity in the small to the representation of economic processes, signifies that that type of economic thinking permits no consideration of the

physical reality underlying the economic process referenced. Without attention to the distinguishing characteristics of the physical processes, the fact of existence of physical processes is excluded axiomatically from any serious consideration. It is the interaction between the physical characteristic of cognition and the physical characteristics of the processes into which cognition intervenes, which is the essential feature of economy. For the deranged mind of the monetarist, none of these determining features of the process exists.

If one replaces the “non-linear” characteristic of a physical process by the assumption of linearity in the infinitesimally small, what has become of the physical process’s representation in that view of the matter? In such a case, that such linearity is imposed axiomatically, “physical” does not exist in the mind of those engaged in the relevant deliberations. It is the specific form of non-constant curvature in the smallest interval of an action within a multiply-connected manifold, which defines the efficient reality of “physical.” Without that, “physical” does not exist within the intellectual schema brought to bear.

Furthermore, as we have already stressed this point, the act of knowing the physical reality which is the subject of human willful intervention, flows only from the role of cognition. Without the intervention of cognition, there is no efficient knowing, and therefore no known ordering of the development of the physical-economic process. Without cognition, there is no action combining the conditions of economy and human activity on those conditions. Cognition, expressed in respect to the non-linear characteristics of relevant physical processes, is the economy.

This brings us, now, to the culminating topic of this report, the matter of the fictional relations between oligarchs and human cattle in Wall Street’s view of the universe. This brings us back to the subject of Quesnay.

‘Pray, Sir, and whose dog are you?’

The key to the present world financial and monetary crisis, is the post-Roosevelt revival and increase of the power of the oldest evil known to human history, *oligarchy*. The general way in which this recent resurgence of global oligarchical power occurred, is sufficiently outlined, for our present purposes, in my July 17 “Where Franklin Roosevelt Was Interrupted.”⁴⁶ It is sufficient for our purposes here, to illustrate the meaning of the “oligarchy” for today’s subject, by referencing the post-war British-American-Canadian cabal set up beginning 1938, as identified in my recent “The Eagle Star Syndrome.”⁴⁷

In relevant history, since the time of the self-doomed Akkadians, oligarchy has existed in three principal types: landed aristocracy, financier oligarchy, and a state-bureaucratic oli-

46. op cit.

47. *Executive Intelligence Review*, August 7, 1998.

garchical caste. Throughout history, such oligarchies dominated society until the Fifteenth-Century Golden Renaissance launched those beginnings of the modern sovereign nation-state leading into the 1789 establishment of our own U.S. Federal constitutional Republic. The general character of all oligarchies, is that they regard themselves as a landlord class ruling over another ninety-five percent or more of the population, whom the oligarchs breed, cull, rear, and herd, as they do wild game or cattle, and as the Confederacy's slave-owning oligarchy captured, reared, herded, culled, and killed, its African and African-American slaves.

What has variously crawled, crept, and slithered into "Wall Street"-centered, Anglo-American tyranny over the U.S. and its economy, is a financier-oligarchy of the Venetian type, an oligarchy which deploys as its principal ally and instrument, an out-of-control, treasonous, tyrannical, bureaucratic monster centered in the Criminal Division of the Department of Justice. This oligarchy regards itself as the relevant landlord, and has relegated about ninety-five percent of the population as a whole to assume the destiny of looted and virtually enslaved human cattle. That is the sociological essence of the current situation in Wall Street, on Main Street, and in our nation's Capital. That oligarchical mentality, as contrasted with U.S. political standards prior to 1964, is the mentality behind the August 1971 set-up of the "floating exchange-rate monetary system," the 1976-1992 depredations of the Trilateral Commission's control of the Presidency, and the current binge of so-called "globalization."

The characteristic of all oligarchical thinking, is the attitude of a landlord (or, his estate-manager lackey) to the human cattle he deems the overwhelming majority of the population to be. He does not accept the notion of any human being as being actually human, as being a creative being made in the image of the Creator (by virtue of efficient cognition). To admit that the durable existence of economy depends upon the efficient role of individual cognition, would define the oligarch and his lackey themselves as Solon of Athens saw such oligarchs, as parasites better expelled to Eleusis.

Thus, it is the system of administration in terms of prices, as viewed in the linear terms of reference of the financial accountant, which becomes the disgusting misconception of "economics" shared among the oligarch and that accountant.

Consider the simplest of the implications of the distinction we have made. If the physical costs of basic economic infrastructure, household standard of living, and so on, are the necessary preconditions for maintaining an economy's stabilizing rate of growth, then those costs can not be cut for the purpose of maintaining some rate of financial profit. In such cases, the financial interest must give way to the human interest. Economy says to the financial ownership, and to the accountant, "If you wish to have a satisfactory rate of return on investments, to which we have no objection, then you must obey the rules governing this. You must make the investments, must establish and maintain the priorities, which are

preconditions for realizing physical-economic anti-entropy for the society as a whole. If you, as ownership, refuse to meet those conditions, then it is you who should suffer the penalty caused by your immoral lack of responsible behavior."

The oligarch does not receive such communications kindly. "Cut health-insurance payments; our profits demand it. Cut welfare; our profits demand it. Introduce privatized slave-labor as prison policy; our profits demand it. Cut out the expense of useless eaters, as Hitler did; our profits demand it." If the maintaining of the level of output requires that we educate our population to levels at which technological progress may be continued, the oligarch slaps his palm down hard on the table-top: "No. History has shown, that whenever ordinary people become intelligent through exposure to the

Math and matter

August 5, 1998

The accompanying report features three included conceptions which most students of mathematics and mathematical-physics subjects will find extremely disturbing, even perhaps violently so: 1) the notion of a negative form of mathematical definition of "matter;" 2) the notion of a physical characteristic of the action of human cognition, also negatively defined; 3) the notion of a functional interconnection between the two, also negatively defined. What I have said on those matters stands on the basis of the evidence which I have indicated either in that report, or in related, referenced other locations. All that need be done here, in this attached memorandum, is to soften the intellectual blows I have delivered on these accounts. To that purpose, I call attention to what ought to be any literate person's familiarity with certain arguments by Leibniz.

In this connection, it should be stated once again, that the kernel of all my fundamental contributions to a science of physical economy, is represented by five essential conceptions, of which three are elaborations of concepts which I first adopted, during my adolescence, from study of some of the writings of Gottfried Leibniz, and another I adopted later, in 1952, chiefly from the work of Bernhard Riemann. The fifth conception, the notion of a characteristic economic principle of oligarchism, I developed separately, during the 1950s, from my study of the physical-economic roots of the recurring degeneration common to both the

kinds of knowledge scientific and technological progress implies, ordinary people tend to become much too intelligent for our comfort; they tend to insist that all the relics of oligarchical rule be eliminated. That, we, like Henry A. Kissinger, and Clement Prince Metternich before Kissinger, will never tolerate. Crush them!"

As we see in the disgusting public behavior of the ruling family of Monaco, England's degenerate Prince Philip, and similar types of parasites, the oligarchical personality-type converges upon outright enmity toward any suggestion that society ought to be arranged in terms consistent with the fact that man and woman are made in the image of the Creator. That image of man, as man in the image of the Creator, becomes for the oligarch the most hated idea. The idea of cogni-

tion itself, becomes the most hated idea. The idea, that through the characteristic of action represented by the sovereign powers of individual cognition, mankind is able to act willfully upon the characteristics of physical processes as such, becomes a most hated idea. In place of the real universe, the oligarch insists upon a realm in which the caprices of Zeus's Olympian oligarchy deal with every matter by no other means than the whims of simple oligarchical modes of administration.

Thus, for the oligarchical bureaucracy of the present Criminal Division of the U.S. Department of Justice, there is no truth, no justice; there is only the matter of administering society to effects deemed agreeable by the oligarchs of Wall Street and kindred parasites.

Roman Empire and all among the known pre-Hellenistic cultures of Mesopotamia.¹

For the purpose of identifying the original prompting on those topics which the reader of the accompanying report might find most disturbing, the subject-matters of matter, cognition, and the functional relationship between the two, my relevant adolescent readings from Leibniz were English translations of his *Theodicy*, the Leibniz-Clarke-Newton correspondence, and the writing posthumously published as *The Monadology*. The included aspect of Leibniz's work on which I put emphasis here, is his extensive attention to the problems posed under such rubrics as "clear and distinct ideas."

The central feature of those original discoveries which I developed toward the beginning of the 1950s, was my method for representing actual anti-entropy, as opposed to Professor Norbert Wiener's fraudulent, reductionist notion of "negative entropy."² My solution to the problem was to pose anti-entropy in physical-economic terms; the solution was my now familiar, paradoxical form of simultaneous inequalities. Similarly, my defining the sovereign individual act of cognition, in opposition to Immanuel Kant's denial of cognition's existence, relies upon use of a paradoxical formulation of a type related to that used to depict anti-entropy. It should be obvious to one familiar

with Leibniz's work, that both of these discoveries of mine from that period, echoed Leibniz's notion of a *monadology*, and still do today.

My choice of these two paradoxical forms of expression, for anti-entropy and cognition, respectively, was prompted by my attention to the relevance of the Classical definition of *metaphor* in poetry and drama. My argument during the late 1940s and early 1950s was, and remains, that that act of cognition which is responsible for generating a crucial validation of a newly discovered principle of experimental physical science, is of the same type of act of cognition as that which generates a valid solution to a Classical artistic paradox in poetry, drama, or music.

On the basis of my pre-1952 elaboration of these conceptions respecting anti-entropy, cognition, and Classical art, in 1952 I came to recognize a related implication in Bernard Riemann's 1854 habilitation dissertation.

It followed, from that combination of discoveries, up through 1952, that I adopted the notion of functional anti-entropy as the basis for any valid notion of efficient physical existence. The correlated notion, is the fact that the effectiveness of progress in validated discoveries of physical principle is shown, as a matter of crucial-experimental proof, to be a form of physical action upon the multiply-connected manifold which is the domain of what we call "matter."

Against such evidence, the reductionists have no argument but either lying, an outburst of hysterics, or, a combination of both. As the once-famous Dale Carnegie et al. suggested, the road to success as a salesman or conniving back-stabber in the corporate rat-race, is to learn how to lie a lot while wearing a smile on your face. The heart of the matter is: Mastering the challenge posed by the issue of clear and distinct ideas, is not easy; for reductionists, such mastery is impossible.

—Lyndon H. LaRouche, Jr.

1. One of the products of that study of oligarchism was circulated privately, in 1962, under the title of *The Origin of Caste*. This reflected my attention to the functional roots of oligarchic bureaucratic caste-formations in such diverse expressions as the ancient Mesopotamia priest-castes, the Roman imperial bureaucracy, the corporate bureaucratic phenomenon of the U.S.A. during the 1950s and early 1960s, and related caste-formations in socialist organizations. The Criminal Division of the U.S. Department of Justice today, is typical of an oligarchic bureaucracy.

2. After years of quarrelling with reductionists over what the term "negative entropy" ought to be signified to mean, I found it simpler to use the term "anti-entropy" instead.

Embassy bombings aimed to drive U.S. out of Africa

by Dean Andromidas and Joseph Brewda

A new page in the “strategy of tension” against the United States was written in blood on Aug. 7, with the simultaneous bombings of the U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, which claimed more than 247 lives and injured another 5,000 people, predominantly Africans. The death toll from these attacks exceeded those against the Oklahoma City Federal building, which killed 168 people, and the bombing at the U.S. military base in Dharhan, Saudi Arabia, which killed 19 Americans. The international oligarchical enemies of the United States of John Quincy Adams, Abraham Lincoln, Franklin Delano Roosevelt, John F. Kennedy, and, potentially, Bill Clinton, have declared that they do not intend to allow the United States to trample on “colonial turf”—especially African colonial turf, rich in strategic raw materials.

One of the most cogent strategic assessments of the bomb attacks, appeared in an editorial by Ibrahim Nafei, editor-in-chief of the Egyptian government daily newspaper, *Al-Ahram*, who wrote, several days after the bombings: “Only a few weeks separate Clinton’s visit to Africa in April and the double explosions at the U.S. Embassies in Kenya and Tanzania on Friday, August 7. During his visit, Clinton danced to African music, walked across the continent, took pictures as he played with children and mixed with Africans. The message has been understood that the continent is out of its traditional colonialist garb and is now under U.S. domination. . . . The U.S. Administration has viewed the road to Africa as strewn with roses. It has, accordingly, and wrongly, dismissed Europe’s historical links to the continent.”

Nafei, who in the past has repeatedly accused Great Britain of being behind so-called “Islamic Terrorism,” went on to write: “It appears that those acts of terrorism seek to arrest America’s progress in Africa. A reconsideration of matters is, thus, called for to avoid a double loss, where America’s

gains in the continent are undermined and where Africa is turned into a battleground in the fight against terrorism.”

While it is certainly an exaggeration to claim that Africa is in any way under “U.S. domination,” the basic thrust of the *Al-Ahram* assessment is consistent with *EIR*’s own view, that British-led, European-centered imperial factions are hell-bent on denying the United States an opportunity to even attempt to build viable nation-states on the African continent.

A similar view was expressed by a former senior Pentagon official deeply involved in African policy, who emphasized to *EIR* on Aug. 11, that the twin bombings came at a moment when all of Africa has been thrown into chaos, “within just a few months of President Clinton’s call for an African Renaissance.” The South African currency, the rand, is under heavy attack; the death of Nigerian head of state Gen. Sani Abacha remains suspicious, and has added an element of political instability to the economic crisis in the largest African state; and the Great Lakes region is once again devolving into war, from Congo-Zaire to Uganda, as Ugandan President Yoweri Museveni pursues his goal of building a “Greater Tutsi Empire” on the corpses of millions of Africans.

The source emphasized that the issue behind the bombing attack is not the substance of U.S. Africa policy to date, which has been, and remains, a dismal failure, more often manipulated from London than manufactured in Washington. The mere threat of a shift in U.S. policy, back to the geometry of President Franklin D. Roosevelt’s vision of a decolonized postwar world, sends the British and other European imperialists into a murderous frenzy.

A proper investigation

There are two obvious questions that must be asked, in framing any competent investigation of such a sophisticated and deadly act of irregular warfare:

1. *Cui bono?* Who benefits from the assault against the American presence on the African continent?

2. Among those with motives for such an assault, who possesses the capability to plan and execute it?

While the British and Israeli press were quick to place a spotlight on such “usual suspects” as Iran, Iraq, and Sudan, the former Pentagon source was dismissive of these ploys. He noted that Sudan is in the process of pursuing improved relations with the United States, and attempting to peacefully settle the long-standing foreign-led destabilization in the south of the country. Similarly, Iran is seeking normalization with Washington.

Certain factions in Britain, on the other hand, particularly those associated with Royal Consort Prince Philip and his World Wide Fund for Nature (WWF), are dead-set against the United States getting involved in African economic development or political stability. Any American involvement would be at cross purposes with their raw material grab and depopulation strategy, of sparking ethnic, tribal, and religious conflicts. As *EIR* first documented in its October 1994 *Special Report*, “The Coming Fall of the House of Windsor,” the WWF has built up an extensive irregular warfare capability throughout sub-Saharan Africa, under the guise of game preserves and nature parks, often administered and staffed by WWF “wardens,” drawn from the ranks of the British Special Air Services (SAS) and other special forces commands.

In recent years, these WWF-linked mercenary forces have been joined by a plethora of British private “security firms” that have emerged as primary sources of weapons trafficking and gun-for-hire operations all across the continent. Among these British firms are Sandline International and its affiliate, Executive Outcomes.

EIR is not alone in raising the issue of possible British “private” mercenary involvement in the twin bombings. On the day of the bombing, Tanzanian Prime Minister Frederick Tulway pointed in this direction, when he told the National Assembly, “We believe this is the work of foreign-hired mercenaries.”

This same view was expressed by a researcher at a leading South African think-tank, who told *EIR*, “We discussed these bombings, and concluded that, once you ignore the Islamic terrorist line and ask, ‘What groups in Africa could carry out these bombings?’ we all came to the same conclusion: mercenary operations like Executive Outcomes.”

British asset Bin Laden

As *EIR* has documented, there is no such thing as “Islamic” terrorism. Virtually every terrorist group in the world—including those falsely labeled as “Islamic”—is headquartered in London, enjoying the protection of the British Crown and British intelligence, fundraising there without restriction, and plotting terrorist acts abroad, with no fear of arrest or retaliation.

In recent years, more than a dozen governments have filed

formal diplomatic protests with the British government, demanding that it end the protection racket for the new terrorist international. Among the most adamant critics of the British harboring of international terrorists have been Egypt, Turkey, Saudi Arabia, Pakistan, and France.

Although there are sections of the U.S. government, led by officials of the State Department, who vigorously deny that London is the center of world terrorism, earlier this year the CIA issued a public report to a U.S. Senate committee, highlighting the London connections of leading world terrorists.

The most celebrated case of such a London-tied terror boss—and one that has been raised in the context of the Africa bombings—is Osama Bin Laden, a wealthy expatriate Saudi, who has residences in London and in Afghanistan, and who has been a pivotal figure in the “Afghansi” apparatus of former Afghanistan War anti-Soviet fighters, who have emerged as the labor pool for international terrorism. While Bin Laden is currently operating out of Afghanistan, it is from London that he recently issued a series of what he falsely claimed were “*fatwas*”—Islamic religious rulings—targetting U.S. installations in the Middle East and elsewhere around the world for terrorist attack.

According to the *Washington Post* on Aug. 13, Bin Laden owns a construction company in Nairobi, which has access to explosives, and may have provided a cover for a terrorist attack. However, one U.S. intelligence source warned that Bin Laden’s status as terrorist guru should not be overstated. He has been the subject of intensive U.S. tracking for the past year, and recently, U.S. and Albanian security services shut down a network of Afghansi controlled by him, in the Albanian capital city of Tirana.

The Israeli factor

In addition to British intelligence, Israeli intelligence has a massive presence throughout Africa, and has come under scrutiny from some surprising quarters, as being possibly complicit in the bombing of the two U.S. embassies. It is no secret that Israel’s Netanyahu government has been in a state of something close to undeclared war with the United States for the past several years. Netanyahu-linked Mossad circles have been caught, on at least three occasions in the past 12 months, carrying out violent covert operations on ostensibly friendly foreign soil.

The Mossad has worked hand in glove with the British in the illegal gun, drug, and diamond trade. The current military adviser to President Museveni of Uganda is Israeli Maj. Gen. David Agmon, who in 1997 was the chief of Prime Minister Benjamin Netanyahu’s cabinet. Agmon, through his company Russell Resources, has mining concessions in the Democratic Republic of the Congo, in the region that his new boss, Museveni, hopes to conquer and absorb into his “Greater Tutsi Empire.” Nairobi has been a longtime base of operations of Israeli hawk Gen. Ariel Sharon, the Minister for Infrastructure in the current Netanyahu war cabinet.

Israel transported its 200-man military emergency rescue team to Nairobi within 12 hours of the bombing. Although the medical team engaged in a very admirable humanitarian effort, Udo Ulfkotte, a correspondent for the German daily *Frankfurter Allgemeine Zeitung*, said in an interview with German Radio on Aug. 11, that the Israelis may have used this as a cover for not only intelligence gathering, but for the “planting of intelligence” to create an “Islamic trail,” leading no doubt to Iran or Sudan. He pointed out that the bombing was “heaven sent” for Netanyahu.

Ha'aretz, the leading Israeli national daily, reported that, rather than being received with open arms by the Americans, the Israeli military medical team which showed up in Nairobi within hours of the bombing, complained that they were victims of “arrogant treatment” by the Americans on the scene. They reported that U.S. Marines forced them out of certain areas of the disaster scene at gunpoint.

Ha'aretz also reported, in its lead story on Aug. 11, that an informant linked to Israeli intelligence warned the United States that its embassy in Nairobi could be a target. But, when the United States asked the Israeli intelligence services whether the source was reliable, they were told to “take the report with a grain of salt.”

Although the name of the informant has not been made public, *EIR* has been told that he is most likely a former Mossad agent by the name of Lyle Shunk. Shunk, far from being some sort of incompetent, was a leading member of the Mossad team led by super-spook Michael Harari, which operated out of Panama and played an important role in the 1980s George Bush-Oliver North “Iran-Contra” gun- and drug-running operations. After leaving Central America, Shunk moved on to Africa, where he continues to be active for Israeli security companies.

Tracking Her Majesty's intelligence service

by Hussein Al-Nadeem

The British establishment's behavior has become like that of certain insects, which develop a new immune system each time you use a new type of pesticide.

When the United States failed to respond to the calls of the Egyptian leadership and that of other Third World nations, to expose and destroy London's role as the center of international terrorism and specifically so-called “Islamist” terrorism, the British establishment's intelligence services developed a new *modus operandi*. Each time a major terrorist act is carried out against the United States or states that are

friendly to it, London-based terrorist groups would routinely claim responsibility for the attack, knowing that they are protected in London, the safest place on Earth for terrorists. This is, and will be, the case, as long as U.S. State Department officials keep protecting their ever-loving ally. London's terrorist groups have been shouting since Aug. 7, the day of the bombing of the U.S. embassies in Nairobi and Dar es Salaam, “We did it! We did it!” covering up for whoever was the actual author of the crime, most probably British intelligence itself.

Murder plot against Qaddafi

Take, for example, the recent revelations made by two former agents of Britain's internal and foreign security services, David Shayler of MI5 and Richard Tomlinson of MI6. The two are now under arrest in France and New Zealand, respectively, on orders from the British government, for revealing that the British Secret Intelligence Services (SIS) financed and supported London-based Islamic terrorists in a plot to assassinate Libyan leader Muammar Qaddafi in February 1996, with the endorsement of former British Foreign Secretary Malcolm Rifkind.

Shayler first disclosed to the British *Daily Mail*, which interviewed him in France before his arrest on Aug. 1, that he had learned that SIS had channeled funds to “a Libyan Islamist extremist group” that mounted a failed assassination attempt on Qaddafi, by planting a bomb on the road on which the Libyan leader was travelling. The attack killed several bystanders. On Aug. 5, the BBC was compelled to broadcast an interview with Shayler, after voices were raised in Britain demanding an official investigation in the case. In the interview, which was first blocked and then heavily censored by the Foreign Office, Shayler told the BBC that Britain channelled \$160,000 to a Libyan Islamic group to kill Qaddafi. “We paid £100,000 to carry out the murder of a foreign head of state. That is apart from the fact that the money was used to kill innocent people, because the bomb exploded at the wrong time. In fact, this is hideous funding of international terrorism,” Shayler told the BBC. The operation, according to Shayler, was planned and funded by the MI6. The money was allegedly paid to an MI6 Arab agent in Libya, to plan and carry out the operation.

Shayler said that he verified his information with his friend Tomlinson, who received a 12-month prison sentence last year for an “offense against the Official Secrets Act,” after trying to publish a book in Australia. Tomlinson was arrested in New Zealand at the beginning of August, under a British injunction to prevent him from making “damaging disclosures.” A British Foreign Office spokesman said that Tomlinson could “cause substantial harm to the effectiveness of the operations of the Secret Intelligence Services.”

In 1996, a Libyan “Islamist” group appeared out of nowhere in London, to claim responsibility for the assassination attempt against Qaddafi. Such has been the response of the “immune system” of British intelligence.

The Nairobi and Dar es Salaam attacks

In our present case, we find the International Army for the Liberation of Islamic Shrines (IALIS), which is a combination of several London-centered Islamist groups: the Egyptian Islamic Jihad and Al-Gamaa, together with a Kashmiri group under the leadership of multimillionaire terrorist financier Osama Bin Laden. This group came into being earlier this year, under a different name (the International Islamic Front), in the escalation between the UN weapons inspectors and Iraq, which was close to exploding into a new war in the Middle East, but was defused by UN Secretary General Kofi Annan, with the support of the U.S. administration, China, and Russia. At that time, the British did not get the war they wanted, which would have totally discredited the United States and President Clinton in the Third World.

Two days before the Nairobi-Dar es Salaam attacks, London's Islamic Jihad issued a declaration vowing to attack American interests all over the world, alleging that the CIA had carried out an operation against its members in Albania "months ago," to arrest and extradite three of them to Egypt where they might be executed. In London, there was a consensus among extremist Islamic groups to maintain that the Islamists under Bin Laden had carried out the attack. A group which is a splitoff of Bin Laden's London-based Committee for Advice and Reform issued a communiqué to justify and give credibility to the reports in the British and American media, that the IALIS is Bin Laden's group.

A number of groups in London praised the bombings and sent communiqués and messages to the international press saying that the bombings were a great victory for the oppressed Muslim nations against U.S. tyranny and its allies, and that the Islamic movement should carry out more such actions. Among the groups who sent such messages were the Egyptian "Supporters of Sharia" of Abu Hamza Al-Misri, who enjoys political asylum in London while under a death sentence in Egypt, and the Al-Muhajiroon of Omar Bakri. Islamic Jihad's official fundraising and propaganda outfit, the Islamic Observation Center, which was licensed by the British authorities in 1996, justified the attack and demanded that the United States change its policies toward Islamic nations.

Egypt has led an international effort to put an end to the protection and manipulation by Britain of a zoo of terrorist groups that threaten the security and economy of Egypt and other countries. In addition, Egypt carried the fight a step further by promoting the idea, through its official press, that the United States can gain nothing by looking inside the "Islamist" circus, but should realize that the bombing is the clearest sign of the involvement of the "former European colonial powers," through their intelligence and military power in the continent, to kill in the cradle the U.S. policy approach initiated by Bill Clinton (despite all its tragic flaws) in Africa recently.

Taliban conquer northern Afghanistan

by Ramtanu Maitra

The fall of the northern Afghan town of Mazhar-e-Sharif to the Taliban has sent a shock wave through Tajikistan and Uzbekistan. These Central Asian nations have reacted strongly against the growth of the orthodox Wahabi variety of Islam in the region, preached by the Saudis and practiced by the Taliban.

The latest march by the Taliban to conquer north Afghanistan has also widened the rift between Tehran and Islamabad. Iranian Foreign Minister Kamal Kharazmi has informed Pakistani Foreign Minister Sartaj Aziz that the Taliban have kidnapped 11 diplomats from the Iranian consulate in Mazhar-e-Sharif. "Pakistan and the Taliban bear responsibility for the lives and safety of the staff at Iran's consulate," Kharazmi said. Iran, along with the Tajiks and the Russians, has reportedly backed the anti-Taliban forces in the north, and has accused Pakistan of aiding and abetting the Taliban movement in Afghanistan.

Anxious voices were also heard in Moscow and Tashkent, where Uzbek President Islam Karimov recently notified the nation's Parliament that he will "personally shoot Islamists, if this becomes necessary." Karimov accused Pakistan, Afghanistan, and Tajikistan of hiding the Uzbek Islamic radicals in their training camps. Uzbek authorities recently claimed to have unearthed a network of "Islamic extremists," and accused them of a number of rapes in Namagan, the undeclared capital of Islamic extremists in Uzbekistan.

Moscow, which is beefing up the 25,000 troops it already has stationed along the Afghan-Tajik border, has complained bitterly of the Taliban and Pakistani involvement in Chechnya. On July 18, Chechen President Aslan Maskhodov extended a state of emergency and a curfew for ten more days, following an attempt on his life. He blamed the spread of the "anti-Islamic pernicious Wahabi doctrine" as the reason behind the militant anti-Russian secessionism in Chechnya. In a strongly worded statement, the Russian Foreign Ministry condemned "the direct involvement of Pakistani military in the planning and material-technical provision of the Taliban operations," and said that Russia reserves the right to take necessary steps jointly with the Commonwealth of Independent States member-nations to protect its borders.

It is not the first time that the Taliban have wrested control of the town of Mazhar-e-Sharif; a year ago they took it, but the Russian- and Iranian-backed northern alliance pushed them back southward again. Subsequently, mass graves were

found, indicating that there had been a mass killing of Taliban by northern alliance troops.

The role of Pakistani intelligence

The Taliban, a zealous and indoctrinated Pushtoon lot, were trained and armed by orthodox mullahs in Pakistan with help from its Inter-Services Intelligence (ISI). ISI has long been heavily infiltrated by foreign intelligence agencies, particularly the British MI6, and is beyond the control of Islamabad. The ISI also possesses a huge amount of sophisticated weapons which were originally supplied in the 1980s by Western nations to fight the Soviet invaders in Afghanistan.

Last year, when the Taliban were under pressure from the northern alliance army in Kabul, the London *Sunday Telegraph* reported that ISI chief Brigadier Afridi personally directed operations to help the Taliban build up their defenses. It said that Afridi had ordered the delivery of huge stockpiles of arms and ammunition from military dumps along Pakistan's western borders to the Taliban. There were also reports of Pakistani Army men disguised as tribal Pushtoon militiamen helping the Taliban.

The Taliban have been particularly harsh on women and all non-orthodox Islamic groups. They have also executed many Afghan leaders and citizens in public for violating the Taliban-imposed religious codes. In addition, the orthodox Sunni Taliban have persecuted the Afghan Shias and have identified Tehran as their enemy. Iran has called the Taliban "a war-mongering, extremist, and radical" group.

In addition, Taliban Information Minister Amir Khan Muttaqi acknowledged last year that Osama bin Laden, the millionaire Saudi terrorist involved in violence against the United States, was "my guest." Another terrorist, Aimal Kasi, who killed two CIA officers in Langley, Virginia, has also reportedly been given shelter by the Taliban.

Behind the religious facade, the Taliban have built up opium cultivation in Afghanistan, despite denials by their leaders. Guns and poppies have provided the muscle to the Taliban. They have been accused of not only supplying *jihadis* to the Chechen rebels against Moscow, but Afghanistan has also been recognized as a key center for training "Islamic militants" sent to the Indian part of Kashmir, the western Chinese province of Xinjiang, and southern Tajikistan.

What has intrigued many is the synchronization of car-bomb explosions at the U.S. embassies in Nairobi and Dar es Salaam and the victory of the Taliban in northern Afghanistan. Since the Pakistani ISI is what it is, there is a strong likelihood that the fire of "extremism" will be spread further into the Central Asian nations, challenging all those forces—such as Commonwealth of Independent States member-nations and China—which are involved in "trust-building measures" in the military field and shrinking troop deployments along shared borders. Lurking in the background, most likely, is an Israeli gameplan to break the Middle East peace accords.

Milosevic creates catastrophe in Kosova

by Umberto Pascali

The onslaught of Serbian dictator Slobodan Milosevic's military machine against Kosova that began on July 18, is leading toward a humanitarian catastrophe. Starting with the assault on the town of Rahovec, the combined forces of the Yugoslav Army, the special police, and the paramilitary gangs are taking, one by one, the villages and towns inhabited by the Kosovars, the ethnic Albanians that make up more than 90% of the Kosova population.

The latest reports are of heavy attacks against villages close to the Albanian border, in the Reka and Keqe regions. Tanks and heavy artillery, with a total of 250 vehicles, have been sowing terror and destruction. Serb helicopter gunships have been seen over the town of Gjakova, going in direction of the assaulted villages. In the municipality of Gjakova alone, 30 villages are now deserted, reduced to scorched earth.

The same is true throughout large areas of Kosova. In front of Milosevic's tanks and sadistic gangs, civilians are escaping en masse. According to the official calculations of humanitarian agencies, the number of refugees is now more than 300,000, out of a total ethnic Albanian population of 1.8 million. In reality, the number of the refugees is higher, and growing by the minute.

As in Bosnia, Milosevic's Nazi-like strategists have terrorized old people, mothers with children, and other civilians into fleeing their homes, despite the unknown fate that awaits them. But what has been prepared for the Kosovars is, if possible, even worse. According to reports available to *EIR*, Milosevic is applying a conscious policy of destroying harvests, livestock—anything that could be used as food. So, today's genocide is the pale reflection of the famine of tomorrow.

"It is a vicious tactic. First the Serbs are shelling civilian villages and towns to make the people run, then they burn or blow up the buildings to ensure civilians cannot return," an observer reported. Many towns taken over by Milosevic's gangs have been burned to the ground after the population has been pushed out. There is no house, village, shelter to come back to. Austrian Foreign Minister Wolfgang Schuessel warned: "Above all, I fear a humanitarian catastrophe this winter, because the Serbian Army is burning fields . . . and killing cattle. Soon there won't be anything for these people to eat."

More waves of refugees

Frantic meetings are taking place in the neighboring countries and in those where the wave of refugees is expected to go. At a meeting of several interior ministers, which took place in Vienna, many of them stated that they do not have the capability to host the number of refugees that is expected. And, the populations of these countries could be manipulated easily against the refugees.

For example, southern Italy, where unemployment is the highest since the postwar years, is very volatile. In 1992, riots threatened to explode because 10,000 Albanians reached the Adriatic coast of Puglia, a region a few hours by sea away from Albania. "You have to use the Army—it is a new Normandy landing!" the spokesman of the super-chauvinistic and separatist Northern League told the Italian government in late July. And the government announced that it will be "tough." On Aug. 3, the Italian Coast Guard turned away from the Puglia coast 600 desperate Kosovars who tried to reach Italy illegally. The ugly scenario that could unfold, when the fruit of Milosevic's genocide ripens, is not difficult to imagine.

One Balkan observer recently stressed that Milosevic is mirroring in the Balkans the strategy of Israeli Prime Minister Benjamin Netanyahu in the Middle East. Both are aimed at destroying any viable opposition, and undermining any enemy leader that could guarantee a negotiated peace.

The most dangerous point for Milosevic came when the leader of the Kosovars, Ibrahim Rugova, was elected President with a large majority. With an official mandate from the Kosovars, Rugova had become an institutional power, and gained international recognition from many countries, including the United States. Any direct attack Milosevic made against him and the institution he represented, would have triggered an international reaction. There was no way he could attack Rugova as a "terrorist."

At that point, Milosevic unleashed his assault against the Kosova population, using the pretext of fighting what he labelled as the "terrorists" of the Kosova Liberation Army (UCK). While embarked on a genocide that is depopulating Kosova, Milosevic and his thugs still say that they are fighting terrorism. In fact, as U.S. Balkan envoy Robert Gelbard has noted, Milosevic has been the best recruiter for the UCK, insofar as his criminal offensive against the civilian population, while the rest of the world does nothing effective, induced many Kosovars to take up arms and fight.

At that point, Milosevic's aim was to discredit Rugova as much as possible, while getting the green light from the rest of the world to attack the "terrorists."

How Milosevic deals with diplomats

What did the international community do? A series of diplomatic missions were launched. The United States, indeed, was on the front line, with Ambassador-designate at the UN Richard Holbrooke and U.S. Ambassador in Macedonia

Christopher Hill. The problem is, that Milosevic has no problem in dealing with diplomats. He is well known for the many promises he has not kept. Only one thing could have stopped him: NATO air strikes.

Milosevic consented to Holbrooke's request that he "negotiate" with Rugova, and he met with Rugova in Belgrade, for a cold, spiteful formality. In the meantime, he ordered more assaults against Kosova. The whole thing had been staged to inflict the maximum political damage on Rugova. Milosevic is counting on the inability of the West to act. Apparently, he is still winning.

The main aim is to make sure that no country, especially the United States, can intervene militarily without the consent of the UN Security Council. Indeed, such consent will never be given, because Russia has stated its opposition. The United States has stated its position that, "in principle," it does not need the consent of the Security Council. Unfortunately, this position has remained a theoretical one.

On July 23, for example, U.S. Defense Undersecretary Walter Slocombe testified before the House International Relations Committee. When asked by Lee Hamilton (D-Ind.) whether the United States would intervene militarily alone if necessary, Slocombe said: "There's no question that we maintain that we have the right to act unilaterally." However, he added: "We haven't ruled it out. But . . . there's a distinction between whether the U.S. believes it has the legal authority to act alone, and whether it would *in fact*, in a concrete situation, actually do so."

In the meantime, while the genocide continues, Milosevic is engaged in grotesque public relations initiatives. On Aug. 6, he and Russian Deputy Foreign Minister Nikolai Afanasyevsky emerged from a meeting, to call for "peace in Kosova." On Aug 10, adding insult to injury, one of the worse gangsters in Serbia, the leader of the paramilitary "Tigers," Zeljko Raztanovic, known as "Arkan," launched an appeal to President Clinton. This torturer of innumerable Bosnians and Croats invited Clinton to join in the fight "against terrorism." In what appears as an ambiguous threat, Arkan said that the United States should not allow bombings like those of the U.S. embassies in Kenya and Tanzania to happen elsewhere. "Mr. President, don't let . . . terrorism in this part of the Balkans continue," he said. The contorted logic of this war criminal is clear: Every Kosovar is a terrorist, and thus Milosevic is serving the West by exterminating them.

It appears that the accomplices of Arkan are those forces in Washington backing Kenneth Starr's assault against the Presidency. One well-informed source noted bitterly: "The U.S. already has to face open and covert resistance by Russia, Britain, and France against any intervention in Kosova. But, if the attack against the Presidency takes the form that we see now in *Washington itself*, I am sure that Milosevic and his thugs feel reassured that no real obstacle can block their plans."

London's warlords launch war to grab Congo—again

by Linda de Hoyos

Less than 16 months since the combined military forces of Rwanda and Uganda marched the career guerrilla-fighter Laurent Kabila into power in Kinshasa, the two neighbors have again invaded the Democratic Republic of Congo. On Aug. 4, days after Kabila had ordered the expulsion of Rwandan troops from Congo-Zaire, Rwandan troops crossed back into the Kivu provinces, with the proclaimed mission of aiding a rebellion of Banyamulenge (ethnic Tutsis) in eastern Congo. On Aug. 8, two columns of Ugandan troops crossed over into Kivu, with tanks, armored personnel carriers, and trucks. Troops against Kabila were also airlifted to the west coast oil region, where they are working to challenge Kabila directly in Kinshasa.

As of Aug. 13, the Rwandan-Ugandan offensive in the east, after seizing the key airport of Kisangani on Aug. 4, has been forced out of that strategic city, which Kabila's Congolese forces require if they have any hopes of retaking the Kivus. Although Ugandan troops are moving toward the town of Bunia in northeastern Congo, the airport in the border city of Bukavu is now under siege by the Congolese.

The war marks the break-up of what many East Africans derisively called the "KKK empire," the empire of Kaguta (referring to Ugandan President Yoweri Museveni's middle name), Rwandan Defense Minister Paul Kagame, and Kabila. Along with the outbreak of hostilities between Eritrea and Ethiopia in June, it marks the end of the myth of the "new breed" of African leaders, patched together by London and designed to grease the skids for the British Commonwealth's financial recolonization of East and Central Africa.

The Rwandan-Ugandan assault is an effort to realize London's primary goal in the first war by Rwanda and Uganda against Congo (Zaire) in 1996-97: the clearing of the way in Congo for the full exploitation of its mineral and oil resources by British Commonwealth extractors, in the context of the obliteration of Congo's national sovereignty and any remnants of a government; and to attach eastern Congo and, likely, Katanga, by far the country's richest region, to Kampala (Uganda) and Kigali (Rwanda).

Although Kabila emerged as the head of the Alliance of Democratic Liberation Forces only because Rwandan Defense Minister Kagame and Ugandan President Museveni put him there, once in power, Kabila proved vulnerable to pressures coming from the Congolese, particularly the long-stand-

ing political opposition to deposed President Mobutu Sese Seko, to get rid of "the Tutsis"—that is, the Rwandans—who had installed him in Kinshasa. Under further counterpressures from both Rwanda and United Nations investigators into the massacres of 200,000 Rwandan Hutu refugees, Kabila became uncooperative with U.S. and British interests. In a seminar at the Center for Strategic and International Studies in Washington in June, outgoing U.S. Ambassador to Congo Donald Simpson signalled that the gauntlet had been thrown down to Kabila. Simpson shrugged off reports of Kabila's tightening dictatorship and massive human rights violations, but bitterly complained that the Kabila regime did not adequately protect minority Tutsis in the eastern provinces, and proclaimed as "unacceptable" Kabila's offer of a piddling \$1.5 million on a \$20 million payment due to the International Monetary Fund (IMF) on June 15.

In mid-July, Kabila made a decisive move against the Rwandan domination of his regime, ousting the Ugandan-Rwandan James Kaberere as chief of staff, and replacing him with Celestin Kifwa, a former general of the Katangese Tigers and an officer in the Angolan Army until 1997 and his return to Congo. According to Congolese sources, the response from the Rwandans and their allies was to move toward a military coup against Kabila, taking advantage of Kabila's subsequent visit to Cuba. The coup, however, was reported, and Kabila, upon his return from Havana on July 30, ordered the remaining Rwandan troops in Congo back across the border.

On Aug. 4, Rwandan troops crossed back into Congo, quickly seizing the key border towns of Goma and Bukavu. Ugandan troops had earlier moved into North Kivu in July, allegedly on a mission to rout Ugandan insurgents from a haven in Congo. This, it is clear, was part of the overall invasion plan against Congo itself.

Rwanda has denied any involvement in the war; however, Congo has asked the United Nations Security Council to take action against the invasion. Kabila government spokesman Didier Mumenge warned that Congo would "extend the war into Rwanda" if no action were taken, a statement seconded by Justice Minister Mwenze Kongolo on Aug. 6. "This war started in Rwanda and it is going to end in Rwanda," Kongolo said. In an ominous sign of things to come, if there is no serious peace initiative for the Great Lakes Region, troops and police under Kabila's control have spent the last days

hunting down any Tutsis in the capital city, incarcerating them, and often murdering them, in revenge for their attempts to dominate Congo.

The regional conflagration

It is not expected that the Rwandan-Ugandan offensive will yield the kind of blitzkrieg victory this coalition won in its 1997 war to violently overthrow the regime of then-President Mobutu. "It will be a long war," said one well-informed Congolese.

Given Congo's strategic location in the center of Africa and its borders with nine countries, the war is already generating powerful centrifugal forces. In the eastern provinces, are combined forces from **Uganda, Rwanda, and Burundi.**

In the west, there are 1,000 troops from **Angola** in Kinshasa, and it is expected that they will move to defend Kabila, as the Congo again takes its place at the center of the impending renewal of civil war in Angola between Jonas Savimbi's UNITA and the Angolan government. Troops have also arrived in Kinshasa from **Congo-Brazzaville**, whose Sassou-Nguesso government came to power last year with the aid of Angola.

Zimbabwe, the *Financial Gazette* of Harare has reported, has sent a reconnaissance team to Kinshasa, to see how the Zimbabwe Armed Forces can help Kabila. It quotes Zimbabwean Defense Minister Moven Mahachi as confirming that Kabila had sought military assistance from Zimbabwe. "We have agreed in principle to help them, although logistics to assess how this will be implemented are still to be carried out," he said.

Filthy deals

The other force on the scene are remnants of the regime of former President Mobutu, who are reportedly now taking their turn riding the Rwandan bronco to power in Kinshasa. According to several Rwandan and Congolese sources, the chief of the rebellion in the Kivu provinces, Arthur N'Zaidi Ngoma, is simply the front-man for a gang of the most powerful and most hated members of the Mobutu government led by former Prime Minister Kengo wa Dongo. These forces have joined hands with Kabila's former Foreign Minister Bizimu Karaha and former Presidential Minister Deogratias Bugera, both of Rwandan extraction, to provide the political face for "rebellion"; the military might comes from Kigali and Kampala.

It would seem a strange group to find itself allied with Rwanda, but there are ties. Kengo, born of a Tutsi mother, was a leader among numbers of Tutsis living in Kinshasa who helped fund the Rwandan Patriotic Front's drive to power. Further, Kengo, a loyalist to the dictates of the IMF, enjoyed the same kind of support in Mobutu's Zaire, from London, Paris, and circles in Washington, as have been enjoyed by Kigali and Kampala.

In the last six weeks, Kengo has travelled from Kigali to

Washington to Paris, back to Kigali, and most recently he visited Kampala. Kengo's visit to Washington, where he met with private persons, was reportedly preceded by the clandestine visit to the United States of Mobutu's politically active son, Nzanga Mobutu. It would appear that the backing for the current war against Congo thus comes not only from London, but also circles in Paris and the United States. It also reportedly has the support of mining concerns eager to get their hands on Congo's wealth.

The French magazine *Le Canard Enchaîné* has reported that Jacques Foccart, who handles African affairs for French President Jacques Chirac, met with N'Zaidi Ngoma in Paris in 1996, and otherwise implies that Paris has given its approval for N'Zaidi's position as the head of the rebellion against Kabila. However, other well-informed sources point to the roles played by Ugandan President Museveni and by Chad President Hissan Habre in brokering the marriage of convenience between Rwanda and Mobutu's inner circles. These sources say that Museveni has again presented Washington with a *fait accompli*, just as he did in the case of Kabila—as the U.S. Ambassador to the United Nations noted in May and June 1996, that he might as well talk to Museveni and Kagame directly, since they were clearly handing down the orders to Kabila.

Others of this group around Kengo, currently believed to be in the environs of Kigali, include: Pai Pai, former chairman of the Zairean Federal Bank; Ngambue Muamba, former Finance Minister under Kengo; Baramoto, former head of the secret police under Mobutu; and Nzimbi, former head of Mobutu's once-powerful Presidential Guard (DSP). Troops of the DSP are believed to be ensconced in Gabon, Chad, and Congo-Brazzaville.

The political grotesquerie patched together for the Rwandan-Ugandan invasion cannot be expected to boost the support of Rwanda and Uganda in the region or in Congo. The Congolese people, whom Kabila is now trying to mobilize in a national war against invasion, will not willingly accept the worst of the Mobutu regime which had been so oppressive. The Angolan government also will not relish the prospect of the return of those forces that sustained Savimbi's UNITA.

Left out of the equation are the patriots of Congo, notably including former Foreign Minister Kamanda wa Kamanda, former Prime Minister Etienne Tshesikedi (who had been maneuvered out previously by Kengo's overseas friends), and other forces in the military in exile who want democracy in Congo and the opportunity for economic development. Tshesikedi declared that the new war against Congo signified a "palace revolution," a falling-out of thieves, that will not change the determination of the Congolese people to remain as one nation and to fight for democratic rule. But war, carried out by constantly shifting partners and coalitions, is the order of the day from European capitals and complicit circles in Washington.

Human rights mafia commits fraud against Cambodia

by Michael O. and Gail G. Billington

World War II never ended for former colonial Indochina, rather it mutated into the Cold War-era anti-Communist wars that lasted, officially, up until 1990 for Cambodia. Unofficially, as anyone familiar with the tortured history of the country knows, that war continues to this day, only the principal warriors waging battle against the government are now so-called “human rights” advocates, who wish to keep this long war going by other means, including gross distortion of the country’s history and willful disregard for evidence that contradicts their own self-serving version of events, especially those of 1997-98.

In preparation for national parliamentary elections on July 26, the overwhelming evidence is that more than 98% of eligible voters registered to vote. On election day, 90% of those registered, voted—compared to 49.2% of eligible U.S. voters who participated in the 1996 Presidential elections. Despite both of these remarkable rates of voter participation, both branches of the National Endowment for Democracy (NED), the International Republican Institute (IRI) and the National Democratic Institute for International Affairs (NDI), would wish the Clinton administration to declare these elections unacceptable, because the candidate of *their choice*, the one *they* deemed *most democratic*, will not control the new government, that is, principally, former Finance Minister Sam Rainsy, and, secondarily, Prince Norodom Ranariddh. The NED is joined in this prospective election theft by British-based Amnesty International and George Soros’s Human Rights Watch-Asia.

In so doing, this human rights mafia opposes UN Secretary General Kofi Annan’s message to the nation of Cambodia on Aug. 7, congratulating them on the overwhelming voter turnout, conducted in a climate that “was primarily peaceful and orderly,” and expressing the hope that “all political parties will resolve outstanding problems through dialogue and due process,” with the objective “of a government that fully reflects the wish of the Cambodian people for reconciliation, pluralism, and development.” Similarly, the 500-person Joint International Observers Group, representing 30 countries, principally the European Union, Japan, and Cambodia’s Southeast Asian neighbors, gave the election process a “thumbs-up” shortly after the voting occurred. Even former U.S. Rep. Steven Solarz, one of the co-chairman of the 25-

member U.S. observer team along with former Bush ambassador James Lilley, called the success of the election “a miracle on the Mekong,” and warned Rainsy that he would have to produce “credible evidence” to back up any assertion of vote fraud.

Sudden obstructive amnesia

When the initial vote count revealed that Second Prime Minister Hun Sen’s Cambodian People’s Party (CPP) would win 64 of 122 parliamentary seats, with Prince Ranariddh’s Funcinpec party coming in with 43 seats, and the Sam Rainsy Party trailing with 15, intense obstructionism erupted, in defiance of Hun Sen’s immediate offer to form a coalition of the three parties for purposes of national reconciliation. Instead, with Rainsy in the lead, his party and Funcinpec immediately challenged the results, and boycotted the coalition, claiming more than 300 instances of fraud, intimidation of constituents, and declaring a sudden case of amnesia on pre-election discussions of the formula for allocating parliamentary seats. At the heart of the seat allocation issue, is Rainsy’s calculation that a “correction” would give Funcinpec and the Sam Rainsy Party a controlling majority in the Parliament, but not the two-thirds majority required to keep Hun Sen out of the government.

The human rights mafia is now exploiting this delay, as evidenced by statements from NDI and IRI election observers, who are suddenly plagued by doubts about the universal enthusiasm on election day, including IRI’s Asia division chief, Paul Grove. In a commentary in the Aug. 9 *Washington Post*, NDI observer and Johns Hopkins Prof. Steven Morris goes so far as to demand that the United States buck the JIOG and UN Secretary General’s view of the elections, demanding that “Cambodia can have a civilized government responsive both to its people’s needs and to the security interests of its neighbors only if the Hun Sen regime is removed from power. Earlier this year, the United States could have stood firmly behind the beleaguered opposition parties and supported a boycott of the election until conditions for a genuinely free contest existed. It could now declare the election results unsatisfactory.” It is time, Morris continued, for the United States to “take the moral lead.”

On Aug. 6, no doubt based on testimony of IRI and NDI

election observers, six U.S. Congressmen wrote to Secretary of State Madeleine Albright demanding that the United States “not recognize, politically or economically, any Cambodian regime until all charges of fraud are investigated with credible U.S. and international observation,” and until all documents on the seat-allocation plan be turned over—they don’t say to whom—for examination, and until “internationally supervised re-voting and ballot counting” are conducted “where there are credible charges of fraud and vote tampering.” The six signers are Dana Rohrabacher (R-Calif.), Benjamin Gilman (R-N.Y.), Gerald Solomon (R-N.Y.), Dan Burton (R-Ind.), Tom Campbell (R-Calif.), and Chris Smith (R-N.J.).

There is nothing surprising about this stance by the human rights mafia. A month before the July 26 elections, NDI and IRI spokesmen told a seminar sponsored by Amnesty International and Representative Rohrabacher’s office that a truly “free and fair election” in Cambodia would deliver a majority to the urbane former Paris banker, Sam Rainsy—a distinctly Hollywood view of what the 80% of the Cambodian population, who live in the severely underdeveloped countryside, would wish. As one Asia hand observer at the seminar quipped, Hun Sen has the overwhelming support of the Cambodian people; Rainsy shines in the glare of “international consensus.” Just imagine, for a moment, Rainsy campaigning across the countryside in his \$40-60,000 Land Rover, and his habit of lapsing into English during campaign events, so that foreign journalists, and observers, can follow.

No one elected the NED

Fortunately for Cambodia and the United States, no Cambodian ever elected the IRI, NDI, or the rest of the human rights mafia to represent them, just as no American citizen ever elected the NED to make U.S. foreign policy. Some members of Congress apparently don’t understand that.

Why are the “human rights” organizations so hell-bent to undermine the electoral process in Cambodia? To understand this apparent enigma, recognize that the political attack on Cambodian sovereignty is a *single piece* with the economic subversion of the rest of Southeast Asia over the past year. That subversion, triggered by George Soros and fellow speculators, and made worse by the International Monetary Fund (IMF), has collapsed their economies, standards of living, and, in some cases, social stability. In addition to the pure greed of the speculators, the driving motivation of the Wall Street- and London-centered financial oligarchy is to reassert colonial-style control over the wealth of Asia, in anticipation of the collapse of their bubble economy. To achieve “recolonization,” the political alliance that was emerging to unite former Indochina with the Association of Southeast Asian Nations, and between ASEAN and China, was and remains a primary target for subversion.

Cambodia has long served as a trigger for regional subversion, situated at the hub of Southeast Asia. In the past 30 years

alone, Cambodia has been subjected to: in 1970, intensive bombing followed by invasion by U.S. and South Vietnamese forces, targeting the Ho Chi Minh trail; in 1973, U.S. raids dropped more bombs over wide areas of the country than on all of Europe in World War II; 1975-79, four years of hell under the genocidal Khmer Rouge; 1979-91, twelve years of civil war, following the Vietnam-backed removal of the Khmer Rouge and the accession of the party now headed by Hun Sen. During those 12 years, the United Nations, and the United States, *recognized the deposed Khmer Rouge as the official representatives of Cambodia at the UN!* What the human rights mafia is doing today is to uphold this wretchedly opportunistic and pragmatic policy.

The 1993 elections, brokered by the UN and the ASEAN nations, brought relative peace and some hope for development. The royalist Funcinpec party of Prince Ranariddh won only seven seats more than Hun Sen’s CPP, under conditions in which the Khmer Rouge actively sought to subvert the elections. As a result, a coalition government was formed with two “co-Prime Ministers,” First Prime Minister Prince Ranariddh and Second Prime Minister Hun Sen. In the 20 years prior to those elections, Prince Ranariddh had been in an uneasy alliance with the Khmer Rouge, but had ostensibly broken those ties. The coalition functioned reasonably well, but when the next scheduled elections were approaching in 1998, Prince Ranariddh made the astonishing move to *revive his alliance with the Khmer Rouge*, against Hun Sen. The plot was discovered and crushed by the Royal Cambodian Armed Forces in the first week of July 1997. Prince Ranariddh fled into self-imposed exile; the Khmer Rouge has been largely dismantled (see *EIR*, Sept. 5, 1997).

Subversion

Rather than winning the approval of the “world community,” Hun Sen was accused of carrying out a coup against First Prime Minister Ranariddh and Cambodia was penalized with economic sanctions by the United States and others. Ranariddh was joined by Rainsy, with support in turn from the IRI, the Republican Party branch of the NED, made infamous for the “democracy fighter” cover they gave the 1980s George Bush-Ollie North Iran-Contra operations. Ranariddh and Rainsy toured the world, garnering support to overthrow “dictator” Hun Sen. Nearly alone among Western press, *EIR* exposed this fraud. For example, on May 22, the *Phnom Penh Post* released excerpts of three notebooks found in a Khmer Rouge camp, which substantiated the nature of Ranariddh’s conspiracy with the Khmer Rouge—and yet, *EIR*, to our knowledge, is the only Western publication that covered this evidence (see *EIR*, June 12, 1998).

The plot between Prince Ranariddh and the Khmer Rouge was exposed only 48-72 hours after the full-blown outbreak of Southeast Asia’s financial “contagion,” when the Thai government abandoned defense of the baht on July 2, 1997. Note

also that Soros, the primary speculator behind that financial warfare, is a sponsor of many NGOs, such as Human Rights Watch, which led the mobilization against Hun Sen! The same NGOs chanting for “democracy” and “human rights,” are stridently blaming Southeast Asia’s economic problems on “collusion, corruption, and nepotism,” and “lack of transparency” — not Soros and the IMF.

Hun Sen’s counter-offensive

Confident of his popular support within Cambodia, Hun Sen had no problem showing magnanimity toward Ranariddh and Rainsy. Ranariddh was tried *in absentia* for his documented treasonous deal with the Khmer Rouge, including illegal weapons trafficking, but, with Hun Sen’s support, he was pardoned by his father, King Norodom Sihanouk, and returned to campaign for the July 26 election. This, despite the fact that Ranariddh’s leading loyal general, Gen. Nhek Bun Chhay, was and is still holed up in a town near the Thai border with a small contingent of troops and some die-hard Khmer Rouge, fighting the national army! Rainsy also returned, and formed his own party, modestly named the Sam Rainsy Party (SRP), for the elections.

The human rights mafia went to work. Every possible effort was made to accuse Hun Sen and his CPP of plotting to steal the election through fraud, intimidation, blocking opposition parties from media access, and murder. But Hun Sen, the CPP, and the National Election Commission—the latter accused of being “front men” for Hun Sen—took extensive measures to ensure fair elections. An incredible 98%-plus of the eligible population registered to vote, with relatively minor problems in the process. The 39 parties participating in the elections received their allotted media access; Hun Sen hardly campaigned the last week, while he recovered from an appendectomy. When opposition parties, such as Rainsy’s, refused to observe restrictions against campaign rallies in certain areas, including the capital Phnom Penh, for security reasons, the police were ordered to stand aside and let the rally pass. The army of more than 500 international observers witnessed this reality, as the NGOs came to look increasingly absurd, with Human Rights Watch, Amnesty International, and the IRI whining for postponing the elections for the sake of democracy, right up to the eve of voting.

Meanwhile, both Ranariddh and Rainsy ran their campaigns in a manner that shocked even their own supporters: They adopted the racist, xenophobic rhetoric of the Khmer Rouge, denouncing the Vietnamese as the racial enemies of the Khmer people, who supposedly aspire to conquer and absorb Cambodia.

“Our neighbors [the Vietnamese] are moving in to occupy your villages,” lied Ranariddh. “You can choose between a regime which cannot defend your territory and one which can.” He said that a vote for him would mean “fewer Vietnam-

ese” in Cambodia. Rainsy called for Vietnamese, who comprise up to one-tenth of the population, to be expelled from the country, while describing Hun Sen as “the monster of war who has been serving the interests of Vietnam.” Both constantly referred to the Vietnamese as “*yuon*,” a derogatory term used by the Khmer Rouge in their genocidal “ethnic cleansing” against this minority.

Reaction

In the final month before the July 26 election, the massive effort to discredit the election began to crumble, as the blatant nature of the lies was exposed. One of the most damning cases is that of Dr. Gerassimos Foulanos, LL.D., a Swede, who served for five years as a senior legal consultant with the UN Center for Human Rights and for the last two years as a judicial mentor for the UNCHR’s office in Phnom Penh. Dr. Foulanos issued a report on July 23 on the “Activities of the UNCHR in Cambodia,” which described his employment there as “the two worst years of my entire professional experience.” He said that a “heavy atmosphere of political correctness, political indoctrination, and political involvement reigns at the Center. UNCHR shows no interest in debating human rights issues, strengthening the only mechanism that can deliver protection of human rights, namely the legal system, or promoting the enjoyment of those basic rights that really matter to most Cambodians. Instead, it is all about politics and political opposition against the government of the country.”

Dr. Foulanos described the actual mandate of the UNCHR in Cambodia, which calls for building institutions, strengthening the justice system and the organizations of civil society, education, and monitoring human rights. He concludes: “Even a glance through the Memorandum of Understanding reveals that UNCHR can be severely criticized for not honoring its commitments and not doing its homework.” While the assistance programs “never rose up to the occasion,” the monitoring role “grew disproportionately, often exceeding even its conceptual limits, taking the form of intervention and protection . . . i.e., infringement of state sovereignty.”

“The UNCHR gurus of political correctness,” he concluded, “see the CPP and their allies [Hun Sen] as ‘the Bad.’ Funcinpec, SRP, and all their allies are ‘the Good.’ Even opposition political activists who participate in underground subversive activities or are involved in criminal activities are Good and, therefore, must be protected. Some of the Cambodians who work at the UNCHR are staunch Funcinpec or SRP supporters who believe that . . . Cambodia is still occupied by the Vietnamese, etc. It is dispiriting that a Human Rights organization harbors this racial hatred, this racial paranoia, instead of taking action against it!”

He points with amazement at the fact that the head of the center attended a rally for Prince Ranariddh, and asks: “How then to trust UNCHR reports signed by [U.S. Special Repre-

sentative to Cambodia] Mr. Thomas Hammarberg?" Hammarberg's reports, it should be noted, were the principal evidence used to build the case that Hun Sen pulled off a "coup" in July 1997.

The U.S. role

To his credit, President Clinton forcefully refused to countenance any deals with the Khmer Rouge, following the events of July 1997, and criticized Ranariddh directly on this account. However, Clinton also allowed all U.S. assistance to the election process, about \$2.3 million, to be funneled exclusively through U.S. NGOs, of which \$700,000 went to NDI and the IRI. In Cambodia alone, the IRI has repeatedly promoted Rainsy's hysterical diatribes against the government and against the Vietnamese. Much of its propaganda centered on a bloody incident on March 30, 1997, when a political rally held by Rainsy in Phnom Penh was subjected to a hand-grenade attack, killing 16 and injuring more than 100, including an American operative of the IRI, Ron Abney. This terrorist attack was promptly blamed on Hun Sen and his government in IRI and NDI literature and in their reports to the U.S. Congress. The FBI was brought in to investigate, but the investigation was cut short after U.S. Ambassador Kenneth Quinn informed them that he could no longer guarantee their safety, and to this day the FBI report has not been released.

However, on May 13, two experts from the UN High Commissioner for Human Rights, who had been invited by the Cambodian government to investigate the incident, as well as the deaths which occurred during the military action in July 1997 to disarm the Ranariddh-Khmer Rouge conspirators, released their own assessment. The report sheds some light on the FBI's and IRI's role, which should make them squirm.

It appears, according to the two experts—Arun Bhagat, former head of the Indian Intelligence Bureau, and Prof. Peter T. Burns, Queen's Counsellor from Canada—that the FBI had prepared a sketch of the grenade throwers from the many eyewitness accounts, using the most advanced available technology. The report states: "The sketch of the culprits made by the FBI experts resembled one Brasil who had been involved in criminal activities. The police claimed that it had not been possible for the investigators to interrogate Brasil because he had been given shelter by Nhiek Bun Chhay." Nhiek Bun Chhay is the general, loyal to Prince Ranariddh, who is still in rebellion against the Hun Sen government and in cahoots with the remnants of the Khmer Rouge "hard-liners."

Has the FBI refused to issue their report because the result did not conform to their political prejudices?

The two investigative experts reported that the government of Cambodia "would welcome the assistance of the FBI again and were also awaiting the report of the investigations which had been conducted by the FBI."

The future

The July 26 election results gave Hun Sen's CPP 64 seats, Prince Ranariddh's Funcinpec 43, and the Sam Rainsy Party 15 seats in the Parliament. Since a two-thirds majority, 81 of the total 122 seats, is required to form a government, Hun Sen initially proposed a coalition with both parties, with himself as Prime Minister. Prince Ranariddh and Sam Rainsy, as of Aug. 7, are boycotting the coalition, pending settlement of their 300 claims of vote fraud and the seat-allocation issue. On Aug. 8, Canadian Theo Noel, a senior technical adviser to the National Election Coalition (NEC), told a press conference that the claim of a change in the seating formula was bogus—the only change had been an arithmetical error in the election handbook. As for the 300 claims of fraud, on Aug. 8, the NEC reported, on the basis of a testing of 10 alleged worst-case examples, the error was less than 0.5%, and the NEC simply did not have the resources and the international community was not prepared to foot the bill for a re-vote with observers at 300 polling stations.

As of Aug. 11, these issues have been referred by the NEC to the Constitutional Council, the highest judicial body, also conveniently accused by Rainsy and the human rights mafia of being "Hun Sen's men." Rainsy and Ranariddh now have 48 hours to file complaints, on which the Council will rule in 10-20 days. The current National Assembly will be dissolved on Sept. 24. If the stalemate continues, Hun Sen has suggested that a new assembly be seated reflecting the 64 CPP, 43 Funcinpec, 15 Rainsy formula, and the current cabinet to stay in place. Hun Sen now says he would prefer a two-party coalition with Ranariddh's Funcinpec, leaving Rainsy in the opposition. Worst case, Hun Sen has raised the possibility of convening the National Assembly to pass a change in the Constitution, replacing the required two-thirds majority with a simple majority, based on which, his CPP could immediately take control. However, that could cause a parliamentary deadlock, with Ranariddh and Rainsy in the opposition.

Compounding matters, this obstructionism is verging on another important deadline. On Sept. 9, the UN General Assembly will convene. For 12 years, from 1979-90, that seat was held by the Khmer Rouge on behalf of its coalition with Ranariddh. After the July 1997 events, Cambodia's seat remained empty. Isn't it time for the curse to be lifted from this troubled land?

The July 26 election sparked new hope for Cambodia, although it comes in the midst of the greatest global financial breakdown of history. Still, a stable Cambodia, *sans* the Khmer Rouge, and committed to domestic and regional development, can contribute to a solution to the global crisis, rather than serving yet again as a cauldron of death. And, perhaps other nations will learn from Cambodia's close encounter with the human rights mafia.

Narco-terrorists open 'war of secession' against Colombia

by Gretchen Small

Colombia's new President, Andrés Pastrana, took office on Aug. 7, in the midst of war. Five days before, as the President-elect met with President Bill Clinton and other officials in Washington, D.C., the country's two major narco-terrorist forces launched a coordinated national offensive, unprecedented in its extent and firepower deployed. Over the next four days, the Colombian Revolutionary Armed Forces (FARC) and the National Liberation Army (ELN) carried out 42 strikes in 19 of the country's 32 departments. By Inauguration Day, some 275 people had been killed, and the terrorists had taken more than 100 policemen and soldiers hostage, and overrun a strategic anti-drug base in the Miraflores, Guaviare, in the heart of the southern drug empire.

This was no "farewell to the old regime," but a test by the narco-terrorists of both the new President, and of the much-needed "new beginning" in U.S.-Colombian relations, of which both Pastrana and his Washington hosts had spoken on Aug. 3.

Unfortunately, Pastrana and the U.S. State Department have, thus far, given the narco-terrorists the answer they sought: They can continue to bomb, murder, and kidnap, but the "peace process" will go forward, including its already well-advanced takedown of Colombia's military.

Thus, even after the terrorist offensive, State Department spokesmen have reiterated that State's concern remains focussed on alleged human rights violations by *the Colombian military*, and that it is *the military* which must be reined in, for "peace" to go forward.

For his part, Pastrana announced on Aug. 11 that within 90 days, he will carry out his promise, and order the military to evacuate five specified municipalities in the south. This act will officially hand control to the FARC over an area twice the size of El Salvador, located in the heart of the cocaine and heroin trade. The new President promised that he will apply the full weight of the state against any military officer accused of human rights violations, and only asked in return, that the FARC, the third—and perhaps now largest—drug cartel in Colombia, reciprocate by driving the drug-trade out of the areas over which they are being given control!

It was left to the official who headed the U.S. delegation to Pastrana's inauguration, President Clinton's anti-drug policy director, Gen. Barry McCaffrey (ret.), to spell out the insanity

of asking these drug-runners, that if they get their own country, won't they please stop running drugs? On his way back from Bogotá, General McCaffrey warned that the FARC/ELN pre-inaugural offensive was a move "in the direction of open warfare, to push the apparatus of the state over." The FARC devotes two-thirds of its forces to guarding or transporting drugs, and operating drug laboratories, has perhaps \$1 billion in reserves, and makes hundreds of millions of dollars a year from drug-trafficking, while the ELN kidnaps people, "shakes down" the oil companies, and is also involved in drug-trafficking, he told news agencies.

The FARC and the ELN demand "demilitarization" and "a cessation of aerial eradication," because aerial spraying is the only way to get at coca and opium production, McCaffrey said. When it comes to the peace talks: "The danger is, all they are after is the consolidation of their gains prior to the next phase of their movement. . . . If you look at their actions, particularly this offensive, it's almost as if their dominant focus is to maintain money-making criminal activity."

If these aren't narco-terrorists . . .

The argument of those who promote the so-called peace process, is that the FARC and ELN are essentially legitimate fighters for social justice, who just got involved in the drug trade—no one, not even the guerrillas, denies they are involved—because they needed a bit of cash. Their deal with the traffickers, it is said, is a "marriage of convenience," and if given the right incentives, they would go for divorce.

Pastrana insists that the correctness of this assumption is bolstered by the fact that, when he and his top aide, Víctor Ricardo, met on July 10 with the head of the FARC, Manuel Marulanda, and the FARC's top military commander, José Briceño (alias, Mono Jojoy), they told him that the FARC intended to *consider* helping eradicate coca and opium poppy cultivation in the areas which it dominates, provided the terms were right.

The FARC's word on this score is as good as their interest in "peace." Consider the strategy evidenced in the Aug. 3-6 offensive. The attack was national. Oil installations and a major hydroelectric plant were attacked; highways to northern cities were blocked; towns were overrun and government officials taken hostage. A car bomb was found in time in the

capital city of Bogotá, but four car bombs exploded in two other cities.

These terrorist actions, as serious as they were, functioned, however, as flanking actions, designed to pin down national forces while the narco-terrorists massed more substantive military power against their two primary targets, both key for the FARC's drive to establish an independent Coca Republic in southern Colombia. Hundreds of FARC members attacked the military base in La Uribe, Meta. Thus far, the attack has been repelled (although soldiers were taken hostage), but everyone knows they will strike there again, as that is where the FARC had maintained its headquarters, until the military drove them out in 1991, and they intend to retake it.

Second, and most important, was the seizure of the anti-drug base in Miraflores, Guaviare. The base is one of the two key centers from which anti-drug operations, with U.S. support, are deployed throughout the southern drug kingdom maintained by the FARC. Some 60% of the cocaine produced in Colombia comes out of the Guaviare alone, with the 20,000 kilos of coca paste *each month* produced in the area providing the FARC one of its principal sources of funds. Against this base, manned by 190 policemen and soldiers, the FARC deployed a force of some 1,000 men, armed with rockets and 20-pound grenade-bombs. With the Army unable to send in reinforcements in time, at the end of 25 hours of battle, the base was overrun. Thirty of the men at the base were killed, 50 wounded, and the rest taken hostage.

The first phase of the terrorist offensive concluded, Pastrana's would-be peace partner, Mono Jojoy, issued the communiqué summarizing the FARC's evaluation of the battle's outcome. With the FARC now holding more than 200 police and military men as their hostages (some were seized in previous attacks), Mono Jojoy demanded that the government negotiate an exchange of "prisoners of war," and release FARC terrorists. His communiqué ended defiantly, "We continue fighting."

And they do. Even as Pastrana announced, at the Aug. 11 ceremonies where he swore in Víctor Ricardo as Presidential Peace Adviser (a post elevated to a cabinet position), that the southern military withdrawal will proceed, the ELN opened a multipronged offensive against the port city of Barrancabermeja. A FARC force estimated at 500 men is likewise reported to be on the march toward another anti-drug base in the south, this one located in Putumayo, near the border with Peru and Ecuador.

A Coca Republic

Over the course of 1998, *EIR* has published five feature packages on this escalating Colombian crisis, and outlined the needed elements of a strategy of victory. We have documented how London's "Dope, Inc." has targeted Colombia for disintegration, the first target of a new Opium War directed against the Americas as a whole. (See *EIR*, Jan. 23, May 8, June 12, July 3, and Aug. 7). We have documented how the

drug legalization lobby bankrolled by London's favorite speculator, George Soros, deploys the "human rights" campaigns against the Colombian military, *in conjunction with the dope cartels*.

In these recent events in Colombia, our warnings have been proven right, and our critics dead wrong.

The FARC/ELN offensive has been accompanied by a propaganda barrage spelling out what the narco-terrorists demand as preconditions for *promising* to sit down to talk. As the FARC's Mexico City-based spokesman, Commander Calarcá, bragged in a telephone press conference (given jointly with the ELN's chief, Francisco Galán, from his jail cell in Colombia): "We have nothing to negotiate. . . . There are not going to be negotiations; there are going to be conversations."

Articles run in major national dailies by a network of FARC front-men since Aug. 7, lay out their demands:

- U.S. military and anti-drug assistance to Colombia must stop. An article in *El Espectador* proclaimed on Aug. 10 that the FARC's top military targets today, are U.S. Vietnam veterans deployed in Colombia as anti-drug advisers.
- All "repressive" anti-drug operations must cease, including aerial eradication.
- All Colombians who seek to defend themselves against the guerrillas are to be treated as "paramilitaries"—here, the military is emphatically included—and the Colombian state must take responsibility for dismantling this opposition, with force if required.

In addition, precisely as *EIR* warned they would in its Aug. 7 issue, the narco-terrorists demand their own Coca Republic. On Aug. 9, William Jaramillo, a former cabinet minister turned columnist for *El Espectador*, raised the question, what is it that the guerrillas want? They were de facto recognized as a legitimate belligerent force when Pastrana met with their leadership, he argued, notifying "the international community . . . as to the political legitimacy of the insurrection in Colombia. . . . They seek political autonomy and independent territory? That's where things should head." Comparing "our insurrection" with that of the ETA Basque separatists in Spain, Jaramillo concluded:

"Many are surprised that our war would end with territorial concessions, the which is not so absurd. . . . The guerrillas know that our weak and inefficient Armed Forces, which they defeat every day where they want, and how they want, are incapable of defending the territorial integrity of the state. Therefore, this war has become a war of secession. And, it has to be faced as such."

El Espectador's prominence in providing FARC propaganda space is telling. In 1996, the Pastrana family newspaper, *La Prensa*, and Pastrana personally, denounced the paper's owner, Julio Mario Santodomingo (a friend of Henry Kissinger), for his "economic partnership" with the Cali Cartel's Rodríguez Orejuela brothers, and the two partners, Santodomingo and the Orejuelas, together kept then-President Ernesto Samper Pizano in power.

Israeli Labor leaders urge U.S. Mideast role

by William Jones

Israeli leaders from the opposition Labor Party urged the United States to stay engaged in the Mideast peace process, despite the sabotage of the Netanyahu government. A delegation from the Labor Party, led by party leader Ehud Barak, arrived in Washington in early August for talks with administration and State Department officials. Barak, the former head of the Israeli Defense Force and former Foreign Minister, took over the party after the assassination of Prime Minister Yitzhak Rabin by a Jewish extremist in 1995.

It was the first high-powered visit Barak has made to Washington since his election as party leader, and he hopes to rally support from an American Jewish community which had been strongly supportive of the Oslo Accords and disillusioned by the systematic sabotage of the peace process by Prime Minister Benjamin Netanyahu. As Leah Rabin had indicated after her husband's assassination, it was the vitriolic attacks by then-opposition leader Netanyahu that helped create the environment leading to her husband's assassination.

Accompanying Barak on his trip were Ephraim Sneh, a former general and a member of the Israeli Knesset (parliament); Shlomo Ben-Ami, a leader of the Sephardic community in Israel; and former Foreign Minister Yossi Beilin, one of the architects of the Oslo Accords. This visit was a show of unity by these individuals, each of whom represents a different political grouping within the Labor Party. In the dangerous atmosphere in the Mideast created by Netanyahu's sabotage of the peace process and growing concern over his reliance on the fundamentalists, the Labor Party is gearing up to retake power.

Barak spoke to a large crowd of supporters at the Mayflower Hotel on Aug. 4. Echoing what will undoubtedly become the main campaign theme, he counterposed to the Netanyahu slogan "peace through security," the idea of "security through peace." Only by consolidating the peace process begun by the Rabin government, Barak argued, could Israel hope to achieve real security. The Mideast, Barak warned, "is deteriorating into a kind of apartheid situation at best, or a Belfast or Bosnia situation at the worst. . . . It's a pity we have spent two precious years without accomplishing anything, . . . and the prospect of violence is waiting for us down the road." Unfortunately, Barak talked about the dangers of Iran and Iraq going for a nuclear initiative, playing into the themes on which Netanyahu thrives.

On Aug. 6, at the National Press Club, Barak was more specific. "Now, we have to bear in mind that a new eruption of violence in the Middle East . . . a new wave of violence and bloodshed would not just take us back to the beginning of the Hebron agreement or Oslo or Madrid; it might throw us back a generation and might make the challenge of reactivating the peace process in the Middle East something much more demanding to any future Israeli or Palestinian leader," he said. He warned against passing the five-year deadline of the Gaza-Jericho Accords on May 4, 1999 without any sign of autonomy for the Palestinians. Speaking to *Jewish Week*, Beilin underlined this point: "If nothing happens by May 4, 1999, and if unilateral decisions are taken by the Palestinians, followed by Israeli annexation of the West Bank, we are approaching violence, and not just between Israelis and Palestinians. We know the date; if America is not there as part of the process—if the American policy is 'let them bleed'—it will be the end of the world."

An attempt to restrict citizenship

Barak made clear that if the Netanyahu government goes ahead with legislation which would restrict Jewish citizenship to religious Jews—which Netanyahu, whose base of support is largely among the ultra-Orthodox, is toying with—the Labor Party would move to quash it. "For the first time in the history of Israel, we stated in advance what we are going to do when the law will be put on the Knesset table," Barak said. "We stated that we are ready to fight for the unity of the Jewish people, that we believe in a bona fide dialogue and compromise, but if such a dialogue cannot be accomplished, we will never let such a bill be passed in the Knesset. We are the biggest faction in the Knesset, and we will vote against it."

The Labor Party delegation also took up the cudgels against the American-Israeli Public Affairs Committee. The largest support organization for Israel in the United States, and which allegedly supports Israel regardless of which party is in power, AIPAC has a clear proclivity to line up with the hawks. In 1993, Rabin had to personally intervene to bring them into line with the peace process his government had embarked upon. With the death of Rabin and the coming to power of the Netanyahu government, AIPAC went back to its old ways. In April, it had played a decisive role in getting 81 U.S. Senators to sign a letter warning the White House against attempting to exert pressure on Netanyahu to adhere to the peace process.

Beilin led the charge on behalf of the delegation. He said that AIPAC was becoming a "right-wing organization." "The message I wanted AIPAC to hear," Beilin told *Jewish Week*, "is that if you don't want the Americans to be involved, there will be no peace process. And without a peace process, there will be no security for Israel." Immediately, Abe Foxman of the Anti-Defamation League of B'nai B'rith, a right-wing hate group, attacked Beilin's comments as "inappropriate."

Prince Philip's assault on religion

The Royal Consort assembled religious figures at Lambeth Palace to destroy the Judeo-Christian commitment to progress. Scott Thompson reports.

British Royal Consort Prince Philip, who recently retired from his long tenure as International President of that World Wide Fund for Nature (formerly World Wildlife Fund) which launched the pagan ecologist movement more than three decades ago, has, during the course of 1998, stepped up his war against the fundamental precepts of western Judeo-Christian civilization.

It is paradoxical, that the self-avowedly pagan Prince—who for 25 years has been bent upon ushering in a “New Dark Age,” that would mean the death of most of the world’s population—has been cited by various lackeys of the House of Windsor as having something like a “divine right” to correct certain “flaws” in Judeo-Christian Renaissance ideas; these very “flaws” were what enabled the scientific and technological progress that allowed rising rates of population growth, at rising standards of living, in the aftermath of the 14th-century Black Death. Under Prince Philip’s goal to depopulate the world by as much as 4 billion people, he and his oligarchy intend to enslave the remaining 95% in neo-feudalist serfdom.

One of the fundamental ideas that Prince Philip and his religious/cultural warfare lackey, Martin Palmer (the modern version of Queen Victoria’s Lord Acton), reject, is *I Genesis 1:26-31*, which states that “man is created in the image of God”: that each human being, irrespective of “race” or “ethnic” origin, is imbued with a divine spark of reason, which differentiates him from the animals. This has permitted his discovery of validatable scientific principles as a co-participant in God’s ever-more-perfect creation, that can be measured in the first approximation (contrary to environmentalists’ conceit) by an acceleration in the rate of population density.

Prince Philip is destroying the idea of progress within the three monotheistic religions that contributed to the 15th-century Golden Renaissance—Christianity, Islam, and Judaism—as well as other religions whose moral code reflects those views of man. Emblematic of Philip’s contempt for God’s creation is his remark, ten years ago, to the German press agency DPA: “In the event that I am reincarnated, I would like to return as a deadly virus, in order to contribute something to solve overpopulation.” Two years earlier, he penned similar declarations in his foreword to *If I Were an Animal*.

As Lyndon H. LaRouche, Jr. wrote in “The Eagle Star

Syndrome” (*EIR*, Aug. 7), the likes of Prince Philip and Martin Palmer are trying to remove the moral barriers of religions to genocide.

Philip and Palmer have been trying to unleash a process, whereby the humanist currents within these great religions would be overwhelmed by being integrated with various gnostic/Satanic cults, including the Jains, Baha’is, the Buddhism of the Dalai Lama, Taoism, and so forth. (Tibetan Buddhism is particularly evil, as the Dalai Lama formed part of the inner mystical belief structure of the Allgemeine SS, whose pagan myths Prince Philip and Palmer embody today through their eco-fascist cultural warfare policies.)

The Lambeth Palace process

EIR has learned that Philip keynoted an assembly at Buckingham Palace, on Feb. 17, that brought together representatives of “nine world faiths,” including senior representatives of the Catholic and Protestant Christian churches, Judaism, and Islam, spokesmen for the Baha’is and Jains, and World Bank President Sir James Wolfensohn. On Feb. 18-19, these representatives proceeded to assemble at Lambeth Palace, the residence of the Archbishop of Canterbury, where they resolved to organize globally for a “consensus,” centered around such notions as a “new world order,” “ecological sustainability,” man’s “stewardship of the earth,” “small is beautiful,” and “austerity.”

Prince Philip’s meeting at Buckingham Palace with these putative religious representatives of 3 billion people, was a prelude to the Lambeth Palace event, on the theme of “World Religions and World Development.” According to sources at the World Bank who helped organize the Feb. 18-19 conference, speakers at Buckingham Palace included Archbishop of Canterbury George Carey, and the World Bank’s Wolfensohn.

Buckingham Palace has refused to release Prince Philip’s speech, and has maintained “no comment” on questions of whether other royals, especially Prince Charles, may have participated. As for the speech by Wolfensohn, his British speechwriter stated that she had only drafted talking points, around which he spoke extemporaneously, and that no recording of the speech was available for release.

However, there are some reports available on the “World Religions and World Development” event from the Baha’i

Worldwide International's newsletter *One Country* (January-March 1998). In addition, sources at the World Bank have made available to *EIR* speeches prepared for Lambeth Palace by most of the religious leaders attending (see *Documentation*).

One of the conference's goals, according to the Baha'i account, is to replace the major infrastructure programs that had been funded by the World Bank. These have increasingly been criticized by ecologists, who promote instead the ecological buzz word for genocide, "sustainable development."

Palmer helped organize the Lambeth conference, and was quoted by *One Country* as saying: "For the first time in contemporary economics, the role of religion in development was not just publicly acknowledged or even acclaimed, but brought into a partnership with one of the largest and, some would argue, most vociferously secular organizations in the world. . . . The repercussions for this are that the economic world will have to take religion seriously—and vice versa."

Wolfensohn told the meeting in his closing statement: "What is clear is that what has come out of this meeting is that there is a unity between us. A unity of the concern for the physical livelihood but also spiritual and cultural continuity, and I think that it is that which certainly I have found remarkable at this meeting. There has been a total meeting of the mind."

Apart from Wolfensohn, another World Bank official involved in preparing the forum with Palmer was John R. Mitchell, who told the audience at the event: "This event is in some ways an explicit recognition that Mr. Wolfensohn feels religions are a major part of civil society. While the Bank has dialogued with them in piecemeal fashion, this event is also trying to systematically push the dialogue to a higher level—and to validate it."

At the end of the meeting on Feb. 19, the participants issued an 11-point statement, and agreed to establish several working groups and to meet on at least an annual basis. Among the topics for the working groups were:

- Community building
- Hunger and food security
- Environmental sustainability
- Preservation of cultural heritage (including sacred sites)
- Violence and post-conflict reconstruction
- Education and social service delivery.

Except for the second point, these categories clearly miss the basic issues: They represent an accommodation to the World Wildlife Fund agenda of rejecting man's role of having dominion over nature, and having a right to advanced technology which will improve his mind and his life.

The Baha'is' *One Country* wrote: "The final statement promised that the religious communities will be invited to 'influence the thinking of the World Bank by participating in the studies and discussions embodied in the Bank's annual World Development Reports.' A special effort will be made to get this input for the year 2000 report, which will focus

on 'understanding poverty.'

A development specialist with the U.K.-based group Christian Aid, Wendy Tyndale, who had advised Archbishop Carey in planning the conference, characterized their thinking this way: "Until now, the main criterion in judging the success of development work has been economic growth. The criterion is that the faiths are suggesting focus more on the overall well-being of communities and people, of which a very important aspect is both spirituality and cultural identity. This came out of the meeting very strongly."

One Country quoted one speaker: "'Thirty years ago today, in development, nobody cared about ecology,' said Dr. Lachs. 'Today, the environmental impact of a project is a major issue. If we can do the same thing in the spiritual-cultural-values field, the impact on the non-economic lives of people will be tremendously important.'"

According to one World Bank official, there was a follow-on meeting of some religious leaders who had been at Lambeth Palace, with World Bank officials in Washington, D.C. in April 1998. This official reported that a secretariat had been established between Wolfensohn and Archbishop Carey.

Gaia worship and sustainable development

One of the chief environmentalist doctrines to which Prince Philip hopes to convert the world religions, is the so-called "Gaia hypothesis," a modern-day variant of gnostic worship of the Mother Earth Goddess.

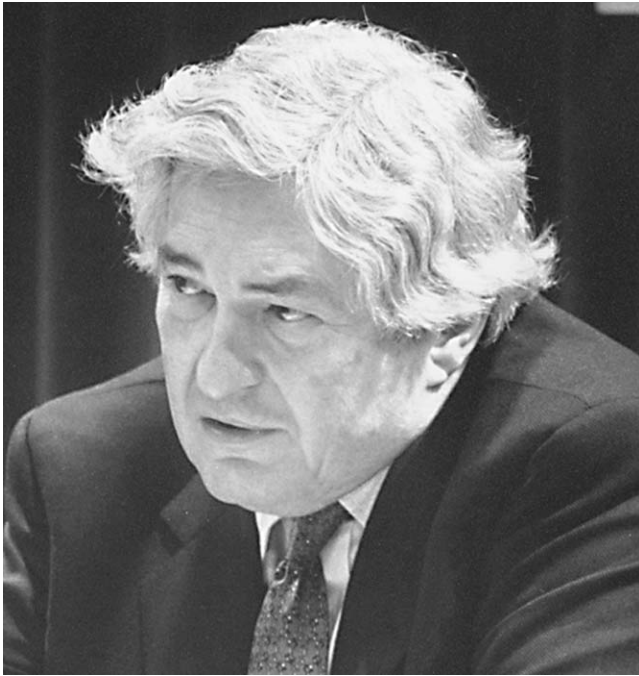
Palmer once described this doctrine as follows: "What the earth cares about is its own continued survival, and if this means shrugging off humanity, then so be it. One of the most challenging ideas emerging from the environmental crisis and from concepts such as Gaia, is the notion that humanity really isn't that important. This poses major problems to Christianity, Judaism, and Islam."

According to a spokesman for the British-based Gaia Foundation, Prince Philip and Prince Charles are supporters of its activities. One of the leading funders of the Gaia Foundation until his recent death was Sir James Goldsmith, whose brother, Teddy, made frequent reference to the "Gaia hypothesis" in his magazine, *The Ecologist*.

One passage from a 1993 article, "Gaia: An Ancient View of our Planet," further shows its evil content: "[The Earth's justice] is not the justice of human morality; it is written in the nature of things. Earth forgives, but only to a point, only until the balance tips and then it is too late: famine, disease, disaster, and death come to those who upset her balance arm and to their children. This is Gaia's view of environmental problems. Ancient history and mythology are full of stories in which Earth has her revenge on those who harm her or the creatures she protects. Ecological sins meet with ecological punishments."

The Goldsmith brothers have long been fully involved with the royal family's genocidal policies.

In an interview with *EIR* in 1996, Teddy Goldsmith discussed this poisonous mixture of paganism with "sustainable



World Bank President Sir James Wolfensohn (left) and British Royal Consort Prince Philip, masterminds of the plan to bring about a pagan world order. They are trying to recruit the world's religious leaders in support of feudalism, Malthusianism, ecologism, and "sustainable growth."

development." He said that he had just finished a three-volume study of International Monetary Fund/World Bank-funded infrastructure projects, and he concluded that projects such as dams should be eliminated because they destroy "ecosystems" and have problems with silting — despite the simple solution of using dredging to remove silting.

Asked whether or not a project, long advocated by *EIR*, to build dams and channels to save the millions who die in Bangladesh's periodic flooding ought not be implemented, Teddy Goldsmith said that he had studied this situation, and had concluded that the solution for Bangladesh was to forest the Himalayas. He was not in the least disturbed at the interim loss of life, or that dredging could resolve the problems of silting.

This sort of genocide is the development model that the IMF's sister institution, the World Bank, has increasingly adopted, especially since private investment banker Wolfensohn became president in 1995 and started to share his ideas with the would-be "deadly virus," Prince Philip.

Wolfensohn declared at the time that the Lambeth conference would have a direct bearing on World Bank policy: "There is no doubt that it will, and in doing this we are establishing policy, we are establishing a strategy. And what needs to be done by us is to ensure that it is absorbed in the institution [the World Bank], in the 10,000 people."

In short, Wolfensohn (who was knighted by the Queen shortly before becoming head of the World Bank in 1995), has adopted a religious cover for denying advanced technology to the world's population.

High priest of evil: Martin Palmer

by Scott Thompson and Mark Burdman

To understand how Prince Philip could infiltrate his evil syncretism into the world's religions and financial institutions, it is useful to focus on his guru on religious and ecological matters, Martin Palmer, head of the International Consultancy on Religion, Education, and Culture (ICOREC), based in Manchester, U.K.

In response to a question from *EIR* on June 26, Palmer said that since the Lambeth meeting, "We have just opened an office in Washington, D.C. to collaborate more closely with the World Bank." Asked about Wolfensohn's recent trip to Russia, where he made an empty pledge of aid, since the IMF/World Bank are to all intents and purposes bankrupt, Palmer said that this problem would be addressed at a forthcoming meeting of the World Bank with all the Eastern Orthodox churches.

Palmer further indicated that he and Prince Philip were thinking of steering the IMF/World Bank toward eschewing "materialistic" for "spiritual values." With perhaps more ma-

terialism than spirituality, he remarked: "It is the purpose of the Alliance for Religion and Conservation to change the criteria by which the World Bank judges its projects. By joining with the world religions, it gives access both to their wealth and to their spiritual values. This changes what it means to be human and also the conception of development. It is the churches that provide most of the education and social services now."

Palmer reiterated this, when he summarized the success of the Lambeth Palace meeting. "Overall there was a sense that the models of development have been entirely too materialistic. What has been missing is the spiritual or cultural dimension," he said.

He denounced the economic view of Pope John Paul II as being of the same sort of "hubristic" outlook that, he claims, had led to the downfall of the "Asian Tigers." He denounced the "general sense of hubris" that the "Asian Tigers" had displayed through seeking rapid development. Asked whether it were true that China was displaying the same "hubris" in its rapid development program, and, like Prometheus, "playing with fire," Palmer said that such undertakings as the Three Gorges Dam were folly. Within China, he explained, there was a potential counterforce to development, through Taoism. And, the Taoists, he said, are represented in the Alliance of Religion and Conservation (ARC), which he helped Prince Philip create: "In China, the Taoists are the only original force. They have witnessed the traumatic destruction of values. . . . The Taoists wish to restore and protect the old values from an economic, social, political, and structural standpoint. . . ."

"There are 20,000 Taoist priests and nuns, and between 150-200 million Chinese engage in some form of Taoism, which may include only occasional trips to a Temple for worship."

The Taoist conception of development, working in tandem with ARC, is to preserve totally undisturbed, certain "sacred mountains" in China.

The WWF, Assisi Conference, and ARC

It was Palmer who organized the 25th anniversary of the World Wildlife Fund, in Assisi, Italy, on Sept. 22-29, 1986, specifically around the determination that the Renaissance "image of man," associated with Leonardo da Vinci, had to be eliminated. Palmer's view, then, was that "non-western, alternative ways of looking at nature" had to be fostered to create "a new way of looking at the world" (see *EIR*, Sept. 5, 1986, "Prince Philip to Set New 'Satanist Covenant' in Assisi," and "Why the WWF Hates Leonardo da Vinci").

In Assisi, the WWF launched the Network on Religion and Conservation, managed out of Palmer's Manchester offices. Continuing the propaganda line from this network, Prince Philip made a declaration in Washington, D.C., in May 1990, praising the "ecological pragmatism of the so-called pagan religions" as being "a great deal more realistic, in terms of conservation ethics, than the more intellectual monotheis-

tic philosophies of the revealed religions." The Network on Religion and Conservation was superseded by ARC, which was launched at a World Summit on Religion and Conservation, at Windsor Castle on April 29-May 3, 1997. As at Lambeth (and Buckingham), it summoned representatives of "the nine major religions of the world."

Palmer has repeatedly argued that the emphasis of the World Wide Fund for Nature must be to attack the belief in progress, especially in those parts of the world most affected by Judeo-Christian civilization.

In his 1992 book *Dancing to Armageddon*, Palmer elaborates his method. He claims that what defines the sense of reality for people are "stories" similar to those myths propagated by the Persian *Maji*, most notoriously to create syncretic cult belief systems like the "fire worshipping" Zoroastrians. By "stories," he means cultural axioms mediated through myths.

His task, says Palmer, is to "undertake a mental archaeol-

The participants

The following are the religious leaders who took part in the Feb. 18-19 Lambeth Castle Process:

Bahais

Kiser Barnes, International Counselor, Baha'i World Centre

Lawrence Arturo, director of the Baha'i International Community, Office of the Environment

Buddhists

Nambaryn Enkhbayar, leader of the minority in the Parliament of Mongolia

Sulak Sivarskaya, social activist and founder of the small economy model of development in Thailand

Christians

Metropolitan John of Pergamon (Orthodox), representing the Ecumenical Patriarchate

Archmandrite Feofan (Orthodox), deputy chairman for External Church Relations of the Moscow Patriarchate

Wendy Tyndale (Protestant), development specialist, Christian Aid

The Right Rev. Thomas Olmorijoi Laiser (Protestant), development specialist, Christian Aid, bishop of the Evangelical Lutheran Church in Tanzania, the Arusha Diocese

His Eminence Cardinal Roger Etchegaray (Roman Catholic), president of the Pontifical Academy for Justice and Peace, the Vatican

ogy of the substructures, the hidden stories, upon which we continually build as we erect our models of what and who we are and where we are going.” He attacks “one of the fondest illusions of our age,” namely that “we are ‘realistic’ or ‘factual’ in our approach to life. We are not.” Palmer presumes to show that, in our modern American and European societies, we have come to take for granted, the view that “human beings are the pinnacle of evolution, the *raison d’être* of life, and that the American (and with it, the European) way of life—conquest, colonization, and exploitation—is nothing less than the way life and always has been.”

This is not true, in his view. What must be fostered are “stories,” or myths and metaphors that demonstrate that “the impact of human beings on this planet is now so disastrous that we have already destroyed countless species and habitats and others are in grave danger.”

A professed Christian, Palmer strips Christianity of any vestige of its contribution to human history—namely, its

commitment to “anthropocentrism.” In his 1993 book *Coming of Age: An Exploration of Christianity and the New Age*, Palmer excoriates the “anthropocentric gospel.” He rails against Christianity’s “deification of humanity and its products, science and industry, culminating in the revival of that most arrogant of statements, ‘Man is the measure of all things.’”

The entire edifice of Christianity, Christ as the Son of God and as the Savior of mankind, is built upon anthropocentrism; without it, Christianity is turned into a gnostic heresy. That is precisely Palmer’s aim, especially through the Lambeth process that seeks to pervert exactly that humanism in Christianity, Islam, and Judaism, which made possible the Golden Renaissance.

Palmer’s theology replaces the Genesis injunction to “fill the earth and subdue it,” with what he calls “the stewardship model” of man’s relationship to nature.

According to Palmer’s writings, “stewardship” will bring

Monsignor Diarmuid Martin (Roman Catholic), secretary for the Pontifical Council for Justice and Peace

Father Sergio Benal, S.J. (Roman Catholic), dean of the Faculty of Social Science at the Gregorian University, Rome

Hindus

Swami Vibudhesta Teertha, head of the Sri Admar Mutt, Udipi, Karnataka, South India

Acharya Srivatsa Goswami, head of the Sri Caitanya Prema Samsthana, in Vrindavan, India

Jains

His Excellency Dr. L.M. Singhvi, patron of the Institute of Jainology, a leading scholar of Jainism and the Vedic Indic religions, and a parliamentarian

Prof. Padmanabh S. Jaini, trustee of the Institute of Jainology and Professor of Buddhist Studies at the University of California at Berkeley

Jews

Prof. Rabbi Arthur Hertzberg (Conservative), vice president *emeritus* of the World Jewish Congress

Prof. Rabbi René Sirat (Orthodox), former Grand Rabbib of France, current Grand Rabbi of the Consistoire Central.

Dr. Thomas Lachs (Reform), former board member of the Bank of Austria, chair of the Board of the Jewish Museum of Vienna

Muslims

HRH Crown Prince El-Hassan Bin Talal of Jordan

His Highness, the Aga Kahn, spiritual leader or Imam

of the Nizaris, the larger of the two main branches of the Ismaili Shia community

Sikhs

Sri Singh Sahib Manjit Singh, Jathedar of Anandpur, Punjab, India and president of the World Sikh Council

Dr. Rajwant Singh, founding member of the Guru Gobind Singh Foundation, a leading Sikh organization in the United States

Taoists

Zhang Ji Yu, vice president, vice secretary general of the China Taoist Association at Bai Yun Guan, Beijing

Zhang Xun Mu, academic researcher on Taoism at the Religious Research Center, an institute under the Religious Affairs Bureau of China.

Tjalling Halberstam, Dutch national who has been working with Taoist groups in China to preserve seven major Taoist sacred mountains

Other invitees

Dr. Wangari Maathai, environmentalist and women’s rights activist, founder of Kenya’s Green Belt Movement

Dr. Vandana Shiva, Hindu activist, development specialist, and director of the Institute of Science, Technology, and Ecology in New Delhi

Andrew Purkis, Archbishop of Canterbury’s Secretary for Public Affairs.

Ismail Serageldin, vice president for the Environmentally and Socially Sustainable Development, the World Bank

Andrew Rogerson, the World Bank’s representative for the United Kingdom and Ireland

about an “integration” with “elements of nature” of the type that “shamanism and certain forms of the ‘pagan’ religions inculcated through their practices and beliefs.” “Shamanism” is a form of “healing,” largely dependent on witchcraft and magic that is practiced, today, only in the most backward areas of the globe.

But Palmer doesn’t restrict himself to subverting Christianity from within. He also promotes those religions and belief-structures outside of a nominally Christian context, the which, he asserts, are most hostile to the future progress of humanity. He lauds Taoism (yin/yang, cyclical theories of nature), and those variants of Buddhism and Hinduism that, he claims, are coherent with the so-called “Gaia hypothesis” of British science-faker James Lovelock.

Documentation

Speeches at Lambeth Palace

The following are excerpts from “off the record” reports by representatives of a variety of pagan cults in the stable of Prince Philip and Martin Palmer’s Alliance of Religion and Conservation (ARC), given during the Feb. 18-19 Lambeth Castle conference.

Rejection of economic development

“Taoist Criteria for Economic Development: A Preliminary Paper Prepared by the Chinese Taoist Association in Collaboration with the China Sacred Mountain Project (ARC),” is the title of a paper delivered by one of the Taoist religious leaders. It reports on an effort by the Taoists in China, with the ARC, to protect the Taoist “Sacred Mountains” from economic development.

“Sikh Faith and the Development Criteria.” This Sikh document, written by Dr. Brij Pal Singh, rejects development altogether. It states, in part:

“A highly developed area or society as above has not assured universal health and happiness. Children of the highly rich and prosperous families, on the other hand, have found life boring and meaningless. They tend to go toward drug addiction, crime, violence, lethargy, and passive leisure to seek satisfactions. The reason for this is a lack of religion, faith values, and spiritualism in the criteria of development. Prosperity and higher consumption, therefore, are not the correct criteria of the progress of nations.”

One of the non-Catholic Christian denominations present at the Lambeth Castle conference spoke on “Criteria for Development Policies, Strategies and Ways of Working: From a Christian Point of View,” from which the following excerpt is taken:

“The Christian faith has tended to place human beings on a higher level than the rest of nature. But it has never granted anyone the right to destroy what God has given us. We believe that the whole world belongs to God, who has entrusted it to our care during our sojourn here on earth. We are here as stewards. Our responsibility is to make creative use of what we have been given, not merely to exploit our natural environment and certainly not to exhaust it, but to develop it in a sustainable way, respecting it as part of God’s living creation, so that we can pass on to future generations a fruitful, life-giving earth. . . .

“An . . . example of environmentally friendly farming is to be found in Honduras, where integrated planning is carried out to ensure the best possible use of all the natural resources in the locality. Energy is produced from animal manure. . . .”

An ideology of austerity

A Hindu representative presented a report titled “Hindu Criteria for Development”:

“The aim of Hindus Society is summed up by the Sanskrit axiom *dharma artha kama moksha*, which means ‘religion-prosperity-enjoyment-release’: from the practice of religion follows prosperity, which brings worldly pleasure, the taste of which leads one to give up this world and seek release from the cycle of rebirth. This final release, called *moksha*, is the real aim of the human project, and hence of ‘development’. . . . The process of enabling such a sustainable livelihood in harmony with natural resources, as a foundation for spiritual progress, is what Hinduism would call ‘development.’

“The Hindu understanding of economic prosperity is a society in which all aspects of the individual—body, mind, and spirit—are satisfied by placing God at the centre of all activities. This principle is expressed in the *Bhagavad Gita* in the words, ‘Whatever you do, whatever you eat, whatever you offer and give away, and whatever *austerities you perform*—do those as an offering unto Me [Krishna]” (emphasis added).

“The Hindu economic ideal is agrarian and based on simplicity. The introduction of large-scale industry has had a disastrous effect on the Hindu way of life because it has broken up this agrarian life-style and sucked huge numbers of people into cities where they have lost touch with their traditions.”

Buddhist economics

From “The Practice of Generosity: First Steps Towards a Buddhist Economics:”

“Guatama, the historical Buddha, emphasized the importance of both self-reliance and pragmatism in defining one’s own practice. . . . The task of Buddhists is to create, sustain, and exemplify a way of living that embodies Buddhist values. . . .

“A contemporary example of the Buddha principle would be Tenzin Gyatso, the present Dalai Lama of Tibet, who, through his skills in interpreting the Buddhist teachings to meet present needs, embodies wisdom, and through effec-

tively serving as a political leader for his exiled people embodies the compassion many Buddhists seek to emulate. . . .

“Buddhism seeks a middle way between sensual indulgence and extremes of life-denying asceticism. To lead fulfilled lives, human beings require the provision of basic necessities: nutritious food, warm and dry housing, adequate clothing, medical care, etc. It is only when one is driven by the insatiable demands of greed to believe that additional wants to these are in face *needs*, that problems begin. . . . Such a lifestyle is damaging to the natural environment, leads to exploitation of the underprivileged, and in the long term is unsustainable. . . . The Buddhist approach places great stress on enhancing the quality of life without damaging either the present environment or the prospects of others. . . .

“Traditionally, this view has led to a reluctance by Buddhists to involve themselves too closely with social and political change. But now it is simply a question of trying to save the world from the disastrous consequences of delusion and greed run amok. Today, Buddhism is presented with the challenge to make its wisdom accessible for the world as a whole.

“In his book *Small is Beautiful*, the economist E.F. Schumacher included a chapter on Buddhist economics which he concluded with the words: ‘It is a question of finding the right path of development, the Middle Way between materialist heedlessness and traditionalist immobility, in short, of finding Right Livelihood.’ ”

Rejection of God the Creator

From “A Jain Response to the World Bank,” by Padmanabh S. Jaini:

“While Jains are undoubtedly adherents of one of the most ancient religious traditions in the modern world, they are also one of the smallest, being only slightly larger than the Zoroastrians. . . . One of the distinguishing features of Jainism is that there is no belief in a creator God (Ishvara). Hence, Jains do not believe that everything in the world, including plants and animals, was created by an intelligent first-cause for mankind’s benefit and consumption. . . .

“In order to progress along the path to salvation, Jains believe that it is necessary to reduce to a minimum actions that result in harming other living beings and attachment to and accumulation of excessive personal possessions. . . . A true Jain, therefore, consciously refrains from harming any being, however small. The exemplars of these values are members of the Jain mendicant community . . . [who] live a lifestyle of economic poverty, consuming the minimum amount of food and material goods necessary to sustain life. . . .

“Because of the emphasis placed on non-harming (*ahimsa*) of all living beings, ecology is increasingly becoming a focus of the Jain community. Recognizing the importance of this endeavour, representatives of the Jain community presented a Declaration on Nature, on the 23rd October 1990 at Buckingham Palace, thus joining the World Wide Fund for Nature (WWF) Network on Conservation and Reli-

gion. This declaration has been put into practice by establishing the Ahimsa Environmental Award. . . . The Jain community has also presented a Statement on Ecology and Faith at the Alliance of Religions and Conservation (ARC). Jains were represented at the 1992 UN Conference on Environment and Development (‘Earth Summit’) at Rio de Janeiro.

“In an effort to meet the environmental challenges that face the world as it continues on the path of economic development and industrialization, Jains want to strengthen links with other faiths and with organizations to form a strong lobby on matters of ecology. . . . In this regard, the Jain Vishva Bharati Institute, which was founded in 1970 at Ladnun (Rajasthan) by the late Acarya Tulsi, offers a program in Ecology and Environmental Science. The Third International Conference on Peace and Nonviolent Action, which was held there in 1995, was attended by delegates from 21 countries. The objective of this conference was to develop a global plan for the protection of the earth and its inhabitants and to emphasize the necessity for a simple lifestyle based on *ahimsa* and spirituality.”

‘Sustainable development’

According to Baha’i spokesmen, the following excerpt from a conference presentation on “Valuing Spirituality in Development: Initial Considerations Regarding the Creation of Spiritually Based Indicators of Development,” was probably given by Lawrence Arturo, director of Baha’i International Community, Office for Environment, who is based at the Baha’i international headquarters in Haifa, Israel:

“Spiritually based indicators help to establish, clarify and prioritize goals, policies and programs. At the heart of their conceptualization is the understanding that human nature is fundamentally spiritual and that spiritual principles, which resonate with the human soul, provide an enormous motivational power for *sacrifice and change*” (emphasis added). . . .

“We cannot segregate the human heart from the environment outside us and say that once one of these is reformed, everything will be improved. Man is organic with the world. . . . In light of the interdependence of all parts of nature, and the importance of evolution and diversity to the beauty, efficiency, and perfection of the whole, every effort must be made to preserve as much as possible of the earth’s bio-diversity and natural order.

“As trustees, or stewards, of the planet’s vast resources and biological diversity, humanity must learn to make use of the earth’s natural resources, both renewable and non-renewable in a manner that ensures sustainability and equity into the distant reaches of time. This attitude of stewardship will require full consideration of the potential environmental consequences of all development activities. . . . Therefore, sustainable environmental management must come to be seen not as a discretionary commitment mankind can weigh against other competing interests, but rather as a fundamental responsibility to be shouldered—a pre-requisite for spiritual development as well as the individual’s physical survival.”

International Intelligence

Venezuelan daily covers LaRouche exoneration

An opinion column, on "The Monetary Fund in the Dock," by Mario Torrealba Lossi in Venezuela's *El Globo* daily on Aug. 7, prominently featured Lyndon LaRouche and *EIR*, as the leading opposition to the International Monetary Fund (IMF). Torrealba reports that the latest issue of *EIR*'s Spanish edition, *Resumen Ejecutivo*, includes an open letter calling on the U.S. President to restore LaRouche's full rights, "since he now only enjoys limited freedom, after being imprisoned during the Republican government." LaRouche is a tireless opponent of IMF policies, which are bleeding whole peoples, including "the Yanquis," he wrote. LaRouche's warning that "'savage' capitalism would end up digging its own grave, is indisputable. LaRouche was a victim of Kissinger."

LaRouche, Torrealba adds, says that the current economic system is not only "oppressive, unjust, and inhuman, but it is a negative factor for the Americans themselves." India, Russia, and the Southeast Asian countries are beginning to rebel against the IMF. "What does Venezuela think of this? . . . We only recommend to the next government . . . that it begin preparing, psychologically and strategically, for the new order, which the disinherited of the earth are anxiously waiting for, according to LaRouche."

Torrealba is the former president of the Bolivarian Society of Venezuela and a member of the nationalist group *Fundepatria*, which was set up to stop the privatization of the state sector.

State of emergency in Russia's Pacific regions

On July 31, Valentina Bronevich, head of the Koryak Autonomous District (Northern Kamchatka, on Russia's Pacific coast), introduced a state of emergency for this territory. The population of 32,000 (including 10,000 indigenous) has been cut off from food and fuel supplies. If the problem of

what is called the "northern supply" is not solved, the area will be paralyzed, as everyone will have to be evacuated, except the indigenous, "who have become used to the severe conditions historically," according to *Novoye Izvestia* on Aug. 1.

In order to survive, the district, which is 95% dependent on outside shipments, needs 660 million rubles. The Finance Ministry promised 250 million, but only 20 million has been delivered. Only 3% of the necessary coal and 7% of the necessary oil products have been delivered to the district. Should the balance of fuel and food not be delivered by September, when navigation is no longer possible in the northern part of the peninsula, it will have to be airlifted in, which is more expensive and dangerous, because of the attrition of the aircraft fleet. Local industry is out of operation—including the famous platinum mines. Unemployment is the highest in Russia. The district administration has sent many requests to Moscow to allow the district to keep more than the 5% norm of the local catch of crabs, which could significantly improve the local situation; but they have received no answer.

Is Tony Buckingham the new Tiny Rowland?

The London *Independent* of Aug. 3 ran a front-page comparison of the lives of Tony Buckingham, Her Majesty's leading financier of mercenary operations, and the late scoundrel, Tiny Rowland, Her Majesty's "Africa specialist." Headlined, "Will Tony Buckingham Be the Next Tiny Rowland?" the *Independent* wrote: "Tony Buckingham is a businessman of the hard school, equally adept at running mercenary operations against insurgents as pricing oil and gems out of the ground in the most inhospitable climates.

"A week after the death of the great business buccaneer Tiny Rowland, Mr. Buckingham is his obvious heir apparent, a flash of rude color in among the grey corporate suits. Like Mr. Rowland two decades before, Mr. Buckingham has made a killing by be-friending and helping to power emergent

Third World leaders. He even has Rowland as a middle name." Buckingham's corporate empire includes Branch Energy, Heritage Oil and Gas, and the so-called private security services, Executive Outcomes and Sandline International.

Buckingham has created several mining companies in diamond-rich Namibia, which borders Angola, where Buckingham's operations are also very active. He has teamed up with British businessman Russell Hay, who is said to have been a major supporter of the South West Africa Peoples Organization prior to its coming to power in Namibia. Through Hay's SWAPO connections, the duo were able to get control of mining concessions, where their company has been systematically throwing the local population off the land. Hay told the daily: "We are perfectly within our rights to kick them off."

Britain brewing new Iraq crisis against Clinton

Talks between United Nations weapons inspector Richard Butler and Iraqi Deputy Prime Minister Tariq Aziz broke down on Aug. 3, with Butler leaving Baghdad to brief the UN Security Council in New York. The talks broke down when Aziz demanded that Iraq be declared in compliance with the UN resolutions requiring that it dismantle its weapons of mass destruction programs. The Iraqis also called for the sanctions to be lifted. Butler claimed he did not have the evidence that Iraq was in full compliance.

Last January, Butler had huffed out of Baghdad when Iraq demanded that the murderous sanctions be lifted. The British press geared up its war propaganda, only to be bitterly disappointed when U.S. President Clinton and Russian Foreign Minister Yevgeny Primakov managed to avert open conflict.

An editorial in the *Times* of London on Aug. 4 speculates that the collapse of the talks is the beginning of Iraq's diplomatic campaign to have the sanctions lifted when they come under review in October. The *Times* asserts that, by that time, the Clinton administration would be in the worst posi-

INDONESIA and Portugal made headway in talks at the UN on Aug. 4-5, and expressed the hope "that an agreement on East Timor can be reached before the end of the year." They agreed to reopen reciprocal interest sections in friendly embassies, most likely the Thai embassy in Lisbon and the Dutch embassy in Jakarta. The talks led to agreement on broad outlines for increased autonomy for East Timor, broader than currently granted to Aceh and Yogyakarta.

GENERAL DE GAULLE was so hated by the British, reveal wartime archives released on July 22 by the British Public Record Office, that Sir Frank Nelson, head of the Special Operations Executive, wrote in August 1940: "I could see easily a solution to our problems when de Gaulle is replaced." It is "depressing to see a man who so defies the British be the head of the free French."

FRENCH security services are holding a former British MI5 agent whose extradition is being sought by Scotland Yard, hoping to exchange him for Algerian terrorist Abou Fares, who has a cozy safe haven in Britain. Fares is wanted by French authorities in connection with terror-bombings in Paris and elsewhere in France in 1995.

MEXICANS in the state of Zacateca are regularly eating rats as their source of animal protein. What was once a "custom" only in the extremely arid rural areas, has become so widespread in the state, one of Mexico's poorest, that rats are now sold in the markets in the state capital. Researchers trace the origin of this level of privation to 1982, the year the International Monetary Fund took over Mexico.

SOUTH KOREA is experiencing some of the worst flooding on record, which, as of Aug. 10, had left 234 dead, and 91 missing. More than 121,000 are homeless; more than 44,000 homes and buildings have been damaged, along with 779 roads and bridges.

tion to launch a British-instigated war against Iraq: "The damage inflicted to President Clinton by the Monica Lewinsky affair [last January] made it much more difficult for the White House to initiate military action. The President became the prisoner of Pennsylvania Ave., unable to construct a domestic coalition for an attack on Iraq. The Butler findings will probably arrive in New York at approximately the same time as Kenneth Starr presents the results of his inquiries to Congress. Mr. Clinton may be politically incapable of standing up to Saddam."

Tensions rising again between Peru and Ecuador

On Aug. 6, Peru's Foreign Minister Eduardo Ferrero announced that the Ecuadorans have infiltrated troops into Peruvian territory, some 20 kilometers from the demilitarized zone between the two countries. These "provocations" are launched, he charged, precisely at the point that a group of experts commissioned by the Guarantor countries of the Rio Protocol, issued a report which backs up the Peruvian position on the border demarcation. Because of the crisis, Peruvian President Alberto Fujimori cancelled his trip to Colombia for President Andrés Pastrana's inauguration, and his plans to attend the Aug. 10 inauguration of the new Ecuadoran President, Jamil Mahuad.

Ecuadoran Foreign Minister José Ayala Laso's answer was, that the area of the confrontations is neither in the demilitarized zone, nor in demarcated territory—an implicit admission that the Peruvian charge is true.

Tensions have been rising, with both sides acknowledging that shots were exchanged the previous week. Both militaries were placed on full alert.

In response to the crisis, representatives of the four Guarantor countries (United States, Argentina, Brazil, and Chile) have proposed that the demilitarized zone be "temporarily" extended south another 50 kilometers—i.e., further into Peru—while the charges of Ecuadoran infiltration are investigated. Peru's military is objecting that that

would, de facto, require the Peruvian military to pull even farther back from the border, and would encourage Ecuador, with the idea that they can achieve by provocations, what they could not gain at the negotiating table.

The Peruvian daily *Gestión* pointed out on Aug. 7, that Ecuador had recently, in fact, demanded that the demilitarized zone be *permanently* extended south, which Peru rejected.

The head of the U.S. Guarantor team is the Kissingerian, Luigi Einaudi, even though he officially quit the State Department a year ago. Einaudi promptly joined the staff of the Inter-American Dialogue, a channel for British influence into U.S. policymaking with its southern neighbors.

Islamic countries meet on Jerusalem crisis

The foreign ministers of the Organization of Islamic Conference "Al-Quds Committee" concluded their emergency meeting on Jerusalem in Casablanca, Morocco on Aug. 1, issuing a strong statement, stressing that "Israel's practices in Jerusalem pose a flagrant violation of the Middle East peace principles and a menace to international security." It called on all Islamic states to "reconsider their relations with Israel and including closing their diplomatic missions until Israel fulfills its commitment." It also rejected the U.S. House of Representatives resolution calling for Jerusalem to be recognized as Israel's capital.

The Jerusalem Committee resolution "expressed its support for the peace process and called on Israel to implement the signed agreements reached according to the Madrid Conference principles and Security Council resolutions 242, 338 and 425 which demand from Israel withdrawal from all the Arab lands it occupied since the 1967 war, and to restart negotiations with Syria from the point they had stopped."

The Jerusalem Committee is headed by Morocco's King Hassan II, and includes the 51 member-states of the Organization of Islamic Conference, which is currently headed by Iran.

Will new scandals bring down Starr and Olson?

by Edward Spannaus

One reason that Kenneth Starr and his backers are right now in a frantic rush to wind up his investigation of the President and to submit his impeachment report to Congress, may be that Starr has a couple of major scandals and investigations about to catch up with him.

First, there is the investigation of his leaks to the news media. On Aug. 7, court documents were unsealed which showed that Judge Norma Holloway Johnson, who supervises Starr's grand jury, had found several *prima facie* violations of grand jury secrecy involving "serious and repetitive disclosures" to the news media.

Judge Johnson had originally scheduled a hearing for July 11, at which Starr would have been required to show cause why he should not be held in contempt of court. Starr then sought a writ of mandamus from the Appeals Court, temporarily blocking the hearing. The Appeals Court has now allowed the show cause hearing to go ahead, with the qualification that it is to be conducted by the judge alone, without the President's lawyers present.

If the court determines that a violation has occurred, then sanctions could be levied, which could range from a fine, or striking certain evidence, up to the jailing of Starr or his deputies for contempt of court.

The second investigation under way is the witness-tampering investigation involving Starr's key witness in Arkansas, David Hale. Richard Mellon Scaife, the "Daddy Warbucks" of the "Get Clinton" operation (and of the "Get LaRouche" operation a decade earlier) poured over \$2 million into the *American Spectator* magazine and the magazine's "Arkansas Project," to manufacture evidence and witnesses against Clinton. The result was not only a series of articles in the *American Spectator* and the *Wall Street Journal*, but also the creation of Hale as the primary witness against Clinton, former Governor Jim Guy Tucker, and James and Susan McDougal.

Starr has already acknowledged that there were "FBI-supervised" contacts between Hale and agents of the *American Spectator* and Scaife's Arkansas Project. Witnesses have said that Hale received cash payments and other amenities.

Potentially the biggest problem for Starr, is that the Arkansas Project was overseen from beginning to end, from top to bottom, by his close friend and 1970s law partner, Theodore Olson. Olson, it appears, manufactured the evidence for "Whitewater," and then may have put his crony Starr in place to "investigate" it.

'We object! We object!'

Arkansas author and columnist Gene Lyons has reported that there are telephone records showing Hale talking with Theodore Olson in late 1993—even before there was a Whitewater independent counsel. In an Aug. 12 column in the *Arkansas Democrat-Gazette*, Lyons pointed to an incident during the March-April 1996 trial of Gov. Jim Guy Tucker and James and Susan McDougal, when the issue of Starr's ties to Olson came up, and Starr's deputies "freaked out," as Lyons puts it, "claiming that the two scarcely knew each other."

EIRNS has now obtained a section of the transcript of the cross-examination of Hale by George Collins, attorney for Governor Tucker. Over frequent objections from Starr's prosecutor Ray Jahn, Collins had gotten Hale to acknowledge that he had retained Olson as an attorney in December 1993:

Mr. Collins: Did you know that Theodore Olson was a former partner of Kenneth Starr?

Mr. Jahn: Your Honor, Your Honor, that is outrageous. Counsel is engaging in unscrupulous conduct at this point.

Mr. Collins: That is not unscrupulous, Your Honor.

Mr. Jahn: It is, Your Honor. The Court has already sustained an objection to this line of questioning.

Mr. Collins: I think I'm entitled to know that he's personally represented by —

Mr. Jahn: They live in the same city. So what? We object to it, Your Honor. We object to it.

A judicial coup

Let us go back now to August 1994, when the first Whitewater independent counsel, Robert Fiske, was abruptly fired, and Kenneth Starr was appointed to replace him. Starr's appointment raised a few eyebrows at the time, since he had absolutely no experience as a prosecutor, and because he had already been involved in preparing an *amicus curiae* brief against President Clinton on behalf of Paula Jones.

Fiske was appointed by Attorney General Janet Reno on Jan. 20, 1994 to examine the 1980s Whitewater transactions. The allegations in the case were primarily the product of a local Little Rock, Arkansas municipal judge and con-man, David Hale, who was under Federal indictment and was trying to save his own skin by coming up with evidence which would link Bill and Hillary Clinton to alleged illegal financial dealings around the Whitewater land deal and the collapse of Madison Guaranty Savings & Loan.

When the independent counsel law — which had lapsed in 1992 — was finally renewed and signed into law in July 1994, Reno applied to have the special three-judge panel which appoints independent counsels re-appoint Fiske under the statute. But Fiske was not sufficiently aggressive in the eyes of many of Clinton's enemies, and the judicial panel, headed by a conservative political activist from North Carolina named David Sentelle, stunned Washington and the country by dumping Fiske and naming Starr instead.

One person who was probably not surprised by that move was Theodore Olson.

Washington is a city with clusters of specialists and experts on just about anything and everything. One of Olson's roles in Washington is that he is a prominent figure in the institutional "independent counsel" network. He is the "Olson" of the famous 1988 *Olson v. Morrison* case, in which the U.S. Supreme Court upheld the constitutionality of the independent counsel law; Olson, himself the target of an independent counsel, had challenged the law as unconstitutional. His challenge was upheld by the U.S. Court of Appeals, in a decision written by Judge Laurence Silberman, but Olson lost at the Supreme Court level. Olson also was President Reagan's attorney, during the Iran-Contra investigation by independent counsel Lawrence Walsh.

There was much ballyhoo about the fact that Judge Sentelle had lunched with Senators Jesse Helms and Lauch Faircloth of North Carolina only days before he dumped Fiske and appointed Starr, but there are other channels of influence as well. During a panel discussion on the independent counsel law at a Fourth Circuit judicial conference last year, Sentelle said that the three-judge panel maintains a "talent book" of attorneys for possible consideration for appointment as inde-

pendent counsels, but he also matter-of-factly noted: "We get suggestions from attorneys and judges who just call us or mail us the names of people they think would be good." Olson, incidentally, was the wind-up speaker on the independent counsel panel at that conference.

Starr became friends with Sentelle while they sat together on the Court of Appeals in Washington, from the time of Sentelle's appointment in 1987, until Starr left to become George Bush's Solicitor General in 1989. Starr and Sentelle are both considered leading lights in the misnamed Federalist Society, a recruiting ground for law students and young lawyers, funded by Richard Mellon Scaife. And Olson is the president of the Washington chapter of the Federalist Society.

The likely possibility that Hale's lawyer and patron Ted Olson had a direct hand in Starr's appointment, demands investigation.

Scaife's Arkansas Project

Now, back to David Hale and the origins of "Whitewater." Hale, a municipal judge who was running numerous business frauds and scams on the side, had come under scrutiny by Federal authorities already in the 1980s, for questionable transactions involving the Small Business Administration (SBA). On July 20, 1993, the FBI raided his office in Little Rock. Hale immediately had his lawyer contact the U.S. Attorney in the city and claim that Hale could provide damaging information about the "political elite" in Arkansas. The Federal prosecutor was not interested in bargaining, so Hale then went to one of Bill Clinton's long-standing adversaries in Arkansas, "Justice Jim" Johnson; Johnson put Hale in touch with Floyd Brown of Citizens United; Brown's investigator David Bossie then put Hale in touch with NBC. The tale Hale was peddling, was that Bill Clinton and Jim Guy Tucker had pressured him to obtain a \$300,000 loan to the McDougals through the SBA. This story, which eventually made its way into the *New York Times* and the *Washington Post*, was instrumental in triggering the appointment of the Whitewater independent counsel in January 1994.

What has now emerged, through the efforts of journalist Gene Lyons and investigations by *Salon* magazine, is that Hale was put in touch with Olson in late 1993 by two longtime associates of Richard Mellon Scaife, Stephen Boynton and David Henderson.

Olson, Boynton, and Henderson were all key figures in the Arkansas Project, financed by \$2.4 million in Scaife money funnelled through the American Spectator Educational Foundation. Olson is also the Foundation's attorney, and a member of its Board of Directors. And, after a dispute at the *American Spectator* over the use of the funds, Olson fired the outside auditors and took over the internal investigation himself.

Although Starr is a man with many well-known conflicts of interest, those involving Olson may soon prove to be the most scandalous of them all.

News media were Starr's informants

by Edward Spannaus

Court papers filed by independent counsel Kenneth Starr show that Starr's partnership with the news media is even worse than originally thought. In his famous "Pressgate" article, editor Steve Brill had described certain reporters as "lap-dogs" and "stenographers" for the independent counsel, virtually taking dictation from Starr and his deputies, and then feeding it out to the public as "news."

Now, it is revealed that Starr was not just secretly giving confidential information to the news media, but members of the news media were also giving confidential information to Starr, for his use in investigations and prosecutions.

The latest disclosures were found in court papers unsealed on Aug. 7, in the contempt-of-court proceedings now under way against the independent counsel in Federal court in Washington. In court papers filed in late June or July, when he was trying to block a scheduled court hearing on his leaks to the news media, Starr argued that he could not disclose evidence about his office's contacts with reporters "without revealing confidential investigative information." To support his argument, Starr cited a 1981 case on "informer's privilege," that allows the government to keep secret the identity of an informant who provides information about criminal activities, in order to protect the informant from possible retribution.

"Long recognized at common law, the informer's privilege serves important individual and societal interests in protecting the anonymity of citizens who cooperate in law enforcement," Starr wrote in his legal argument as to why he should not be forced to hand over information regarding his contacts with reporters.

Associated Press cites legal sources as saying that Starr specifically wanted to keep confidential, information received from reporters, as well as the identities of the reporters.

One sure-fire candidate to be at the top of Starr's snitch-list would be *Newsweek's* Michael Isikoff, who orchestrated the entrapment of Monica Lewinsky by Linda Tripp and Lucianne Goldberg. Good candidates would also be reporters or editors of the *Wall Street Journal* and the *American Spectator*, who have frequently met with Starr and his friends at the home of Starr's longtime friend and former Justice Department official, Theodore Olson.

Cointelpro revived

The Justice Department and the FBI have a long history of using the news media as "confidential sources."

This was a principal tactic used by the Justice Department during the 1980s targetting and frame-up of Lyndon LaRouche, carried out under the putative authority of Executive Order No. 12333, put into effect during the Reagan-Bush administration in 1981. Numerous reporters came together in a series of meetings known as the "Train Salon," in the New York apartment of financier John Train, in an operation financed by Richard Mellon Scaife. Out of those meetings, reporters such as NBC producer Pat Lynch and LaRouche-watcher Dennis King, went out and gathered intelligence and recruited witnesses for the government. In return, they were provided with leaks about every activity of the grand juries and the prosecution.

Similarly, FBI documents show the probability that a Virginia *Loudoun Times-Mirror* reporter and Mira Lansky Boland of the Washington office of the Anti-Defamation League of B'nai B'rith (ADL) had official "confidential informant" status with the Virginia Attorney General, and possibly other agencies.

The Church report

This goes back even further. The 1976 Church Committee Report on Intelligence Activities detailed how the FBI and Justice Department used "friendly media" to spread black propaganda against their political targets—something the media, in high indignation, have sworn they would never do again. These "friendly media" were considered to be confidential sources. The Report stated:

"Much of the Bureau's propaganda efforts involved giving information or articles to media sources who could be relied upon not to reveal the Bureau's interests. . . . Field offices also had 'confidential sources' (unpaid Bureau informants) in the media, and were able to ensure cooperation. The Bureau's use of the news media took two different forms: placing unfavorable articles and documentaries about targeted groups, and leaking derogatory information intended to discredit individuals."

From December 1963 until his death in 1968, Martin Luther King, Jr. was the target of an intensive campaign by the FBI to "neutralize" him as an effective civil rights leader, which included use of news media sources. The Church Committee Report documented the use of a number of prominent reporters and editors in Cointelpro (counter-intelligence program) operations against Dr. King, including the active fomenting of dissension within the civil rights movement itself. Included was a covert campaign, conducted through the news media, to prevent Jimmy Hoffa and the Teamsters union from supporting Dr. King. The FBI even used the media to publicly castigate King for not staying at the black-owned and -patronized Lorraine Hotel during his initial visit to Memphis during the sanitation workers' strike, and for instead staying at the white-owned Holiday Inn. Dr. King did stay at the Lorraine Hotel during his next visit to Memphis—where he was shot and killed.

Rep. Smith ambushes Chinese ambassador

by William Jones

Rep. Chris Smith (R-N.J.), the self-styled Human Rights watchman and chairman of the House Human Rights subcommittee, got in over his head, when he invited China's Ambassador Li Zhaoxing to a meeting — that turned out to be a hearing. On the day of the hearing, Smith appeared in the hearing room, disgruntled over the fact that the Chinese Ambassador hadn't come. "I told the Ambassador we would be here this morning as scheduled and that we hoped he would be here too. . . . Unfortunately, he is not here," Smith said. "We had planned to ask him some very direct and detailed questions about human rights in China, starting with the facts: Did anybody really die at Tiananmen Square in 1989? Are there forced abortions in China? Are there political and religious prisoners? Where is the nine-year-old Panchen Lama, who was abducted three years ago by agents of the Chinese government? . . . On these questions and so many others, it is useless to exchange opinions until we get to the bottom of serious factual disputes. . . . Ambassador Li has stiffed the committee."

Smith knew full well that Ambassador Li was not coming to be "grilled" by the committee. As Embassy officials explained later in the day at their own press conference, the Ambassador had been eager to come to discuss any issues of concern with Smith and members of the subcommittee, but he wasn't prepared to participate in the charade that had obviously been prepared for him.

A dialogue, not a soap opera

First, it is highly unusual for a foreign ambassador to appear before a Congressional committee, and well-nigh unheard-of that one would come to be interrogated by hostile committee members. Under the U.S. Constitution, the foreign policy of the United States is the prerogative of the Executive branch. This fundamental fact of political life was underlined by Zhang Keyuan, a liaison officer of the Chinese Embassy. "In keeping with general diplomatic practice, it is not appropriate for the Ambassador to appear as a witness before the Congressional subcommittee," he said. "A dialogue should be a dialogue, and not a soap opera in front of cameras."

But it was precisely a soap opera that Smith had been preparing. Not only was he intent on having Ambassador Li appear as a witness, but he originally intended to invite Chinese dissidents, such as Harry Wu and Wei Jinsheng, to the same panel to exchange views with the Ambassador. This

obviously was unacceptable, and Smith agreed to have no outside persons asking questions or making statements.

Negotiations for what was to have been a meeting between Ambassador Li and members of the committee had been going on for some time. Initially, when Smith had issued a "public invitation" to Ambassador Li to discuss human rights issues with the committee, the Ambassador had been happy to have a "face-to-face dialogue on the issue of human rights," Huo Mingwu, a Congressional liaison officer with the Chinese Embassy, explained. It was made clear to the Congressman, however, that this would be a meeting between the Ambassador and members of the committee, and that he was not coming as a witness to a hearing, which would have been a breach of diplomatic protocol. In his formal invitation, sent a few days later, Smith, however, referred to the meeting as a hearing. When the Embassy reacted to this reformulation, Smith's office changed it in their next press release.

As late as a day before the scheduled meeting, the Ambassador was prepared to attend. However, Embassy officials came across a notice of the event posted by *Congressional Quarterly* on the Internet, which again referred to it as a hearing. It read in part, "The hearing is the second of two subcommittee hearings on human rights in China. The first was held on June 26." On June 26, Smith had held a hearing with the former director of a planned-birth office in China about forced abortions.

When Smith appeared in the hearing room on Aug. 5, he turned it into a press conference. "Embassy officials gave what I consider the most flimsy excuse imaginable: that one media outlet had called this a hearing, therefore the ground rules were violated," Smith said. An astounding statement, given that *Congressional Quarterly* is considered the newspaper of record for the U.S. Congress. The release said that the "information [was] verified as of 07:04 pm 08/03/98." Verified, no doubt, by Smith's Human Rights subcommittee.

Chinese Embassy officials blamed the error, which prompted the Ambassador to cancel the meeting altogether, on an outside person who wanted to sabotage the meeting, rather than on Smith. Nevertheless, the fact that Smith did not cancel the event, but castigated the Ambassador for not appearing at the scheduled time, indicates that Smith believes that, "the show's the thing."

Mr. Huo underlined that the Chinese Ambassador, in office only since the spring, is eager to talk to any and all U.S. representatives, even in a public setting. In the short time he has been in Washington, he has had meetings with numerous members of Congress.

Smith's antics with diplomatic protocol indicate that he is not simply intent on exposing human rights abuses, but is playing out a broader agenda that threatens U.S.-China ties, which are vital for reorganizing the bankrupt global financial system. In response to Smith's outrageous behavior, Ambassador Li graciously extended an invitation to him to come to the embassy to discuss human rights.

Is another government shutdown on the way?

The House and Senate both continued racing through the appropriations bills in an effort to finish as many as possible before the summer recess. However, major disagreements between the two Houses, as well as veto threats from President Clinton, cloud prospects that all 13 bills will be finished by Sept. 30, the end of fiscal year 1998, raising the possibility of another government shutdown.

The Senate finished work on the Defense Appropriations bill on July 30, making it the eighth of 13 spending bills that it has finished. In the process, an amendment sponsored by Spencer Abraham (R-Mich.) and Tim Hutchinson (R-Ark.) was added to the bill to increase human rights monitoring in China. A second amendment offered by Hutchinson, to condemn Chinese officials allegedly involved in forced abortions and sterilizations, was watered down to make it generic rather than specific to China. The Senate rejected an amendment by Kay Bailey Hutchison (R-Tex.), which would have mandated that U.S. troop levels in Bosnia be reduced to 5,000 from the current 9,700 by Oct. 1, 1999.

The Senate was unable to complete action on the Treasury, Postal Service Appropriations bill, because of a dispute over an amendment sponsored by Mitch McConnell (R-Ky.) to define the terms of service of two key staffers of the Federal Election Commission. An attempt by Democrats to table the amendment failed by a vote of 54-45, but Majority Leader Trent Lott (R-Miss.), with the concurrence of Minority Leader Tom Daschle (D-S.D.), pulled the bill from the floor with the expectation that the Senate would take it up again in September.

The House, in rapid action on July 30, passed the Veterans Administration-Housing and Urban Development,

the Energy and Water Development, and the Transportation Appropriations bills. Also passed, was the conference report on the Military Construction bill, which now only requires Senate passage before it is ready for President Clinton's signature. The House also finished work on the Commerce, Justice, State Department, and the Judiciary bill on Aug. 5 and the District of Columbia bill on Aug. 6.

The White House has issued veto threats against seven bills on issues ranging from how to conduct the census, to a provision in the Defense bill that would bar the use of funds for offensive military operations without express consent from Congress, to abortion-related provisions in a couple of bills. While some of these provisions may be stripped in conference, others will not, leading to a possible showdown in October, as much between factions within the GOP as between the GOP and President Clinton. One GOP faction, led by David McIntosh (R-Ind.), believes it can beat Clinton in a showdown, while others, such as Appropriations Committee Chairman Bob Livingston (R-La.), are trying to avoid a government shutdown.

House farm relief act falls far short

On Aug. 3, faced with a severe crisis in the farm sector, the House passed a bill initiated in the Senate to make available to farmers their 1999 Agricultural Market Transition Act (AMTA, part of the 1996 farm bill) payment in one lump sum, in October 1998, instead of two semi-annual payments, if they choose to do so. The action will provide little real relief to farmers.

House Agriculture Committee Chairman Bob Smith (R-Ore.) said the bill will make \$5.5 billion available to farmers "as much as one year early to help them cope with the cash shortage that they now are experiencing due to low prices." Smith said this was only one of a number of actions the Congress has taken and will take to address the cash flow crisis in the farm sector. He promised that the House would act, soon, on both the International Monetary Fund funding and fast-track trade negotiating authority, both of which, it is incorrectly claimed, would improve export markets for agricultural products.

However, the limitations of the bill were readily apparent to both sides. David Minge (D-Minn.) said, "This legislation provides no assistance to producers facing hardship because of low prices." Indeed, it is not even new money for disaster relief, but rather funds that were already authorized as part of the 1996 neo-conservative farm bill. "Advancing AMTA payments," he said, "raises a question of why we are attempting to alleviate such severe conditions with a proposal which some have characterized as putting a Band-Aid on a bullet wound. . . . We are going to have to provide real relief to our producers within the confines of the budget as soon as possible."

No Senate agreement reached on HMO reform

On July 31, the Senate adjourned for its summer recess without taking up the Patients Bill of Rights legislation, despite Majority Leader Trent Lott's (R-Miss.) stated desire to do so before the Senate left town. Lott told reporters on July 29 that he had been offering Democrats, since June 18, to take up the Democrats' bill, and then the GOP

bill, with three amendments allowed on each side. He said, "If we don't get that agreement this week, we're not going to agree to any kind of arrangement which doesn't get us to some conclusion, . . . not 40 or 20 amendments, like they're proposing." He accused Democrats of deliberately delaying, because "they know their bill has lost momentum and that we have a very good package."

Later that day, Minority Leader Tom Daschle (D-S.D.) said, "What are they [the GOP] afraid of? Why not have a good debate?" He pointed out that during the prior week, the Republicans had allowed 65 amendments on one appropriations bill and 30 on another. So, he said, he couldn't accept claims that there is not enough time to allow 20 amendments on the Patients Bill of Rights bills.

A couple of days later, Daschle appeared with Vice President Al Gore and Sen. Edward M. Kennedy (D-Mass.) to announce that the entire Senate Democratic Caucus had signed a letter urging Lott "to make the Patients Bill of Rights the first order of business when the Senate returns in September." Daschle vowed, "One way or another, the easy way or the hard way, we will have a real debate on patients' protection."

GOP, White House heading for clash on census

The House passed the Commerce, Justice, State Department, and the Judiciary appropriations bill on Aug. 6, which included funding for the Census Bureau only through March 31, 1999 because of a dispute between the GOP and the White House over administration plans to use sampling in the 2000 census. A fierce debate on an amendment sponsored by Alan Mollohan (D-

W.V.), to restore full funding, revealed how far apart the two sides are on the issue.

Mollohan defended the Census Bureau's plans to use "scientific statistical sampling," recommended by the National Academy of Sciences, on the basis that "it would guarantee that 4 million people who were not counted in the 1990 census [most of whom were urban and rural poor] would be counted in the 2000 census." He said that the GOP opposes this plan because "of their belief that including these undercounted groups will somehow disadvantage Republican majority control" of the House.

Opponents accused Democrats and President Clinton of pursuing a government shutdown strategy over the issue. Harold Rogers (R-Ky.), chairman of the Appropriations Subcommittee on Commerce, Justice, State Department, and the Judiciary, explained that the funding provision merely implements an agreement reached with the White House last year. He said that the agreement was, in essence, "Let us have a cooling-off period, let us proceed with plans for both methods, let us let the courts rule as they may, with a D-Day of next spring to make the final decision, when hopefully all three of those conditions would have matured."

The Mollohan amendment was defeated, and President Clinton later said in a statement that the House "is undermining the Census Bureau's ability to plan and conduct an accurate decennial census."

Capitol Hill shooting prompts security review

Members of the House and Senate wasted no time, in the aftermath of the July 24 shooting in which two Capitol Police officers were killed and a visitor

wounded, in reassuring citizens that the Capitol would remain open to the public, as it has always been. However, the shooting incident has prompted reconsideration of a 1995 proposal for an underground visitors center at the East Front, where visitors could also be screened before they enter the Capitol itself.

Four days after the shooting, the Senate approved an amendment to the Treasury, Postal Service Appropriations bill, to transfer \$14.1 million from the construction of a new Transportation Department headquarters building, into additional security for the Capitol. Senate Rules and Administration Committee Chairman John Warner (R-Va.) explained to the Senate that his committee had already approved a plan put forward by the Capitol Police about a year ago, to enhance perimeter security. Earlier this year, \$20 million was appropriated to begin to implement this plan.

On July 29, Warner and Senate Majority Leader Trent Lott (R-Miss.) met with House Speaker Newt Gingrich (R-Ga.) and House Oversight Committee Chairman Bill Thomas (R-Calif.). Warner told reporters afterwards that he and Thomas were tasked "to begin to assess the interests of our members, to explain what is to be done, and to promptly bring back to our respective leaders a joint program and a proposed piece of legislation as to how to move forward on the visitors center."

The major unresolved issue is how to pay for the visitors center. The original plan, codified in a bill introduced by Warner last November, called for spending as little public money as possible. But, after the shooting, members of both parties have endorsed a plan to split the \$125 million cost 50-50 between public and private funds.

National News

Kevorkian attorney wins gubernatorial primary

Geoffrey Fieger, the attorney and accomplice of Jack “Dr. Death” Kevorkian, won Michigan’s Democratic gubernatorial primary on Aug. 4. In a field of three Democratic candidates, Fieger took 41% in Michigan’s open primary. There are certainly political figures among both Democrats and Republicans who back “assisted suicide” (even if they sanctimoniously denounce the ghoulish Kevorkian), and also back the November ballot initiative that would legalize this form of euthanasia. Nonetheless, a Republican contingent cynically crossed over to vote Fieger in as the Democratic candidate, in order to assure the reelection of Republican incumbent Gov. John Engler for a third term.

The Michigan Democratic Party, which had stupidly backed Fieger, and sanctioned any other Democratic candidate for attacking fellow party members on the basis of principle, would not return calls from the press about Fieger’s win.

Murdoch’s ‘Post’ backs Britain’s super-NAFTA

The lead editorial in Rupert Murdoch’s *New York Post* backs the call of Conrad Black the Canadian owner of the Hollinger media empire, demanding that “Britain Should Join NAFTA”:

“In a lecture delivered last week to the London Center for Policy Studies, the publisher Conrad Black made a brilliant argument for a fascinating idea: Britain should pull away from the developing European superstate—with its penchant for socialism, bureaucratic regulation and anti-Americanism—and join the North American Free Trade Agreement instead.

“There have been various plans to expand NAFTA to include various South American and even Scandinavian countries. But Britain would make much more sense as

the new addition to the free trade bloc. . . .”

After denouncing the so-called federalism of the European Union as a Franco-German, anti-American plot, Murdoch harkens back to the long-dead Anglo-American “special relationship”: “There is more than jealousy of America’s superpower status in this anti-Americanism. There is also a deep hostility to the so-called ‘Anglo-Saxon’ democratic capitalist values that have served Britain and North America so well for so long. . . . Because Great Britain—unlike most nations on the continent—lives and breathes these values, it has always been on the periphery of a new European order. Whereas, as Black points out, Britain is at the center, geographically, culturally and politically, of an Atlantic community.” The *Post* points to avowed British agent Henry Kissinger, and free-trade maniacs Newt Gingrich and Phil Gramm, as among those “now questioning the old orthodoxy of supporting Euro-integration,” concluding that, “For putting this idea in the map, America and Britain owe a debt to Conrad Black.”

‘Managed care’ wrecks mental health treatment

A recent case study of Montana, published by the federal Health Care Financing Administration, found that mental health care has all but disappeared under the regime of so-called managed care, according to the *Washington Post* of Aug. 5. The number of inpatient days dropped by 96%, residential services dropped 85%, partial hospitalization visits dropped 45%, intensive outpatient services dropped 25%, and outpatient visits declined 76%. Mental health providers complained that most requests for authorization for care from health maintenance organizations were denied or took too long to clear. School-based programs were cut as well. Montana is among the 40 states that have turned to managed care to operate their Medicaid programs.

Robert Gabriele, senior vice president of the National Mental Health Association, told the *Post* that states are “more interested in saving money” than giving care. In Ten-

nessee, he said, 60,000 people in the community mental health system “completely lost their care” under managed care. Gabriele cited the case of onetime Montana resident Russell Eugene Weston, Jr., who killed two Capitol Hill policemen during a shootout on July 24, “a horrible, tragic, and public example that has played itself out hundreds of thousands of times throughout the country. . . . Many of those people have been re-hospitalized at a much greater cost, both human and financial.”

FBI ‘sting’ target files to have case dismissed

Ohio State Sen. Jeff Johnson, chairman of the Ohio Legislative Black Caucus, has filed in Federal court to have charges dismissed that were brought against him as the result of an FBI sting. Defense motions scheduled for an Oct. 1 hearing charge the government with “entrapment and outrageous governmental misconduct.” The defense quotes from transcripts of 178 hours of video and audiotapes of FBI informant Aly Hamed talking with Johnson, secretly recorded between 1994 and 1996.

The tapes show Hamed offering cash and trips to Cancún, Mexico in exchange for preferential treatment in obtaining liquor licenses, and food stamp permits for his and other Arab grocery stores. Johnson is shown responding: “I don’t play like that—what are you trying to do—end my career before it starts? What I can do for you is to find out what the procedures could be to obtain a license. I am not breaking any laws. I am not for sale. I am a public official.”

As a result of the indictment, Johnson was defeated in his Congressional bid for the seat being vacated by the retiring Rep. Louis Stokes. Now, with the primary over, and Johnson out of office at the end of the year, the case may be dismissed.

According to the *Cleveland Plain Dealer* on Aug. 8, the IRS and Agriculture Department (USDA) had wanted to prosecute Hamed for drug trafficking and illegally trafficking in food stamps during the FBI sting against Johnson, but the FBI shielded

him. When USDA and IRS agents protested, they were threatened with prosecution for obstruction of justice.

Private prison employees indicted in beatings

On July 30, four Texas employees at a prison run by Capital Correctional Resources in Brazoria County, have been indicted by a Galveston grand jury in connection with the beatings of Missouri inmates who had been housed in the Texas facility. The beatings and abuse were videotaped, and shocked the nation, when they were aired nationally.

The four face prison terms of up to 30 years, on charges of violating the prisoners' civil rights. Those indicted include a Sheriff's Department jailer, two former deputies and a former employee of CCRI. The CCRI employee had been convicted in 1983 on Federal civil rights violations when he was a Texas Department of Corrections major for beating a Texas state inmate. He had served five months in 1988 as the result of that conviction, yet still was hired by CCRI to work at their facility in Brazoria County.

Federal civil suits have also been filed by the Missouri inmates, one in Galveston, Texas, and about a dozen others in Missouri. The Missouri inmates were returned to Missouri, and the Brazoria prison has been shut down.

Eret endorsed by former Czecho-Slovak official

Dr. Jozef Miklosko, who was the vice-premier in Czecho-Slovakia's first non-communist government, endorsed the Congressional campaign of LaRouche Democrat Don Eret in Nebraska. Dr. Miklosko's July 29 letter wished Eret "God's blessings and success in elections in the Congress, where you belong with your capabilities and work in favor of your fellow citizens." Eret is a Czech-American from Wilber, known as the "Czech Capital of the United States."

Dr. Miklosko, who is now rector of Trnavska University in Bratislava, Slovakia, recalled his meeting with Eret, and expressed his appreciation for Eret's "political engagement on behalf of American citizens, especially that you support the new [McDade-Murtha] bill, H.R. 3396, 'Citizens Protection Act,' against Department of Justice targetting of innocent Americans. I consider the campaign for this bill as the most important domestic policy battle since the Civil Rights movement. Two years ago, I was an observer at international hearings in Washington about the misconduct of the Department of Justice against many African-American elected officials; the case of an innocent man, John Demjanjuk, sentenced to death; former President of Austria Kurt Waldheim; and American politician Lyndon LaRouche. Since that time, I know that a bill to protect citizens is in the interest of the American people and I am glad that you understood it as a candidate of American politician and economist Lyndon LaRouche—who is very well known in Europe."

Virginia gives workers second-class treatment

An opinion column in the Norfolk *Virginian Pilot* on Aug. 2, charges in its headline, "Virginia Workers Treated as Second-Class Citizens." Eileen E. Huey, adjunct professor of history at Tidewater Community College, states that the Virginia 1997 Right to Work Act has all but eliminated guaranteed benefits and protections for most Virginia employees, and says that, since 1950, wages for Virginia's workers have stagnated and benefits disappeared at an increasing rate every decade. She notes that were it not for national labor standards, workers in the state might have no protections. Virginia's Workers' Compensation is the lowest in the nation, and businesses are allowed to exploit children by hiring youngsters 14 years of age.

Huey also touches on the downward drag on wages generated by Gov. Jim Gilmore's prison slave-labor scheme, adding, "And we talk about China."

FORTY-ONE MILLION Americans are without health insurance, due to the rise of health maintenance organizations, the collapse of corporate health insurance, and Congressional sabotage of any national health care policy, according to a feature in the *New York Times* on Aug. 9.

THE U.S. PRISON population grew by 5.2% in 1997 to 1.7 million, according to a report issued by the Justice Department. "The growth, even though crime has been declining for six years, suggests the imprisonment boom has developed a built-in growth dynamic independent of the crime rate," notes the Aug. 9 *New York Times*. Between 1990 and 1997, the incarceration rate in state and Federal prisons rose from 292 per 100,000 Americans to 445 per 100,000.

THE DEMOCRATIC Leadership Council and labor unions are trying to smooth over their disagreements on such issues as "fast-track" for the North American Free Trade Agreement, a favorite of the so-called New Democrats, which labor strongly opposes, as well as on questions of Social Security, education, and trade.

FBI CRIME LAB agents who were accused last year of doctoring crucial evidence in cases such as the World Trade Center and Oklahoma City bombings, will get a slap on the wrist, at most. Assistant Attorney General Stephen R. Colgate issued findings on Aug. 5 recommending "minimal" disciplinary actions against two agents, and no action against five others.

LAROCHE DEMOCRATS Ron Wiczorek and Jeannie Hanson were certified for ballot status as independent candidates in South Dakota's race for governor and lieutenant governor, after submitting 4,500 petition signatures. Also certified for the State Senator's race in the 24th District, is LaRouche ally Robert Hockett.

This financial system is finished

In February, when some so-called financial experts were beginning to heave a sigh of relief and say that the “Asian crisis” was over, Lyndon H. LaRouche, Jr. warned that a second phase of the crisis was going to explode, which would slam not only Japan, but also Russia and parts of South America, and would finally hit the United States “with terrifying force.”

Then, on July 26, speaking in Oberwesel, Germany, LaRouche put a point on it: “In the coming months—August, September, October—there will be such changes in the world, as none of you living has ever seen before.” The present world monetary and financial system will not live out this century, LaRouche warned, and every financial and monetary institution on this planet will go, in the months and years immediately ahead.

As August draws to a close, it is astonishing how rapidly these forecasts are being borne out:

- In Asia, stock and currency markets are crashing, across the board, while the physical wealth of nations is being wiped out, virtually overnight. Japan is experiencing a new round of industrial bankruptcies, while the yen hit an eight-year low against the dollar on Aug. 11; yet, the new government of Prime Minister Keizo Obuchi shows no sign of having any better idea than the previous Hashimoto regime, of what to do about the situation. Indonesia is being assaulted, once again, by the hedge funds and other speculators, as it struggles to maintain social stability and ensure bare subsistence for its people. South Korea has been hit by floods that left hundreds dead, and inundated the capital city, Seoul. The devastation there shows the impact of a year of International Monetary Fund (IMF) austerity programs, in a nation which, under “normal” circumstances, would have been able to cope with such natural disasters. In China, the flooding has affected some 240 million people, killing more than 2,500, even as the currency speculators are bombarding the nation in an attempt to force a devaluation of the national currency, the renminbi.

- In Russia, as *EIR* forecast, every measure taken to try to “manage” the crisis—such as mortgaging the

national patrimony to the IMF, and hyperinflationary borrowing by means of the short-term GKO Treasury bonds—is making the situation worse. The stock market tumbles every day, and the ruble, too, is falling, despite the fact that the Central Bank is spending up to \$1 billion a week to support it.

- In Ibero-America, nations are trying desperately to survive from one day to the next. Argentina’s government, for example, has put together a package of emergency measures to try to scare up some quick cash, including an appeal to the IMF for a \$2.8 billion cash infusion.

- In Europe, astute commentators are sounding the alarm, as the stock exchanges tumble (Germany’s DAX fell more than 14% from July 20 to Aug. 12). The influential German weekly *Die Zeit* ran a front-page article on Aug. 13, headlined “It Is Burning,” which warned that the gravest threat we face is the lack of leadership to deal with this global crisis. “Everyone fears the *black day*,” the article states. “The question is, whether it will just be one day. In one part of the world, this question is already answered: Asia is not recovering from the Asian crisis. . . . We are presently faced with a global economy, without global leadership—and that is the real cause of the general uncertainty.”

- In the United States, the media are finally reporting what *EIR* said long ago: that the increase in U.S. government tax revenues is mainly attributable to capital gains taxes paid on the appreciation of stocks. In other words, the stock market bubble is holding up the U.S. Treasury!

Indeed, the crisis is set to hit the United States with “terrifying force,” as LaRouche forecast.

What is to be done? LaRouche has spelled it out on many, many occasions—and he does so, again, in the *Feature* in this week’s issue. As he summed it up at Oberwesel, we must make a *great revolution*. People must come to realize that everything they have believed is false; they must change their wrong ideas, in order to change world history, and bring about a renaissance. We have that chance now, but if we don’t act as history requires, we may not have it again.

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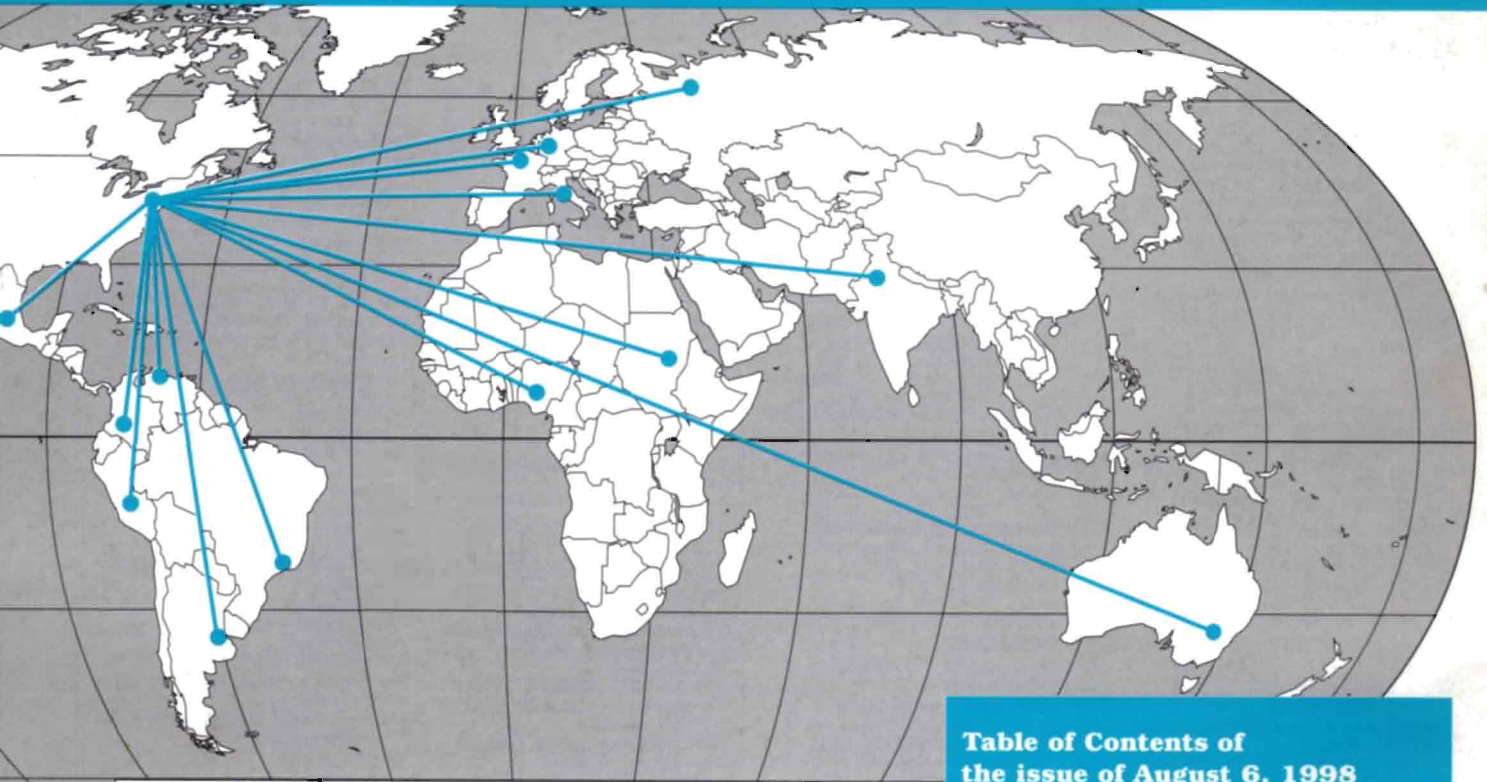
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