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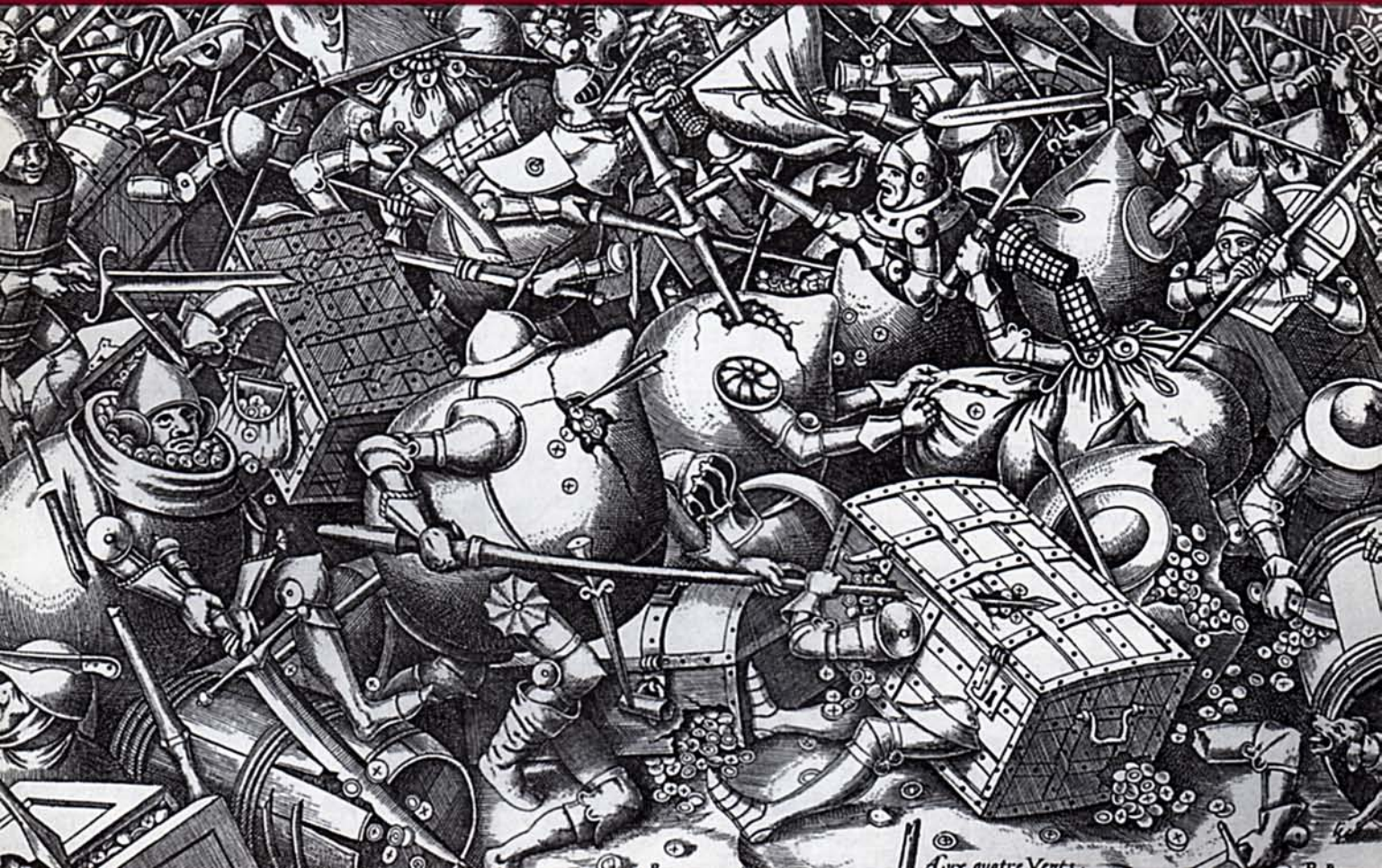
Executive Intelligence Review

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The Fed sacrifices people to save the junk  
Can Clinton thwart Netanyahu's drive for war?  
Lucianne Goldberg and Murder, Inc.

**LaRouche: The roots of  
today's mass hysteria**



# FIDELIO

Journal of Poetry, Science, and Statecraft

Publisher of LaRouche's major theoretical writings

Fall 1998

## *Beethoven's 'Christ on the Mount of Olives': Gethsemane, As Schiller Would Treat It*

by Fred Haight

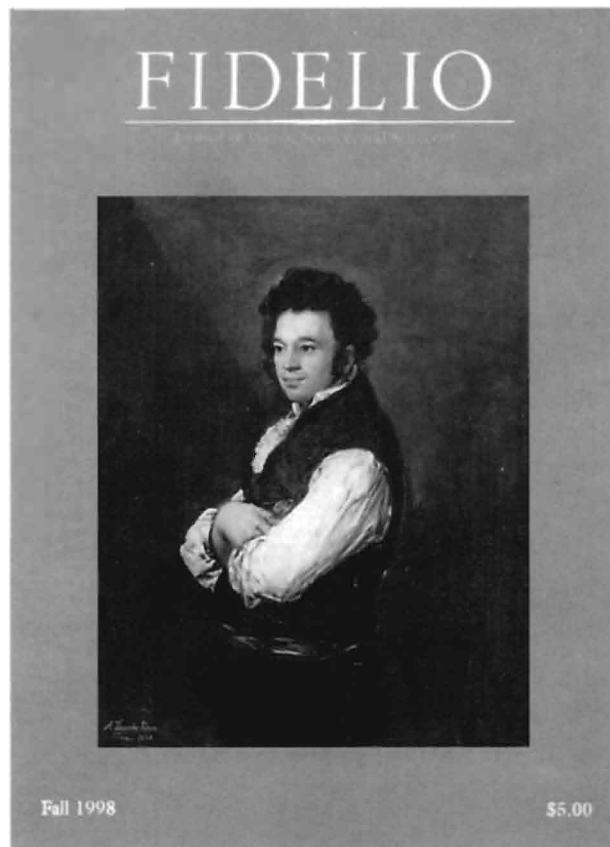
## *Beethoven's Creative Process of Composition: Reflections on 'Leonore' and 'Fidelio'*

by Anno Hellenbroich

For Beethoven, as for Schiller, freedom is the freedom to develop one's cognitive powers, in order to carry out that necessary mission, on behalf of humanity as a whole, for which the Creator put us here in the first place. It is only from this Promethean standpoint, that we can locate the true meaning of individual freedom.

## *'As free, as it is rigorous'— Beethoven's Four-Voice Composition*

Interview with Professor Norbert Brainin,  
Primarius of the Amadeus Quartet



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## From the Managing Editor

**I**n an assessment of the immediate strategic situation, delivered as we go to press, Lyndon LaRouche warns that President Clinton has no “third way” option: Either the United States allies with London, or with China (see our *Editorial*). If he sticks with London and the current bankrupt global financial system, he will be hit with a rapid succession of crises, “that, hopefully, will teach him the lessons he must finally learn.”

One lesson, is that trying to prop up the current IMF system will only invite greater disasters. (See *Economics*, for articles on bonds and the U.S. trade deficit.) British Prime Minister Tony Blair himself, the author of the “third way,” LaRouche estimates, is soon finished (see p. 9). Meanwhile, the consequences of the collapse of the system mount. In preliminary coverage of the food crisis, we focus on Russia, but such food shortages are facing nations throughout the world, and they demand immediate attention.

Another danger, is that, while the Wye Plantation agreement seemingly revived the prospects for Mideast peace (see *International* and *Investigation*), Israel’s Ariel Sharon and Benjamin Netanyahu got what they really wanted: time to continue to stall, until they are ready to make a strategic strike.

Fortunately, there is positive motion, in Russia, China, Malaysia, and other Asian nations, to protect the vital economic interests of their peoples, with which the United States can ally.

In this week’s *Feature*, LaRouche elaborates the problems, not only in the White House, but among Americans generally, which has so far led the United States to continue to cling to the dying IMF financial system. Such failure to change course, is the subject of tragedy. He writes: “History—real history—always was, and always will be the history of ideas.” In such crises in earlier times, “The ideas which existed, and might have saved society from that doom, were rejected or neglected for too long, and, for just that folly of the ruling elites, the entire nation paid the price.” In such a crisis as we face now, it is up to you to help ensure that that does not happen.

*Ronald Kokinda*

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## Feature



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By Lyndon H. LaRouche, Jr. "How could most of the leading banks and related institutions of this planet, have been, for so many years, such pathetic suckers for such an obvious swindle as that so-called 'derivatives' bubble which now threatens, at almost any moment, to do to the world's financial system what the Weimar hyperinflationary bubble did to the 1923 Reichsmark?"

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## The Fed is sacrificing people to save the junk

by John Hoefle

Even as the line goes out to the suckers that the financial crisis has abated, the bankers are engaged in a desperate fight to head off billions of dollars of “unrealized losses” on their derivatives, junk-bonds, asset-backed securities, and related financial instruments. The band may still be playing on the upper deck, but down below, the water is pouring in.

The financial markets operate according to what some call the “greater fool” theory, under which an investor can safely buy even the riskiest piece of junk, under the assumption that it can always be sold to some bigger fool, should it begin to turn sour. In this world of the greater fool, companies with poor credit ratings can sell billions of dollars worth of junk bonds, and bankers can make billions of dollars of loans to companies and individuals who are deemed poor credit risks. Hundreds of billions of dollars of these junk bonds and junk loans have been issued over the past few years, feeding the insatiable demand of the securities markets for additional income streams to loot. As long as the bubble was growing, the junk, with its higher vigorish, was lucrative—and if the market turned, well, there was always the proverbial greater fool.

But what happens when the bubble stops growing? When panic sets in and the “investors” begin to focus not on how much money they can make by playing the markets, but instead become obsessed with trying to save as much of their virtual money as possible, when the market turns? When the sinking feeling hits them, that they might turn out to be the greater fool?

### **Bond hemorrhage**

When Long-Term Capital Management (LTCM) failed in September, the Federal Reserve and the banks rushed to rescue its financial paper, not because they wanted to help

LTCM, but to save themselves from the chain-reaction of derivatives losses which would have resulted from defaults on LTCM’s hundreds of billions of dollars of loans, and its trillion-dollar-plus derivatives portfolio. LTCM specialized in what is called bond arbitrage, betting that the yields on government-backed and corporate bonds would converge over time, upon their historical values. Given that a high percentage of corporate bonds issued in recent years were junk bonds, Long-Term Capital Management was betting, in effect, that the junk bond market would grow increasingly stable, and that the spread between what governments paid to borrow, and what junk-issuers paid to borrow, would narrow.

That game blew apart on Aug. 17, when Russia defaulted on its sovereign debt and devalued the ruble. This definitive proof that Russia couldn’t pay its debts sent shock waves throughout the financial world—everyone knew the losses to the Western speculators were huge, but few knew how much of the bubble had just evaporated. The result was panic, with the focus turning inward, to self-preservation. Suddenly, “risk” became a pariah, and money fled out of junk and into the perceived safe havens of government-guaranteed paper.

This flight to safety caused the spread between government and corporate bonds to widen—exactly the opposite of what the bond “arbs” had bet—causing huge losses, not only for LTCM, but for other speculators, including hedge funds, investment banks, commercial banks, and insurance companies, who were playing the game.

### **Save the bubble!**

The carnage in the bond markets left many of these institutions with substantial unrealized losses in their portfolios, on derivatives contracts which were nearing settlement, on junk

bonds and other securities they were holding for resale or for their own portfolios, and on loans to borrowers who had suddenly become unable to pay their debts. At least several of these institutions were probably insolvent, even by the see-no-evil standards of modern accounting.

Fearing that the failure of one or more of the big derivatives banks would set off a chain-reaction of precisely the sort of which Lyndon LaRouche has warned, the Western central banks initiated a series of interest rate cuts to pump liquidity into the markets. The Federal Reserve, which took a deliberately high-profile role in the LTCM crisis, cut interest rates twice in rapid succession, signalling to all that it would stand firmly behind the banks and the derivatives bubble, no matter what the cost.

But the Fed is also engaged in a desperate attempt to manipulate the markets, to convince investors that the crisis is over, to lure them out of Treasuries and back into the corporate bond markets, and into junk bonds in particular. If the bond spreads can be narrowed fast enough and far enough, the thinking goes, much of the unrealized losses on the banks' books will disappear. For this plan to work, the greater fools have to be lured back into the market, to be sacrificed by the Fed for the greater glory of Wall Street. So, the Dow is pumped back up, and the carnival barkers are deployed to lure the suckers and their money back into the game, like lambs to the slaughter.

## Junking the system

Way back in pre-history — say, as far back as the 1960s — the money raised on Wall Street was used mainly to fund more or less real economic activity; speculation existed, but in limited form. The dog had fleas, but they were somewhat under control. Today, the fleas have taken over, viewing the real economy merely as a vehicle for their speculative activity.

Take the rise of the junk bond market. In 1986, at the peak of Drexel Burnham Lambert's and Michael Milken's power, a record \$33 billion in junk bonds were issued, bringing the total issued since 1980 to about \$70 billion. During the 1980s, a total of roughly \$150 billion in such bonds were issued. So far in the 1990s, nearly \$500 billion in junk has been issued, including \$119 billion in 1997 alone. According to Securities Data Corp., 1998 was on a pace to smash that record, with \$117 billion in junk bonds issued during the first seven months of the year — an average of \$16.7 billion a month — until August, when the market for junk abruptly dried up. In September, just \$2.7 billion in junk bonds were issued, and only \$464 million were issued during the first three weeks of October. There are about \$430 billion in junk bonds outstanding today, with at least \$30 billion sitting in the vaults of Wall Street firms, gathering dust until — and if — they can be sold, according to the *Wall Street Journal*.

Even larger is the market for asset-backed securities. There are some \$2.5 trillion in such securities outstanding

today, of which nearly \$2 trillion are mortgage-backed securities (MBS) issued by Fannie Mae, Freddie Mac, or Ginnie Mae. Mortgage-backed securities are a form of derivative, created by pooling residential mortgages, then issuing a variety of securities backed by the income from the mortgages in the pool. Nominally done for the benefit of home-buyers, the mortgage-backed securities market has become a vehicle for pumping trillions of dollars of implicitly government-backed securities into the financial markets.

## Markets backed by consumer debt

Smaller than the residential MBS market, but growing rapidly — until August — are the markets for securities backed by consumer debt, and securities based on commercial real estate. Issuing securities based upon credit card receivables has become a big business for U.S. banks; as of June 30, U.S. banks had sold \$239 billion in credit card securities, while carrying only \$217 billion in credit card debt on their balance sheets, according to the Federal Deposit Insurance Corp. (FDIC). The \$200 billion commercial mortgage-backed securities market suffered a major hit on Oct. 5, with the bankruptcy filing of Criimi Mae, which bought nearly half of the CMBS bonds issued in recent years.

Then there's the subprime lending market, in which people whose credit ratings prevent them from getting regular loans, can get loans at exorbitant rates of interest. The subprime market has exploded — double entendre intended — in recent years, with some \$250 billion in such loans outstanding today. According to the FDIC, subprime loans secured by residences, both home equity and mortgage loans, amounted to between \$100 billion and \$150 billion in 1996, compared to the estimated \$800 billion in originations of conventional mortgages; while an estimated \$75-100 billion in subprime auto loans were issued, or about 20% of total auto loans outstanding.

The subprime lenders themselves are basically throw-aways, created by the banks for the purpose of generating loans which can then be securitized, and as a mechanism of reaching into the pockets of people whose economic status precludes them from participating in the more traditional looting mechanisms.

A related lending practice is the high-loan-to-value home mortgage, in which the homeowner is typically loaned 25% more than the value of the mortgage. Much of the extra cash is used to consolidate existing credit-card and related debt.

The result is a system in which virtually any income stream which can be found, is seized and turned into securities, which can then be speculated upon in the financial markets. Securities backed by bankrupt companies and households, sold by bankrupt banks to bankrupt investors, piled high into a mountain of some \$150 trillion of worthless, unpayable claims, upon an economy which is rapidly being destroyed. All the Fed's horses and all the Fed's men, won't be able to put this bubble back together again.

# Back Russia with 'Food for Peace' assistance

by Marcia Merry Baker

On Oct. 29, Russian Agriculture Minister Viktor Semyonov gave a press briefing in Moscow on the scope of emergency food needs in the nation, acceptable terms of food and agricultural assistance, and plans to revive Russia's farm sector. Russia's grain harvest this year is, at best, *half* of last year's, and the potato crop is also down sharply because of rot and blight.

This severe harvest disaster hits at a time when food reserves and margins have been depleted, along with agricultural output capacity over the 1990s; and, when the nation is in the throes of dealing with its situation amidst the unresolved worldwide financial disintegration. Since Moscow's Aug. 17 announcement of emergency financial measures, food import flows have all but stopped.

The International Red Cross and the Red Crescent Society are appealing for food and medical aid for targeted groups totalling more than 1.5 million people, especially pensioners and those with large families, in 12 regions. The Red Cross estimates that 70 million are in danger from lack of food in Russia, Ukraine, Moldova, and Belarus, and starvation is a real threat.

On Oct. 27, U.S. officials from the Departments of Agriculture and State were dispatched to Moscow to meet with Russian leaders on the food situation.

The key points of Semyonov's briefing on short-term relief measures, and for a national agriculture build-up, are given below. Official Russian statistics project a shortfall of staples during the 1998-99 agricultural year in the range of at least 8.3 million tons of grains and grain products. Plans for best-use of grain carryover stocks from 1997, and other measures, are under way.

At the same time that Russia is short of food, grain surpluses in U.S. farm states, for which "markets" have collapsed because of the global financial breakdown, are sitting in piles on the ground. Prices to the farmer are at 40-year lows. Whole states face ruin. More than 100 million bushels of wheat, corn, and other grains are in make-shift storage in Kansas, Iowa, Minnesota, the Dakotas, and Washington, for want of sales; elevators are crammed to overflowing from carryover of the unsold 1997 crop.

In the corn/hogs/cattle state of Iowa, farm income has dropped by half since 1996. Already, in South Dakota, farm income dropped 98% from 1996 to 1997, and now is next to nil. In North Dakota, 48% of farmers this year are shutting down or being "restructured."

## Nation-saving thinking is needed

These crises—in Russia, the U.S. farmbelt, and elsewhere—are not "concidences." Rather, they are part of the physical economic collapse paralleling the worldwide financial breakdown. Emergency *nation-saving thinking* is urgently needed. This kind of thinking is embodied in the traditional "Food for Peace" approach of the 1940s wartime and postwar periods: Get food to the points of need; at the same time, foster farm-sector expansion for the future, both at home and internationally.

In September 1988, in Chicago, the Schiller Institute founded the "Food for Peace" organization, at the instigation of Lyndon and Helga Zepp-LaRouche, to avert the misery we now see.

Specifically, the relevant postwar policy precedent in the United States is "Public Law 480," the "Food for Peace" law; and the "Agricultural Act of 1949," which specified a sliding scale of parity (fair return) commodity prices for the farmer, in the interests of protecting future food security at home and abroad. These measures continued the wartime "Lend-Lease" approach, which was based on the economic policy of producing what was required, and getting it to those who needed it.

For the Russian emergency, what is required is government-to-government arrangements to meet emergency food relief needs, and to assist in agricultural sector aid for the 1999 and future crop seasons (inputs, and logistical and infrastructure aid), which will be to the mutual benefit of Russian people and farmers, and those of the United States and any other nation that is party to this "Food for Peace" approach.

For the U.S. farm emergency, the government aid to Russia must be structured so that the impact of the foreign policy initiative benefits the *public good* domestically in the United States, meaning it benefits the farmer and consumer alike, but not the infamous food cartel companies. The government, under the emergency, must mandate a percent-of-parity price for U.S. farm commodities—both that mustered for aid, and otherwise purchased for domestic or export use.

This traditional approach means dumping the "Agriculture Improvements Reform Act of 1996," which is premised on the radical belief in "market forces." Called "Freedom to Farm," the law has rightly become known as "Freedom to Fail." The law itself states that in the event it is not renewed (or, by implication, declared null and void because of today's economic emergency), then the 1949 standing law of parity prices for farmers goes back into effect. This fall-back provision was instated into the 1996 law at the insistence of Senate Minority leader Tom Daschle (D-S.D.) and other farm state Senators. It is now time to void the 1996 act, and revert to 1949 standing law.

What underscores this point is the results of the Food Aid Initiative announced on July 18 by President Clinton. He said then, that the government would purchase 2.5 million tons of wheat, for donation to designated countries in need (Sudan,



Indonesia, North Korea, others), and that in so doing, he hoped the “markets” would see “forces of supply and demand” drive up the farm wheat price by 10%. In fact, grain prices have *fallen* since July, even though, as of Oct. 27, the U.S. Department of Agriculture announced that it had completed the 2.5 million ton purchase. So much for the myth of markets.

### **End the ‘Bush leg’-acy**

What must be stopped, is continuation in any form, especially under the guise of “aid,” of rigged globalized food and commodities trade, propagandistically called “free markets” trade: the North American Free Trade Agreement, the World Trade Organization, and so on. They were bad from the start; and now are a guaranteed prescription for famine.

In Russia, “Bush legs” (named for George Bush) is the name for foreign cartel dumping of cheap food imports. The reference is to frozen chicken legs dumped on Russia in the millions of tons over the 1990s by the U.S.-based poultry cartel, which displaced Russian poultry and meat production. At the time of the end of the Soviet bloc, food import-dependence, and undermining of Russian agriculture, was deliberately pushed by George Bush and Margaret Thatcher on behalf of London-centered financial/political circles, known as the “Club of the Isles,” whose oligarchical families and money interconnect with the commodities cartels.

For example, Thatcher’s Minister of Agriculture, Lord Peter Walker, presided over the rise of “Mad Cow” disease in the 1980s in Britain, and then, in the 1990s, as a board member of Dalgety, one of the world’s largest livestock companies, he demanded that Russia accept British beef imports. U.S.-based Iowa Beef Processors (IBP), the largest meat processor and exporter in the world, has on its board Bush’s former Presidential campaign manager, and it demands worldwide rights to “free” trade.

The commodities cartels that pushed “free trade” in the first place (beginning especially in 1984 with the General Agreements on Tariff and Trade “Uruguay Round”) include such famous food sector names as, IBP, Tysons, ConAgra, Perdue, Archer Daniels Midland, Cargill, Pillsbury/Grand Met, Kraft/Philip Morris, and Unilever.

The front groups for these very same companies (e.g., the U.S. Grain Export Council) are now demanding that the U.S. government pay them—the cartels—and they will “help” Russia—just like they “helped” the U.S. farmer!

### **Semyonov’s plans**

On Oct. 29, Minister Semyonov began his remarks with a denunciation of foreign food exploitation (the “Bush leg-acy”), then outlined the measures under way for food relief, build-up of reserves, and re-creation of the agriculture sector, especially poultry.

He began, “The mass media recently have been actively publishing material claiming that famine awaits Russia. It

would perhaps, be possible to regard that attention to agricultural problems as a very positive sign, but certainly not the reason for that publicity. It has been becoming clear that the campaign has been launched in the interests of foreign producers of agricultural products, and with all that talk about shortages of foodstuffs, they have been trying to give priority to imports of foreign products to our markets.”

Semyonov reported that the grain crop this year is the smallest in the last 40 years. He said that the drought—which hit the Lower Volga and many other regions, was the worst in meteorological history; and then, some regions (north and northwest), were hit by pelting rains, delivering two to four times the monthly precipitation norm in August and September. The official Oct. 12 report puts this year’s grain harvest at 47 million tons, down from 88 million last year (and far down from the 100 million a year typical of the 1980s). It may be worse.

With an annual use requirement (which is low, because of depleted livestock feed needs) of 79.9 million tons of grain in the 1997-98 agricultural year (which can draw on 20 million tons carryover from 1997); and projected use for 1998-99 of 86.6 million tons (when only 78.3 million tons will be on hand), a shortfall of 8.3 million tons is calculated. It could be much higher.

Semyonov said, “Russia needs an operational food reserve to adequately respond to possible shortages of food in regions. Unfortunately, having entered a free market economy, we have lost much of what we had before in terms of responding to crises.” Of 89 regions, 22 are experiencing grave grain shortages. Hardest hit are the drought regions, and the Far North.

The government has formed two new commissions: One, on food for the winter, is headed by Deputy Prime Minister Gennadi Kulik. Another, on humanitarian aid, is headed by Valentina Matviyenko. The Agriculture Ministry has five business working groups on increasing production, for grain, meat, milk, vegetable oil, and sugar.

Semyonov stressed reviving agriculture. “The crisis demonstrated to the whole of society the importance for a country to have a highly developed agriculture to ensure the country’s food security. . . . What do I have in mind [as priorities]? . . . The sectors that are capable of rapidly producing meat, I mean poultry farming and hog raising, should be given credits to expand production and thus increase food supplies in the country. If we fulfill this program, we will be able, according to our calculations, to offer the market 250-300,000 tons of domestically produced meat and thus supplant imports.”

He stressed low inputs. “We cannot afford such small harvests as this year for two years in succession. . . . As for fertilizers, let me give you just three figures. Last year we used 1.3 million tons of fertilizers. But this year this figure is less than 1 million tons, while agriculture needs 16 million tons. . . . We plan to increase the amount of fertilizers used for the future crop by four or five times.”

# U.S. trade balance sharply deteriorates

by Richard Freeman

The Asian phase of the world financial disintegration, plus the implementation of International Monetary Fund conditionalities in many nations, continue to decimate U.S. export trade. In August, a steep fall of U.S. exports to China led an overall decline of U.S. exports to the world.

In the U.S. economy, one in five goods-producing jobs depends on exports. Unless a fundamental policy re-orientation occurs, along the lines of Lyndon LaRouche's proposal for a Chapter 11 bankruptcy reorganization of the world financial system and implementation of great infrastructure projects, America's export level and trade balance will continue to deteriorate.

The U.S. deficit in goods and services rose to \$16.77 billion in August, up \$2.22 billion above the July level. August's is the widest monthly deficit since the United States recalculated the way it measures trade flows in 1992. The United States is on track to register a 1998 trade deficit of \$166.5 billion, which would be 50% greater than the 1997 trade deficit and the highest America has ever had.

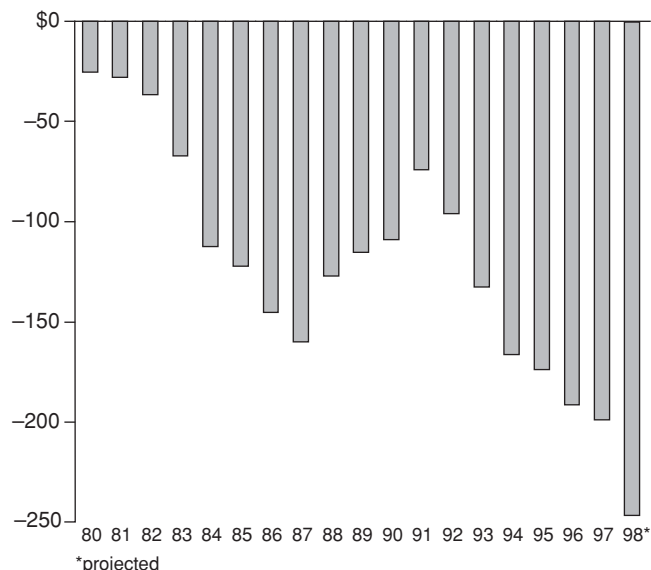
U.S. exports in August were \$74.84 billion, a fall of 0.3% from July. This is the lowest export level in 19 months. August imports increased by 2.2%, to \$91.61 billion.

The above figures refer to the U.S. trade deficit in goods and services. However, for merchandise (physical) goods alone, the picture is even worse. In August, the U.S. deficit on merchandise goods was \$23.2 billion, the highest recorded in U.S. history. In fact, from 1789 up until 1977, the United States never registered a yearly merchandise goods trade deficit of greater than \$6 billion. As **Figure 1** shows, the United States is now on track to record a merchandise trade deficit of \$247.2 billion for 1998. A nation that depends on a quarter-trillion dollars of goods imports per year to survive, in terms of "energy of the system," is functioning significantly below break-even.

**Table 1** shows the level of U.S. exports to eight leading Asian trading nations, and also U.S. exports to Japan and China, for December 1997 and August 1998. It also shows the percentage of change in the volume of exports during that period.

Between July and August 1998, U.S. exports to China deteriorated sharply; in July, U.S. exports to China were \$1.117 billion; in August, they fell to \$888 million. (It is possible that this is a one-month aberration; it will have to be watched closely.) Overall, between December 1997 and

FIGURE 1  
U.S. physical goods trade deficit, 1980-98  
(billions \$)



Source: U.S. Department of Commerce, Bureau of Economic Analysis; *EIR*.

August 1998, U.S. exports to China are down 28.1%. In the case of six of the eight leading Asian trading nations (excluding China and Japan)—South Korea, Taiwan, Hong Kong, Malaysia, Thailand, and Indonesia—U.S. export levels are down by 25% or more. For these eight nations as a group, U.S. exports are down by nearly 30%.

TABLE 1  
U.S. exports to eight Asian nations, plus Japan and China  
(millions \$)

	December 1997	August 1998	Percent change
Taiwan	\$2,235	\$1,326	-40.7%
South Korea	1,680	1,213	-27.8
Singapore	1,443	1,316	-8.8
Hong Kong	1,317	990	-24.8
Malaysia	851	582	-31.6
Philippines	601	543	-10.8
Thailand	538	335	-37.8
Indonesia	478	133	-67.5
<b>Subtotal</b>	<b>9,143</b>	<b>6,453</b>	<b>-29.4</b>
Japan	5,265	4,755	-9.7
China	1,235	888	-28.1
<b>Total</b>	<b>15,643</b>	<b>12,096</b>	<b>-22.7</b>

Source: U.S. Department of Commerce, Bureau of Census.

# Britain's leading 'idiotic hysteric'

by Mark Burdman

British Prime Minister Tony Blair is a nervous man these days. This is quite a shift in mood from that prevailing after his "New Labour" won a landslide election on May 1, 1997, and Blair was confidently forecasting that he would lead a "center-left international." On Oct. 21, 1998, he addressed a group of Labour Party parliamentarians, advising them solemnly to "keep your nerve," and stick together at all costs, because "there will be more difficulties facing us with the economic slowdown."

The same day, in the British Parliament, Blair had to fend off attacks on what is happening to the British economy under his leadership. He got into a heated shouting match with William Hague, leader of the opposition Conservative Party, who charged that this was "the season of complacency" for the Blair government, in the face of record job losses sweeping Great Britain. Admittedly, Hague, the hand-picked protégé of former Prime Minister Margaret Thatcher, is hardly one to be pious on economic matters. Nonetheless, he hit a sore spot. Blair demanded a stop to the "idiotic hysteria" about the economy, and said that the minds of the Conservatives should be likened to "black holes."

In his Oct. 22 reportage of this exchange, London *Times* political correspondent Matthew Parris warned that the phrase "idiotic hysteria" could "come back to haunt" Blair, should economic conditions in Britain worsen. Given that a further phase in Britain's economic woes is a certainty, Blair should be a very haunted man indeed.

## Of rising unemployment and bank bailouts

Blair's problems have been compounded by the recent antics of the Governor of the Bank of England, Eddie George. George might qualify for the designation "idiotic hysteric," because of his Alan Greenspan-like commitment to the financial markets at all costs.

During the week of Oct. 19, George met with newspapers editors from the northeast, a region that one financial expert characterized to *EIR* as "economically collapsing like ninepins." George was asked whether he considered it acceptable for there to be a rise of unemployment in the north, in order to keep inflation down in the south of Britain. He responded in the affirmative, sparking a national uproar, with politicians based in the northeast demanding his resignation, and newspapers running cartoons showing George inserting his foot into his mouth. In the face of all this, Blair defended the Bank

of England Governor.

Earlier, on Oct. 15, George had testified before the Select Treasury Committee of the British Parliament, where a chief concern was the effect on Britain of the global financial shocks. He said matter of factly that businesses and households in the U.K. would have to foot the bill for losses incurred by banks due to falling equities, currencies, and bond prices. Banks would have to increase their charges, he affirmed, and recover their losses from their customers.

On Oct. 27, a member of the Bank's Monetary Policy Committee, DeAnne Julius, effectively confessed to the Bank's incompetence, proclaiming: "We have been a little late in recognizing that the economy has turned. We are now slowing domestically." She acknowledged that the "international situation is fragile," and hinted that the Bank would have to further lower interest rates.

There's not much more the real economy can be looted, to sustain the financial sector. On Oct. 15, the British Chambers of Commerce released a statement warning that "the danger of a manufacturing meltdown" had become "greater" than it was when the Chambers first warned about that danger last July. The Confederation of British Industry (CBI) Industrial Trends Survey, released on Oct. 27, reported that confidence among manufacturers had reached an 18-year low, i.e., the lowest since the depths of Thatcherite monetarist policies. An analyst quoted by the Oct. 28 London *Guardian* commented that "activity in the manufacturing sector has collapsed."

The CBI is warning that 100,000 jobs will be lost in manufacturing, under current trends. As we reported two weeks ago, employment in manufacturing is heading to levels last seen in Britain in the mid-19th century.

Hit particularly hard, is Britain's motor vehicle sector. The German BMW firm, which owns Britain's Rover car manufacturers, is threatening thousands of layoffs, most immediately 2,500 layoffs at the Longbridge plant in Birmingham. Blair and his ally Peter Mandelson, the Trade and Industry Secretary, are responding to the threatened layoffs by demanding "more productivity" from the workers.

At the same time, retailing across Britain is taking a bath. The London *Times* on Oct. 22 commented that "if retailing is a barometer of the economy, then Britain is in for a nasty blow." The unexpectedly sharp decline in this sector demonstrated a "considerable crisis in consumer confidence," the paper affirmed.

In the face of such woes, the British press has begun to warn that Blair is heading for big trouble. In the Oct. 19 *Times*, political editor Peter Riddell wrote under the headline "That Old Sinking Feeling": "The Blair government is at a turning point. The long post-election honeymoon is over, and it is looking less sure-footed." He stressed that a mood of "serious malaise" is spreading in government circles, and that "the biggest challenge" now facing Blair et al. is the economy. The Oct. 22 *Independent* was more dramatic. Its banner headline read: "Storm Clouds Gather Over Blair."

# Is India being marginalized?

by Ramtanu Maitra and Susan B. Maitra

The 14-party coalition headed by the Bharatiya Janata Party (BJP) has failed to speak in unison on any subject, particularly on how to deal with the recession-wracked economy at a time when the world financial system faces a blowout. Living in a world of their own, which is characterized by “business as usual” domestic political one-upmanship, the ruling politicians of India have made the second-most-populous nation in the world virtually a mute spectator, playing no role whatsoever in the midst of worldwide financial crisis.

The performance of the present government in the economic areas has turned out to be a complete flop. Its refusal to even recognize the two-year-old recession has further worsened the economic situation overall. The Finance Ministry is still telling all and sundry that the “economy is doing well,” and that the economic fundamentals are “strong.” As a result, the most recent budget, instead of fuelling a recovery, prompted a sharp rise in the prices of essential commodities. It is no surprise that fewer and fewer in India believe what their government has to say on most economic issues.

## A positive infrastructure initiative

On Oct. 24, addressing the annual session of the Federation of Indian Chambers of Commerce and Industry in New Delhi, Prime Minister Atal Behari Vajpayee indicated for the first time since assuming office more than seven months ago that his government is planning to do something positive about the economy. He said that the government will begin spending on infrastructure to revitalize the economy. The first project will be a 7,000 kilometer highway creating a north-south corridor connecting Kashmir to Kanyakumari, and another connecting Gujarat in the west with Sikkim in the east. The \$7 billion project—some estimates put the cost closer to \$20 billion—will use concrete roads, to boost the flagging cement industry.

The Prime Minister also announced that a new telecommunications policy will be formulated within the next three months, to provide a state-of-the-art nationwide telecommunications network and speed up delivery of rural telephone services. He also announced on Nov. 1, the launching of the Iridium project for global telephone service.

In addition, Vajpayee said that within the next two months the government will invite bids in the oil exploration sector, offering deep acreages with high potential. Also, five cities will be identified for construction of world class international

airports with a maximum of 100% foreign equity investment.

While such projects are of great importance, the question that is in everyone’s mind is whether the government will follow through. For example, the budget allocation for highways for the year is a meager \$120 million. One wonders how serious the government is, when the Prime Minister states coolly that work on the highway project “will start within this year and from 20 different places within the country.”

## Low credibility

It is an understatement to say that the credibility of the government on economic issues is low. Recent figures released by the government showed that the capital goods sector grew by 11% in the first quarter of this fiscal year, compared to last year. A healthy growth, no doubt, but the figure was immediately challenged by the Confederation of Indian Industry, which pointed out that the government included electronic hardware to make the figure look good. In reality, the entire capital goods sector, including the machine-tool industry, is suffering badly due to recession.

Finance Minister Yashwant Sinha’s repeated assertion that the growth of the Indian economy will be more than 6% is contested even by government institutions. The National Council for Applied Economic Research, a leading institute for economic studies, projects growth to be not more than 4.5%, if nothing untoward happens to the global economy in the next six months. Commerce Minister Ramakrishna Hegde’s statement that India’s export growth in the coming year will be 15%, when worldwide trade has diminished by 50%, is rhetoric, and people know it.

When the Prime Minister spoke of setting up five world class airports, one wondered why, then, the government had failed to get one airport in Bangalore past the Civil Aviation Ministry, despite the staunch support of the Karnataka state government. Similarly, a lot can be said about the Vajpayee government endlessly messing up the telecom licensing policies, and creating a scare among the investors.

The credibility of the BJP-led government, and the Finance Ministry in particular, is now perhaps at its lowest ebb. In order to boost its image, Prime Minister Vajpayee and Finance Minister Sinha have both recently dolled out some lollies to the corporate sector, including allowing them to buy back their shares, removal of restrictions on inter-corporate investment, and dilution of provisions of the takeover code, hoping to revive the sagging capital market. Although the market responses have yet to come in, the fading credibility of the government has begun to do its damage. Beside asking the obvious questions—such as, “How relevant are these measures compared to the enormity of the crisis that the country faces?”—some observers have already come to the conclusion that the government will not be able to implement even these measures. This, in essence, expresses the paralysis, and the ostrich-like syndrome, that the government is suffering from.

Since the Vajpayee government took over, much has been said about how India has virtually insulated itself from the world financial crisis. The reality, however, is different. As one economic commentator pointed out, India can also experience a meltdown like that of Thailand, Malaysia, or Indonesia. One of the strengths of India's economic fundamentals cited by Finance Ministry officials, is that India's short-term debt does not exceed \$5-6 billion. However, what they leave unsaid is the fact that convertible non-resident India deposits, which are easily withdrawable, amount to \$20 billion. In addition, India's foreign trade is about \$85 billion; along with current account items, it is close to \$150 billion. Leads and lags amounting to just 20% of this total would exceed India's \$24 billion foreign exchange reserves, one commentator pointed out. Therefore, the payment crisis that occurred in 1991 can happen again, whether the Finance Ministry admits this fact or not. We have seen, in the case of the Southeast Asian nations, how quickly things can turn sour when foreign portfolio investors act like a stampeding herd, moving their money out in no time in a state of panic.

During his visit to the World Bank-International Monetary Fund (IMF) meeting in October, Finance Minister Sinha attacked the IMF for its failures, but placed his faith firmly in the free-market process. The failure of the Finance Minister to articulate why the current Bretton Woods system is not conducive to economic development of the economically weaker nations, loomed large in Washington. Instead, the Finance Minister's gloating about how India has managed to avoid the financial collapse that the Southeast Asian nations have encountered sounded hollow, if not downright irresponsible.

### **A poor leader**

What Finance Minister Sinha must admit, and admit publicly, is that the market-based solutions are not the answer. The collapse of the Southeast Asian nations' financial system, the destruction of the Russian economy, and the impending threat that looms large over Japan's financial system, have left every economic establishment, including the IMF and the World Bank, clueless about what to do next. On the Western bourses, share prices are in retreat. Neither the earlier boom nor the present despondency can be fitted into the conventional market theory to provide a satisfactory explanation. It is evident that it is time to go beyond the conventional thinking in terms of market-based solutions.

In addition, it is not at all clear that the Finance Minister is keen to really buck the IMF. While the country is suffering from deep recession, and the basic industrial and social infrastructure are in a total mess, Sinha reiterated in an economic editors' conference recently, his long-term goal of bringing down the fiscal deficit to 3%. He assured the IMF bureaucrats, revealing that he had told a recent meeting of secretaries to the government that they would have to stick to their expenditure targets and would get nothing

more. Needless to say, the announcements made by the Prime Minister on Oct. 24 are in direct conflict with the Finance Minister's goal.

The government has failed so far to put the emphasis where it is needed. Despite oodles of promises made to Indian citizens by the last three governments, and this one, the power situation has gotten worse. The power privatization scheme, a hoax which this government also chooses to promote, has resulted in the addition of less than 1,200 megawatts of power generation capacity by private investors in the last seven years. The government offered private investors a 16% return on equity, and about 130 memoranda of understanding for a total of 70,000 MW were signed by promoters. Unfortunately, nothing much has materialized. Meanwhile, one government after another, citing the "great success" they have achieved in luring private investment into the power sector, has plunged the country into prolonged hours of darkness and deepened the industrial recession. Add to that the government's disinterest in revitalizing the bankrupt state-owned state electricity boards, the main suppliers and distributors of electricity in India.

A similar lack of concern exists in New Delhi about ports. In 1997, India's 11 major ports handled 251 million tons of cargo. A working group for the ports has estimated potential traffic by 2001-2002 at 424 million tons. This calls for an increase in capacity of 173 million tons within three years. However, the Ministry of Surface Transport points out that only 37 million tons will be attained from the schemes now under implementation.

While the Finance Ministry remains oblivious to the country's immediate financial requirements to build up its infrastructure, India's central bank, the Reserve Bank of India (RBI), under its governor, Bimal Jalan, has kept the short-term interest rate high. The banks are sloshing with money while the credit offtake remains weak. The banks are afraid that with price rises all around, the RBI will increase the interest rate again later in the year and cause depreciation in their investments.

The major task that confronts the Vajpayee government at this crucial time, and which it has assiduously avoided so far, is to help direct the international community in its search for an appropriate architecture for the international financial system. Such a system would help nations to embark on the development of their physical economy and social sectors. India has the responsibility to spell out clearly a much better currency regulation and monitoring of the financial system for all countries; the kind of institution which will replace the IMF; a more equitable trade agreement between nations; and how to deal with foreign debt, and private foreign debt in particular.

In order to begin to do the above, the Vajpayee government must set its own house in order. India's physical economy is in tatters, and is crying out for investments and quick implementation of those projects.

## Lafontaine's unserious proposal

*The Franco-German push for capital controls won't change much, but it has monetarists worried.*

Ever since the election results on Sept. 27 confirmed that the new government would be led by the Social Democrats, economic media commentators have been beside themselves about the prospect of "leftists" taking power in Bonn. In particular, remarks by incoming Finance Minister Oskar Lafontaine, prior to a surprise meeting with French Finance Minister Dominique Strauss-Kahn in Saarbrücken on Oct. 22, caused monetarists' tempers to boil over.

There, Lafontaine announced a new Franco-German initiative for capital controls. He explained that what he and Strauss-Kahn were thinking about would definitely not be something on the level of the old Bretton Woods system, with fixed exchange rates and other regulations. Lafontaine said that times have changed, that globalization and the free flow of capital internationally would not make a new Bretton Woods system meaningful. But, most economic analysts did not pay attention to what he said. Instead, they showed signs of becoming unhinged over his design for limited capital controls, as if it would shatter the existing financial system—which it wouldn't.

Lafontaine proposed a three-point program: 1) impose efficient transparency and controls on banks that are operating on a global scale, and on hedge funds, particularly derivatives deals; 2) establish an arrangement for stable, but not fixed exchange rates between the dollar, the euro, and the yen, which would be allowed to fluctuate within a certain band; 3) review and modify the tight monetary and budget criteria of the European Monetary

Union (EMU), in order to gain some freedom for labor market incentives.

Calling for capital controls is nothing spectacular anymore, as such calls are coming from all corners of the economic community, as Lafontaine has emphasized repeatedly. The first big flaw in Lafontaine's design is that he and the Social Democrats (those who have the say in Germany, at least—there are others who have different ideas) all start from the principle that the EMU criteria and the European Union single currency union, with its "euro," are unalterable. When talking about a "new global financial architecture," the German Social Democrats view the EMU as sound, well-designed, and strong enough to deter any shocks from the global financial crisis. As long as the EMU is stable, even if the rest of the world is not, one would not have to worry, is what the Social Democrats believe. And, none of the other nominally "leftist" parties in European governments believe anything different.

But, the EMU is not sound; it is not a safe haven from global turbulence. Any turbulent day on the European stock markets (and there have been quite a lot of such days recently) shows that Europe is not insulated from the rest of the world. Even if the EMU, which enters its final phase on Jan. 1, 1999, removes intra-European ups and downs of national currencies, the EMU as such is faced with developments on the global markets to which it has to respond, for example with exchange rate changes of the euro upwards or downwards. Built along a monetarist design, the European Central Bank, the reserve bank of the

EMU, will use monetarist instruments to attract or deter foreign capital by changes in the all-EMU interest rate—which will make investments, prices, and debt payments in the "domestic" EMU economy incalculable over longer periods of time.

Among the better-informed experts, it is no secret that the EMU's monetarist design will leave it vulnerable to all those factors that have uprooted the present global financial system over the last year. Only a non-monetarist design, a return to some kind of national economic approach which would encourage productive investments and create heavy penalties on speculation and other unproductive financial deals, could make Europe safe against the virus of monetarism.

But this alternate design is exactly what Lafontaine and his ilk do not want. All he has ever talked about, have been designs cooked up in the kitchen of Paul Volcker's so-called "Bretton Woods Commission." None of this challenges the system; rather, it is a desperate effort to save the sinking ship by installing some windows—for "increased transparency."

None of Europe's monetarists are threatened by Lafontaine's plans for capital controls, but there is a reason for their hysteria. The reason is located not in Germany or Europe, but in Asia, particularly in China, Malaysia, and Russia. The real momentum for global capital controls and a new, non-monetarist financial system, is coming from there, and it has to do with ongoing Asian and Russian debates about Lyndon LaRouche's Eight-Point Program ("What Each Among All Nations Must Do Now"). That program has been prominently covered in Denmark's *Jyllandsposten* daily, in a breakthrough in Europe's media. But certain German and European elites prefer the wrong "L," Lafontaine, rather than LaRouche.

## 'Two bob each way'?

*The government will have to make up its mind—either there is a global financial crisis, or there isn't.*

In a speech on Oct. 22 to the World Conference of Banking Supervisors biannual conference in Sydney, Prime Minister John Howard proclaimed that the world is facing “an unprecedented degree of instability in international financial markets”; that his government is committed to curbing the “worst excesses” of hedge funds; and that it will push reform of the international financial system to “inhibit capital excesses.” Further, said Howard, “It was not the case that [Asian] economies got what they deserved—rather, they got a whole lot more than they deserved.” He concluded that “the global financial system failed us.”

While such pronouncements might be tame stuff for a world leader these days, particularly one in the Asia-Pacific region, for Howard the speech was a stunning about-face from his stance of as little as two weeks before, when he was still denouncing any talk of a global economic recession as “ridiculous”; however, the measures he is proposing to deal with the crisis, show that he and his government are still in denial about its awesome, systemic nature.

The following day, Howard told the first meeting of a special task force which he had established to advise his government on methods to deal with the crisis, that “it is crucial that we reach practical conclusions as soon as possible.” However, the leadership, membership, and announced policy orientation of the task force, all bode no good.

The task force is chaired by a long-time asset of the British Crown's Mont Pelerin Society, Treasurer Peter Cos-

tello, whose Treasury Department confidently predicts a 3.5% growth rate for Australia next year. Costello himself recently told local meetings of his Liberal Party that “the economy is fine, despite what Lyndon LaRouche says.” His committee consists of a total of 10 members drawn from high-ranking federal bureaucrats and from the elite of Australia's financial sector, the latter include the managing director of the Commonwealth Bank; the CEO of Australian Mutual Provident (AMP), the country's largest insurance company; and the executive director of the nation's most elite private bank, Macquarie Bank (raw materials giant Rio Tinto's Australian bank).

Howard said that the committee's first task is to focus on “maintaining the nation's growth,” although he announced no measures which might allow that to happen. For the broader world economy, he said that the committee would study “transparency and accountability in the private sector, improved monitoring of the financial sector, and supervision of, and methods to strengthen international financial institutions.”

Howard also said that his committee would look at a series of what he called “crisis management” measures: “These might include standfast arrangements to prevent lenders from exiting economies in a destructive stampede, collection action clauses, orderly workouts involving rollovers, reschedulings, and debt-equity swaps.” Finally, Howard called for the International Monetary Fund to be the “lender of last resort” internationally.

Despite his claim that he would

“ask my task force for substantive and imaginative suggestions for Australia to pursue in appropriate international forums,” all that Howard has referenced so far, is the standard mumbo-jumbo proposed by the three committees of the G-22, in order to duck any decisive action on the crisis. It was the G-22's inaction in its early October meeting in Washington, following the Sept. 23 collapse of the Long-Term Capital Management hedge fund, which economist Lyndon LaRouche evaluated as having pushed the world “into a new, qualitatively more critical phase of the ongoing, global plunge” into financial collapse.

As far as the “appropriate international forums” in which Howard will peddle this pabulum—against which Asian nations are revolting in favor of measures to protect their real, physical economies—the first of those is the Asia-Pacific Economic Cooperation (APEC) meeting in Malaysia in November. At the end of October, Howard dispatched envoys to lobby China, Japan, and South Korea, among other Asian countries. However, judging by his speech to the Banking Supervisors in Sydney, in which he demanded that APEC countries not “backslide” on free trade, and that “the worst possible response to the crisis would be to put up the shutters,” his envoys will receive, at best, a rather frosty welcome.

Thus, although he has belatedly admitted that there is a global financial crisis, Howard has demonstrated that he has learned absolutely nothing of importance in recent months, since he told a press conference on June 16, in response to a question from one of LaRouche's Australian supporters on LaRouche's proposals for global financial and economic reorganization, “I do not believe we can go back to a Bretton Woods style of approach to global economic affairs.”

# Business Briefs

## **Biological Holocaust**

### **Thai AIDS death rate higher than reported**

The death rate from AIDS in Thailand is nine times higher than official figures, according to Alessio Panza, head of the European Union's AIDS program in Bangkok, the Thai capital, the Oct. 22 *South China Morning Post* reported.

Panza is co-author of a forthcoming report on the subject prepared by his program in collaboration with the Institute of Population Studies at Bangkok's Chulalongkorn University. The report will show that since 1985, more than 222,000 Thais have died of AIDS, while the Thai Ministry of Public Health reports 24,667 lives. The ministry's estimate of those infected is 800,000. Panza's report also says that the disease has become so widespread in Thailand's northern provinces, bordering the Golden Triangle heroin-producing area, that life expectancy has dropped to 55 years, down from 65 years, in the country.

Contributing to the lower official figures are factors such as lack of qualified medical staff and resources in these provinces, and the stigma associated with the disease.

## **Investment**

### **France, U.S. drop globalist agreement**

Only a few days before a decisive Organization for Economic Cooperation and Development meeting on the Multilateral Agreement on Investment (MAI) on Oct. 21 in Paris, the French government decided on Oct. 14 to let the negotiations collapse. The MAI, which has been under negotiation among the 29 OECD member-states for three years, would mean the full abandonment of national sovereignty in investment policy, because it mandates that any preference of domestic companies over foreign investors would be termed a "discriminatory" act.

However, it now appears that the U.S. government played a crucial role in the sudden end of the MAI process. The Oct. 20

London *Financial Times* reported that U.S. Assistant Secretary of State Alan Larson described the MAI agreement as "unacceptable," at least in its present form. Larson pointed to social and environmental standards, which are not being protected in the MAI framework. As the *Financial Times* wrote, the U.S. administration doesn't intend to move the MAI talks from the OECD to the World Trade Organization level. The paper said that some U.S. officials appear to be even more skeptical of MAI than Larson, and they "greeted France's withdrawal last week with undisguised relief, suggesting that it could provide a pretext for winding up the talks."

## **Technology**

### **Detroit Edison to test superconducting**

The U.S. Department of Energy (DOE) announced on Oct. 19 the award of a contract for \$2.75 million to manufacture and install the world's first high-temperature superconducting power cable to deliver electricity in a utility network. Working with the Electric Power Research Institute (EPRI), the research arm of the utility industry, the DOE chose Detroit Edison as the utility that will install a 400-foot superconducting cable, installed in existing conduits in downtown Detroit, at Frisbie Station. EPRI will help fund and will manage the project.

As far back as the late 1970s, it had been recognized that using superconducting materials, which allow the flow of electricity without resistance, would greatly increase the efficiency, and lower the cost, of the transmission of electric power, compared to conventional copper cables. The development of higher-temperature superconducting materials that do not have to be maintained at a temperature just a few degrees above absolute zero, discovered in 1986, made the potential commercial use of superconductivity more attractive, because it lowered the cost of cooling the materials.

The major problem was to develop a process to manufacture the brittle ceramic high-temperature superconducting materials, which was recently solved by American Superconductor. Their wire will be made into

transmission cables by Pirelli Cables. The plan is to remove the nine existing cables, manufacture the three superconducting cables that will replace them, and switch on the new line in mid-2000. DOE official Alan Hoffman said that superconductivity applications could "revolutionize the generation and transmission of electricity, all over the world."

## **Banking**

### **Indonesia approves 100% foreign ownership**

On Oct. 16, the Indonesian Parliament approved a bill that will allow 100% foreign ownership of banks, the Singapore *Straits Times* reported on Oct. 18. Approval was granted despite the objections of several parliamentarians, who warned that it would lead to foreigners dominating the industry and driving out weak local banks.

Finance Minister Bambang Subianto's remarks strongly suggest that the measure was an act of desperation to get foreign investment into the country. He told reporters, "There is no limit on banking ownership, because if we impose a limit, the investors do not want to come in." Existing law set a cap of 49% on foreign stakes in public-listed banks, and up to 85% of joint venture banks. There are currently 208 banks in Indonesia, including 34 joint ventures between local and foreign banks, and 10 foreign banks.

## **Africa**

### **Tokyo conference takes new step for development**

Malaysian Prime Minister Dr. Mahathir bin Mohamad described an initiative by Malaysia, France, and Japan to assist the countries of Africa to restart development, in the keynote address to the three-day Tokyo International Conference on African Development (TICAD II) on Oct. 19. In his speech, entitled "Capitalism's Friendly Face Has Vanished," Mahathir said that Africa is a continent that has "lost almost half a century."

It is clear from attendance at the confer-



ence that the initiative has widespread interest. Present for the meeting were senior officials of 52 African nations, including 10 heads of state; and representatives from North America, Europe, and Asia, and of dozens of non-governmental organizations. The first TICAD conference was held five years ago; this meeting included for the first time China, South Korea, Malaysia, the Philippines, Thailand, and Indonesia, among Asian states.

Japanese Prime Minister Keizo Obuchi delivered opening remarks to the conference, saying, "It is indeed a great pleasure for me to see that the bright future for Africa that I foresaw 30 years ago is being realized in many African countries today." UN Secretary General Kofi Annan, closed the conference on Oct. 2. According to *Utusan Malaysia*, he said, "After an era of decolonization and a period characterized by civil wars, military rule, and economic stagnation, a third wave is beginning in Africa—one of peace, democracy, human rights, and sustainable development."

## Transportation

### Maryland announces mass-transit upgrades

The Governor of the U.S. state of Maryland, Parris Glendening (D), announced plans for a multibillion-dollar rail-based mass transit system on Sept. 29. Glendening told a meeting of business leaders and elected officials: "Any solid future-oriented strategy for dealing with traffic congestion must begin with mass transit. . . . Yes, all this will take time and money. But it is an absolutely essential investment."

The proposal has been attacked by his Conservative Revolution opponent for governor, Ellen Sauerbrey, as a "budget buster" and a "fantasy." In fact, recent studies have shown that business and government lose billions of dollars annually because of time wasted by their employees in commuting. Glendening's announcement has nonetheless helped revive debate on building rail-based transportation corridors, especially in the metropolitan Washington region, including Maryland and northern Virginia. One such proposal, the Western Transportation

Corridor, now stonewalled by environmentalists, could provide the basis for such a rail-based corridor from the Baltimore area, through Virginia's Loudoun County, to Stafford County.

Glendening's plan resembles some key aspects of that proposed by LaRouche Democrat Lawrence Freeman, who ran for the Democratic nomination for governor. However, Freeman made a central point that the Baltimore-Washington corridor had to be comprised of magnetic levitation trains, which travel at airplane speeds, without the lost time of terminals, takeoff, landing, and so on.

The Baltimore-Washington corridor has long been considered as a first step in a maglev line extending from Washington to New York. National and state politicians have studied the possibilities for maglev in their states for years, but have failed to get adequate funding for test facilities for the technology, which carries trains on a cushion of air at speeds of up to 300 miles per hour, using magnetic repulsion between the vehicle and the guideway.

## Outsourcing

### Australia in uproar over intelligence jobs

Australia's top secret Defense Signals Directorate spy agency, which scans radio signals in the Asia-Pacific for intelligence purposes, has reportedly outsourced some of its work to foreign companies, including British Aerospace Australia, the *West Australian* reported on Oct. 14. Described as Australia's "most clandestine" intelligence service, operating on an unknown budget with unknown methods, the DSD's move was revealed when British Aerospace Australia advertised for 40 people with "expertise in Asia-Pacific languages" to work in Australia.

Opposition defense spokesman Arch Bevis attacked the move as a "ridiculous threat to national security. . . . Handing such sensitive work over to foreign-owned companies is madness and clearly not in Australia's interests." He added, "Not even Margaret Thatcher or Ronald Reagan went this far with privatization."

**ZAMBIAN** President Fredrick Chiluba described the nation's debt as the worst form of subjugation since the slave trade, in a speech on Oct. 18 marking the 34th anniversary of independence. He said that Zambia will not develop if it has to continue servicing the debt.

**QUEENSLAND**, Australia's power supply will be rationed by the government, after the privatization of the state's generators led to their shutdown as "unprofitable." Several blackouts have already occurred, but state Energy Minister Tony McGrady stated, "It's not going to be like a Third World country."

**SUNBEAM** Corp., after a three-month audit, revised its 1997 results, cutting the previously reported profit of \$109 million, to \$38 million, and boosting the first-quarter 1998 loss to \$54 million, up from \$45 million. The new figures show that the alleged turnaround of the firm by asset-stripper Al Dunlap was the result of improper accounting practices. Dunlap was forced out earlier this year.

**TEN GOLD CARTEL** mining firms, led by AngloGold, have called for a world gold forum in London in November "for a fundamental rethink" of the selling and marketing of gold, including central bank gold sales and deregulation of key markets such as China, the *Electronic Telegraph* reported on Oct. 25. "We will renew the World Gold Council and if we don't, the outlook will be grim," said AngloGold chief executive Bobby Godsell.

**THE MERGER** of German bank Norddeutsche Landesbank, controlled by the northern German states, with Bankgesellschaft Berlin, controlled by the Berlin city-state, have collapsed after four years of talks. Pointing to the 50% collapse of Bankgesellschaft Berlin stock prices since April 1998, Lower Saxony Finance Minister Aller stated, "We are not willing to sacrifice a good successful bank, without knowing where we are going."

## The roots of today's mass hysteria

by Lyndon H. LaRouche, Jr.

October 21, 1998

How could most of the leading banks and related institutions of this planet, have been, for so many years, such pathetic suckers for such an obvious swindle as that so-called “derivatives” bubble which now threatens, at almost any moment, to do to the world’s financial system what the Weimar hyperinflationary bubble did to the 1923 Reichsmark? Speaking clinically, the problem is that, for more than a decade, the world’s leading financial institutions, and the governments, including most officials of the Executive Branch and the Congress of the U.S.A., have behaved as lunatics, on financial, monetary, and economic policy. That behavior of those institutions is a case of mass hysteria.

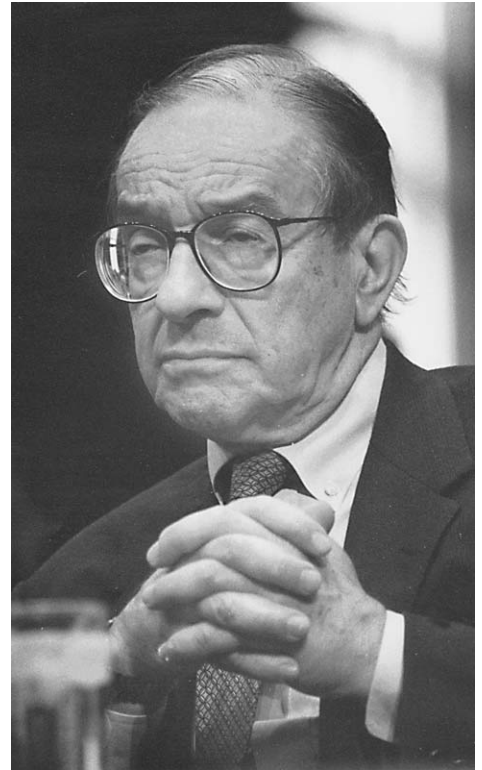
Today’s situation can be summed up as follows.

Not only Federal Reserve Chairman Alan Greenspan, but, around the world, most of today’s leading bankers, are individually and collectively insane, and also probably broke; but, nonetheless, up to now, broke or not, they still defend those specific features of their current policies, the which have brought the world’s financial system to the brink of general disintegration. After the recent four weeks of continued unravelling of that crisis of Long-Term Capital Management (LTCM), which erupted on September 23, 1998, no rational person could deny the objectivity and fairness of the charge, that the bankers in view, are insane.

What I have said for those bankers, or perhaps worse, must be said of the mental state of most of those of the world’s economists whose putative authority has been most often cited by the popular mass media. This mental condition is typified by nominal economists such as Jeffrey Sachs or Paul Krugman, who are currently associated with Harvard University or the Massachusetts Institute of Technology (MIT).<sup>1</sup> My associate John Hoefle, has summarized the hard core of the proof of

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1. On Paul Krugman, see Lyndon H. LaRouche, Jr., “Paul Krugman’s Cargo-Cult Economics,” *EIR*, Oct. 23, 1998.



Left to right: Harvard economist Jeffrey Sachs, British Prime Minister Tony Blair, Federal Reserve Chairman Alan Greenspan. Not only Greenspan, but most of today's leading bankers, economists, and policymakers are collectively insane. Only lunatics would endorse Blair's idiotic "alternative" to LaRouche's proposal for a "New Bretton Woods."

this conclusion, in *EIR*'s October 9 edition.<sup>2</sup>

The same mass hysteria is widespread among other categories of today's influentials. By their own public statements, most of the voices heard, during recent months, from among the leading establishment circles of the U.S., western Europe, and Japan — which is to say, most among the currently incumbent, official power elite of the so-called G-7 nations — are infected by the same lunacy. So far, there are but few exceptions to this general rule. Included are the majorities among accountants, and the liberal establishment generally, think-tankers, wonks by and large, most editors of leading U.S. news media publications — not only *The Wall Street Journal*, and such foreign-controlled U.S. press as the Hollinger and Murdoch chains, and deviant Democrats, in addition to the troops of Yahoo varieties of Republicans. To say it as gently as truth permits, on matters of economy, these are, each and all, as dangerously fruity, as depraved characters out of Peter Weiss' *Marat-Sade*.

This mass hysteria may end, hopefully, soon, even suddenly; but, even in that case, what we report here will have been the situation, over the course of the recent thirty-odd years, until the present moment. Whatever turn matters will take during the period immediately ahead, the situation, as we report it now, will remain what it had been, unchanged, as the road which the world had travelled during the recent thirty-odd years, into the present moment of crisis. That is the

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2. John Hoefle, "One Derivatives Disaster after Another: Will They Never Learn?" *EIR*, Oct. 9, 1998.

problem which must be solved, whether the presently leading official victims of mass hysteria recover their wits, or not.

It is necessary for the survival of the U.S. itself, that this truth not only be said, but that that perception of the problematic financial situation which I outline here, should become the guiding policy of action of the government of the United States. Admittedly, much of what I report will be read in high-ranking circles in several parts of the world as "grating, unacceptable." Those who suffer from a pathology typical among members of the "Baby-Boomer" or "X" generation, will react, typically, with words to the effect, "We are not going there!" The life of their nation, and, therefore, the lives of their family, may depend upon their overcoming their own irrationalism, to face up to the evidence presented here. As I have said, our nation, our lives, may depend upon their forcing themselves to take a few minutes to face the real world, which exists only outside of the fantasies of most in high places today.

Foolish critics will say of me, "Why are you always so negative? Why don't you just make your positive suggestions in a helpful spirit, and leave it at that?" I have learned that to be truthful, means to show nothing but revulsion for the "Dale Carnegie" style in sly, simpering, boardroom sophistry; such duplicitous salesmanship has no place among honest people; on the field of battle, it may be fatal. Indeed, we are in a battle, and would be fools not to see matters in the way I describe the situation. Sometimes in history, as now, the health of all concerned urgently requires not only that we be merely truthful; at such times, the survival of nations demands that

the garbage be thrown out; which means that it must first be plainly identified as no better than garbage, however much such plain talk might offend the hearer.<sup>3</sup> It would be permitted, however, to make the same point in less inelegant choice of terms, as numbers of flag officers among my friends have chosen at various recent and earlier times. It is now time that we draw up a list of the commanders which we, acting in the tradition of Lazare Carnot, must replace, if we are not to lose the war.<sup>4</sup>

The present international financial and monetary system can not be reformed; it must be removed. The worst source of danger to civilization at this point, is from those fools in high places who propose to “manage the crisis,” who propose, foolishly, to “stay the course” of recent decades’ reforms, rather than eliminate that present financial and monetary system whose so-called “reforms” are already the cause of the present, terminal stage of this crisis. Those so-called “reforms” of recent decades, must be dumped, as garbage whose continued presence is a threat to the health of our nation and the world; the present, sick system must be replaced, surely with mercy for the people caught up within it, but no mercy for the system itself.

Currently popular around some circles in Washington, D.C., is the virtually suicidal delusion, that the U.S.A. must follow leading British lemming Tony Blair over the cliff: that we must hold up any reforms of the international financial system, until such time as a few of the proverbial “big boys” among nations cut the deal to which other nations will then be obliged to submit. In history, such thinking is, unfortunately, typical of academics, bureaucrats, and intellectually gutless politicians. Had the Prussian reformers around Hardenberg, vom Stein, and Wilhelm von Humboldt, acted as foolishly as official Washington (at this moment of writing) is viewing the matter of global financial reforms, Napoleon Bonaparte’s heirs would probably be ruling, still today, in both Germany and Moscow.

In warfare on a more or less continental or global scale, and in kindred undertakings, one uses the existing terrain not of one’s making, to one’s advantage. This principle of military science, the Clinton White House has, apparently, so far, not understood. This means using not only the geography, but also actual and potential forces in motion, especially forces over which one exerts no direct control, to assist in producing a situation in which victory becomes possible. This conception, born partly of the example of the successes of Lazare Carnot in his 1792-1794 command of France’s forces, was applied with excellence by the circles of Scharnhorst, et al., using Schiller’s studies of warfare, to design the baiting of the Moscow trap, which enabled the Prussians and their allies to do what had been impossible at the beginning of the War

of 1812-1813: to destroy Napoleon.

Those bureaucrats and politicians who demand that they command everything, lose wars. “Let loose the dogs of war?” But, when you do, make alliance with the forces you do not, and should not attempt to control, even of nature itself, too. Unfortunately, military and related strategic matters are President Clinton’s notable weak point. Under circumstances like the present one, the Clinton administration’s strategically naive emphasis upon “dialoguing” and “control,” in its opposition to my Sept. 27, 1998 “What Each Among All Nations Must Do Now”<sup>5</sup> puts the administration, for the moment, potentially in the politically fatal position of adopting mass hysteria in face of the onrushing new financial disasters now preparing to strike.

As all my literate and rational readers must come to agree, I am not exaggerating, not even the proverbial teeny bit. We shall begin the hard proof of what I have just stated, with a review of the crucial points to be made respecting the LTCM case, and then go back over those highlights of the past thirty-six years, which prove the sweeping charges against those broader strata of the liberal establishment I have listed by type, above. By the end of this report, you will have the proof, not only that I have not exaggerated in the slightest, but that your life might depend upon actions you must take in response to my proof.

The proof I am describing to you here, is evidence that our nation, and all of civilization with it, is threatened with virtual extinction, as a result of a form of what is usually called “mass hysteria.” Readers should recall, or, they might look up the standard references, that the “John Law” bubble of the early Eighteenth Century, like the Dutch tulip bubble of the Seventeenth Century, is often identified in what passes for the textbooks, as among the classic cases of mass hysteria, like that among most bankers, and many others presently.

The key fact to bear in mind, when confronted by any mass hysteria, is that the source of that quality of emotional behavior which defines mass hysteria as hysteria, is a desperate effort to deny what is true about the probable origins and outcome of one’s own behavior. It is typical of groups of people, who are clinging to a common “Please, please, let it be true!” kind of mass fantasy, possessing all the evidence needed to show it is a fantasy, but, who, rather, like Alan Greenspan fans among investors in mutual funds, fear nothing as much as that someone will take their fantasy away from them. The worst sorts of compulsive gambling mania, a phenomenon closely related to the derivatives scam, are examples of this same sort of mental illness. These are victims of living out a recurring nightmare; there lies the source of the psychic energy controlling their mass hysteria.

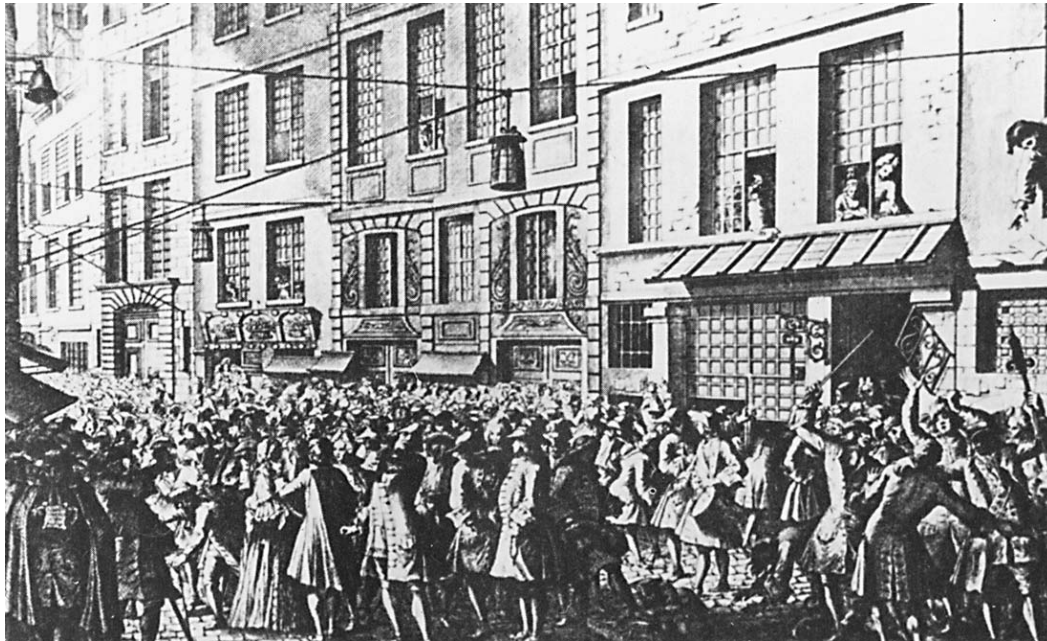
## 1. How LTCM went under

In the matter of the derivatives mania, we are faced with a specific form of this mental disorder, a form of mass hysteria,

3. For, as the prophet Isaiah wrote: If the trumpet shall sound an uncertain note, who will heed the call to battle?

4. On firing the generals, see Lyndon H. LaRouche, Jr., “The Death-Agony of Olympus,” *EIR*, Sept. 18, 1998, pp. 25-27, esp. note 25.

5. *EIR*, Oct. 9, 1998.



*A textbook case of the mass hysteria we now see around us: gambling mania in the streets of Paris during the John Law bubble of 1719-1720. Law convinced gullible Parisians to buy pieces of paper that would allegedly give them title to untold mineral wealth in Louisiana. Engraving by A. Humblot.*

which, over the recent decades, has gripped a growing rati-  
on of population, especially what are measurable, per capita, as  
the most politically influential strata of that population. This  
has been, until now, the rising trend, over a period of approxi-  
mately thirty years.

The class of mass hysteria responsible for the presently  
ongoing disintegration of the world's financial system, is typi-  
fied by the fact, that virtually every bank and related institu-  
tion in the world, was hoodwinked, now to its much-belated,  
great sorrow, into buying into what has now proven itself, the  
final, and fatal version of the derivatives shell-game, as that  
shell game is typified by the Nobel Prize-winning hoax known  
as Merton's and Scholes' "Black-Scholes formula"—which  
some ruined bankers and brokers today might suggest, were  
better named the "black holes formula."<sup>6</sup>

To understand that derivatives shell-game, we must rec-  
ognize it as the post-1987 successor to, and outgrowth of what  
readily proves, on inspection, to have been an earlier phase  
of the same mass hysteria: the "junk bond" swindle of the

post-Kemp-Roth, post-Garn-St Germain bill,<sup>7</sup> 1982-1988 in-  
terval. We must recall, that the derivatives swindle zoomed  
into becoming the dominant phenomenon of the international  
financial world, after the successive effects of the 1987 U.S.  
stock-market panic, in the aftermath of the R.J. Reynolds-  
Nabisco caper. Combined, the junk-bond swindle and deriva-  
tives hysteria, are, genetically, two closely related varieties  
of a "pyramid club" game,<sup>8</sup> which has looted the real econo-  
mies of most of the nations of the world, and which has now  
sunk, or nearly sunk every leading financial institution in most  
parts of today's world.

During professional hoaxster P.T. Barnum's time, it was  
considered plausible to say, "There's a sucker born every  
minute;" as the citizen might sadly say, today, after receiving  
his most recent report on the state of his mutual funds account,  
lately, LTCM's Wall Street has been measuring the birth-rate  
for suckers in nanoseconds.

As we shall see in this report, to understand both swin-  
dles, Wall Street's "junk bond" mania and the derivatives  
pyramid, we must consider not only then-Vice-President

6. Hoefle, op. cit. Notably a certain, highly relevant defender of the Nobel  
Prize committee's 1997 award to Merton and Scholes, insists that the formula  
itself was not at fault, but only those who overlooked the fact that factors not  
includable in the formula were at fault for mistaking the formula itself for  
the real world. Unwittingly, perhaps, that learned gentleman was paraphras-  
ing the proof of the case I present: that the bankers' faith in Black-Scholes  
was a case of substituting impassioned faith in fantasy for reality, of mass  
hysteria. What that apologist is describing in mere words, is the real-life  
spectacle acted out in all financial centers of the planet, of mentally underaged  
financial traders with a crazed look about their eyes, punching numbers on a  
hand-held calculator, while shrieking words to the effect: "This, at last, is  
the only true reality of the world's economy." Irrational exuberance? Mass  
hysteria, indeed.

7. Richard Freeman, "A History of the Push for Deregulation," *EIR*, March  
29, 1996. George Bush played a role in this: In 1982, he headed a White House  
task force which studied, recommended, and oversaw banking deregulation.

8. See the 1940-1950 volume of *The Fabulous Century* (Time-Life Books,  
1987), Time, Inc. *Time's* summary account of the mass hysteria associated  
with the "pyramid club" frenzy of 1949, might help readers of this report to  
understand the nature of recent generation's susceptibility to outbreaks of  
mass lunacy of this type. For a related case, which prefigures the derivatives  
swindle of the 1990s, see Norman C. Miller, *The Great Salad Oil Swindle*  
(New York: Coward McCann, 1965). The later case I featured as a part of  
the thirteen-week lecture series I taught at various campuses during the 1966-  
1973 interval.

*Four crucial events of the 1971-1981 period, set into motion the crisis we now see crashing down upon us.*



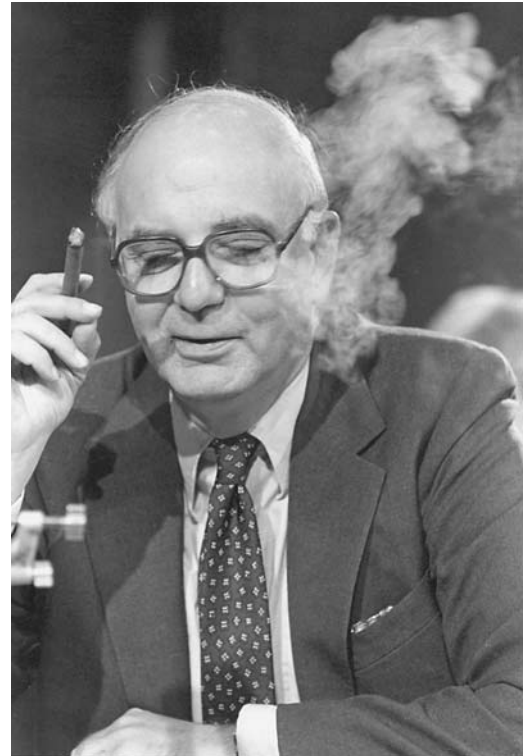
**1)** *President Nixon, who wrecked the Bretton Woods agreements and paved the way for floating exchange rates (Nixon is shown here with Henry Kissinger peering over his shoulder);*



**2)** *Kissinger, who played a major role in the oil hoax of the mid-1970s;*



**3)** *President Jimmy Carter, the Trilateral Commission's creation, with insane policies of deregulation and environmentalism;*



**4)** *Fed Chairman Paul Volcker, who wrecked what remained of the U.S. physical economy.*

George Bush's "junk-bond" wheeling cronies; we must dig still deeper into the past. To understand what made that junk-bond swindle possible on the scale it reached during the 1982-1988 interval, we must recognize that George Bush became part of the problem, but he did not create it. On that point, consider the following fact: There could not have been either of the leading, international financial swindles of the recent sixteen years, but in the setting of that new geometry of U.S. and world finance, the which was the outgrowth of developments centered around four crucial events of the 1971-1981 interval.

These four events are: 1) The series of Nixon administration decisions of 1971-1972, which wrecked the Bretton Woods agreements, and set up the present, lunatic arrangement known as "the floating exchange-rate system;"<sup>9</sup> 2) the role of President Nixon's U.S. Secretary of State, Henry A. Kissinger, in setting up the London-based petroleum cartel's oil-price scam of the mid-1970s;<sup>10</sup> 3) The election of Trilateral Commission creation Jimmy Carter as the U.S. President who wrecked much of what remained as the post-Nixon-Kissinger U.S. economy, by Carter's savagely radical, Trilateral Commission-ordered deregulation, and similarly radical, and ruinous measures in energy, agricultural, anti-industrial, financial, monetary, and population policies;<sup>11</sup> 4) the wrecking of what still remained of the U.S.A.'s real economy, by Carter appointee Paul Volcker's October 1979 introduction of a policy which Volcker himself had identified by the language "controlled disintegration of the economy."<sup>12</sup>

Without the slightest risk of exaggeration: Each of these four clusters of developments did far more, actuarially countable damage to the U.S.A. and its population, than all of the losses and suffering during World War II, in economic

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9. See "Nixon Pulls the Plug," *New Solidarity*, Aug. 30-Sept. 3, 1971; *New Solidarity* also reported on LaRouche's Dec. 2, 1971 debate with Abba Lerner on these issues, and on the 1972 Azores conference and its aftermath. The Azores conference was the first international conference after August 15, 1971, to discuss how to shape the international monetary system; it affirmed the policy of "floating exchange rates."

10. For a recent overview, see Jonathan Tennenbaum, "Financial Crisis: The End-Phase of a 30-Year Disease," *EIR*, May 22, 1998, and "The Global Financial Crisis Unfolds, 1944-98," *EIR*, May 29, 1998.

11. See "The Trilateral Conspiracy Against the U.S. Constitution: Fact or Fiction?," *EIR Special Report*, Sept. 30, 1985. For a recent overview of the Carter administration's policies, see Lyndon H. LaRouche, Jr., "Where Franklin Roosevelt Was Interrupted," *EIR*, July 17, 1998.

12. Fred Hirsch, former editor of the London *Economist*, wrote in *Alternatives to Monetary Disorder* (New York: Council on Foreign Relations, 1977), that "controlled disintegration in the world economy is a legitimate object for the 1980s." Paul Volcker, delivering the Fred Hirsch Memorial Lecture at Warwick University in Leeds, U.K., in November 1978, began his speech by citing Hirsch's dictum. LaRouche, in on October 16, 1979, during his New Hampshire Democratic Presidential campaign, warned of the consequence of policies just announced by Carter's appointee Volcker. In November-December 1979, *EIR* published a projection, as reported orally by LaRouche, on the timing of the outbreak of the U.S. Volcker recession. See also *EIR*'s "LaRouche Riemann Quarterly Forecast" of January 1980, on the projected impact of the Volcker policies.

costs, loss of life, and anguish, from the December 1941 Pearl Harbor attack, on. One must wonder: Would not a sane nation have long since declared war against such policies?

These four, and related sets of changes in U.S. policy of practice, which were introduced during a period of approximately a decade, from August 15, 1971, through early January 1981, changed the character of the U.S. economy in the most sweeping and fundamental way. This transformation destroyed the real economy which we knew under Presidents Franklin Roosevelt and John F. Kennedy, a former real economy which had been rooted in continued development of basic economic infrastructure, and in increased average physical productive powers of labor in our labor-force as a whole. By the time President Reagan was inaugurated, in January 1981, we had degenerated into an economy whose profits depended upon financial looting of the real economic base our republic had built up over centuries prior to the close of the 1970s. The essence of this radical turnabout in U.S. economic policy, can be summed up: Carter's and Volcker's Trilateral Commission-designed policies killed the Savings and Loan industry, and the junk-bond vultures flew in, on wings of the Garn-St Germain and Kemp-Roth legislation, to savage the corpses.<sup>13</sup> To understand the "junk bond" and derivatives swindles, we must view the financial interests involved, as the carpetbaggers who swooped down to loot the remains of an economy which had lost the war to the wrecking-forces run rampant under the bi-partisan — one might say almost "third way" — auspices of Nixon, Kissinger, Carter, and Volcker.

To understand the junk-bond bandits and derivatives dupes, ask the question: In what kind of an economic system can a financial profit be extracted, under an economy which, as a whole, no longer repays the physical costs incurred by its production of real wealth? Since 1981, the U.S. economy has been maintained, partly by a richly documented, massive looting of other nations, especially Central and South

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13. On the effects of Garn-St Germain, see "The Coming Reorganization of U.S. Banking: Who Benefits from Deregulation?" *EIR Special Report*, 1983; John Hoefle, "The Planned Disintegration of the Savings and Loan Industry," *EIR*, Jan. 26, 1990. On the connections of Kravis, et al. to Vice President George Bush, see Chris White, "Financial House of Cards Is Nothing to Sneeze At," *EIR*, Aug. 25, 1989. Kohlberg Kravis & Roberts' founding partner Henry Kravis was finance manager of George Bush's New York State Campaign Committee in 1988. KKR engineered some of the biggest leveraged buyouts of the 1980s, culminating with the record-setting buyout of R.J. Reynolds-Nabisco. KKR's LBO operations, along with those of Drexel Burnham Lambert and Michael Milken, played a key role in building the speculative bubble upon which the Reagan/Bush "economic recovery" was based, and paved the way for today's derivatives fiasco.

Readers should not overemphasize George Bush's ability to comprehend what his cronies in the "junk bond" business were doing. Bush's biography documents the evidence that Bush was unable to understand business on his own mental steam. His fluff, during his 1992 re-election campaign, over check-out-counter use of bar codes (*EIR*, Feb. 21, 1992, p. 4.), is consistent with other evidence, that Bush is not the sort of fellow who manages to keep up-to-date on even very rudimentary matters of economics. One wonders, if Barbara is the one who balanced the checkbooks.

America;<sup>14</sup> but, also, by looting earlier investments in basic economic infrastructure, agriculture, and manufacturing, creating a virtual economic dust-bowl where a great and prosperous U.S. economy once stood.

What has struck the derivatives traders with self-inflicted ruin, was that, as my “Triple Curve” shows [Figure 1], as their appetites increased, the pickings available to these modern carpet-baggers became leaner, and leaner, and leaner. The more they picked the decaying U.S. economic wasteland of 1982-1998 clean of its shrinking mass of redeemable salvage, the more rapidly the lean pickings shrivelled into near nothingness.

As a result of precisely what I first presented at the close of 1995, as the pedagogical image of the “Triple Curve,”<sup>15</sup> current financial-leverage ratios for even on-balance-sheet derivatives, are now priced in the vicinity of 300-to-1. Worse, we have now reached the threshold of absolute doom of the present financial system, a point at which there is no discount rate so infinitesimally small, that it could sustain for long a global derivatives bubble totalling perhaps as much as \$150 trillions, or even more, a bubble now at the verge of imploding. As suggested by John Hoefle, the image of the process which had brought the financial world to this result, is that of a desperate quarter-ton flea, frantically sucking the life-blood out of a poor, forty-pound dog.<sup>16</sup>

In fact, the hyperinflationary policies of “crisis management,” which a panic-stricken Alan Greenspan, like other neo-Keynesians in Europe and elsewhere, has unleashed in the aftermath of the LTCM crisis, is the worst possible reaction. On this account, Britain’s neo-Toryite Labour Prime Minister Tony Blair, must expect a short political life, as was said of all men who take the third way — neither the stairs nor elevator — from the penthouse to the street. Blair’s “Third Way” (a.k.a., “Middle Way,” “Middle Earth”) flirtation with the legacy of Prime Minister Thatcher, indicates that he seems doomed to learn nothing from the lesson of his forerunners of 1931, the ill-fated governments of London’s Ramsay MacDonald and Germany’s Heinrich Brüning (of March 1930-May 1932).

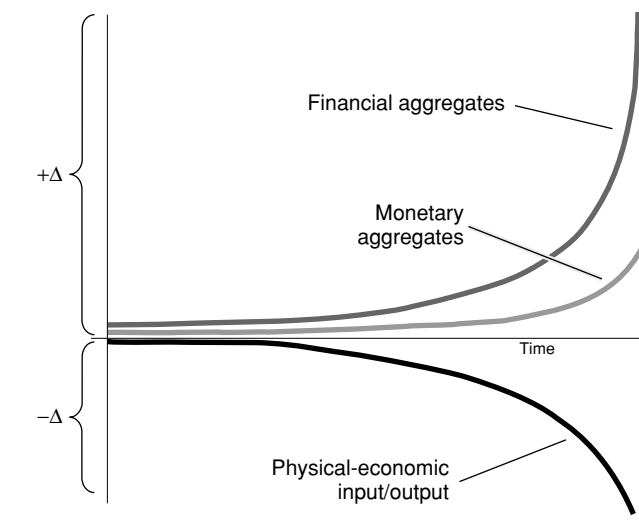
A policy which constricts the channels of credit into the real economy (employment, production, trade in physical goods, etc.) at an accelerating rate, to pump large masses of cheap credit into refueling speculative financial capital, is the worst possible policy which might be imagined. It is a policy

14. See, e.g., Dennis Small, “Debt Weapon on the Agenda for Latin American Nationalists,” *EIR*, June 15, 1982; The Debt Bomb Is Going to Explode in Mexico — Again,” *EIR*, Feb. 28, 1997.

15. I crafted the “Triple Curve” as part of my participation in a Vatican conference, in 1995, and first presented the same figure in my address to a conference in Eltville, Germany, later that same year. Its next public introduction, was in a January 15, 1996, nationwide television broadcast, for my 1996 campaign for the Democratic Party’s U.S. Presidential nomination.

16. John Hoefle, “The Dow Jones Fantasy Index,” a speech to an *EIR* conference, published in *EIR*, July 23, 1997.

FIGURE 1  
A typical collapse function



to be described as the folly of willfully repeating today, the follies imposed upon Germany by the Versailles powers, as the Weimar hyperinflation of 1921-23. Only lunatics describing themselves as virtually “born-again” Keynesians, could repeat such folly as Blair and others have proposed as the “alternative” to my proposal for a pre-1959-style “New Bretton Woods.”

The directly opposite policy must be instituted: use capital, exchange, and domestic financial controls, to shut the flow of new monetary aggregates off from reinvestment in pre-existing financial paper, and flood cheap credit directly into the revival of investment in basic economic infrastructure, agriculture, industry, and hard-commodity trade in both domestic and international markets. Does that mean putting essentially bankrupt financial institutions — no matter how big! — into bankruptcy-reorganization under government supervision? Inevitably! Any other course of action, under present conditions, would be virtually criminal lunacy. In matters of truth, falsehood, and real political-economy, there is no “third way” leading to any place but that “Middle Earth,” which is Hell itself.

That background now supplied, focus upon the mathematical formula which turned out to be the deadly instrument through which LTCM performed its ritual act of financial suicide: that piece of wildly unscientific nonsense, the Black-Scholes formula, for which Robert Merton and Myron C. Scholes won the Nobel Prize for economics, in 1997.<sup>17</sup> There is nothing within the formula itself which contradicts, or is, in any degree, more lunatic than already prevailing derivatives and related practices prior to the 1994 founding of Wall

17. Hoefle, op. cit.



Street's self-inflated—self-ill-fated—LTCM. Nor is there any point of inconsistency between the Merton-Scholes doctrine and the 1980s junk-bond practices, or with the logic adopted for design of the Garn-St Germain and Kemp-Roth follies. The only significant difference is, that the monetarist lunacy of the 1990s was much, much *bigger* than the lunacy of the 1980s.

Thus, it is no exaggeration to add the further point, that the Merton-Scholes doctrine is consistent with all leading expressions of that variety of radical monetarism associated with Britain's Mont Pelerin Society, and with such Mont Pelerin devotees as the following: Professor Milton Friedman, former Prime Minister Margaret Thatcher, the Heritage Foundation, editor Bartley's *Wall Street Journal*, the fanatically anti-American System faction styling itself as the Federalist Society, and House Speaker Newton "Yahoo" Gingrich's avowedly neo-Jacobin revolution.

In summary of this point: among these circles, theorems may differ from case to case, and from time to time, but the axioms which define them all as of a common political and psychopathological species, are the same.<sup>18</sup> Those axiomatic assumptions held in common among them, are the root of the mass hysteria expressed most nakedly by the horde of suckers whose fatal blind greed lured them into the delusions and doom of the derivatives bubble.

To recognize and understand the set of axioms which underlies the mass hysteria of the derivatives and mutual funds mania, we must recognize three distinct sub-sets of such axioms, which, combined, commonly underlie the explosion of mass hysteria seen today.

1. The most immediate of these three sub-sets of axioms, the sub-set expressed by the derivatives hoax itself, is the role of the late John von Neumann's perverted notion of a mathematical economics, a notion he premised upon his absurd and fanatical belief, that the analysis of economic processes can be reduced to solutions for systems of simultaneous linear equations. Von Neumann's hoax provides the crucial doctrinal underpinnings for the Merton-Scholes scam, and for what Alvin Toffler, Speaker Newt Gingrich, and London's Lord William Rees-Mogg worship as "Third Wave" dogma in economics. It is this lunatic sub-set of axioms which gave the mass hysteria around derivatives its cult-like flavor of witchcraft.

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18. Here lies the key to exposing the fraudulent character of Prime Minister Tony Blair's so-called "Third Way." The assumption that there is a logical point of convergence of actually human politics with the brutish assumptions of the unfortunate former Prime Minister Margaret Thatcher, is the delusion that the latter two polarities are united by commonly underlying axioms. In fact, the "Third Way" is about as plausible in politics as the mating of a puppy with a lizard were likely to be fruitful in the domain of animal husbandry. Think of distinctions among sets of axioms as equivalent to the distinction among species.

2. The second sub-set, which receives the most extensive attention in this report, is the set of conditioned axiomatic beliefs spread, and built up as increasingly popular "New Age" ideas, about society and economy, during the 1964-1981 post-Kennedy years. This is sometimes referred to as the myth of "the Golden Generation."

3. The third sub-set, is an array of axiomatic beliefs associated with the radical monetarism of Winston Churchill's, Friedrich von Hayek's, and Milton Friedman's pagan religious cult of the Eighteenth Century's Bernard de Mandeville, the Mont Pelerin Society. This is better understood as a mechanistic notion of human nature and the universe, introduced into the official beliefs of the English monarchy's court, under the rubric of empiricism. This was introduced to the England of Sir Francis Bacon and Thomas Hobbes, by Venice's extraordinarily influential Paolo Sarpi, beginning the period of King James I; without any further change in included axioms, it became the so-called "liberalism," or "philosophical indifferentism" of pro-slavery John Locke, and of David Hume, Adam Smith, and Jeremy Bentham. Von Neumann's and kindred dogmas are to be recognized, like the dogma of Ernst Mach, Bertrand Russell, Norbert Wiener, and John von Neumann, as an extremely radical, logical-positivist outgrowth of Sarpi's empiricism.

Of these three sets, it is the second which is crucial for defining the difference between the pre-1964-1966 U.S. economy, and the radical change, introduced beginning 1966-1972, which has led directly, and consistently, into the presently ongoing disintegration of the world's present financial system. It is the second sub-set, belonging to the developments of the 1964-1981 interval, which defines the disease; the post-1981 developments are simply the terminal presentation of the doom already rooted in the radical cultural-paradigm shifts in which a majority of the U.S. population became indoctrinated, over the 1964-1981 interval.

The doctrine of Merton and Scholes, like the foolish systems analysis of John von Neumann, takes the ignoble prize for a deceptive veil of apparent complexity, adorning a very simple-minded, almost clock-work-like set of beliefs underneath. Once the more complex, first and second sub-sets are understood, the present, terminal phase of the global financial collapse, including the part played by the Merton-Scholes hoax, is easily understood.

## 2. When death set in

That said, turn to the key evidence bearing upon the second of the three indicated sets of axioms.

To account for the death of a once-great U.S. economy, one must begin with the initial, ultimately fatal infection,

dating from the famous Cuba Missiles Crisis of 1962. As a *Special Feature* in a preceding issue of *EIR* has presented the relevant conception and supporting documentation, it was former U.S. High Commissioner for Germany John J. McCloy's back-channel dealings with Bertrand Russell and the Soviet Khrushchev government, which used the circumstances of the missile crisis to begin what has turned out to be the programmed, thirty-odd-year process of collapsing of both the U.S. economy, and that of the rest of the planet besides.<sup>19</sup>

In the aftermath of those back-channel negotiations, not only was President John Kennedy soon removed from the scene, but, through Willy Brandt sponsor McCloy's efforts, both Germany's Chancellor Konrad Adenauer and, also, Adenauer's successor, Ludwig Erhard. Key Anglo-American establishment assassination-target, France's President Charles de Gaulle, was finally ousted after the events of 1968, as an outgrowth of McCloy's targetting of him for removal. It was the policies of the U.S. and British liberal establishments, as coordinated by McCloy, during and beyond the period of both the 1962 missiles-crisis and of his controlling role in the Warren Commission,<sup>20</sup> which set into motion that process of long-term self-destruction of the U.S. economy, whose results are now being experienced as the ongoing disintegration of the world's financial system.

To summarize as briefly as possible the relevant features from the report published in the October 23 edition, the common goal of the circles associated with McCloy, Bertrand Russell, et al., was to use the shock-effects of the 1962 missiles crisis, to implement the arms-control and disarmament negotiations (ACDA) which McCloy had been directing from the U.S. side, since the time his subordinates were brought into the planning group set up during the second half of the 1950s. This was a group in which former Stimson protégé McGeorge Bundy served under McCloy, and Henry A. Kissinger served under his own patron, Bundy. The frankly treasonous objective of ACDA was identical to that of Bertrand Russell's declaration in the September 1946 edition of *The Bulletin of the Atomic Scientists*, to use the terror of nuclear war as a bludgeon, to terrorize nations into giving up their sovereignty, in favor of world government.<sup>21</sup>

To facilitate the process of programmed march into world government, McCloy and other architects of this ACDA policy, concentrated on destroying all of those principal elements of modern agro-industrial economy upon which the strategic potential of sovereign nation-states depends

19. Lyndon H. LaRouche, Jr., "How Our World Was Nearly Destroyed," and Stu Rosenblatt, "How Mr. Fixit Nearly Wrecked the World," *EIR*, Oct. 23, 1998.

20. *ibid.* John J. McCloy gave an account of his sponsorship of Brandt's post-war political career in Germany, at a joint New York City press conference.

21. Lyndon H. LaRouche, Jr., "How Bertrand Russell Became An Evil Man," *Fidelio*, Autumn 1994, notes 6 and 7.

absolutely. That was the issue of McCloy's quarrels with Presidents Kennedy and de Gaulle, behind the post-missile-crisis efforts to push Adenauer and Erhard, successively, out of the German government, and to use a process of transition to bring McCloy's protégé Willy Brandt into the Chancellor's position. The point was to eliminate those institutional forces which were "stubbornly" committed to fostering both the sovereign nation-state, and the increase of the productive powers of labor on which the strength of the sovereign nation-state depends.<sup>22</sup>

The implementation of these economic changes was begun with the use of an orchestrated sex-scandal—the Profumo scandal—to bring down the British government of Prime Minister Harold Macmillan, clearing the way for a fairly rapid transition to Harold Wilson's first Labour government. Wilson's government presided over massive cutbacks in the United Kingdom's industrial development, beginning a long process of economic degeneration there, which has continued, as a trend, to the present day. The resulting collapse of the British pound led into Wilson's November 1967 devaluation of the currency. The chain-reaction effects of that devaluation, led into the first step toward break-up of the 1960s version of the Bretton Woods system, in the March 1968 emergency monetary conference which President Lyndon Johnson called into Washington.

Meanwhile, more than a year before the 1967 sterling devaluation, the Johnson administration had already begun to tear down the U.S. economy, Wilson-style. Savage U.S. government-directed cut-backs in technological progress, during 1966-1967, hit the space program first, and spread rapidly into broader areas.

From March 1968 on, the rot spread. Foreign monetarist influences on the Nixon administration, were typified by a corrupting celebrity given to the Mont Pelerin Society's Professor Milton Friedman. This fostered policies which led into the mid-1970 crisis around the cases of the Penn-Central railway and Chrysler Corporation. Nixon reacted in a manner not unlike Alan Greenspan's panic-stricken, hyper-infla-

22. In the case of Brandt, and of other among McCloy's and other "four-power" arrangements for Germany, one must qualify Prime Minister William Pitt the Younger's definition of "agent of influence," with an eye to the same functional notion of multiply-connected manifolds central to the work of Gauss and Riemann. Even the most craven lackey in service of the meanest and most vigilant tyrant, has what pass for his own interests, and will color his submissions to the tyrant accordingly, however sly and surreptitious those colorings might be. In the case an entire nation, especially a divided nation, or one like Russia under the foreign-dictated "liberal reforms" of 1990-1998, is subjected to demeaning approximations of a lackey, the impulses to assert self-interest are powerful ones. In the case of Germany, this is sometimes expressed in statements to the effect: "Yes, you are probably right; but, you must understand, that we Germans are in an unenviable political position, where we can not . . ." Exemplary of this point, is Chancellor Helmut Kohl's outbursts of energetic and public expressions of patriotism during November 1989 and some later points. Never underestimate such influences operating underneath even long-standing appearances.



*McCloy and company were determined to eliminate those forces passionately committed to the nation-state and the development of the productive powers of labor. Chief among their political targets were U.S. President John F. Kennedy and German Chancellor Konrad Adenauer, shown here on April 12, 1961.*

tionary reaction to the outbreak of the LTCM crisis this present September and October; Nixon prefigured Tony Blair's recent foolish outbursts, by announcing himself a convert to Keynesian "crisis management" tactics. As a result of Johnson's and Nixon's blunders, Nixon was induced to chose the even greater, catastrophic blunder of August 15-16, 1971, destroying the last relics of Roosevelt's Bretton Woods system, and launching that lunatic, "floating exchange-rate" monetary system, whose result has been the presently ongoing, successive waves of disintegration of the world's financial system.

By 1971-1972, the late 1960s contraction of the net output of the U.S. economy crossed over, to fall below the physical-economic break-even point. It has never risen to that break-even point again, since 1972. As *EIR* documented this during the late 1970s and early 1980s, the decline in the U.S. economy has been geometric, falling at a rate never less than losses of about two percent of net physical-economic output each year, to the present date. During the 1970s, the heaviest losses were initially in the neglected maintenance of the basic economic infrastructure of Federal, state, and local governments and public utilities. Agriculture began to suffer massive losses beginning the mid-1970s, losses which have accelerated since. Industry began to be hard-hit under Carter, suffering savagely as a result of the policies shoved upon the economy during the dismal, last fifteen months of that administration. Virtually the entire Savings and Loan industry was already

bankrupted as a result, not by so-called corrupt stockholders, but by the Trilateral Commission policies of the Carter administration and its new Federal Reserve Chairman, Paul Volcker.

Although the U.S. economy continued to operate above physical-economic break-even, until 1971-1972, the real economy, as it had existed prior to 1966, was already as good as dead. As subsequent developments have demonstrated, the economy was already doomed to die, as soon as, and for a long as the new, post-1965 directions in U.S. government policy-shaping were not reversed. In that case, death was but a matter of time. As it has turned out now, the time required to complete the process of dying, was approximately a generation and a half.

During 1982, I handed the Reagan administration two policies which could have rescued the U.S. economy from the already-looming disasters, from whose consequences the Clinton administration is suffering today. The first, in order of its presentation, was a proposal which became the Strategic Defense Initiative (SDI) of President Reagan's March 23, 1983 address.<sup>23</sup> The second, presented to several governments

23. There were radical changes in the definition of SDI after March 1983. Chiefly, these changes were imposed as compromises between the Reagan administration and the Mont Pelerin Society's (Heritage Foundation's) Lt.-Gen. (ret.) Daniel Graham, a violently vigorous opponent of SDI prior to March 1983. The changes, pushing me out of the picture, were adopted during August 1983, although a fraudulent public attack upon me by Graham led to

at the beginning of August 1982, was a report entitled *Operation Juárez*, elaborating a plan for reorganization of the debts of Central and South America. Several governments, including Mexico's, were prepared to act upon my proposal, but the Reagan administration turned to the British monarchy's Henry Kissinger and his cronies instead. President Reagan's regrettable Spring 1981 decision to renominate Volcker as Federal Reserve Board Chairman, as compounded by the rejection of the policy of *Operation Juárez* and of the SDI as I had originally proposed it, left the Reagan administration with no viable economic-policy options. It was the Carter administration which created the chronic debt-crisis, and accelerating physical-economic collapse of the U.S.A.; but, it was the influence of Kissinger- and Bush-related elements, and their Trilateral Commission-connected cronies in the Reagan administration, which realized Carter's financial and economic disasters as the catastrophe they have become today.

The sequence of events bearing directly on the battle over *Operation Juárez* between Kissinger and me, is, summarily, as follows. During May of 1982, I held a series of meetings in Mexico City, with some key figures representing various parts of Central and South America. During these meetings, I committed myself to writing a paper which would summarize my proposals for dealing with an upcoming international debt-crisis — which I had publicly identified as a “debt bomb” which I forecast would hit Mexico no later than September 1982.<sup>24</sup> The book-length paper, titled *Operation Juárez*, was delivered to the relevant offices of the governments of the U.S.A., Mexico, and others, on August 10, 1982.

Meanwhile, on May 10, 1982, Henry A. Kissinger keynoted a London conference of the British Foreign Office think-tank, the Royal Institute of International Affairs (RIIA), in which he bragged of his anti-American beliefs, and that he had been covertly an agent of British influence while serving under Presidents Nixon and Ford.<sup>25</sup> In this London setting, Kissinger was given the backing of a key asset of the British royal family, Lord Peter Carrington, in the formation of Kissinger Associates, Inc.<sup>26</sup> Meanwhile, Kissinger, together with

George Shultz and Germany's Helmut Schmidt, travelled together to the Bohemian Grove, where, according to Kissinger's written account, he had a meeting with FBI Director William Webster.<sup>27</sup> Meanwhile, Kissinger was caught red-handed, in cahoots with Israel's Ariel Sharon, and others, in a lucrative swindle known as “The West Bank Land-Scam.”<sup>28</sup>

Later, after the publication of *Operation Juárez*, Kissinger wrote what became his celebrated “Dear Bill” letter to FBI Director Webster demanding official FBI action against LaRouche. During the same period, agent of British influence Kissinger was designated for a Central American Commission, in which connection he became a leading operative against *Operation Juárez*. Following Kissinger's visit to Mexico City in October, President López Portillo's government was backed down from its initial efforts to implement *Operation Juárez* measures.<sup>29</sup> Next, in January 1983, Kissinger succeeded in having the President's Foreign Intelligence Advisory Board authorize an international secret-intelligence operation against LaRouche, under the terms provided by Executive Order 12333.<sup>30</sup> This was then set into motion by FBI Director Webster, resulting in all of the prosecutorial, civil, and judicial frame-ups and related harassments against LaRouche and his associates. The issues which prompted that E.O. 12333 targetting were chiefly three: 1) LaRouche's role in initiating what became known as the SDI, a policy in direct opposition to the “world government” policies of McCloy, Bundy, and Kissinger; 2) *Operation Juárez*; and, 3) the effort to cover up the Sharon-led “West Bank Land-Scam” in which Kissinger was an accomplice.

History — real history — always was, and always will be the history of ideas. Ideas are conceptions of physical and comparable principle invented by individual discoverers. It is the replication and related practice of such ideas by individuals, a process centered in what is called Classical forms of education, which determines a society's competence to survive the challenges confronting it. The primary subject-matter of all competent historiography, is the fate of such individuals and their ideas. When current opinion dominates ideas, cultures degenerate; when valid, fresh ideas dominate opinion, cultures prosper. That process, of fresh, creative generation, and regeneration, of valid ideas of principle, not mere so-called “freedom of opinion,” is the true freedom upon

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Dr. Edward Teller's temporary conciliation with me, until approximately mid-1984, when the heat from my opponents in Vice-President Bush's White House circles, and from E.O. 12333 operations, became intense.

24. See Dennis Small, “Debt Weapon on the Agenda for Latin American Nationalists,” *EIR*, June 15, 1982. The use of the debt as a weapon was first proposed by LaRouche on May 23 in Mexico City at a conference of the Mexican Labor Party, and reiterated at press conferences on May 26 and 27.

25. Kissinger Chatham House address, May 10, 1982.

26. See Scott Thompson and Joe Brewda, “Kissinger Associates: Two Birds in the Bush,” and Joe Brewda, “The Hidden Clout of Kissinger Associates,” *EIR*, Feb. 24, 1989. Further information on Lord Carrington's role in the founding of Kissinger Associates, Inc. can be found in March 15, 1989 testimony by Scott Thompson, representing the National Democratic Policy Committee, “Testimony on Lawrence Eagleburger Nomination to be Undersecretary of State,” which was published as an appendix to the hearings for Eagleburger's confirmation.

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27. In a letter to FBI Director Webster dated Aug. 19, 1992, calling for measures to deal with Lyndon LaRouche, Kissinger added, “It was good to see you at the Grove. . . .” See *Railroad! U.S.A. vs. Lyndon LaRouche, et al.* (Washington, D.C.: Commission to Investigate Human Rights Violations, 1987), p. 546.

28. “Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia,” *EIR Special Report*, March 1, 1986.

29. See Timothy Rush, “The IMF Accords Add Up to a Shell Game,” *EIR*, Nov. 30, 1982, and “De la Madrid Pursues a ‘Middle Way’ on Debt,” *EIR*, Dec. 14, 1982.

30. *EIR*, June 30, 1995, p. 20, and Oct. 6, 1996, pp. 30-32.

which the survival of the U.S. republic has always depended. Such is the fundamental principle of human nature, and therefore the fate of the cultures which are produced by human natures.

Since the death of President John F. Kennedy, the history of the United States has been, with increasingly rare exceptions to the prevailing, downward trend, a terribly sickening, worsening tragedy of a once great nation. What has killed the U.S.'s real economy, was not some terrible physical blow from outside. As good history is the history of ideas, so, bad periods in history are the subject-matter of the history of bad ideas. What might have saved the U.S. economy was a pair of valid new ideas which the Reagan administration either rejected, or failed to implement. Other ideas prevailed, and so the U.S. history of 1981-1998 became a mere continuation of the doom already embedded in the bad ideas which had taken over U.S. policy-shaping during—most emphatically—the 1971-1981 interval.

It happened, as all the greatest playwrights have defined the principle of tragedy. In the great tragedies on stage, such as those of Aeschylus, Shakespeare, and Schiller, or, often, in the real-life tragedy of nations, the ideas which might have averted the tragedy were available to the institutions of that nation. However, either the agent of such ideas was killed, imprisoned, or exiled, as the trial and execution of Socrates ultimately doomed Athens, or, like the Posa of Schiller's *Don Carlos*, simply failed to act faithfully in support of that idea himself. By that latter act, either of commission or negligence by its leaders in positions of power, the nation doomed itself. The ideas which existed, and might have saved society from that doom, were rejected or neglected for too long, and, for just that folly of the ruling elites, the entire nation paid the price.

One of the most efficient, real-life demonstrations of that principle of tragedy in history, is provided by the fact that the first known attempt at a circumnavigation of the Earth was conducted, from Egypt's Cyrenaica (i.e., Libya), during the years 233-231 B.C.

The reason the Egyptian flotilla failed to complete the planned circumnavigation, was that it ran into the unexpected Pacific coast of the Americas. After exploring 4,000 miles of that coast, the navigator Maui recorded his summary report, describing the exploration, and declaring the Americas a colony of Ptolemy III's Egypt; the flotilla then turned back, westward, to where they worked among a people who spoke the ancient language of Egypt, the Polynesians; there, Maui taught the Polynesians the principles of astro-navigation which had been developed by the greatest scientist of that time, the Plato Academy's Eratosthenes. It was Eratosthenes who planned the circumnavigation, based on his then-recent measurement of the circumference of the Earth.<sup>31</sup>

31. The modern rediscovery of this Egyptian discovery of the continent of the Americas, is a process of finds and researches by specialists, beginning

1723 years later, Christopher Columbus, using scientific knowledge obtained from the work of Eratosthenes, and using a flotilla of ships technologically inferior to the Egyptian craft commanded by Egypt's Captain Rata and navigator-scientist Maui, made a successful transatlantic voyage to the Caribbean, in approximately the same range of latitudes in which Captain Rata's Egyptian flotilla had first reached the Americas from the Pacific side. Columbus used a map, whose construction was based upon Fifteenth Century Europe's re-discoveries of the work of Eratosthenes and other representatives of Plato's Academy.

What is the tragedy in this case? The tragedy is expressed most succinctly, and simply, by the gap of 1723 years between those two voyages of discovery. That is, about the same time the Latins murdered Eratosthenes' fellow-scientist and correspondent, Archimedes of Syracuse, all of Mediterranean civilization fell into a relative dark age, from which it did not begin to recover the level of culture commanded by what had been the earlier centuries of Greek-speaking Hellenistic culture, until the Fifteenth Century's great ecumenical Council of Florence.

The case of navigator Maui demonstrates, once again, that G.W.F. Hegel, and historians of that ilk, are frauds. There is no mystical principle of automatic pulsation in history. There is a voluntarist principle of cognitive action, underlying all actual history, and pre-history; it is the thinking individual human being, who makes all history. There are only ideas generated by real-life, individual men and women, either as valid ideas, or as bad ideas. The generation, and transmission or rejection of the spread and practice of such ideas, is the form of action which is the only existing expression of actual history. That history of ideas determines the history in which nations and cultures rise or fall in physical terms of account.

It was bad ideas, which began to take over during the aftermath of the 1962 missile-crisis, which are the influence which has, so far, doomed our nation to the process of economic dying which we have experienced during the thirty-odd years to date.

### 3. The axioms of economic dying

The process we have summarized so far, may be conceptualized in terms of the kind of notion we otherwise associate with a mathematical-physical, functional description of an unfolding process. That is to say, that the determination of whether the conjecturable space-ship was qualified to succeed

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during the 1880s, in a record left by the Egyptian navigator Maui, in a cave near Santiago, Chile; the fuller significance of that find was recognized by collaborating relevant academics, during 1974-75. The latter work dovetails with original work on related topics, by the present writer, as these connections and their relevance are summarized in a recent memorandum: Lyndon H. LaRouche, Jr., "Go With the Flow: Why Scholars Lied About Ulysses' Transatlantic Crossing," Oct. 16, 1998. That memorandum, and relevant attached documents, will be published in an *EIR* special feature during the near future.

in its planned voyage, or was foredoomed, by its defects or navigation, to fail, was probably already knowable from the beginning of that venture. In the same sense, whether the U.S. economy would collapse, or not, as a result of continuing the 1960s policies associated with John J. McCloy, was fully knowable in advance.

Indeed, there exists a kind of mathematical-like function by means of which just that kind of predetermination can be made. I should know; this is the conception of economic processes which has established me, in fact, repeatedly, as the most successful long-range economic forecaster of the past forty years. Today, no person qualified to lead any leading government of this planet, lacks the means, or the responsibility to know that fact.

Taking all the faults in U.S. policy of practice, accumulated during the period 1945-1964, or earlier, the U.S. was still, up to that latter point, the most successful power of this planet, a success which was, chiefly, the combined fruit of the American Revolution, its 1789 Constitution, and the reaffirmation of that Constitution by President Abraham Lincoln's victories. The profitability of that economy, despite all its many political and other faults, was that the effect of that complex of good and bad policies, was to ensure a persisting trend toward investment in the increase of the physical-economic productive powers of labor through capital-intensive, energy-intensive modes of investment in scientific and technological progress, and of related programs of public and higher, Greek-Classics-pivotted forms of education. The effect, was a secular trend toward recurring periods of net physical-economic profitability and growth of the economy, and of its average physical-economic productive powers of labor.

During the 1964-1972 interval, a fundamental change occurred. Out of changes in "cultural paradigms" bearing upon policy-shaping, the characteristic effect of policy-making after 1972, was a persisting, accelerating rate of physical-economic collapse of the U.S. economy, and of the social welfare of its citizenry considered as a whole. Thus, although we did not experience net annual losses to the physical economy as a whole until after 1970, we had already been transformed into an economy which was self-doomed to lose, that for as far into the future as the cultural paradigm-shift of the 1964-1972 interval persisted.

Thus, during the 1964-1972 interval, the U.S. underwent a culturally determined, rapid, fundamental transformation, from the most successful form of society on this planet (despite considerable flaws included), to a self-doomed society. This change was not expressed primarily in immediate terms of income, and so forth; it was expressed in the adoption of new, so-called "New Age"—"post-industrial" utopian—policy-matrices, which (measured on the scale of generations) would soon come to foredoom any society which adopted them. During the course of this 1964-1972 period of transition, the advocacy of the slogan "zero growth" emerged as the popular "New Age" cant among the least rational of the

new radicals. The kindest thing which could be said of the "Third Way," is that like the "Third Wave," the kind of psychedelic mish-mash this ideology represents, is a form of society which is self-doomed, because the very physical laws of this universe prohibit such a form of society from continuing to live for very long.

The way in which this degeneration of U.S. culture was accomplished, should not have surprised any Classical scholar. One is reminded of the strategy used by the Phrygian oligarchical cult of Cybele-Dionysus, in its effort to subvert and destroy the city-state republics of Ionian Greece. The cult targetted the sons and daughters of the leading families of the city-state republics for recruitment to an ancient forerunner of the 1960s "rock-drug-sex counterculture," and then deployed these recruits, like radical terrorists of the 1970s and 1980s, to overthrow, even assassinate key leading figures of the city-state republics, sometimes, as in the Paris-prompted 1977 assassination of Dresdner Bank's Jürgen Ponto, using the children of family friends of the victim, as the assassin of record.

Using the demoralized and degenerate strata of "intellectual youth" from post-World War I France, Britain, Germany, and elsewhere, satanic figures typified by Georg Lukacs organized existentialist counter-cultural movements such as the so-called "Frankfurt School." Theodor Adorno, Hannah Arendt, and Dame Margaret Mead, like the figure "Pirate Jenny" from Bertolt Brecht's 1931 *Three-Penny Opera*, typify the strata from which the recruiters for the 1960s "rock-drug-sex youth-counterculture" were drawn. The shock of the 1962 missile crisis, and of the lunatic launching of an unjustified horror-show in Indo-China, was exploited to the fullest, to recruit a countercultural movement from among those strata of 1960s university students who were the candidates most likely to "march through the institutions" of power to become the controlling elite of a generation later. The circles associated with McCloy used this university stratum, as the social battering-ram to catalyze a general, pro-irrationalist "cultural-paradigm shift" of the 1964-1972 interval.

This 1960s, reenforced fear of war and its implications, was used to establish "deep structures" within the psyches of those suggestible strata among 1964-1972 university-student layers, and others. The subliminal images of warfare, and all that was essential for warfare and its anticipation, became the symbolic triggers of that knee-jerk-reflex, mass hysteria, which became the characteristic feature of the "new radicals" of the 1960s and 1970s. "Nuclear" was the term which evoked the strongest of such irrationalists' knee-jerk hysterias. "Military-industrial complex," served as a close second on the scale of knee-jerk reactions. Hatred of industrial trade-unionists was a by-product of that same set of knee-jerk hysterias. Hatred of science and technology—"Destroy it before it destroys us!"—was part of the same, induced pathological syndrome. In a word, they were "nuts."

These and related knee-jerk pathologies of the "New

Left,” became the political impulse which searched out, and destroyed, as quickly, as irrevocably, and as irrationally as possible, anything consistent with 1) A sovereign nation-state republic; 2) Scientific and technological progress; 3) Basic economic infrastructure (an integral part of the power of the sovereign nation-state within society); 4) Economic protectionism; 5) Any notion of the moral authority of reason over arbitrary mass-based opinion. The New Left radicals, even those directly or indirectly on the payroll of some labor unions, were fervently anti-labor in respect to the economic and related family values of the traditional blue-collar operative, or the professional in fields related to science and technology. It was these actions which were rallied to serve the goals of the “world government” plottings of such oligarchs’ lackeys as McCloy, Bundy, and Kissinger.

Before this 1964-1972 cultural-paradigm shift, the performance of the economy, and of economic policies, was measured against the standard of per-capita rates of growth of gross and net physical-economic output, and against the yardstick of improvements in the demographic characteristics and standard of living of households. The impact of the “rock-drug-sex” youth-counterculture of the period of the Anti-Vietnam-War ferment, was to eliminate from the standard of performance of the economy and economic policies, anything which the new radicals had decided to dislike. By the perverse pseudo-logic thus adopted among the new radicals, an Orwellian measure of the standard of living was introduced, under which “worse” became “better.” Intangibles dreamed into existence by witches, were introduced as heavily weighted “variables” in calculating the “improvement in the quality of living.”

In short, the radical downturn in the economy introduced by policies derived from the new cultural paradigms of the 1964-1972 youth-counterculture, was denied to be a downturn, because the worsening of the typical physical standard of living, was associated with an offsetting elimination of policies which were indispensable for economic progress, but which the new radicals hated. In brief, the new radicals were simply mad; their beliefs were of the sort which can not subsist without the support of lunatic mass hysterias.

So, President Richard Nixon was destroyed in the “Watergate” proceedings. The passion behind that ouster, was less actual public knowledge of relevant evidence against Nixon, than the hatred evoked by his image as “An American Pinochet,” or something akin to such a symbol. If the liberal establishment had not discovered Britain’s asset Pinochet, they would have had to have invented him for his use as a symbol of a “very bad man in uniform,” for edifying the credulous in the U.S.A. and Europe; they needed a hateful symbol, an image with which to tar everything which suggested the sovereign authority of a nation-state republic.<sup>32</sup>

32. If there are people in Russia, and elsewhere, whom the U.S.A.’s International Republican Institute have recruited to paint themselves as a prospective

When Jimmy Carter ran to become a Democratic President, on David Rockefeller’s Trilateral Commission ticket, the principal popular impetus supplied by veterans of the mid-1960s cultural-paradigm shift, was an orgy of pure hatred against those U.S. policy-institutions which were viewed with new-leftish hatred, as symbols of the hated U.S. Government as it had been under Presidents such as Franklin Roosevelt and John F. Kennedy. Typical of such hate-object fetishes were the code-words “nuclear,” “greedy farmers,” and “government regulation.” The Carter administration was thus, essentially a rolling state of fetish-ridden, perpetual rage, a kind of neo-Jacobin, “Third Way” alliance of populist varieties of southern Democrats with northern New Age veteran *sans-culottes* of the 1960s anti-war ferment era. The guillotine of purely irrational rage chopped, chopped, chopped, until, by the close of 1980, there was very little left, either of Carter, or of what makes a viable agro-industrial economy.<sup>33</sup>

What happened to the U.S. under the post-Carter years, 1982-1998, has become a parody of what happened to France after Britain’s Duke of Wellington, in 1815, restored the Bourbons in defeated France: the ultra-decadent France depicted by Honoré de Balzac. The dionysiac rage of Carter’s late 1970s, was superseded by the dionysiac rage rooted in the passion of the boundless pure and simple, Yahoo-style greed, of the type characteristic of Garn-St Germain, Kemp-Roth, Michael Milken, junk bonds, “Contract with America,” and derivatives.

#### 4. 1964 in retrospect: Came the revulsion

Probably, President Clinton’s gravest short-coming, is the world-outlook often consequent upon being born a “baby boomer.” His case is broadly typical of otherwise bright young men and women from that generation, who nonetheless suffer what we describe here, as a special quality of historical amnesia, respecting their experiences from the 1960s. This is a condition often seen among those who have either not experienced, or not fully integrated a matured adult’s experience of *both* the forerunner and aftermath of the 1964-1972, revolutionary transformation in hegemonic cultural values.

In this respect and degree, a Clinton who is otherwise, in several visible respects, atypical of most of his generation, has nonetheless often located his identity as typical of those

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Russian “Pinochet,” it is because there are Russians today who are like 1960s and 1970s recruits to an American Nazi Party, or the like. They admire a Hitler or Pinochet, not because they actually do, or do not know much about Pinochet or the nature of the evil Hitler actually represented, but because they are filled with hate, and like to think of themselves as terribly evil people. Therefore, such symbol-minded fools have a psychological need for fetishes which they could be induced to believe represented the evil which they wished to express in themselves.

33. November 1980 became an echo of France’s July 1794 Thermidor against “Robespierre” Carter. With Carter’s fellow-Trilateral Commission veteran, Bush, we received our “Barras,” tragedy revisited as farce.

members of the “baby boomer” generation, who were educated as intellectuals, and also as professionals, who know that a change in cultural paradigms has occurred, but still lack a sense of the fact that the new values which they tend to prefer to those of the pre-1964 period, are products of mass hysteria, not reason.

It was that induced memory-gap, typical of those who became the politically influential strata of the “baby boomer” generation, which made possible Jimmy Carter’s election, and the subsequent several years’ toleration of his personal role in conducting his administration’s savage destruction of the U.S. economy. Carter’s time has passed, but this side of Carter is key to understanding today’s former Carter asset, deviant Democrat Newton “Yahoo” Gingrich. It was the take-over of top positions of power by these Democratic Party “baby boomers,” over the course of the 1980s and 1990s, which made possible the ensuing, lunatic Republican Party fads of Kemp-Roth, junk bonds, derivatives, and “The Third Wave.” The so-called “Southern Strategy,” the successive waves of flight of deviant Southern Democrats, such as Speaker Gingrich and Senator Phil Gramm, into their roles as among the Republican Party’s most savage and lunatic right-wing radicals today, can only be understood from the point of reference of former President Jimmy Carter, seen as a Hollywood “remake” version of Edgar Allan Poe’s *The Man Who Was Used Up*.

Those facts are not only a necessary insight into the way in which our republic has been destroying itself, from the mid-1960s until now. If we understand the mass hysteria commonplace among today’s politically hyperactive, veteran “baby boomers” and politically purblind “Xers,” as a mental illness, we have the key to identifying the available, hopefully adopted cure for the mass hysteria dominating our nation’s policy-shaping today. We invoke the most durable principle of psychopathology: What has been done, can be undone, at least partly so, on condition one understands what was done.

Since President Clinton, as the President who must currently decide, typifies the prospective fate of our nation-in-peril today, we must consider our nation’s threat of self-induced, Hamlet-like doom, from the standpoint of Clinton as another hero from a Shakespeare, or Schiller tragedy. In short: President Clinton’s problems are your problems, the problems threatening our nation’s and your immediate family’s survival. If he goes down, the nation goes down—and your family with it. You dare not permit him to fail, as he has been wont to do, all too often, during his time as President. Stop whining about local, relevant problems; under present circumstances of crisis, without the big solutions, no local, so-called community or personal problems could ever be solved. Make this usually floundering, present President a good President, even if belatedly so. That is the only available solution which now exists, for the problems of either your local community, or your family’s future.

With that in view, contrast two views of the same experi-

ence, the crisis of the 1960s as seen, on the one side, by the not necessarily average World War II veteran, and, from the other side, by the “baby boomer,” such as President Clinton. Contrast those two mutually exclusive versions of what happened during the 1960s. Account for the systematic differences between the two mutually exclusive views of the 1960s experience. Then, and only then, will the true nature of the present problem, and its solutions, become clear.

The still-living generations of adult Americans today, have experienced, cumulatively, since April 1945, three experiences which each evoked a powerful sense of betrayal:

1. The first was the untimely death of President Franklin Roosevelt, a President rightly seen by the so-called “average American” as the only figure who could rally the combination of social forces needed to defend the nation and its people from those packs of menacing wolves associated with the images of Wall Street and London. That was sensed strongly by me, and by others serving abroad with me, at the time we received first news of the President’s death. Most who mourned the President, saw the untimeliness of his death as a kind of betrayal, his abandoning us, however unwillingly, at a time when his role was still indispensable. That perception proved to be justified, at least respecting its effects; the wolves whose packs Roosevelt had staved off, closed in quickly, as soon as he was dead.
2. The second sense of betrayal was associated with the deep post-war recession of 1946-1948, and the overlapping outbreak of a global Anglo-American versus Soviet threat of general warfare.
3. The third sense of betrayal, even more shocking in its effects on the “baby boomers” than the 1945-1946 developments had been on most of my generation, came with the combined impacts upon the “baby boomer” generation, of the assassination of President John F. Kennedy, and the actions of “perpetual peacemaker” McCloy’s sidekick, McGeorge Bundy, immediately after Kennedy’s death, launching the U.S. war in Indo-China.

From my direct, and relatively advantaged position in knowledge among the members of my own generation, I have been more conscious than most, of the deep changes within the memories of each among all three current adult generations: World War I-II, “baby boomer,” “Xers,” which associate each of those three successive, shocking experiences with a deep sense of national betrayal. With rare exceptions, most “baby boomers,” including President Clinton, lack that indispensable insight into the forces still controlling their own behavior. Therein, in the blindness of the “baby boomers” to the implication of that fact, lies the wellspring of an ideology,



a mass hysteria, which now threatens to destroy us all.

Comparing those recent U.S. generations' successive experiences, with certain among the notable breaking-points in continental European history, we are advised to view such an induced sense of national betrayal, as the likely circumstance leading toward revolutions, such as the Russian revolutions of February through October 1917. The latter case is distinct, but in its most elementary features it does merit comparison with the three American cases which I have just identified here.

Taking these broadly analogous examples as representing a general type, assists us greatly in focussing upon the immediacy of both the national and global crisis-situation facing us now. It is urgent that these connections be stressed, in order that the mass hysteria controlling most of today's decision-makers, be adequately, efficiently understood.

First, view the roughly analogous case for the successive Russian revolutions of 1917. Contrast Russia's history following the aftermath of the so-called "Crimean War," to the series of events, as were actually seen by Count Sergei Witte while he was still living, leading into Russia's role in World War I. See the successive Russian revolutions of 1917 in the context of what was known to Witte during his lifetime.

The modern tragedies of Russia begin with the virtual insanity of Czar Alexander I, his change from Russia's heroic leader in the Prussia-Russia alliance for defeat of Napoleon, in 1812-1813, to the later, diseased lunatic whose depraved sense of personal guilt was reenforced by an infection acquired, courtesy of official pimp Metternich, during what is fairly described as the "international sexual" Congress of Vienna. Out of this Vienna orgy of international sexual unions came the pestilence ironically named "The Holy Alliance."

With aid of the reaction provoked by Anglo-French aggression against Russia known as the "Crimean War," Czar Alexander II freed Russia, temporarily, from the legacy of Metternich's Holy Alliance. This Czar became an admirer and ally of Abraham Lincoln's United States, the key figure of a U.S.-Russia alliance, and the pivot for much renewed collaboration with Germany. This happier state of Russia's affairs continued, until the assassination of patriotic U.S. President McKinley, in favor of British asset Theodore Roosevelt. The British orchestration of the Russo-Japanese War, with Roosevelt's complicit role in the affair, destroyed the already fragile mind of Czar Nicholas II, and paved the way for Russia's suicidal alliance with Britain and France, for aggressive war against Germany.

The folly of both Czar Nicholas II and his "pan-Slavism"-corrupted military, in committing Russia to that war, doomed not only the Romanov dynasty, but also the monarchy's pro-British and pro-France successors in government. The deep sense of national betrayal, which, by early 1917, had turned the Russian soldiers and others, with hatred, against all of the institutions associated with launching and continuing that war, created the conditions in which a decidedly voluntarist

personality with a clear view of both the domestic and strategic situation, V.I. Lenin, steered the Bolsheviks to the seizure of power later that same year.

The point of citing this example, is that, on the one side, it describes a context which is historically remote from anything which the U.S.A. has recently experienced internally; yet, at the same time, it demonstrates the relevant principle of the "baby boomers' " 1964-1972 experience exactly, if in an otherwise apparently incomparable situation. That is the essence of the principle implicitly the central topic of Plato's *Parmenides* dialogue, the essential principle intrinsically characteristic of all truly non-linear principles of action, whether in physical science, in Classical art-forms, or in actual history. The principle is that which governs the ordered transition of axiomatically inconsistent processes, from one to another, and among one another. This is the principle of *change* which the linearized mind of the relevant character, "Parmenides," of Plato's dialogue, could not comprehend.

The Russian population's acute sense of betrayal by the Czar and everything associated with the Czarist system, fostered a hatred against that "system," a hatred which an insightful Lenin used to force his chiefly reluctant Bolshevik leadership into filling a political vacuum, by simply leading the Russian people in general to seize power, from every force in Russia which was still suspected of being committed to alliance with Britain and France, for the continuation of the war with Germany.

Compare this with the situation created among "baby boomers," by the combined effect of the 1962 missile crisis, the assassination of President Kennedy, and the launching of the official war against Indo-China. This produced an effect analogous to that of 1917 Russia. In both revolutionary reactions, that of 1917 Russia and the 1964-1972 anti-war movement, the dominant feature was hatred against the "existing system," and against the values which were associated with the, rightly or wrongly, assumed causes of one's grievances against "the existing system."

The Wall Street establishment's key 1967-1968 funders of the role of Herbert Marcuse and the ultra-radical SDSers, for example, such as McGeorge Bundy's Ford Foundation, understood this parallel to Russia 1917, and, as foundation funding-grants records show, exploited that understanding to steer the anti-war movement in the directions which would, ultimately be most useful to the Bertrand Russell-allied, "perpetual peace" faction of McCloy, Bundy, et al. In the failure of the "baby boomer" generation to recognize the way in which they were being manipulated and used to such ends, lies that blindness, that deadly, hate-filled element of mass-hysterical irrationalism, which has affected the role of the '68er generation in U.S. political life ever since.

Let us be appropriately cruel about this matter. Imagine the case of a middle-aged man, whose adolescence was spent in passing from one set of foster-parents to another. He had cultivated a deep enmity, over decades, against the parents

“who abandoned me during my childhood.” By chance, this grudge-filled fellow learned, much belatedly, that his parents’ identities had been discovered only many years after the terrible accident which had killed them. The grudge-filled orphan shook his head angrily, “I still can’t forgive them for abandoning me.”

That hypothetical case should be read as a variant on the type of inappropriate behavior which is all-too-typical of the ’68er still today. The latter, during the mid-sixties and later, railed against “the system.” He sought out assurance that his parents, and “their values,” were the guilty agencies to be punished for his pain. His hatred against what he sensed as his society’s betrayal of him, became the obsession, the mass hysteria, on which the all-too-typical present ideology of today’s aging “baby boomer” is premised, still today.

It was not the society which betrayed the all too typically narcissistic child of the “golden generation,” the baby-boomer of the 1960s. It was that society which had been betrayed by its virtual Benedict Arnolds and Aaron Burrs. For this, all too typically, the campus baby-boomers of ’68 blamed not the Bertrand Russells and the like who had orchestrated the horrors of the so-called nuclear age; the petulant, oh so self-indulgent baby-boomer closed ranks with the Russells and others, against those specific values which the baby-boomer himself, or herself, had participated in betraying.

The baby-boomer, especially the middle-class stereotype typical of the university campuses of the middle to late 1960s, was often bright, but intellectually and morally shallow.

During the 1950s, post-World War II suburbia had spawned a generation of “spoiled brats,” the generation raised by a “Third Way”-type blend of the merged immoralities of Dr. Spock and Senator Joe McCarthy. The parents had learned to borrow their ethics for today, like borrowing a cup of sugar from a neighbor. Usually, that neighbor was the mass media; that authority for the gossip was its public opinion, as the perverted Walter Lippmann had conceived its “Big Brother” role decades before George Orwell’s *1984*. Their values were all amoral: psychology; personal, individual, existentialist sensitivities; how to feel good while getting ahead in the social-status derby otherwise known as the Age of the Organization Man—*just not too far ahead!*

1950s suburbia only pretended to be “Keeping up with the Joneses;” actually, these cowards, both the suburbanite parents and their baby-boomer offspring, preferred to walk a safe distance behind whoever was the head of the crowd whose opinion they were following during that moment. For the ’68ers, like Philippe Egalité’s hired lynch-mobs of *sans-culottes*, individual responsibility did not exist; when it came to taste, manners, morals, and politics, the mob was always right, until a new mob came along.

During the 1950s, I stood outside the mob-scenes of both the suburbanite parents and their ’sixties campus offspring. I observed both, during both decades. I recognized certain

connections, connections which could be understood only from the vantage-point of knowing, among other things, what went wrong, morally and intellectually, with the United States, and most of its citizens, after the shock of President Franklin Roosevelt’s untimely death. As to the 1950s suburban parents and their 1960s progeny on campus, both were each trapped within the glass cage of their respective, irrational ideologies. They looked at the world around them from the interior of an ideological glass cage of currently received opinion. Each had strong opinions about what he or she imagined he saw, but, in reality, they understood nothing that was real, only what was painted on the surface of the glass which imprisoned their opinions.

The specifics of the problem so posed were peculiar to that time, place, and situation. The problem expressed by each and all of these specific cases, was, and is of a more general nature. It is from that standpoint, to which we turn our attention now, that all that we have said here up to this point, falls into place.

## 5. The issue of human nature

British liberal philosophers, like today’s U.S. televangelists, are inveterate liars. Whenever either is caught *in flagrante*, doing something really perverse, they pretend to be surprised, and also justly offended by the criticism they receive for their brutish conduct. “You can’t say that about me and my friends! Didn’t you know,” they retort; “that is human nature.” So, Lord Jeffreys ranted from one end of England’s Bloody Assizes to the other; so, the so-called “fundamentalists” brag, like special persecutor Kenneth Starr, at every altar call, about the utter depravity of themselves.

Perhaps that also explains why so many British liberals insist so loudly, that they, like old Hobbes, are descended from apes. One wonders, in viewing that curious genealogical conceit: how far down did the apes have to descend, to achieve this?

One can, and should laugh about such things; ridicule, as practiced by François Rabelais, and Shakespeare, for example, is an essential part of Classical art; it serves to place its proper target, folly, in appropriate emotional perspective. The issue posed implicitly by the folly typical of today’s “baby boomer,” what we have identified as mass hysteria, is precisely: What is really human nature? English and British empiricism insists, as London’s Hobbes or slave-cotton-processor Frederick Engels did, that man is brutish by nature. The New Left generally, adopted the same folly. It is, as I shall now emphasize, only from the vantage-point of challenging, and ridiculing the demonstrable absurdity of the popular British, bestial assumptions, respecting both human and British nature, that the roots of the referenced case of mass hysteria can be uncovered.

In touching now the concluding crucial point upon which this report as a whole pivots, I make a relevant confession, without shame, and with pride and joy in that admission.



*An anti-nuclear demonstration in Harrisburg, Pennsylvania, 1981. The baby boomers were hit by the combined effect of the 1962 missile crisis, the assassination of President Kennedy, and the war in Vietnam. This produced hatred against the "existing system," analogous to that of 1917 Russia. This hatred was manipulated by the Wall Street establishment, against the nation-state.*

Since about the age of six or seven, my conception of individual human nature has been consistent with *Genesis* 1's man and woman made in the image of the Creator. Then, I identified "image of God" with the notion of discovery of ideas. By adolescence, largely through my wrestling with the writings of the best known from among the Seventeenth and Eighteenth Century European philosophers, Gottfried Leibniz most notably, I came to identify "image of God" with the notion of reason, which I associated that then with Leibniz's view, and came later to recognize it in Plato's use of *agapē*, as Plato's notion is the characteristic feature of the Gospel of John and the Epistles of Paul, each taken as a whole. Since my adolescence, and more rigorously since the late 1940s, a scientific view of this notion of reason, has been the central theme of my concerns. It should not be surprising, that I have devoted such a large ration of my earlier published output to this topic.

The specific distinction of my own work has been to have proven those principles from the standpoint of original discoveries I made, by means of which I demonstrated that this definition of the human individual's natural, *agapic* nature, is demanded not only by Christian doctrine, but by the relevant crucial evidence expressed in a science of physical economy. Putting the reader on notice to that effect here, simplifies the task of reporting on the present occasion.

At this point, this report has shifted its point of emphasis, to bear on this definition of human nature, in locating the roots of that mass hysteria which today's "baby boomers," and others, have carried over from the cultural paradigm-shift of the 1964-1972 interval. The point emphasized at this point in the report, is that the root of that mass hysteria is a faulty popular conception of individual human nature. That faulty axiomatic conception of human nature, has been, and remains as, the continuing point of origin, for the official and related mass hysteria underlying the past thirty-odd years' attempted denial of the axiomatic, economic and moral degeneration of the U.S.A. Once the implications of that axiomatic issue are brought to bear on the subject of economic and related policies, the nature of and remedy for the present mass hysteria should become transparent issues.

As I have shown the crucial proof for what is otherwise the Christian conception of human nature, the entire existence of the human species demonstrates, absolutely, the uniqueness of the human individual among all other existence within the universe at large. From the standpoint of science, the natural quality of the human individual, is the developable power of cognition, by means of which, the individual is able to generate validatable discoveries of universal principles; these are physical principles, principles of Classical art, and political principles of history. This power of the individual, the power of reason, is equally common to all persons, with no

supposed distinction of race, or of other notions of ethnic origins allowed.

In consequence of this same creative power of individual cognition, which the empiricists, like heathen Immanuel Kant, absolutely deny to exist, man is the only species which has the power to increase willfully the potential relative population-density of its species. This increase is accomplished by the accumulation of validated discoveries of physical and other principles of this universe, by means of which our species' power in, and over the universe is increased: what *Genesis* 1 presents as "dominion."

The methods of experimental physics derived from Plato's Socratic method, provide us the means to conduct what are termed "crucial experiments," whose relevant most general effect is, to show, that that power of discovery of principle, by means of which mankind's power to exist is increased, is located *uniquely* in a power of creative insight which exists *only* within the bounds of the individual person's perfectly sovereign, developable powers of cognition. By that, we signify those validated solutions to paradoxes which can not be generated by the mere formal-logical methods of deduction-induction.

This sovereign power can not be communicated as "information," nor as textbook drill-and-grill doctrine. It can be communicated only, as by the student replicating the sovereign act of the original discovery of principle, or a copy of that experience of original discovery. It is by means of such combined processes of discovery, and Classical-humanist methods of education and Socratic self-education, that the accumulation of actual knowledge of physical and other universal principles can be effected. It is only by means reflecting the same principle of cognitive development and education, that man's power in, and over the universe is effected.

The referenced case of the Egyptian voyage of discovery of the Americas, of 233-231 B.C., is an exceptionally appropriate illustration of this fundamental principle of individual human nature. It is appropriate, perhaps indispensable, to point out the relevant crucial features of that recorded discovery here.

First, the voyage itself was, from the first, the implementation of a great scientific discovery which had occurred shortly before that voyage. Two discoveries were crucial. One, the primary discovery, as reported by navigator Maui's records, was the method by means of which the greatest scientist of that time, the Plato Academy's head of the Library of Alexandria, Eratosthenes, had measured the circumference of the Earth, by astrophysical means, a measurement which had been made with astonishing precision, relative to the methods of (deep well) observation available in Egypt at that time. The other, a most important auxiliary development, was the method for locating one's position on Earth through measurements made relative to the ecliptic of the Earth's orbit of the Sun. The evidence of the use and principled understanding of those discoveries by Eratosthenes, is

an integral part of the record made by navigator Maui during the 233-231 B.C. interval.

Second, these discoveries were made by a representative of Plato's Athens Academy, and were effected by the scientific methods elaborated by Plato himself within his dialogues. That scientific method is the Classical-humanist method of discovery and education we have identified above.

Third, the voyage of discovery was undertaken and conducted for a purely scientific purpose: to supply experimental demonstration, that the circumference of the Earth as defined by astrophysical investigations, corresponded to the results which might be ascertained by crucial kinds of geodetic measurements. The surviving, experimentally verifiable elements of Maui's log are already conclusive evidence to this effect. The voyages of Magellan and of Captain Cook, had related implications, but were far more crudely conceived, from a scientific point of view, than the work of Rata and Maui. Thus, Eratosthenes and Maui are among prominent forerunners of the development of modern geodesy by Carl Gauss. This quality of connection of Eratosthenes' and Maui's work, to the work of Paolo Toscanelli, Kepler, and Gauss, makes the successful assembly and translation of at least crucial parts of Maui's written records of current importance to the ongoing internal development of science today.

It is to be emphasized here, especially touching upon the issues of defining human nature, that it is those principles of discovery and their application, as exemplified by the content and implications of this work of Eratosthenes, Maui, et al., which provide us crucial, conclusive, experimental proof of individual human nature, that in opposition to contrary assertions of the empiricism of Hobbes, Locke, et al., and the notions of both Descartes and the foolish Immanuel Kant.

Thus, the apprehension of those most crucial facts, leads us to a conception of the identity and fundamental self-interest of the individual mortal person, which is not possible for any lower form of life, either naturally lower, or, like a true Hobbes or other empiricist, lowered by choice of depravity. In the relevant philosophical and theological literature, this distinction of the mortal human individual, is sometimes associated with the term *the simultaneity of eternity*. I have elaborated the significance of the latter term, and its cognates in numbers of earlier publications; but, it is necessary to summarize just enough of the relevant argument on that point to situate the concluding argument on the subject of mass hysteria.

The problem to be addressed from that indispensable vantage-point, is a problem of the conceited fellow known as a typical member of the "Ivy League" or kindred university student population from the second half of the 1960s. Quick-witted, but much too conceited, too vain, and too cynical, for his, or her, or the society's good. Excepting the effects of the 1950s and early 1960s habituated blending of moral posturing and moral indifferentism, which had typified the childhood and adolescent household and peer-group experience of that

stratum, the general class of problematic features in their personalities were no worse than is commonplace among what passes for "ordinary people." The essential difference was, and is, that his stratum was destined "to march through the institutions," as members of a class of prospective candidates to occupy the top-most strata of decision-making within a generation to a generation and half ahead.

To zoom in quickly on the point: such fellows were typical of those whose shallow-minded notion of morality is rooted axiomatically in relatively simplistic notions of ways in which *to calculate* "my interests" and "our interests." It was that propensity for that sort of moral calculation which caused such types to have lost, or soon to lose their proverbial shirt in the mutual funds market. As I shall demonstrate, these poor fellows lacked any rational sense of the way in which to determine his or her true self-interest. That is why they are hysterical now.

Perhaps the best way to get this point across to them pedagogically, emotionally, is by holding up the mirror to show the "baby boomers" (for example) themselves, as clearly just another variety of those dupes being taken in by predatory Elmer Gantrys such as Pat Robertson or Jerry Falwell, Elmer Gantrys which every self-respecting "baby boomer" shrewdly despises.

Ask yourself: What is it that these Elmer Gantrys preach, and what do the dupes believe? What is the notion of "self-interest" which these carnival pitchmen are peddling to the purses, and deep-rooted cupidity, of the suckers? Listen carefully. What do you hear? "...A place in Heaven." "...Falwell's people will write out the contract now!" "...Rapture." Viagra! Mumbo-jumbo: Your illnesses are cured, your bank accounts are refilled, your sex-life is rejuvenated, and the mortgage is lifted. "Ain't it Heavenly!" Health, sex, money, and eternal life in luxury, are the stock-in-trade of the Heavenly mail-order business. What does the behavior of such pitiable suckers tell us about our society, and its morality, in general?

The first clue to the answer to all such sorts of problems of personal identity, is a simple proposition: "Since, as all mortal persons are born, and will die, where in the world do a dead person's vital self-interests lie?" They do not lie in what a dead man can take out of his mortal life. The question implies the answer: The true self-interest of the individual lies in what he can give, while he is alive, of things which have implicitly eternal value for humanity. These are things which perpetuate and enhance the benefits to humanity passed on to us by the deceased, and also things of durable value for future generations.

What are the objects which represent such relatively immortal value, such relatively immortal self-interest? What is so important for your mortal life, that you, being no draft-dodger *in such matters*, should willingly hazard death, if necessary, and that cheerfully, to defend it?

In first approximation, the answer is "ideas," as Plato de-

fining the proper use of the term "idea." By "ideas," one means validatable discoveries of universal principle, as physical principle illustrates the point. These are also the same quality of discovery of principle in the domain of Classical art-forms, or the political art of shaping the course of history. It is those ideas which represent mankind's increased per-capita power in the universe, and over the universe, which have this value, the value of mankind's injunction to "exert dominion."

That is not the true interest. The true interest is not merely the defense of particular ideas, but the defense of the process by which valid such ideas are generated, and their generation replicated by later generations. Since all ideas are produced by the sovereign, cognitive, creative powers of the individual mind, is it not the development of those minds, and the fostering of the process which their work represents, which is the true self-interest of every individual person? Is it not, then, the nurture of that individual quality in all persons, which is the duty impressed upon us by our receipt of the loan of the gift of mortal life? Is it not that which secures us a place in the simultaneity of eternity?

What, then do we say of the personal morality of those wicked people, who insist that most pupils should be reared as we breed and train barnyard livestock: be afforded only a so-called "practical" education, preferably one deemed "relevant" to the occupations they are likely to be offered later in life (until the HMO accountants cull them from the herd)?

For actually moral people, education of the young must be compulsory, universal, and Classical in form. The purpose of that education, according to law, must be that which is the best tradition of education in the U.S. republic since the education policies of the pre-1684 Massachusetts Bay Colony, the educational principles of Winthrop, the Mathers, and Benjamin Franklin. The purpose of the kind of compulsory, universal, and Classical education which I am freshly prescribing here, is to develop an acceptable quality of individual citizen, in all future citizens who have those mental aptitudes of even nothing more than simple sanity, which are sufficient foundation upon which to develop any healthy young individual to become educated to become citizens of such universal qualities. This principle of Classical education for all, has been demonstrated in every part of the world, in populations of every cultural background to which such Classical forms of education have been provided.

On this account, there are no relatively inferior biological strains among human beings; there are only instances of degenerates who have turned their backs against the talent of humanity originally loaned to them, such unhappy apostates from humanity as Speaker Newt Gingrich or Special Prosecutor Kenneth Starr, for example.

The purpose of a compulsory, universal, Classical form of education, is to bring about a quality which is generally lacking among the citizens of the U.S. today: the appropriate development of their individual human nature, to render them sane adults, free of those mental disabilities which underlie

the pervasiveness of mass hysteria respecting economic and related policies of the U.S.A. today.

The recognition of the crucial, conclusive scientific evidence respecting individual human nature, has two overlapping immediate applications to the issues of mass hysteria addressed in this report. One, is the relevance of this definition of human nature for determining the mandatory requirements of the economic policy of the United States, and of the U.S.'s economic relations to other nations. Second, is the matter of the origin of the pathologies, such as the mass hysteria examined by this report, which threaten to doom the U.S. itself, as civilization more generally, unless the recent decades' trends in U.S. economic and social policies are suddenly and drastically reversed.

The key point on the first account is already made. The function of economic policy is progress in the general human condition, of the people of our own republic and other nations, too. The purpose is the development of the human condition as a whole, a purpose best served through the instrumentality of the perfectly sovereign form of modern nation-state republic, a sovereignty free of the evils and stupidity inherent in the doctrine of so-called "globalization."

The issue on the second count, is the legacy of oligarchism, as I have addressed this frequently within my published work. The consideration to be emphasized in the present connection, is the fundamental, axiomatically irreconcilable difference between the conception of human nature under oligarchical rule (feudal society, for example), and a society which is actually informed by Christianity, for example. Under the form of law we know from the history of the Mediterranean region, or the bestiality of the "pre-Columbian cultures" which modern discoverers found in the Americas, society's conception of human nature was that of a mere beast, the same misconception of human nature which is typical doctrine among such self-styled "British Israelite" varieties of Protestant "fundamentalists" as today's Elmer Gantrys.

When the same doctrine is delivered in the equivalent of the legendary "plain, brown wrapper," or, perhaps from Richard Viguerie or other sources, this brutish misconception of human nature, is also a common axiomatic hallmark of both the Mont Pelerin Society's, or American Enterprise Institute's doctrine of pure greed for its own sake, but, also of today's New Left traditions. Notably, the convergence of the Mont Pelerin Society's and New Left cults on precisely this matter of defining human nature, is the philosophical basis expressed as "The Third Way" among today's British subjects and their fellow-travellers in the U.S.A. as in the British Commonwealth.

The issue we are addressing in this way, may be summed up, as the perilous state of modern society which persists for no other reason, than that the bestial conception of human nature expressed by the defender of chattel slavery, or European feudal traditions, is still today an inbred legacy of thousands of generations of those human cultures which remain

the dominant feature of every strain of culture, inherited from deep in the darkest recesses of the most depraved traditions of long past millennia.

This bestial definition of human nature, is expressed in such varieties of stated or implied philosophies as that of Aristotle, the empiricists, the existentialists, and so on today.

Most of the departments of social studies, in the universities of Europe and the Americas today, are virtually nothing but various packagings of a common, bestialized view of human nature. This is what is taught by such relevant departments of universities as the sundry varieties of anthropology, sociology, psychology, history, political science, economics, and most of the music conservatories and other fine arts departments, too. The empiricist and positivist currents in teaching of mathematics and physical science, are often more occupied with philosophical indoctrination in the "linear principle" of the oligarchical tradition, than with the nominally, ostensible topics of instruction listed. Modern culture is up to its ears and mouth in this traditional filth—and sometimes, over its head in this cultural cesspool, too.

In no sense, is this pathological influence chiefly a matter of the corruption pervading the educational systems, although that corruption is pervasive today, even much more so than thirty-odd years ago, and even much worse than sixty years ago. The principal cesspool from which this corruption pours into society in general, is popular culture. When our educational systems join ignorant popular traditions from an oligarchical past of humanity, to shape the political institutions of society, disaster results, as experience of the recent thirty-odd years shows this most dramatically.

That is the operating principle employed to propagate the passion associated with the kind of populism expressed by Bertolt Brecht, and his autobiographical "Pirate Jenny," the kind of satanic passion for pure destruction, which was shown by Frankfurt Schoolers such as those three cronies, the terrible trio of Adorno, Arendt, and Nazi philosopher Martin Heidegger, the Nazi-like evil underlying the existentialism of Heidegger's pupil Jean-Paul Sartre, and Sartre's satanic creation, Frantz Fanon. This is the source of the proclivity of the "organic philosophy" of populism, to throw up fascistic and fascist tendencies, such as the base of the Ku Klux Klan, or my impassioned Libertarian adversaries in the U.S.A., the Nazi Party in Germany, and fascistic currents in many countries.

The evil which, to some, appears to flow from the human nature of the common people, does not arise from within the nature of the individual member of the human species, but from the cultural legacy of such sources as the imperial tradition of the empires of Mesopotamia, Rome, and Byzantium, and those currents of European feudalism most aptly typified by the Welf League and the Venice-led, Aristotelean rampage of the heathen mortalist Pietro Pomponazzi's Sixteenth Century.

We who continue the struggle to free mankind from those

imperial and kindred oligarchical legacies of evil from the past, continue to be faced with two foremost political challenges. The first challenge, was to create the institutions of the modern form of perfectly sovereign nation-state republic, as the case of the U.S. of Franklin, John Quincy Adams, and Abraham Lincoln typifies the legacy from which Franklin Roosevelt borrowed for his great, if still incompleting work. The second challenge, was to develop the general population into a quality of cultured, educated human being, freed thus from the legacy of a time when approximately ninety-five percent of each culture were human cattle, and the remaining small percentile chiefly either oligarchical parasites or their lackeys.

The idea that goodness comes from “the ordinary people,” and error chiefly from people “at the top,” is not only a false idea, but an evil one. The power of a tiny minority, “at the top,” so to speak, to control ninety-five percent of the society, lies principally in the cultural corruption of the ninety-five percent below. (Perhaps this is why Hell is usually portrayed as a place below.) The source of this evil from below is a depravity embedded in popular cultures. This customary depravity of popular cultures, does not flow from human nature, but from the legacy of cultures which are themselves contrary to human nature.

The image of Jesus Christ, is the exemplar of what is needed to correct this polluted state of popular traditions. The progress of European civilization, as of the Classical Greek culture of Socrates, Plato, and Eratosthenes earlier, was always accomplished by suitable, rare leaders, like those individuals who acted in inspired imitation of Christ, who were usually persecuted, and often murdered by the mob. In general, all relevant leadership of nations, who devote themselves to rescuing and uplifting the people, despite the corrupted, contrary tendencies of the people themselves. There is no notable case from known history in which it was different than that.

This arrangement is imposed upon history *thus far*, not because the people are *naturally* corrupt, but because popular cultures, thus far, have been unnatural ones. The mechanism by which this corruption operates, is to induce the population itself to think of itself as a lower form of life, to think and feel as lower animals must think and feel, or worse than that. This is accomplished by means sometimes identified as the “Seven Deadly Sins:” to locate passion in sensory lusts, and to defend such brutish conduct as “what my simple senses tell me are my moment-to-moment self-interests.” That is precisely the mechanism underlying today’s panic-stricken mass hysteria.

Thus, we have fought, and must fight, to defend the kinds of institutions of the sovereign nation-state, which have liberated nations from the bestiality which inheres in a system of “globalization,” the latter typified by the empires and feudal orders of the past. We must defend those constitutional institutions and arrangements even against contrary popular opin-

ion; if we ever lose that fight, our nation as such would be finished, perhaps forever. The source of strength on which we rely for conducting that defense of the sovereign republic as an institution, is ideas. The exemplary expression of such a war by and for ideas, is the struggle to make a compulsory, Classical education as universal as possible. The reality of that form of education as a political defense of the republic, is the promotion of the habit of valid, crucial, original scientific and cognate discoveries of principle, and the role of the power supplied by the realization of those ideas in as general a practice of the republic as possible.

What is always needed, until such policies bring mankind to a moral maturity consistent with human nature, is a door-to-door, unrelenting slug-fest of, not opinion, but genuine ideas, fighting always to prevent the corrupting cesspool of degrading popular traditions from overwhelming nations such as our republic, with that hideous stench of mass hysteria which is suffocating our nation near to death, today.

We have come to a time when we have had altogether too much mere popular opinion. What this nation now requires, and that desperately, is a fresh dose of real political and real moral leadership. Perhaps President Clinton would find the image of the Apostle Paul helpful in understanding the change he must make in his own practice, for the sake of the nation, and for all humanity.

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## Can Clinton thwart Netanyahu's drive for war?

by Muriel Mirak-Weissbach

Since spring of 1996, when Benjamin Netanyahu was elected Prime Minister of Israel, over the dead body of Yitzhak Rabin, assassinated on Nov. 4, 1995, the peace process associated with the Rabin-Peres government had become a traumatic memory. It was not "interrupted" or "stalled," or characterized by any other of the euphemisms used by the press to ignore the facts; it was gone; it did not exist. Netanyahu had been put into power with the backing of British-led cricles including the "Christian" fundamentalist movement of his American buddies Jerry Falwell and Pat Robertson, with a clear mandate not merely to block implementation of the Oslo Accords, which had been signed by a previous government for the state of Israel, but to aggressively sabotage every paragraph of those agreements. Netanyahu's policy could be understood as the systematic, willful violation of every principle of the peace process. As a result, over the past year and a half, there has been only escalating tensions, and guerrilla warfare.

In strategic terms, Netanyahu's deployment represented an integral part of the assault against the U.S. Presidency. Not only was killing Oslo a means of undermining President Clinton's foreign policy, which had defined Middle East peace as a priority, but the entire Monica Lewinsky affair was conducted by Israeli intelligence assets as a coordinated flank at the same time (see "Netan-Yahoo's 'Get Clinton' Actions," *EIR*, Oct. 2; and *Investigation*, this issue). Thus, although there were a number of well-meaning attempts by other political forces in the Arab world and Europe to regenerate motion in the region, it was obvious that only direct, forceful intervention by Clinton would be capable of turning the tables, not only in the region, but inside the American political process as well: Either Clinton would step on Netanyahu, as Lyndon

LaRouche has put it, or Netanyahu would engulf the Middle East in the flames of a new, probably nuclear war.

The much-touted Wye Plantation summit between Palestinian Authority (PA) President Yasser Arafat and Benjamin Netanyahu, sponsored by Clinton, must be viewed in this context. Whether Clinton succeeded or not, will be seen only in the immediate weeks ahead. For, regardless of what was ceremoniously signed on Oct. 23 at the White House, peace will depend on the extent to which the terms agreed upon are implemented. As a Palestinian diplomatic representative told *EIR* on Oct. 27, "There is no euphoria among us about this agreement, because it all depends on implementation." He recalled the agreements signed in the past, and violated, but added, "We do, however, see this as better than the situation before; at least, there is some reason for hope. Implementation is the key."

And implementation, by Israel, of the Wye River Memorandum, will require the continuing personal pressure of President Clinton. It is not enough to step on a Netanyahu once; one must keep him smashed, pinned under one's heel.

### A pledge to implement

The text of the Wye Memorandum makes clear that it outlines "steps to facilitate implementation of the . . . 'Interim Agreement,' . . . [which] are subject to the relevant terms and conditions of the prior agreements and do not supercede other requirements." Thus, it is an agreement to implement agreements which have already been negotiated and finalized, but systemically violated by the Israeli side. The items considered include transfer of authority over territory occupied by Israel on the West Bank, security measures, infrastructure, and other matters.



The United States had initiated the process which culminated in Wye, by unofficially floating the proposal that Israel effect a second redeployment of its military out of a further 13% of the West Bank. Whereas Arafat agreed to the offer, despite the fact that it fell far short of what the Palestinians had hoped to gain in the second of three scheduled withdrawals, Netanyahu rejected the "American plan" outright, on so-called "security" grounds. In this light, it is not insignificant, that the Wye memorandum specifically commits Israel to the 13% withdrawal.

Concretely, this means "the Israeli side's implementation of the first and second FRD [Further Redeployment] will consist of the transfer to the Palestinian side of 13% from Area C as follows: 1% to Area (A) 12% to Area (B)." Area A refers to land under total Palestinian Authority control, Area B is under joint Israeli-Palestinian control, and Area C is under total Israeli control. In addition, as part of the implementation of the first and second redeployment, 14.2% from Area B will pass to Area A.

Three percent from Area B will be designated as Green Areas and/or Nature Reserves, under Israeli security responsibility. This was demanded by Netanyahu, on grounds that otherwise, Israel's security would be threatened. The designation of the area as a nature park, means that nothing new will be built on it. The Wye memorandum specifies that there will be "no change in status," i.e., no settlements will be built, and the rights of persons residing there, including Bedouins, will not be prejudiced.

As for the third withdrawal, foreseen in the Oslo Accords, the Wye agreement merely notes, "There will be a committee to address this question" and that the United States "will be briefed regularly." In substance, Netanyahu has insisted he would hand back at maximum 1% more in the third redeployment. The amount of land which the Palestinian Authority will have under its partial and full control, as a result, will be in the order of 41%, by the end of the interim period. Again, this falls far short of what the Palestinians had interpreted as their share of the West Bank, from the Oslo agreements. Although it was not nailed down in figures, the Palestinian side understood that it would gain control over all areas which were not occupied by Israeli military installations, or by settlers. The Oslo Accords spoke of redeployment of Israeli forces outside areas populated by Palestinians. The Palestinian side assumed they would eventually receive 90%.

Asked for his evaluation of the Wye agreement, former Israeli Prime Minister Shimon Peres told the Paris daily *Le Monde* on Oct. 25-26, that "what seems important to me is the decision to proceed to the second redeployment. Without agreement on this point, it would have been impossible to continue." He added, "The step of 13% is modest, but opens the road a bit wider . . . even though there is quite a way to go."

The central portion of the Wye memorandum deals with security, the issue which Netanyahu has raised as a justification for blocking peace. During the talks at Wye, a Shin Bet

informant was responsible for throwing a grenade into a crowd of Israelis waiting at a bus stop in Beersheba, an attack arranged to provide Netanyahu with the upper hand in bargaining.

## Security mechanisms

Far-ranging security guarantees have been detailed in the memorandum, whereby Israel and the Palestinian Authority agree to prevent acts of terrorism against each other. This is the first time that the principle of reciprocity has been spelled out: "The Palestinian side agreed to take all measures necessary in order to prevent acts of terrorism, crime and hostilities directed against the Israeli side, against individuals falling under the Israeli side's authority and against their property. *Just as the Israeli side agreed to take all measures necessary in order to prevent acts of terrorism, crime and hostilities directed against the Palestinian side, against individuals falling under the Palestinian side's authority and against their property*" (emphasis added).

Both sides agree to combat terrorism, which includes the "terror support structure" and the "environment conducive to the support of terror." This leads to actions intended to outlaw terrorist organizations. Here, the Wye memorandum states that in addition to Israeli-Palestinian Authority coordination, a "U.S.-Palestinian committee will meet biweekly to review the steps being taken." The United States will cooperate with the PA, to "eliminate terrorist cells and the support structure that plans, finances, supplies and abets terror." The PA will arrest Palestinians suspected by Israel of "perpetrating acts of violence and terror," but will not hand them over to Israeli control. The PA will "issue a decree prohibiting all forms of incitement to violence or terror," and the Palestinian National Charter (PNC) will be amended, to nullify "provisions that are inconsistent with the letters exchanged between the PLO and the Government of Israel on 9-10 September 1993."

Commenting on this aspect of the agreement in his *Le Monde* interview, Peres noted that Netanyahu did not succeed in getting the right to extradite suspected terrorists, and said Arafat had argued that by the same token, the Palestinians would have the right to extradite settlers accused of violence. Regarding the planned meeting of various Palestinian organisms, including the PNC, Peres said he considered it superfluous, considering that the PNC is "an organism that belongs to the past" without any influence on Palestinian-Israeli relations.

Other security measures defined, include the prohibition of illegal weapons, and the prevention of incitement to violence. The latter issue is to be formalized in a decree by the Palestinian side "comparable to the existing legislation which deals with the same subject." This implies, again, reciprocity: that Israeli settlers, for example, armed to the teeth, should not be allowed to incite and organize violence against Palestinians.

## The security dimension to economic development

Thinking back to the original Oslo agreement, what stands out in one's memory is the extensive treatment of economic development, as the key to ensuring that peaceful coexistence could function. The annexes to that agreement, spelled out vast regional infrastructure projects which, had they been implemented, would have laid the basis for actual peace. Instead, as *EIR* documented, the economic policy content was taken over by the free-market maniacs of the World Bank and International Monetary Fund, who, with precious few exceptions, prevented any productive investment from being allocated. Indeed, the showcase project of Palestinian economic development, has recently been hailed, in a huge gambling casino, run by Palestinians, but which caters to Israelis, who are not allowed to gamble inside Israel.

Among the projects identified in the original Oslo Accords, were a port and airport for Gaza, as well as a corridor connecting the Gaza Strip to the West Bank. None of them has been built, due to Israeli sabotage. Now, the Wye memorandum is attempting to put them back on the agenda.

Economic development, it says, is to be promoted through the opening of the Gaza Industrial Estate and the Gaza airport. An agreement is to be completed to allow for construction of the Gaza port. Safe passage for Palestinians between Gaza and the West Bank, is to be agreed upon within a week for the southern route, and "as soon as possible" for the northern route. A "strategic economic dialogue" is also contemplated in the Wye document, whereby existing obstacles to Palestinian economic viability will be dealt with; these include unpaid Palestinian debts, Israeli taxation practices, and Israeli trade barriers.

The permanent status negotiations are to be resumed right away, with the aim of concluding them by May 4, 1999. These are to deal with unsolved problems, including the status of Jerusalem and of a Palestinian state. "The negotiations will be continuous and without interruption," i.e., they should not be subject to Netanyahu's sabotage, assures the Wye memorandum. Furthermore, the United States has "expressed its willingness to facilitate these negotiations," indicating that Clinton may be disposed to continue his personal intervention. Finally, no step is to be taken that would change the status on the ground of the West Bank or Gaza, meaning that Israel must desist from expanding or building new settlements. The entire agreement is tied to specific deadlines, starting one week after signing, and proceeding, week by week thereafter.

The question left open by the Wye agreement, is one that cannot be answered in a written text: What will Netanyahu do? If he implements the agreement, he will be contested by the right-wing extremist Israelis who are the base of his and Foreign Minister Ariel Sharon's support. Either he shifts, to represent the majority of the population, which wants peace, or he sticks with this base, which will guarantee the sabotage

of the accords, and an escalation to war.

Before leaving the United States for Israel, Netanyahu did not give much reason for optimism, when he told Reuters, "No deadline of Oslo has been met, not one. . . . You extend deadlines and we've done that throughout the Oslo process and there's no reason not to do it here." Immediately after touching down in Israel, Netanyahu started spewing out statements designed to undermine the Wye agreements he had just signed. First, he said he believed the accords would not prevent him from continuing settlement building, including the Har Homa site in the Arab sector of East Jerusalem. Then, his media adviser, Aviv Bushinsky, told the press that Netanyahu had postponed ratification of the deal. "Prime Minister Benjamin Netanyahu has decided to postpone the cabinet meeting scheduled for Thursday in which the ministers were due to ratify the agreement reached at Wye Plantation," he said. His statement said that the Palestinians had agreed last week to complete "within a week a Palestinian working plan for fighting terrorism but this evening it became clear that the Palestinians are not living up to the set timetable." It went on, to say that Netanyahu would convene the cabinet "to endorse the agreement immediately after receiving the Palestinian working plan for fighting against terrorism."

If public opinion polls are any indication of the popular mood, the 70-80% mandate for peace expressed by the Israeli people recently, should communicate to any politician who wishes to win elections, that he must take steps to implement peace. If the Knesset (parliament) approves an early election bill passed by the Constitution Justice and Law Committee on Oct. 26, then elections could take place in Israel as early as March 1999, rather than the year after. As long as the current Netanyahu-Sharon combination rules Israel, there is little hope for peace.

The other question is: What will Clinton do? If the text is to be taken seriously, it means that the U.S. President will have to force through implementation all the way. To dismantle the terrorist infrastructure on both sides, would mean cracking down on the network inside the Shin Bet which has been coordinating "Palestinian" terror assaults, and it would entail disarming the settlers. This is tantamount to disenfranchising the current government. It would also mean dismantling the vast financial and ideological support structure inside the United States which has fuelled extremists, like the Temple Mount crowd. Finally, to effect real economic development, which would lay the basis for peaceful coexistence, fundamental changes would have to be made in Clinton's economic policy overall.

The final, crucial question relates to an item not mentioned in the agreement, but widely reported in the press: that Clinton agreed to "review" the case of Israeli super-spy Jonathan Pollard. If Clinton were to capitulate on the Pollard issue, it would be a catastrophic concession, signalling that the Netanyahu-Sharon forces ultimately dictate terms. No peace would be thinkable in that context.

# Italy gets a new government: From the 'third way' to a triumvirate

by Claudio Celani

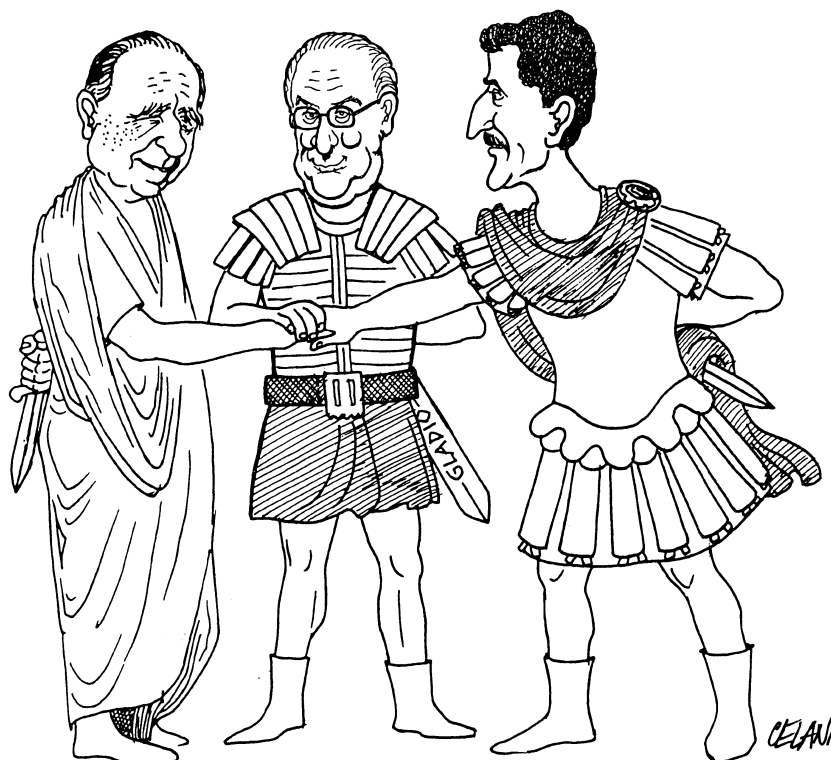
The new Italian government led by Massimo D'Alema represents a shift, not so much because it is the first cabinet led by a member of the former Italian Communist Party, but because, paradoxically, it should be a return to political realism after eight years of ideologically tainted governments. Since 1992, in fact, Italy has been ruled by executives led by either technocrats or amateurs, whose task has been to faithfully execute directions issued at the infamous meeting on board the British royal yacht *Britannia*, when it anchored off Italy's coast on June 2 of that year.

To understand the paradox, one must look at the level at which, in Italy as elsewhere in the world, real political decisions are taken. This is the level of the national elites, i.e., industry, banks, religious institutions, labor, and, last but not least, intellectual leaders. Italy's national elites have reorganized themselves after suffering a serious defeat through the 1992-93 "Britannia" offensive, which managed to almost completely destroy the constitutional party system through the famous "Clean Hands" campaign, a Kenneth Starr-like anti-corruption investigation. The "Britannia boys" have thus enforced a financial market dictatorship in Italy, including the largest privatization program in the Western world, and a blood, sweat, and tears budget-cutting policy under the pretext of complying with the criteria established for joining the European Monetary Union (the euro), otherwise known as the "Maastricht parameters."

The last of such cabinets has been the "Olive Tree" coalition

led by Romano Prodi, a 60-year-old professor from the London School of Economics who distinguished himself by giving mega-speculator George Soros an *Honoris Causa* degree in Economics. Prodi, who was dreaming of building an international "third way" movement with his friend, British Prime Minister Tony Blair, has now ended his career, after he was defeated by one vote in a parliamentary test on the fiscal year 1999 austerity budget.

The fall of Prodi's government appears to have been long and carefully planned. The effects of six years of insane



"The Triumvirate," Italy's new coalition government (left to right): Carlo Azeglio Ciampi, Francesco Cossiga, and Prime Minister Massimo D'Alema.

## D'Alema: Who is the new Italian Prime Minister?

Massimo D'Alema comes from a political dynasty. His father was a leader in the Resistance against fascism, a long-standing regional leader, and a member of the national directorate of the Italian Communist Party (PCI). Although of Marxist inspiration, the PCI soon abandoned revolutionary strategies in favor of a socialist-reformist approach. The current Italian Constitution is the product of the collaboration of the PCI with the Christian Democratic Party, the Socialist Party, and other, minor members of the anti-fascist coalition that led the Resistance. From his father, who worked many years in the Finance Committee of the Italian Senate, Massimo D'Alema has inherited the idea that politics has to give up ideology when it conflicts with reality.

The younger D'Alema started his political career in the 1970s, when the secretary general of the PCI was Enrico Berlinguer. As leader of the Communist Youth Federation (FGCI), D'Alema had to face a terrorist upsurge in the universities. In 1977, the terrorist movement calling itself the Autonomists took over Italian universities and started shooting moderate leftists who were supporting Berlinguer and Aldo Moro's policy of National Unity, a project for forming a government based on a Communist-Christian Democratic alliance. The Autonomists, and the more famous Red Brigades, accused the PCI of having "betrayed" anti-fascist ideals. D'Alema was successful in marginalizing the Autonomists and preventing sympathy for them from developing inside the FGCI.

After the death of Berlinguer (1984), the PCI underwent a change. After a brief transition under Alessandro Natta, the anti-labor, globalist tendency took over through

new party secretary Achille Occhetto. In 1989, Occhetto took the occasion of dropping the name "Communist" from the party, to complete the shift. The new party was now called Democratic Party of the Left (PDS). While a faction abandoned the PDS and created the Refounded Communist Party (PRC), D'Alema stayed in the PDS as vice-secretary.

When the "Clean Hands" operation, aimed at destroying the constitutional party system, started in 1992, Occhetto saw in it a way to take over the government, and supported it. D'Alema, who represented the internal opposition, had to wait for the failure of Occhetto's strategy. The 1995 elections, in fact, were won by a new conservative party, created at the last minute by media tycoon Silvio Berlusconi, which filled the vacuum created by the elimination of the moderate parties.

With Occhetto's defeat, D'Alema became secretary general of the PDS. In 1996, he joined the center-left "Olive Tree" alliance, a "third way" solution essentially dictated by the financial markets, which won the general elections. However, D'Alema has never concealed his opposition to the idea of the "third way" and its creator, British Prime Minister Tony Blair. During the most recent Persian Gulf crisis, D'Alema was critical of the fact, for example, that "the only government in the world to support a strike against Iraq is Tony Blair's."

In foreign policy, D'Alema's people in the previous government have generally sought collaboration with the Clinton administration. On the Kosova crisis, they were ready to support a NATO strike without a UN mandate.

Shortly before presenting his new government to Parliament, D'Alema met Pope John Paul II in an official state ceremony. The Pope shook his hand and wished him "good work."

Among the very negative: In the past, D'Alema has supported legalization of "soft" drugs.

budget-balancing, which has amounted to 500 trillion liras in cuts and taxes, had built up a consensus for a policy shift among the nation's elite. From influential industry leaders like Cesare Romiti (formerly with Fiat), to Cardinal Achille Ruini, head of the Italian Catholic Bishops, from labor representatives to even the central bank, a chorus of voices critical of the insane Maastricht parameters and in favor of jobs and investment had become louder and louder. This faction has proposed a jobs-creation policy through infrastructure investment in Italy's impoverished Mezzogiorno—such as, building the bridge across the Messina Strait to connect Sicily to the mainland—in opposition to free-market proponents of job creation through deregulation. The international financial collapse has further motivated the decision by this

faction to get rid of the amateurs and to put politicians back in the driver's seat.

### De Benedetti warns of collapse

A remarkable sign of the panic which has gripped the whole financial community is the way in which Carlo De Benedetti, a known international figure and a pioneer in high-risk derivatives operations, has warned against an inevitable financial collapse, in a commentary in the Italian economic daily *Il Sole-24 Ore*, on Oct. 23. The financial storms of the last months, De Benedetti wrote, are "the prelude to a most serious global crisis." He added, "The most worrying thing . . . is the total lack of leadership which emerged at the last G-7 meeting in Washington. The 'lords' of world

## Cossiga: The comeback of the 'Pick-Axer'

Francesco Cossiga's biography could be taken out of Francesco De Roberto's *I Vicere*, a novel describing the career of an ambitious Sicilian prince. Cossiga is no prince, although his family is among the "notables" of the Sardinian city of Sassari. Cossiga, from a family of Freemasons and Jacobins, followers of Giuseppe Mazzini, is the first "Catholic" member of his family (an adaptation to the times). He grew up under the patronage of Antonio Segni, a major landowner and an associate, during his youth, of pro-British fascist leader Dino Grandi. When the Christian Democratic Party was founded, Segni joined it and became one of its national leaders.

In 1962, Segni was elected President, and took with him the young Cossiga, who became his liaison with Secret Services head General De Lorenzo. A few months later, the great nationalist leader Enrico Mattei was killed, and a cover-up was organized by De Lorenzo's people.

From that point on, Cossiga's biography parallels the major mysteries of Italian politics, culminating in his role during the 1978 kidnapping and assassination of Aldo Moro by the terrorist Red Brigades. Moro was eliminated under orders of Henry Kissinger, who wanted to stop Moro's project for national unity. A faction of the Italian elite, to which Cossiga belonged, made sure that Kissinger's orders were executed. Cossiga was Interior Minister, and therefore head of the police, prior to and during the kidnapping. Three months before the kidnapping, in the midst of a terrorist emergency, Cossiga dissolved the anti-terrorist police, under cover of reforming the Secret Services. When Moro was kidnapped, on March 16, 1978,

Italian police and intelligence services were hamstrung, thanks to Cossiga's reform. While Moro was held captive, Cossiga centralized investigations in "crisis management committees," whose members, it was later discovered, were all adherents of the secret Propaganda 2 freemasonic lodge.

Cossiga resigned after Moro was killed, on May 9, 1978. But one year later, he became Prime Minister, leading a coalition which overturned Moro's policies.

In 1985, Cossiga was elected Italian President. During his mandate, a secret NATO organization, called "Gladio," which is accused of playing a destabilizing role, was uncovered. Cossiga declared that he personally, as state secretary, presided over its founding. The PCI, the largest opposition party, called for Cossiga's impeachment, but the initiative was unsuccessful. In 1989, Cossiga resigned as a member of the Christian Democratic Party and started a movement to demolish the constitutional party system, which he called a "*cosa nostra*" system. Cossiga's campaign was the signal for the Clean Hands operation and the electoral growth of the separatist movement, the Northern League. Before the end of his mandate, in 1992, Cossiga resigned in order to provoke an institutional crisis and prevent a representative of the party system from being elected.

Cossiga has been characterized by Margaret Thatcher as "my preferred Italian politician." Cossiga is an admirer of British liberalism, and frequently visits the U.K. He has confessed admiration for Cardinal John Henry Newman, the founder of Dublin University and of modern British Catholicism.

Cossiga is a psychiatric case, in the true sense of the word. Like his hero Newman, he suffers manic-depressive cycles, which require psychiatric and pharmaceutical treatment. When he gets manic, nobody can control him.

finance . . . looked pretty disoriented and divided. . . . Taking that and the monstrosity of financial excesses into account, as well as the fact that this crisis is hitting a global economy, the most credible consequence is: Let's prepare for the worst."

According to *EIR* sources, De Benedetti's belated warnings have created a shock in political circles, and especially in the Parliament's Finance Committee. These circles have already acknowledged the correctness of *EIR*'s analyses and the decisive role played by *EIR* and the LaRouche movement, which first exposed the *Britannia* plot, and, since then, have consistently provided leadership.

Once the decision to dump the technocratic experiment was taken, the question became to choose the easiest alternative, in terms of a political projection of the new consensus

reached among the elites. The choice of D'Alema fit the demand. D'Alema is the secretary general of the Democratic Left (DS, the former Communist Party), the largest party in the "Olive Tree" coalition that brought Prodi to power, through election victory, in 1996. However, due to pre-election agreements, the DS in the Prodi government was represented by the leader of the pro-technocratic faction, Walter Veltroni, and the composition of the whole Prodi cabinet reflected such a compromise, with a dominating presence of two former central bankers and a majority of non-elected representatives of the "permanent bureaucracy." Thus, once the government crisis was opened, and after Prodi failed in the attempt to rescue his majority, the natural candidate to succeed him would be D'Alema.

Once D'Alema received a mandate, it was clear that the

game was fixed. The very same faction which had denied its votes to Prodi, the conservative party UDR, led by former President Francesco Cossiga, suddenly agreed to enter a government coalition under D'Alema. With the UDR votes, and with the votes of the PCDI, another new party born out of a dissident faction from the left-wing extremist Refounded Communist Party (PRC), D'Alema can now largely compensate for the loss of votes from the left that had been the cause for Prodi's defeat.

### Three conflicting tendencies

The result is that the new government has a dominating political component, but is formed by three conflicting tendencies, thus resembling a typical Roman Triumvirate. The three tendencies, schematically, are:

1. The "constitutional" forces around Premier D'Alema and his allies in the DS, the PDCI, and the Catholic parties PPI and UDR. Beside the Premiership, this faction controls important ministries, such as Interior (police), Justice, Foreign Trade, and Labor;

2. The oligarchical faction around UDR founder and former President Cossiga, controlling the Defense and Postal ministries;

3. The "Britannia boys" faction, represented by Economics Minister and International Monetary Fund (IMF) Interim Committee chairman Carlo Azeglio Ciampi. Also, not strictly a member of this faction, but a former IMF official, is Foreign Minister Lamberto Dini.

Whereas the last faction does not need further introduction, the other two need a short characterization.

The first faction represents a tradition of bipartisan policy whose historical reference point is the late Christian Democratic leader Aldo Moro. Not incidentally, in his inaugural speech, D'Alema referred to Moro's Catholic-Socialist coalition, in 1962, as the root of his own policy orientation.

The second faction represents an oligarchical faction which has historically been allied with the City of London, but which, contrary to the Britannia one-worldists, has an older tradition of territorial roots, both in terms of land-ownership and of "national" identity. This faction is now reacting to the international financial crisis with a 180-degree shift from previous policies. It was Cossiga himself who, in 1989, after the fall of the Berlin Wall, launched the demolition of the constitutional party system, so much so that, since that time, he has been nicknamed "Picconatore" ("Pick-Axer"). Now, Cossiga claims that he wants to rebuild that very Christian Democratic Party which he helped destroy. The about-face is explained by the fact that, whenever fundamental choices are taken in the country, this faction must be part of it, even if the choices go in the opposite direction of the faction's desired course.

It is no secret that the alliance between D'Alema and Cossiga is an armed truce, and that at some point knives will be drawn. If one believed Cossiga's stated intent, this would

happen at the end of the legislative term, in one and a half years. But, nobody can guarantee that Cossiga will not throw a monkeywrench into the wheels of his enemy-ally D'Alema much earlier, as soon as he finds the right occasion. In the meantime, the two have already tried to eliminate the third enemy-ally, IMF minister Ciampi.

### Ciampi backed by financial threats

As revealed by Paolo Savona, a respected banker and financial analyst, Ciampi was supposed to be excluded from the new government, but "the markets" delivered a clear message: Either Ciampi is confirmed, or there will be a speculative attack against the lira and a run on the stock exchange. Thus, the IMF minister stayed. But the game is still open, and rumors are circulating to the effect that Ciampi will probably leave the government after a few months.

Another strategic difference between the two ally-enemies D'Alema and Cossiga, is their behavior toward the opposition. Whereas D'Alema seeks dialogue with Silvio Berlusconi, leader of "Forza Italia" ("Go! Italy"), the main opposition party, for example on constitutional reforms, Cossiga has announced that he will "destroy" Berlusconi and his party. Moreover, Cossiga has so far opposed any constitutional reform voted by Parliament, in favor of a constitutional congress. All this promises to set the political landscape ablaze.

But, besides the conflicting nature of the coalition itself, the new government is born with an intrinsic weakness. Despite representing an underlying consensus for a correction of radical free-market policies, that consensus falls short of an uncompromising rejection of supranational policies, such as the European Monetary Union, and of a return to a full-fledged national economic system.

Exemplary of the problem, Italians joined French and German government leaders at the Oct. 24 European Union meeting in Austria, in pushing for a European-wide policy of infrastructure investments, to the dismay of Blair, who protested against "dirigistic methods." Underscoring the shift, earlier in the week European Commissioner Mario Monti released a paper in which he invited the whole EU Commission to drop the deficit accounting methods used thus far, in order to exempt investment expenses from the deficit as such.

At the same time, however, the same leaders called for supporting the IMF "crisis management" policy to save the international financial system, and invited their central bankers to print money. Promptly, on Oct. 26, the Italian Central Bank lowered the discount rate a whole point, from 5%, to 4%.

When the financial storm soon hits Europe full force and makes a shambles of the euro dreams, it will be seen whether this government can move toward a Bretton Woods alternative, or whether the elites must make another "policy correction."

# What is behind the Pinochet arrest

by Cynthia R. Rush

On Oct. 17, British police acted on an international extradition warrant issued by Spanish magistrate Baltasar Garzón and arrested former Chilean dictator Gen. Augusto Pinochet. The warrant for the 82-year-old Pinochet, who was recovering from back surgery in a London clinic, initially charged him with involvement in the murder, torture, and “genocide” of 79 Spanish citizens in Chile during his reign in power. Garzón subsequently widened the accusation to include charges of genocide, torture, and murder of 94 people, including citizens of Argentina, Britain, Chile, and the United States. Swiss authorities have indicated that they will seek Pinochet’s extradition to that country, and individuals in Sweden and France have filed criminal complaints against him.

Pinochet’s arrest has unleashed an international furor. The Chilean government filed a formal protest with the British government, arguing that because the general is a senator-for-life and carries a diplomatic passport, he enjoys diplomatic immunity. President Eduardo Frei also cancelled a private visit to Madrid, where he had been scheduled to meet with King Juan Carlos. Adm. Jorge Arancibia, head of the Chilean Navy, similarly cancelled two trips to London planned for the purchase of weapons. Gen. Rafael Villarreal, Pinochet’s former second-in-command, warned that if Pinochet is not released, the military would push for breaking diplomatic relations with both Spain and Britain.

The international human rights mob, including Amnesty International and George Soros’s Human Rights Watch, hailed the arrest and demanded that the “brutal dictator” be immediately extradited to Madrid. Not content with that, some British parliamentarians are reportedly even calling for General Pinochet to be tried in London, under a European covenant on torture.

## Setting a precedent

As of this writing, Britain’s High Court has ruled that General Pinochet cannot be tried or held for extradition in Britain for anything done while he was President of Chile. The three-judge panel which made the ruling said that it could be appealed in the House of Lords. Until that occurs, Pinochet cannot leave the country.

Regardless of the outcome, the point is that General Pinochet’s arrest in the first place had nothing to do with what he

did, or did not do, during the 17 years he presided over Chile’s military junta (1973-90). It is rather an attempt by a *London*-directed supranational apparatus, Prince Philip’s Transparency International (TI), to step up its assault on the institutions of the sovereign nation-state. At a time when global financial disintegration demands that those institutions be strengthened, the international financial oligarchy is organizing *supranational* agencies, such as the United Nations’ proposed world criminal court, to supplant national sovereignty and plunge the world into chaos.

As numerous media outlets for the British view have cheerfully reported, Pinochet’s arrest is intended to set a precedent for extraterritorial jurisdiction. If the arrest is allowed to stand, then heads-of-state or military leaders can be arrested for anything, any time they might travel outside their countries. Suppose Mexican President Ernesto Zedillo were to travel to the United States for medical treatment: Would he be arrested on charges stemming from allegations by the human rights mafia, that his government violated human rights in Chiapas? Or, what about Peru’s President Alberto Fujimori, who waged a successful war against the Shining Path narco-terrorists?

Pinochet has given long years of service to the British—yet not even this has protected him. He may have allied with the Queen against Argentina in the 1982 Malvinas War, and faithfully imposed in Chile the same free market and globalization policies which his friend Prime Minister Margaret Thatcher implemented in Britain. It is on the basis of Pinochet’s valuable assistance to the British during the Malvinas War that Thatcher has also called for Pinochet’s immediate release.

But from the standpoint of the British Crown, Pinochet is expendable. If the Blair government were really interested in halting human rights violations, it would have already arrested the numerous Arab, Ibero-American, and other hardcore terrorists who have for years directed their murderous activities around the world *from London*, and against whom, the British police or government authorities have never lifted a finger.

## Garzón and Transparency

Founded in May 1993, Transparency International is a powerful international organization, officially dedicated to “fighting corruption nationally and internationally.” This is just a facade, however. TI is a political partner of the World Bank and International Monetary Fund, committed to the same worldview and policy direction, under a different guise. It is staffed by “former” employees of both those institutions—its current president is former World Bank executive Peter Eigen—and has operations in more than 60 countries, with 70,000 members and apparently unlimited funds. One source of Transparency’s funds is global speculator George Soros, the financier of drug legalization campaigns and narco-insurgencies in Ibero-America. Michel Camdessus, the IMF’s

managing director, is a frequent speaker at Transparency conferences.

As Italian journalist Gianluigi Nuzzi wrote in the April 18, 1997 Italian daily *Il Giornale*, “close to Transparency, we find some very prominent characters of the British world” — Prince Philip, Duke of Edinburgh for starters. Nuzzi reported that Transparency International’s “moral-theological foundations” derived from a series of meetings which Philip promoted, beginning in 1984, and which were later reflected in the 1993 “Interfaith Code of Ethics” which identifies corruption as synonymous with sovereign governments and industrialists. Its propaganda repeatedly emphasizes the need to establish an “Anti-Corruption Authority” which is independent of governments, and empowered to fight the corruption of “politicians.”

Transparency International’s coordination with the Italian magistrates of the “Clean Hands” team, which began a rampage against that country’s national institutions more than six years ago, succeeded in destroying a large part of the political and industrial elite still committed (at least to an extent) to the idea of economic and national sovereignty. Gherardo Colombo was one of three Clean Hands magistrates to attend the founding meeting of Transparency International’s Italian chapter.

Baltasar Garzón is one of a group of European magistrates who have coordinated closely with the Clean Hands offensive in Italy, while pursuing targets in their own countries as well as internationally. In Spain, he was involved in promoting numerous “anti-corruption” scandals during Felipe González’s Socialist administration, including charges that government officials were involved in financing death squad activity and carrying out a “dirty war” against the Basque separatist terrorist ETA. The political chaos which ensued, combined with González’s commitment to globalization, contributed to the Socialists losing the elections in 1996. The ability of the security apparatus to fight the ETA was also significantly weakened.

Garzón and Italian Clean Hands magistrate Colombo, were also among seven European magistrates who issued a declaration on Oct. 1, 1996 in Geneva, announcing the creation of “Euro-justice.” To wage war against “Europe of the shadows” where corruption is the “main engine of our economies,” the declaration demanded that “the outdated protectionism on judicial and political matters” be abolished, and that magistrates across Europe be allowed to meddle in judicial matters of other countries “without interference from the executive power,” and without the subjects of investigation having “recourse to diplomatic immunity.”

## Just the beginning

Garzón has made clear that the scope of his investigation goes far beyond the arrest of General Pinochet. He is targeting military officers across South America’s Southern Cone — Argentina, Uruguay, Brazil — despite the fact that

many were tried and served time in prison, or were amnestied by their governments to avoid politically destabilizing internal conflict.

Outside of the Pinochet case, Garzón has issued an international arrest warrant for Gen. Leopoldo Galtieri (ret.), the head of the Argentine junta which went to war against the British in 1982, and for 115 other Argentine Army officers, policemen, and civilians charged with human rights violations. Spanish magistrate Carlos Castresana, one of Garzón’s collaborators, arrogantly warned on Oct. 19 that if any of those Argentines on Garzón’s list travelled abroad, they would suffer the same fate as Pinochet.

In pursuit of these cases, Garzón works closely with the president of Transparency International for Ibero-America and the Caribbean, former Argentine prosecutor Luis Moreno Ocampo. Moreno Ocampo, who helped prosecute former military junta members in 1985, runs the Citizen Power Foundation, a “grassroots” organization intent on replacing national institutions with the jacobinism of “civil society.”

At the center of Garzón’s offensive is the charge that the Southern Cone military governments of the 1970s used “Operation Condor,” an anti-terror intelligence-sharing and coordination program, as the vehicle for “state terrorism” against innocent, or perhaps “misguided,” “leftist opponents” in these countries.

## A glaring omission

The glaring omission in these arguments is the truth of what happened in the region beginning in the late 1960s. Cuban- and Soviet-backed narco-terrorists threatened the very existence of several Ibero-American nations. These communist forces *began* and waged irregular warfare against the nation-state — and continue to do so today in Colombia, for example. This reality has been lost in the Big Lie campaign orchestrated by Garzón and his ilk, which asserts that the armed forces of the region are, *institutionally*, Nazis, and should be punished by Nuremberg-style trials.

In the wake of General Pinochet’s arrest on Oct. 17, military unrest across the Southern Cone has noticeably increased. In Chile, the Armed Forces have been confined to quarters — a sign that they are on alert status.

Garzón has not yet named any Brazilian officer, but sentiment among the Brazilian Armed Forces’ general staff is that, if that happens, it would wreak havoc with diplomatic relations between Spain and Brazil. In a letter to Brazilian President Fernando Henrique Cardoso, Suzana Lisboa of the Brazilian Relatives of the Dead and Disappeared demanded that he provide Judge Garzón with the names of five Brazilians who were killed in Chile during Pinochet’s rule, for which deaths, she said, Pinochet should also be held accountable. Lisboa requested that Amnesty International take up the case of the dead Brazilians. Amnesty’s investigator, Virginia Shoppe, warned from London that all Southern Cone militaries, “including Brazilians,” are fair game for attack.



# London gameplan for Congo proceeds apace

by Linda de Hoyos

A U.S. delegation led by Assistant Secretary of State Susan Rice is touring the Central Africa region, in the hopes of achieving a negotiated settlement for the multi-country conflict in the Democratic Republic of the Congo (D.R.C.). After beginning in South Africa, where President Nelson Mandela has led several unsuccessful attempts to mediate the conflict, Rice headed for Angola on Oct. 27. According to the Associated Press, she arrived in Luanda with the “hopes of persuading the government to withdraw troops it has sent to Congo to support the Congolese government in its war against rebels.” On Oct. 21, U.S. Special Envoy Howard Wolpe had visited Harare, Zimbabwe, in an effort to dissuade Zimbabwean President Robert Mugabe from sending more troops to the D.R.C., in response to the seizure of the central Congo town of Kindu by the “rebel forces.” “We are anxious to get a cease-fire in place,” Wolpe explained his mission in Harare. “We do not want things to get out of control.”

The negotiating points of the U.S. delegation appear to match those put forward by a summit of East African heads of state—Ugandan President Yoweri Museveni, Kenyan President Daniel Arap Moi, and Tanzanian President Benjamin Mkapa—held in Nairobi, Kenya, Oct. 19, which called for a negotiated settlement for the war in Congo. The modalities for such a settlement would include: immediate cessation of hostilities; immediate negotiation for a cease-fire agreement and troop standstill; measures to address the security concerns of neighboring countries; security for marginalized groups; orderly withdrawal of all foreign troops; initiation of dialogue; deployment of an international peacekeeping force under the auspices of the United Nations and the Organization of African Unity.

The summit correctly noted, that the conflict in the Congo, which began Aug. 2, “threatens to engulf the whole region” or become “Africa’s first world war,” as Rice voiced her concern about the situation. The demand for a cease-fire and renewed negotiations had come from Uganda’s Museveni and the Congo rebel forces immediately after their seizure of Kindu on Oct. 14, in an attempt to stave off counterattack by the forces that had been invited to defend the Congo by President Laurent Kabila—Zimbabwe, Chad, Angola, and Namibia.

The Congo Alliance, as it is called, has no illusions, however, that it is fighting Congolese forces. The war in Congo began on Aug. 2 with an invasion across the border into Congo from Rwanda, by combined Rwandan and Ugandan troops.

As *EIR* reported last week, the Kivu provinces of eastern Congo have come under the occupation of Rwandan forces, while toward the north, troops of the Ugandan Popular Defense Forces operate. The seizure of Kindu has placed the Rwandan-Ugandan force in line to go either south into Katanga, in efforts to take Lubumbashi, or further into central Congo to seize the diamond town of Myuji-Mayi. All of the region seized by the Rwandan-Ugandan combine is drenched in minerals.

The attempts for a cease-fire from Museveni et al., after the fall of Kindu, did not succeed. After meeting with Kabila on Oct. 14 in Lubumbashi, Zimbabwe President Mugabe said the allies would now review the situation. “We had believed the conflict was going to be resolved through peaceful means since we were negotiating with Rwanda and Uganda, but it would appear that the more we negotiate peace and assure them that we would want to see peace, the more they take advantage of the peaceful negotiations to extend their areas of control.”

By Oct. 22, the allies of the Congo had decided to step up their presence in Congo, after a meeting in Harare, Zimbabwe. “A prolonged struggle in our region that destabilizes the principle of the region and principles of democracy . . . that destabilization must be resisted. What is a threat to your neighbor is a threat to you,” they said. Coming under fire from the international community and from Zimbabwe’s internal opposition, Mugabe defended the decision: “Resources must be utilized for the survival of the people, for the avoidance of fraction, trouble, for the creation of harmony, peace, and stability in the region. . . . We have pledged our support to President Kabila and we have assured him we will not allow the D.R.C. to fall into the hands of those who have invaded it. Never. Never.”

Hence, Zimbabwe, Angola, and Namibia are coming under pressure to cease and desist in the Congo. Observers have noted with consternation that while the United States places its diplomatic pressure on the Congo allies, it is not placing the same pressure on the invaders. In contrast to the demands placed on Zimbabwe and Angola for immediate withdrawal, U.S. envoy Wolpe on Oct. 26 visited Uganda, to meet with President Museveni, where “they discussed the proposals which have so far been made by the region on how to resolve the conflict in the D.R.C.” and where Wolpe wanted to see how his government “could be of assistance.” Hence, Museveni is being treated as a leader seeking a settlement, as if his troops were not in Congo in violation of international law!

## Sitting round the table

There is now a military stand-off in the D.R.C., which if not settled soon, either through negotiations or decisive military action, threatens to turn all Central Africa into a quagmire of perpetual war. Given the dangers to all parties, negotiations are definitely in order. A review of the interests of all the parties involved helps explain the anomalies in the

reactions of not only the United States, but the international community, to the war. Start from the top:

- **British Privy Council:** While the British have also demanded an immediate cease-fire in the Congo and launching of negotiations, the invasion of Congo by Rwanda and Uganda—as the same invasion in 1996-97—is the realization of the desire on the part of the British oligarchy, since the days of Belgium’s King Leopold, to have direct control of the mineral wealth of eastern Congo. Suspected of aiding in financing the “rebellion” against Kabila are such companies as Banro Resources, along with other British Commonwealth extraction companies that funded Kabila’s march on Kinshasa in 1997.

As *EIR* has documented, the 1990 invasion of Rwanda by the Ugandan Army, which set into the motion the events that have led to the current war, had as its objective the use of Rwanda as a springboard for the taking of eastern Congo, a mission the Museveni-allied Rwandan Patriotic Front has been eager to execute. In the case of the invasion of Congo, the aim is not simply the seizure of Congo, but also to use that area as a springboard to go after the governments further to the south, particularly Zambia, where a mining consortium led by Anglo-American has already put the government under financial seige for the purposes of acquiring Zambia’s rich copper fields.

The British call for peace in the Congo, but their money is directed otherwise. On Oct. 2, the British government donated £67 million to the Ugandan government, the largest financial package ever delivered to Uganda. The money permits Museveni to continue to divert government funds to military operations, which now use up 20% of the Ugandan national budget.

- **Rwanda and Uganda:** Museveni has sent troops into Congo under the direction of his Chief of Staff of the Armed Forces, James Kazini, the President’s nephew. According to all accounts, including from their Rwandan allies, the Ugandan troops are now plundering the areas under their control, particularly hauling out the gold of the Haut-Zaire province. Museveni has claimed that he sent troops into Congo in order to rout Ugandan rebels from their safe haven, but such battles have not occurred, although hundreds of Ugandan soldiers were captured in the battles for Kinshasa in September.

In Museveni, a man who sees the entire central and eastern Africa as land that should be under his dominion, the British have found the right man to execute their plans on the ground. Although Museveni has loudly called for a cease-fire, in his long career in military conflict, he has never been known to have been engaged in negotiations in good faith, but rather sought to use negotiations either for the purpose of deception, or for buying time for building up his forces for a new offensive.

As for the Rwandan government in Kigali, it has publicly stated its desire for a second conference of Berlin, after the

1884 Berlin conference where the European powers divided the African continent among themselves. In the failed talks in Lusaka Oct. 26, the Rwandans were accused by the Congolese of seeking more “living space” in eastern Congo. All of Kigali’s actions on the ground in eastern Congo, including the transfer of Tutsi populations to rich agricultural land in the east, indicates their intention to stay in the area permanently.

- **The Kabila government:** President Laurent Kabila wants to stay in power, and also wants to rebuild Congo, so that it ceases to be nothing but a looting ground for western mining interests. His refusal to talk to rebels, before the Rwandan and Ugandan troops have withdrawn from Congolese territory, has been the death knell of every mediation effort.

- **Congo Alliance:** Those nations coming to the defense of the territorial sovereignty of Congo at the invitation of Kabila have drawn the line against the continuing destabilization of the continent coming from Museveni, as indicated by Mugabe. If serious negotiations do not begin soon, or if they fail to take decisive military action to force the withdrawal of Rwandan and Ugandan troops, they risk becoming involved in a protracted war of attrition, giving time to the British et al. to wage international campaigns against their economies and political leadership.

- **The United States:** Backing Museveni to the hilt both militarily and financially, U.S. policy in eastern Africa has been hijacked by the “war gang” centered around Roger Winter of the U.S. Committee on Refugees, Susan Rice, and John Prendergast at the National Security Council. Their policy hinges around backing of Museveni for war against Sudan. Their calls for Rwanda and Uganda to remove their troops from Congo, have not been matched by any action backing up the words. Under Rice et al., the United States has not acted in its own interests in Congo, but served as junior—and most hard-working—partner to British Privy Council aims. If the United States were to take action to impose a just peace in Congo, then a settlement could be achieved. If, however, Rice et al. continue their antics of attacking allies legally inside Congo, while giving Museveni free rein, it is unlikely that peace can be achieved unless it is a peace of victory—disguised or otherwise—for Uganda and Rwanda.

- **The people of the Democratic Republic of Congo:** This grouping of more than 40 million people has not been consulted. The long-suffering Congolese people seek a unified Congo under democratic nationalist rule. By all accounts, if the British and their allies succeed in their plans in placing Congo or parts thereof under Rwandan and Ugandan tutelage, this will not be tolerated by the Congolese people, and a long war will ensue inside the country.

Therefore, for those who want peace in Central Africa the most pertinent question is: By whom and how will the Ugandan and Rwandan troops be forced out?

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# International Intelligence

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## ***Turkey, Syria to end conflict over PKK rebels***

Turkey and Syria have come to an agreement to end their conflict, over Syria's protection of Kurdish Workers Party (PKK) terrorists. Syria pledged to shut down Kurdish rebel camps in its territory and in Lebanon's Bekaa Valley, which it controls, under an agreement signed on Oct. 20. Syria also agreed not to let Kurdish guerrillas stage cross-border attacks on Turkey.

Turkish Foreign Minister Ismail Cem was quoted by Associated Press that Syria would treat the PKK as a "terrorist organization," and would not let PKK leader Abdullah Ocalan into Syria. "An important foreign support to terrorism has thus been eliminated," Cem said. Although Ocalan has told the Kurdish news agency that he is somewhere in "Kurdistan" (the Kurdish people live in the border areas of Turkey, Syria, Iraq, and Iran), Turkish Prime Minister Mesut Yilmaz said Ocalan was in Russia, and Turkey had requested his extradition from Moscow.

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## ***Canadian indigenist meddling in Australia***

A Canadian indigenous activist who went to Australia is claiming that Aboriginal land rights should extend to privately owned property, known as freehold title. Canada has long been a test bed for the British oligarchy's assault on the nation-state, in this case, locking up vast tracts of mineral-rich lands in these sparsely populated nations, via specious "native people's" land claims. Several Canadian indigenous activists have been deployed to Australia to agitate for Aboriginal land-grabs, on behalf of the oligarchy's mining firms. The head of state of both Canada and Australia is Queen Elizabeth.

Don Ryan, chief of Canada's Sixtyn people and a chief native title negotiator for Canadian Indians, has been touring Australia and is lobbying for indigenous groups within Australia, to use a precedent set by the courts in British Columbia, which ruled that native title rights are not extinguished

by freehold titles. Australian legislation currently rules that certain areas cannot be claimed, including freehold titles.

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## ***Russia and Iran move to strengthen ties***

Despite contrary pressures from the U.S. Congress, the Russian Duma (parliament) voted on Oct. 21 to further expand ties with Iran. (The U.S. Congress had voted the day before, on Oct. 20, to halve aid to Russia, unless it stopped development of nuclear programs related to missiles. This bill has not been sent to the Senate yet, nor has it the approval of President Clinton.) Its declaration, voted up by 267 members, said, "The Duma believes it is indispensable . . . to exploit more fully the potential for military and technical cooperation between Russia and Iran in order to support the national economy." It characterized U.S. pressures against "mutually advantageous" relations between Russia and Iran, as "illegal and unacceptable," according to wire reports.

Relations have been improving steadily, and high-level meetings have taken place around areas of mutual concern, including the war in Afghanistan. Iran is counting on Russian help to complete the Bushehr nuclear plant.

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## ***Indonesia plagued by political 'ninja' murders***

Jakarta Police Chief Maj. Gen. Noegroho Djajoesman was quoted in the *Jakarta Post* on Oct. 16, saying that his security personnel have been put on alert against the risk that the pattern of killings of alleged "sorcerers" by individuals disguised as "ninjas," which started in East Java, and has since spread to Central and West Java, could also hit Jakarta. The Commission for Missing Persons and Victims of Violence reports that 147 people have been killed in regencies in East Java many of whom were Muslim preachers or Koranic teachers. Jakarta Governor Sutiyoso met with senior editors and journalists on Oct. 16 to stress his concern that the killings must be kept out of the capital, "to safe-

guard Jakarta so as not to project the image that Indonesians are barbaric."

Abdurrahman Wahid, head of the largest Muslim organization in Indonesia, the Nadlatul Ulama, told the *Media Indonesia* daily on Oct. 18 that he knows who the "master puppeteer" behind the "ninja" murders is, but declined to reveal the individual. The intent, Wahid said, is "to incite NU members. They want to create national instability and disrupt plans to hold the general election in 1999." He said that the murders were carried out "neatly and in a very organized way," claiming that professionals from Jakarta were sent to carry them out.

He also said they were related to violent attacks on the home of businessman Arifin Panigoro, who is known for his support to student groups and non-governmental organizations, and to attacks on the headquarters of the country's leading human rights watchdog, the Indonesian Legal Aid Institute. Wahid's statement was followed up by a call from the head of the newly created National Awakening Party, which enjoys substantial support from NU members, to keep the general elections on track for next May.

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## ***Swissair crash probe is being sabotaged***

Some time during the night of Oct. 11-12, the office of the chief of Swissair in Zurich was broken into. According to the *Neue Zürcher Zeitung*, the police are investigating whether the theft was an attempt to steal the report on Swissair Flight 111, which crashed off Nova Scotia on Sept. 2. On Oct. 13, Guido Hirni, a crash investigator for the Swiss federal aviation safety board, was killed in a helicopter crash. Although it is not known whether Hirni was directly involved in the investigation of Flight 111, he was one of the inspectors who was briefing the press.

In its Oct. 16 issue, *EIR* exclusively reported on the suspicious nature of the Swissair crash, including the fact Richard Tomlinson, an ex-British MI6 agent who has exposed many of the agency's illegal activities, had been booked on that flight, although he was not on the plane.

## Meathead Netanyahu brings in Butcher Sharon

by Jeffrey Steinberg

It is not very often that this writer and this publication endorse the views of Zbigniew Brzezinski, the Carter administration National Security Adviser and Democratic Party alter ego of the mad Dr. Henry Kissinger. But in a recent CNN television appearance, on John McLaughlin's "One on One," which aired on Oct. 17, 1998, Brzezinski accurately identified the short- to medium-term likelihood of serious Middle East violence, as the result of Prime Minister Benjamin Netanyahu's recent appointment of Gen. Ariel Sharon as his Foreign Minister. Sharon is known as "the Butcher of Sabra and Shatila" for his genocidal assault on Palestinian refugee camps in Lebanon in 1982.

Unless they are stopped, soon, Netanyahu and Sharon will blow up the Oslo peace talks and set the Middle East on a course of war and devastation beyond anything seen in the 1956, the 1967, and 1973 Arab-Israeli wars. This time around, Israel will likely resort to the use of tactical nuclear weapons.

"There is the real risk that the Palestinians will declare an independent state of Palestine on the territory on which they currently have authority," Brzezinski told CNN's McLaughlin. Indeed, Palestinian Authority President Yasser Arafat has stated that, if Netanyahu and Sharon sabotage the final status talks, scheduled to begin in November, he will consider declaring Palestinian independence on May 4, 1999, the date that the Oslo Accords are to be concluded.

"That will cause a collision with the Israelis, perhaps a showdown involving the use of force, in which case there are likely to be very high casualties, particularly on the Palestine side but some also on the Israeli side," Brzezinski warned.

**McLaughlin:** "You're talking war?"

**Brzezinski:** "I am talking a collision, not a war, because 'war' means 'there are two sides that can keep fighting.' The Israelis will crush the Palestinians rather quickly but at some

cost; in lives, extremely high cost politically, because a lot of the world, I think, will recognize the independent state of Palestine."

Referring to Sharon, Brzezinski concluded, "He wants an emasculated Palestinian state, with maximum territorial gain for Israel and with maximum limitations on Palestinian sovereignty. And that's going to be what the major, serious negotiation, the real Camp David will be about sometime in the next year."

Others in the United States and Israeli national security establishments are even more blunt: Unless the Sharon-Netanyahu government is driven from office in the immediate weeks ahead, there will be no "real Camp David." Only a Sharon-orchestrated war.

### Return of the Butcher

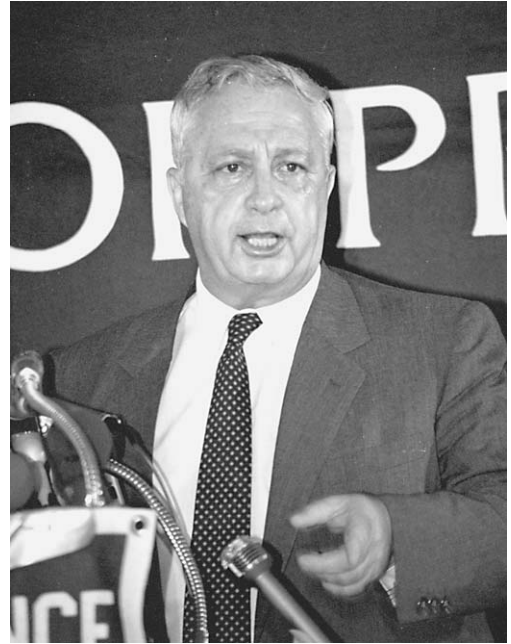
In the Oct. 23, 1998 *EIR*, Joseph Brewda provided a detailed account of Sharon's murderous career ("Sharon Appointment in Israel Makes Death of Oslo Accords Official"). Sharon's policy toward the Palestinians has always been to either expel them from Israel and the occupied territories, or herd them into self-governing "bantustans" not much different than the refugee camps in Lebanon that he razed during the 1982 Israeli invasion, an act of genocide that even Prime Minister Menachem Begin labeled a "betrayal."

As Brewda documented, for decades, Sharon has been the "godfather" of the West Bank settlers movement, terrorist gangs like the Kach Movement and Kahane Chai, and the hard-core Temple Mount Faithful, who have no compunctions about instigating an endless religious war in the region, by blowing up the Al Aqsa Mosque at the Dome of the Rock, on Jerusalem's Temple Mount, the third holiest site of Islam.

The Temple Mount project enjoys the psychotic backing



*Unless the insane policies of Israeli Prime Minister Benjamin Netanyahu (left) and his new Foreign Minister, Ariel Sharon, are stopped very soon, the Oslo peace accords, and the intensive efforts by President Clinton to bring the settlement to fruition, will be totally destroyed, and a new war will be on the horizon.*



of a faction of U.S.-based Christian evangelicals, associated with people like Rev. Pat Robertson and Rev. Jerry Falwell, who pour millions of dollars a year into a group of cabalistic yeshivas and Jewish underground organizations, all devoted to the destruction of the Islamic holy sites at the Temple Mount.

In 1982, *EIR* exposed the role of Henry Kissinger and Britain's Lord Harlech (Sir David Ormsby-Gore, a cousin of the current United States Vice President), in a vast "Land-scam" real estate swindle, involving illegally buying up land on the West Bank and in the East Jerusalem Arab Quarters. "Land-scam" anticipated the expulsion of the Arabs and Palestinians and the transformation of Israel into a post-industrial Biblical version of Disneyland, Las Vegas, and the Cayman Islands, all rolled up into one.

The original "Land-scam" plan was seriously set back, when *EIR* provided the Reagan administration with details of it, including eyewitness accounts of secret planning sessions at Ariel Sharon's ranch in the Negev Desert, involving Kissinger, Harlech, and representatives of the Canadian Bronfman family interests.

But the Temple Mount scheme was stalled, not permanently derailed. When Israeli Prime Minister Netanyahu showed up at a Falwell rally at Washington's Mayflower Hotel in January 1998, he was not merely signalling his strong alliance with the most rabid "Get Clinton" elements in the so-called Christian Right. He was, for the first time, throwing the weight of the Israeli government behind the Temple Mount menace. In August of this year, on the eve of Netanyahu's trip to Washington, he dispatched several Cabinet ministers to a Jerusalem fundraising event for the Temple Mount Faithful, prompting Reuters and Associated

Press to pronounce the Temple Mount advocates part of a new Israeli "mainstream."

It is not written in stone, as if some act of Biblical prophecy, that "Meathead and his Butcher" will succeed in wrecking the peace process. However, if the Netanyahu-Sharon combination remains in power over the immediate weeks and months ahead, the chances of averting a new Middle East war—one in which Israel would likely use tactical nuclear weapons—converge on zero.

### **The Pollard blunder**

Fortunately, Prime Minister Netanyahu is truly deserving of the nickname "meathead." At the recent Wye Plantation negotiations, he made a major tactical blunder, that could help drive him from power in time to avert a devastating war.

In the closing moments of the peace talks, after all of the issues dividing the Palestinian Authority and the Israeli government had been resolved, through a marathon personal diplomatic effort by President Clinton, Netanyahu tried to force the President to agree to immediately release convicted Israeli spy Jonathan Jay Pollard.

One eyewitness to the exchange described it to the *Washington Post* as "brinkmanship in the supreme. It was a showdown. Clinton looking into Bibi's eyes, and Bibi looking into Clinton's eyes, saying, 'draw.' I have seen much but I have never seen anything like this."

The President refused to cave in to Netanyahu's demand for Pollard's immediate release. He did, however, agree to "review" the Pollard file and consider executive clemency. Some sources close to the White House tell *EIR* that Clinton's failure to categorically reject Netanyahu's demand to free Pollard came as the result of pressure from Vice President

Al Gore, who arrived at the Wye Plantation on Maryland's Eastern Shore, along with Sharon, for the final session.

Fortunately, *EIR* had already alerted some senior officials in the Pentagon and the U.S. intelligence establishment that a "hard push" would be made at the summit to secure Pollard's release. Sharon, in particular, wanted Pollard free *before* the start of the final status talks.

President Clinton's apparent blunder, in not shutting the door altogether on the Pollard release provoked a full-scale mobilization of large segments of the U.S. national security community. AP reported on Oct. 23 that Capitol Hill was crawling with CIA and Pentagon officials, demanding that the President categorically reject the "free Pollard" drumbeat. The message was not lost on Speaker of the House Newt Gingrich (R-Ga.) and other pro-Zionist Republican legislators. As you will learn below, in Michele Steinberg's exposé of the Jerusalem- and Washington-based Institute for Advanced Strategic and Political Studies (IASPS), the right-wing Likud and Mossad apparatus has extended its penetration of the U.S. conservative networks to include leading Congressional Republicans. But, faced with a wild-card election campaign, the GOP Temple Mount hawks beat a temporary retreat from their plan to quietly back a Clinton pardon of Pollard. On Oct. 28, Gingrich, Senate Majority Leader Trent Lott, House Intelligence Committee Chairman and ex-CIA case officer Porter Goss, and Senate Intelligence Committee Chairman Richard Shelby (Ala.) wrote to President Clinton, demanding that he *not* release Pollard, on the grounds that the confessed Israeli spy still posed a national security threat to the United States.

### **Bigger than Pollard: the hunt for 'Mega'**

Talk about chutzpah. The resurfacing of the "Free Pollard" forces comes at a moment when U.S. national security agencies are once again hunting for a high-level Israeli "mole." In the spring of 1997, the *Washington Post* revealed that the National Security Agency had intercepted a phone call between a Mossad agent posted at the Israeli Embassy in Washington, and Danny Yatom, then head of the Mossad. The conversation revealed that Israel had an agent code-named "Mega" operating inside the White House. Israel denied the allegations, but *EIR* has learned that the hunt for "Mega" is continuing, and that the focus of the probe is the Office of Vice President Al Gore.

As you will read below, in Joseph Brewda's review of the Pollard case and the "X Committee" of Israeli moles who abetted the Pollard treason, the Sharon-led penetration and subversion apparatus is still in place inside the Washington "permanent bureaucracy" apparatus. A crackdown on the "X Committee" and its offspring "Mega" operation is urgently called for at this time. Take out the garbage in Washington, and "Meathead and his Butcher" would be soon relegated to the waste bin of history — just in time to avert a new Middle East holocaust.

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## Profile: IASPS

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# Think-tank threatens U.S., Israeli security

by Michele Steinberg

In June 1998, when Speaker of the House Newt Gingrich (R-Ga.) was forced to cancel his appearance to speak at a forum in Jerusalem of the Institute for Advanced Strategic and Political Studies (IASPS), that should have triggered a security investigation of the right-wing extremist think-tank, founded in the mid-1980s and now financed by the "Get Clinton" networks of Richard Mellon Scaife.

Gingrich's speech was cancelled after the Israeli newspaper *Ha'aretz* exposed the fact that IASPS President Robert Loewenberg, who organized the event, had written an article comparing former Israeli Prime Minister Shimon Peres, an architect of the Oslo peace accords, to the Hungarian Rudolph Kastner, "who helped the Nazis murder Jews." Loewenberg also charged that the late Prime Minister Yitzhak Rabin, who was assassinated by right-wing Jewish fanatics on Nov. 4, 1995, was using "police-state methods" to implement the peace agreement. The *Ha'aretz* exposé prompted every major Israeli politician to immediately denounce the Loewenberg statements, leaving Gingrich, whose wife reportedly had a job with IASPS, exposed as a saboteur of his own government's support for the Oslo Accords.

Despite this Israeli scandal, the networks behind IASPS, from Gingrich, to the Hollinger Corp., to the networks of butcher Ariel Sharon, are counting on IASPS to help prevent the realization of the Oslo Accords by the May 1999 deadline.

The following profile, as a follow-up analysis of the interim agreement forced through by President Clinton at the Wye Plantation talks, provides an outline for responsible leaders in the United States and Israel to remove IASPS and its offshoots from any access to information or discussion of policy in the areas of military, economic, and especially security issues. For example, the revelation that Salem Rajeb Sarsour, the "Hamas" terrorist who carried out the Oct. 19 bombing that injured 64 Israelis, was a paid Shin Bet agent, is just a taste of the dirty operations that IASPS intersects in both the United States and Israel.

In the United States, the investigation should emphatically include the suspected "Mega" Israeli spy ring, which has been accused in press reports of activities ranging from theft of intelligence, to wire-tapping the telephone of Monica Lewinsky, and using alleged tapes of her conversations with President Clinton for blackmail.

## The Pollard ‘surprise’

On Oct. 25, many political observers were shocked when Prime Minister Netanyahu’s demand for the release of spy Jonathan Pollard exploded into the headlines and threatened to prevent the signing of the peace agreement. But, readers of *EIR*’s *Alert Service* were not surprised; they had been told:

“During a visit to the White House in August 1998, Israeli Prime Minister Netanyahu pressured President Clinton to free Pollard immediately. Netanyahu argued that he ‘needed’ the freeing of Pollard as leverage with the right wing in Israel, in order to proceed with the next phase of Israeli withdrawal from the West Bank. When Netanyahu left Washington, he thought he had a deal with the President. But a few days later, President Clinton made it clear that there was no way that Pollard was about to be freed.

“U.S. sources say that Netanyahu wanted the Pollard issue settled, so that the United States would have no leverage over Israel, as the negotiations with the Palestinian Authority move into the decisive ‘final status talks.’ ”

The accuracy of *EIR*’s report on Pollard came not from secret sources, but from an ongoing investigation of IASPS, beginning in 1996, when *EIR* first reported on IASPS’s affiliation with former U.S. Assistant Defense Secretary Richard Perle, a long-identified Sharon collaborator, and suspected member of the “X Committee,” the higher level, as-yet-uncovered controllers of Pollard.

In June 1998, the report by *EIR* correspondent Dean Andromidas, that IASPS was getting Mellon Scaife funds, according to *Ha’aretz*, was another indication that IASPS’s campaigns are linked to the highest levels of British and Israeli interests out to topple the U.S. Presidency.

Finally, an August article in the *Wall Street Journal* by IASPS Division Director Angelo Codevilla, a former U.S. Senate staffer who trades in his reputation as an anti-Soviet “cold warrior,” called for Pollard’s release. It signalled that the campaign to free the spy, who received a life sentence in 1986, was in high gear. Codevilla was supposed to bring key traditional right-wing forces on board the campaign to free Pollard, but only the John Birch Society joined the campaign. Furthermore, Codevilla’s praise of Pollard may have backfired.

Codevilla not only lied that “the damage was . . . theoretical” and “barely hurt Washington’s intelligence operations,” but the title of his article proclaims, “Israel’s Spy Was Right About Saddam.” Then, telegraphing the IASPS’s latest campaign to launch a “Contra”-style war against Saddam Hussein, Codevilla condemned top U.S. officials like Adm. Bobby Ray Inman for pushing a “policy [that] turned Iraq into a danger to mankind . . . [and] helped supply the technologies that killed U.S. soldiers in the Gulf War.”

In a blatant compromise of U.S. interests, Codevilla proclaimed, “Pollard’s sin is blowing the whistle on an embarrassing policy—a sin for which he is serving a life sentence instead of four years.”

Neither the *Wall Street Journal* nor Codevilla revealed

the connection of this story to IASPS, which, by then, was bragging of its control over Netanyahu.

## How IASPS ticks

Headed by a relocated American, Dr. Robert Loewenberg, IASPS originally had its office in Jerusalem, where it concentrated on attempting to impose a Mont Pelerin-style free-trade economy. By its own statement, IASPS seeks the overthrow of “Israel’s socialist economic system with a free-market economy.” Loewenberg’s writings frequently, and viciously attack Labor Party leaders like Shimon Peres as East European “communists,” who compromise Israel’s national interest. Loewenberg exudes a hatred for the Oslo peace accords.

The ability to succeed in this mission required upgrading of IASPS operations in the United States, while maintaining operations in Israel. IASPS’s major units are:

**The Division for Economic Policy Research (DEPR)**, in Jerusalem, headed by Hoover Institution senior fellow Alvin Rabushka. IASPS publications call him the originator of the “flat-tax.” Rabushka has written four books on Hong Kong, and co-authored a study of Israel’s economy with free-trade fanatic Steve Hanke. Rabushka commutes between California and Jerusalem, but the failure of the “free-trade zone” law in Israel has moved this division of IASPS into the background for now.

**The Division for Research in Strategy and Politics**, located in Washington, D.C., is considered by IASPS to be the crown jewel in the drive to free Pollard, stop the Oslo Accords, and shape U.S. policy on the Middle East, including an Israeli nuclear deterrent. Headed by Dr. David Wurmser (who also works at the Scaife-funded American Enterprise Institute (AEI), Johns Hopkins University, and the Washington Institute for Near East Policy), the office vows its mission to be: “to demonstrate a constant, physical Institute presence within the policy-making community in Washington; to serve as a home-base for Koret fellows who are completing their internships for Congress; and to house the Division for Research in Strategy and Politics.”

This division is where Angelo Codevilla works. It could be considered the “active measures” section of IASPS for the immediate period ahead, where it is expected to “undo” some of the major features of the interim agreement signed at the Wye Plantation summit.

## Infiltration of Congress

The key to IASPS strategy is access, including the Congressional interns program known as the Koret Fellows, named for the Koret Foundation of San Francisco. Koret Foundation director Tad Taube is one of the three identified members of IASPS’s “Millionaires Club.” While the Koret Fellows began as a resource for members of Knesset (the Israeli parliament), it became clear that the real power for the Institute lay in penetrating the U.S. Congress, through their

collaborator Newt Gingrich.

According to a recent report by IASPS President Loewenberg, the Koret fellows undergo a “two-year program of daily policy analysis . . . at the Institute in Jerusalem.” During that time, they are assigned to work with members of the Knesset, but the role of Knesset staffers is limited. Therefore, it was crucial to engineer the Washington connection. Crucial to this was Gingrich.

Loewenberg and other IASPS officials brag that Koret interns have service with all of the top Congressional leadership in Gingrich’s camp, including the Speaker himself, Republican Majority Leader Dick Armey (Tex.), House Budget Committee Chairman John Kasich (Ohio) (pictured in IASPS literature with his female Koret intern), and Rick Lazio’s Housing and Community Opportunity Subcommittee of the House Banking Committee.

The IASPS penetration has also reached the Senate, where one Koret fellow landed a job at the Senate Republican Policy Committee under Sen. Don Nickles (Okla.).

The brief biographical sketches that IASPS provides of the Koret interns, shows that many of them have military intelligence backgrounds with the Israeli Defense Force.

As soon as the Washington office came on line in 1996, Gingrich appeared as a speaker at their first annual dinner. Immediately, publicity was lined up in the *Wall Street Journal*, which lavishly praised a paper produced by an IASPS task force called, “A Clean Break, Strategy for Israel in the Year 2000,” headed by Richard Perle.

The repeated promotion of IASPS by the *Journal*, including Perle’s project on “Israel 2000” and the Codevilla announcement of the Pollard flank in August 1998, is no accident. The *Journal*’s editor Robert Bartley is a key player in “Get Clinton” operations of Kenneth Starr, as a participant in the Great Falls, Virginia “salon” of lawyer Theodore Olson. Olson handled the appeal of Pollard’s conviction for spying. In 1994, Olson wrote an article for the *Journal* defending Pollard against the “anti-Israel” Inman, in exactly the terms used by Codevilla and IASPS. Like IASPS, Olson is a recipient of Scaife’s funding through the *American Spectator*, a key anti-Clinton propaganda outlet.

The importance of Perle, the Scaife funding, and the *Wall Street Journal* was best described in 1996, in IASPS literature by Loewenberg: “. . . the Institute predicted that Israel’s socialist economy would weaken the country. . . . And there would be terrorism instead of peace. We said these things — in 1992!

“For four years nobody paid any attention. Then on two banner days in July this year three things happened: . . . In his July 10 [1996] speech before a joint session of [the U.S.] Congress, Mr. Netanyahu made announcements using the language of two [IASPS] reports. . . . ‘The Jubilee Plan,’ with an introduction by Jack Kemp, and the second ‘A Clean Break: A New Strategy for Securing the Realm’ (presented to the prime minister in Israel by Richard Perle, July 8).

“On this same day, the *Wall Street Journal Europe* published selections from both of these Institute studies, and . . . ran a major editorial supporting the Institute’s work. . . . On the next day, July 11, the *Wall Street Journal* in the United States . . . published its own editorial, also on the Institute’s two studies.”

The addition of Perle to the IASPS roster was a major upgrade. A former Assistant Secretary of Defense for the Reagan administration, Perle is, most importantly, a director of Canadian Conrad Black’s newspaper empire, the Hollinger Corporation. Perle represents the IASPS interface into the higher levels of Anglo-American circles behind the assault on the Clinton Presidency. Since 1993, Hollinger has called the shots on demanding the ouster and impeachment of President Clinton, through their operative Ambrose Evans-Pritchard, a second generation spawn of British intelligence, who first “discovered” Paula Jones, and helped Jones gain access to the foundations and publicity that financed her multimillion-dollar legal harassment of the President.

Also on Hollinger’s board, is Henry Kissinger, the notorious agent of British influence, who recently called for Clinton’s Presidential powers to be handed over to a sub-group of the National Security Council until the President could be impeached. Kissinger claimed that this was the model he used to run the United States during the impeachment proceedings against Nixon in 1974.

The IASPS, AEI, Hollinger interface should become the focus of an investigation of active sabotage of U.S. policy in the Middle East. It is this network that represents Sharon’s key assets in the United States.

Already Perle and Wurmser have come out with a frontal assault on the CIA, in order to intervene into the security arrangements worked out at the Wye summit. At an AEI forum in late October, Perle demanded the resignation of Steven Richter, the head of the CIA Near East Division, for failing to oust Saddam Hussein. Wurmser attacked the involvement of the CIA in monitoring Palestinian anti-terror measures, “one of the most dangerous and pernicious things for our intelligence structure.” This dangerous hysteria by Sharon’s American assets portends an escalation of violence.

Perle is also pushing the elimination of Saddam Hussein through an Iraqi version of George Bush’s Contra policy. Already, the Gingrich forces in Congress provided a legislative nod to Perle’s war proposal in Iraq by voting up \$97 million for Iraqi opposition groups. Immediately, Perle’s favorite, the British-based Ahmed Chalabi of the Iraqi National Congress, bragged to the press that he would receive the bulk of these funds. Perle is pushing the United States to recognize Chalabi’s group as the government of Iraq, and to receive all the Iraqi funds currently frozen in Western banks.

Until the IASPS network is cleaned out and exposed as a national security risk, the threats to the peace process and those leaders involved in trying to bring Middle East peace about, are a serious concern.



# The Israeli spy network that Jonathan Pollard left behind

by Joseph Brewda

When Israeli Prime Minister Benjamin Netanyahu demanded that President Bill Clinton release imprisoned Israeli spy Jonathan Pollard before signing an agreement with the Palestinians at the Wye Plantation summit in October, he had several objectives in mind. For one, Netanyahu wanted to pin the blame for the hoped-for summit failure on Clinton, by making an impossible demand. According to Joseph diGenova, the U.S. Attorney who prosecuted Pollard, Pollard was involved in “the largest physical compromise of United States classified information in the 20th century,” an assessment backed by then-Secretary of Defense Caspar Weinberger, who sent a memo to the court following Pollard’s 1986 conviction, demanding that he serve life without parole. Major factions within the U.S. intelligence establishment share that assessment.

But, blowing up the summit was not Netanyahu’s only objective. He also wanted to reassure the vast number of other Pollards operating within all levels of the U.S. government’s bureaucracy, that they won’t be abandoned, as Pollard appears to have been, if they are caught. In fact, the spy ring that placed Pollard in U.S. Navy Intelligence has never been apprehended, and is one of Israel’s most precious “crown jewels.”

The continuing importance of this ring has occasionally come to light. In January 1997, for example, the National Security Agency intercepted a phone call from a Mossad officer at the Israeli Embassy in Washington to Mossad chief Danny Yatom, asking whether he should access Secretary of State Warren Christopher’s secret letters to Palestinian Authority Chairman Yasser Arafat though “Mega,” identified as an Israeli mole within Clinton’s inner circle. According to a leak to the U.S. press, Yatom reprimanded the agent for even thinking of assigning the mole such a low-level task. U.S. investigators into “Mega” are also examining how the leak, which blew their top secret investigation, occurred. According to the U.S. and European media, “Mega” even succeeded in taping Clinton’s phone, including tapping several hours of his conversations with Monica Lewinsky.

The disastrous U.S. bombing raid on a civilian pharmaceutical factory in Khartoum, Sudan, on Aug. 21, 1998, provides another insight into Israel’s spy ring in action. The hu-

miliating fiasco jeopardized U.S. interests throughout the region, all to fulfill Israeli objectives of keeping its Arab neighbors enmired in war. The raid could never have occurred except for two factors: massive intelligence conduited into the U.S. government which falsely claimed that the factory was a chemical warfare manufacturing site, and high-level Israeli agents-in-place lobbying for the strike.

*EIR* has long been concerned with the serious threat to U.S. national security posed by Israeli espionage. In what follows, we review some of our investigations into the Pollard ring, notably as first reported in our 1986 *Special Report*, “Moscow’s Secret Weapon: Ariel Sharon and the Israeli Mafia.” As one aspect of that investigation, *EIR* examined what was dubbed the “X Committee,” the Israeli spy ring which got Pollard his job.

## Not a mole, but mole hills

When the FBI arrested U.S. Naval Intelligence civilian analyst Jonathan Pollard in November 1985 outside of his office in Suitland, Maryland, U.S. investigators had crucial evidence that Israel was stealing U.S. intelligence secrets. But, more importantly, they knew Pollard was not acting alone.

Among the immediate questions investigators posed, was how Pollard secured what seemed to be a specially created position in the Naval Investigative Service’s new Anti-Terrorist Alert Center, which gave him completely unnecessary access to extremely sensitive documents from all agencies of the U.S. government. Moreover, they determined that even a routine background check would have revealed that Pollard had bragged of being a Mossad agent since college, and that his father, Notre Dame microbiologist Morris Pollard, had worked closely with Israel’s scientific intelligence establishment since the 1940s. In other words, Pollard had patrons.

The cost of Pollard’s espionage was enormous. According to Federal prosecutors, Pollard forwarded tens of thousands of pages of highly sensitive, classified documents to his controllers in Lekem, the Israeli Defense Ministry’s scientific intelligence agency. At the time, that agency was run by Rafi Eytan, a longtime aide of Israeli Foreign Minister Gen. Ariel Sharon, who, among his other exploits, stole the uranium from

a Westinghouse plant in Apollo, Pennsylvania, used to make Israel's first nuclear bomb.

Worse, while Pollard and his supporters said his spying was necessary to help protect Israel from its hostile neighbors, Israeli Prime Minister Yitzhak Shamir forwarded many of the documents stolen by Pollard, to the Soviet Union. Shamir wanted Soviet Jews in exchange. It was also clear that Pollard was directed to steal documents with such trading purposes in mind. For example, why would Israel need the list of names of CIA agents operating in South Africa that Pollard stole? And all this, at a time when the Reagan administration had already given Israel astonishing access to U.S. classified information, supposedly necessary to combat the Soviet threat.

As the investigation proceeded, more details emerged showing the far-reaching extent of the network, including its ties to leading U.S. Zionist organizations.

For one, investigations revealed that at least one of the persons who recommended Pollard for his job was his former professor at the Fletcher School of Diplomacy at Tufts University, the Oxford-trained Sovietologist, Uri Ra'an. Professor Ra'an was not just any academic. Since the 1960s, when he first arrived in the United States as an Israeli consular official in New York, Ra'an has played a crucial intermediary role between U.S. and Israeli intelligence relating to allegedly shared anti-Soviet concerns. Ra'an's first major assignment was to revamp the B'nai B'rith Anti-Defamation League's (ADL) intelligence department, to better serve Israeli needs. He also established an anti-Soviet intelligence cell at Edgar Bronfman's American Jewish Congress.

Ra'an's actions at the ADL and American Jewish Congress were so egregious that they helped provoke Sen. William Fulbright (D-Ark.) into convening public hearings into Israeli espionage in 1963, and led to a 1967 civil lawsuit by a disenchanted ADL official, Saul Jofes, who charged Ra'an and the group with spying for Israel. But Ra'an emerged unscathed, and he later nominally left Israeli government service to teach Russian history at several U.S. universities.

As a result of Ra'an's groundwork, Israel had no problem in placing Ruth Sella, the wife of Pollard's Lekem controller, Air Force Gen. Aviem Sella, in the ADL's Legal Department, during the period that the couple supervised Pollard's spying. Mrs. Sella worked particularly closely with the head of the ADL Legal Department, Arnold Forster, who had worked with Ra'an, and Lekem chief Eytan, since the 1960s. The Sellas are now back in Israel, where Sella runs one of Israel's largest airbases, despite an outstanding U.S. warrant for his arrest.

## The 'X Committee'

*EIR* investigations into the Pollard ring also determined, based in part on discussions with U.S. government investiga-

tors, that the so-called "X Committee" which planted Pollard, had its base of operations within a fiercely "anti-Communist" civilian network within the Defense Department. Members of that network had been posted there despite their known ties to Israeli intelligence. While many members of this network quietly left government in the aftermath of Pollard's 1985 arrest and the 1986 Iran-Contra affair, overall, the network has remained in place, although not necessarily based at the Defense Department.

According to several *EIR* sources, Israel's spy ring has been massively expanded more recently by other agents who do not display the "anti-Communist" fervor that was such a useful cover during the Reagan years, but instead profess the "liberal" and "globalist" views considered more attractive today. Without such liberal camouflage, these sources say, the Israeli spy ring would never have been able to penetrate the highest level of the Clinton administration, and there would never have been a "Mega."

Meanwhile, the "anti-Communist" division within the old Pollard network, which has largely moved out of the Executive branch, has taken over the "Conservative Revolution" network of Congressmen and evangelical Protestants running the anti-Clinton witch-hunt today; for example, Pollard's former attorney, Ted Olson, who has openly justified Pollard's spying in the U.S. press. Olson is a former law partner of independent counsel Kenneth Starr, and personally organized and sponsored at his own Washington area home, the media and prosecutors "salon" running the anti-Clinton campaign. One of Olson's top collaborators in that venture is *American Spectator* foreign editor Michael Ledeen, who was implicated in both the Iran-Contra and Pollard affairs.

Below, we focus on just two of the most important operatives that investigators consulted by *EIR* have cited as top members of the Reagan administration "X Committee" who continue to push Israeli interests over those of the United States: Stephen Bryen and Richard Perle. As important as both operatives are, they are merely indicative of the deeper problem: a vast Israeli spy ring penetrating all layers of the U.S. government bureaucracy, active within both the administration and its Republican-centered opposition.

## Richard Perle

Currently at the Washington office of the Jerusalem-based Institute for Advanced Strategic and Political Studies (IASPS), Richard Perle is the acknowledged top U.S. strategist of the Netanyahu regime. He wrote the 1996 IASPS "White Paper" laying out the strategy for destroying the Oslo peace accords, and undermining the Clinton administration within the Mideast.

From 1981 through 1987, Perle was Assistant Secretary of Defense for Security Policy, where he oversaw a U.S.-Israeli team allegedly dedicated to bringing down the Soviet Union through economic and other forms of warfare. The same team was the center of the "X Committee."

Perle did not conceal his relations with the Israeli government. In 1970, U.S. wiretaps of the Israeli Embassy revealed that Perle was feeding classified information that he had obtained as the top aide to Sen. Henry “Scoop” Jackson, a leading member of the Senate Armed Services Committee, to the Israeli government. Despite the protests, Perle retained his security clearance, and job as Jackson’s aide.

In 1976, Perle left government to form the Abingdon Corp. with John Lehman, who was later Navy Secretary during the period that Pollard was placed in Naval Intelligence. Perle’s top client at the firm was Israel’s leading manufacturer of mortars, the Soltam corporation. The chairman of Soltam’s holding company was Gen. Meir Amit, the former head of the Mossad.

In 1981, Perle was again caught, this time receiving more than \$100,000 from Soltam after he had joined the Reagan Defense Department. Perle said it was for “past services due.” The firm later played a major role in Iran-Contra.

Simultaneous with forming Abingdon, Perle also founded the Jewish Institute for National Security Affairs (JINSA) in conjunction with: Stephen Bryen, another individual cited as a member of the “X Committee” who went to work at Defense as Perle’s aide; Michael Ledeen, who served as a go-between for U.S. and Israeli intelligence in Iran-Contra; and Yossef Bodansky, the reported Israeli intelligence handler of Jonathan Pollard, who also got a job at the Defense Department.

When Perle entered the Defense Department, he brought others beside this JINSA crew with him. Among them were Frank Gaffney, Jr., the Deputy Assistant Secretary of Defense for Nuclear Forces, and Douglas Feith, Deputy Assistant Secretary for Negotiations Policy. Both now run the Center for Security Policy, one of the Conservative Revolution’s mouthpieces which routinely charges Clinton with selling out to Russia and China.

### **Stephen D. Bryen**

Currently the director of JINSA, along with his wife, Shoshana, Bryen frequently co-authors articles with Ledeen attacking Clinton trade policies as compromising U.S. national security. They say U.S. national security is best served by having what they call a “strong relationship” with Israel.

Bryen was Perle’s sidekick at the Reagan Defense Department, as Deputy Undersecretary of Defense for Trade Security Policy. He first hooked up with Perle in 1971, when he was an aide to Sen. Clifford Case, and he quickly became Perle’s closest associate in the Senate. In 1978, the duo co-founded JINSA.

Like Perle, Bryen’s relations with Israeli intelligence were well-known prior to entering the Reagan administration. In 1978, for example, Bryen was caught red-handed at a Washington restaurant with Mossad station chief Zvi Rafiah, discussing giving classified information to Israel. Bryen was then staff director of the Senate Foreign Relations Subcommittee on Near Eastern and South Asian Affairs.

Like Perle, Bryen escaped prosecution, despite the fact that Department of Justice investigators believed he was involved in “efforts to obtain sensitive information for which he had no apparent legitimate need but which would have been of inestimable value to the Israelis,” according to Department of Justice documents released to the public. The documents also reported that the FBI had a good case that “Mr. Rafiah had given Mr. Bryen ‘orders’ which he had carried out.”

While serving at the Defense Department, Bryen also formed the Technology Transfer Center, which was given centralized Defense Department oversight over investigating the smuggling of strategic technology—a very convenient job for the “X Committee.” To that end, Bryen went out and hired Pollard’s reported handler, Israeli Air Force officer Yossef Bodansky, as the center’s consultant, as well as Michael Ledeen’s wife, Barbara Ledeen—who herself had long served as a patron of Netanyahu and Sharon’s “Jewish settlers movement.”

### **Yossef Bodansky**

Currently the staff director of the House Republican Task Force on Terrorism, Yossef Bodansky plays an important role for Israel in depicting Muslim countries as being among the top enemies of the United States. On behalf of this Israeli objective, Bodansky wrote a Feb. 10, 1998 task force report, “The Iraqi WMD Challenge: Myths and Realities,” which claimed that Iraq had transplanted its chemical warfare capability to Sudan. This was precisely the disinformation used to sucker the U.S. government into bombing the Al-Sifa pharmaceutical plant in Khartoum on Aug. 21. According to one well-placed source, one of Israel’s purposes in this setup was to make it appear that the United States can be expected to “act capriciously and arbitrarily against an Islamic target.”

A former editor of the Israeli Air Force’s official magazine, Bodansky came to the United States in the late 1970s as a top agent of Lekem, according to the Israeli Labor Federation’s newspaper, *Davar*, where he soon served as Pollard’s handler together with the Sellas. But while the Sellas had to flee the country, Bodansky escaped legal action. According to one Israeli account, Bodansky was especially keen on obtaining aerospace technology needed to upgrade Israel’s capabilities, and also useful to sell to third parties.

Bodansky’s first job in the United States was as “technical editor” of JINSA’s newsletter. When JINSA founders Perle and Bryen joined the Reagan Defense Department, they brought the former Israeli officer with them. In 1985, Bodansky left government after evidence came to light of his frequent meetings with Pollard. After working for a *Washington Times* think-tank, and for *Jane’s Defence Weekly*, Bodansky obtained his current position at the Republican Party task force in 1989, where he regularly denounces Clinton for being soft on Islamic terrorism, and influences policy.

## Another layer of the assault on the Presidency exposed

by Edward Spannaus

During November, the House Judiciary Committee is expected to begin hearings on its impeachment inquiry against President Bill Clinton. Democrats on the committee are already demanding that the first item of business should be the nature and background of independent counsel Kenneth Starr's investigation and of his impeachment report delivered to the House in September.

There is much attention, properly, on Starr's conflicts of interest involving Richard Mellon Scaife, and on whether Starr misled the Justice Department and the court in seeking to enlarge his jurisdiction to take over the Paula Jones case and incorporate the Monica Lewinsky matter into his mandate.

*EIR* has shown that there is a deeper background to this operation, which must be examined if the true nature of the attack on the President is to be understood. With the publication in this issue of Anton Chaitkin's explosive article on the Anglo-American intelligence background of Lucianne Goldberg, *EIR* is unravelling yet another component of this long-running, British-originated assault on the Presidency.

Already in early 1994, *EIR* began exposing how assets of the British monarchy and British intelligence were responsible for the "Whitewater" attack on President Clinton which was building up steam at that time. In a Feb. 9, 1994 interview with the weekly radio program "EIR Talks," *EIR* Founder Lyndon LaRouche charged that it was the British foreign policy establishment that was trying to knock Bill Clinton out of office. Around the same time, *EIR* began reporting on the role of the Hollinger Corp.'s *Sunday Telegraph* and its Washington correspondent Ambrose Evans-Pritchard, and Hollinger's incestuous relationship with the ostensibly U.S. publication *American Spectator*, which had released the infamous "Troopergate" article at the end of 1993.

At the end of March 1994, LaRouche's Presidential campaign committee published the now-legendary *Assault on the*

*Presidency* pamphlet. Included in that pamphlet were profiles of the Hollinger corporate empire of Conrad Black, and of the British-sponsored efforts to blow up the Middle East peace process, utilizing such assets as U.S. "neo-conservative" political circles, the Kissinger-Sharon networks, and the "Temple Mount" crazies in Israel.

"Hollinger is the current name for a corporation which was founded and run by British Intelligence during World War II, then known as War Supplies, Ltd., co-headed by Conrad Black's father," LaRouche wrote in the pamphlet's Forward. "This was, and is a corporate flagship cover for the war-time British MI-6's Canada-based Special Operations Executive operations, founded by Winston Churchill and Lord Beaverbrook, and headed by the famous Sir William Stephenson."

The prescience and accuracy of that passage by LaRouche has been demonstrated by everything which has emerged since in the escalating attack on the Presidency, which has culminated in the so-called Monica Lewinsky affair and today's attempted impeachment coup d'état. The highlights, as covered by *EIR*, are:

- "British Monarchy Takes Aim at Another President," the feature of the Dec. 2, 1994 issue, which profiled the threats to President Clinton, the background of the Permindex international assassination bureau which was an outgrowth of the same Canadian-based SOE circles which spawned Hollinger, and "London's bitter quarrels with President Clinton" on key foreign-policy fronts: the Balkans, Northern Ireland, the Middle East, and Asia.

- "The Media Cartel" feature in our Jan. 17, 1997 issue, documenting direct and indirect British control over the U.S. news media—a feature which was recently updated in our Oct. 30, 1998 issue.

- *EIR*'s March-April 1997 three-part feature on Richard

Mellon Scaife, the “Daddy Warbucks” of the “Get Clinton” crusade who was trained in news media propaganda operations by Anglo-American intelligence.

- “The Olson-Starr salon” coverage, beginning in March 13, 1998, showing how an illegal cabal of lawyers, financiers, and journalists was running a “private intelligence” covert operation in support of Starr’s official investigation of President Clinton.

- “The Brutish Israelites: Starr and the Armageddon Freaks,” in our Oct. 2, 1998 issue, showing the role of so-called “Christian Fundamentalists” and Israeli lunatics around Benjamin Netanyahu and the “Temple Mount” in escalating the attacks on President Clinton.

### **What is the Scaife-Goldberg connection?**

Now, the areas of investigation on the table revolve around Mellon Scaife and Lucianne Goldberg. The third central player, Theodore Olson, is not only a link between the two, but, as the legal counsel to the *American Spectator* and its dirt-digging “Arkansas Project,” Olson is, in the words of one participant, “somebody who Scaife would trust to see that nothing went wrong and that his money would not be wasted.”

As Anton Chaitkin documents, Lucianne Goldberg, the longtime dirty trickster who created a back channel to Starr’s office for Linda Tripp and the Lewinsky story, got her start with the North American Newspaper Alliance (NANA), the general manager of which was her husband, Sidney Goldberg. NANA was used by the CIA’s Anglophilic counterintelligence chief James Jesus Angleton for all manner of nefarious cover operations; Angleton was a close friend of Generoso Pope, Jr., a “former” CIA psychological warfare operative who took control of NANA in 1962.

Sidney Goldberg had been brought into NANA in 1957 by Ernest Cuneo, an officer of the war-time U.S. intelligence agency, the Office of Strategic Services (OSS). Cuneo, in fact a British asset, was designated by OSS chief William Donovan as the liaison between U.S. intelligence agencies and Sir William Stephenson’s SOE outpost in New York—officially known as British Security Coordination.

Curiously, Mellon Scaife’s father, Alan Scaife, was in a similar position. Alan Scaife was also an OSS officer, as were many of his relatives by marriage in the Mellon family, such as Paul Mellon and Paul’s brother-in-law David Bruce, the latter having been put in charge of all OSS operations in London by Donovan. Lt. Col. Alan Scaife worked under Bruce in London in 1944-45, in the Secret Intelligence branch.

Earlier, in December 1942, Scaife had drafted a proposal for the creation of a “London Desk” in the British Empire Section (sic) of OSS Headquarters in Washington. Scaife was then put in charge of the “London Desk”; among his responsibilities, according to OSS documents obtained from the National Archives, was the handling of top secret documents from “Broadway” (the British Secret Intelligence Service), and then returning such documents to Sir William Stephenson in New York.

That was the father. His son, Richard Mellon Scaife, was inducted into the Anglo-American intelligence services in the early 1970s by his father’s and mother’s circles of former OSS officials. Two events occurred in 1973. First, Richard Scaife took control of the family’s charitable foundations; those later became primary funders of the “Reagan Revolution” and the George Bush-run “Secret Government” apparatus of the 1980s, and then of the “Get Clinton” operation of the ’90s. (Scaife was also a prime funder and architect of the predecessor “Get LaRouche” campaign of 1982-89.)

Second, in 1973 Scaife took over the ownership of Forum World Features, a joint British Intelligence and CIA news media operation based in London. FWF provided feature material to newspapers around the world and in the United States. It was shut down after the 1975 publication of a 1968 CIA memorandum describing FWF as a CIA proprietary “run with the knowledge and cooperation of British intelligence.”

Did Scaife and the Goldbergs know each other? It almost certainly must have been the case. Forum World Features and NANA were parallel, joint CIA-British intelligence news media and publishing operations. Cord Meyer, a top official in the CIA’s clandestine service who had responsibility for ensuring the publication of favorable material and blocking the publication of disfavored material, was the overseer of FWF. It was also Meyer who appears to have recruited NANA’s Priscilla Johnson McMillan (see Chaitkin article) to her intelligence career; Johnson originally met Meyer through the World Federalist Society, which he headed in the late 1940s.

Lucianne Goldberg, it should be noted, listed her New York apartment as the official address for NANA and its Women’s News Service affiliate from at least 1972 on. This is the same time period that Scaife was running Forum World Features in London.

Lucianne Goldberg was thus well situated to later play the crucial brokering role between Linda Tripp and Starr’s Office of Independent Counsel. According to Tripp’s testimony, she was put in touch with Goldberg in 1996 by Tony Snow, a columnist and talk-show host for Rupert Murdoch’s Fox Television, who had first suggested that Tripp contact Goldberg in 1993, about writing a tell-all book about the Clinton White House. Goldberg, the senior intelligence operative of the two, knew how to keep Tripp in her place. According to Tripp’s grand jury testimony, when Tripp rejected ghost-writer Maggie Gallagher’s book outline in August 1996, Goldberg blew up. As Lucianne was slamming down the phone, she demanded to know: “Who do you think you are, the Queen of England?”

They didn’t talk again until around September 1997. Goldberg then orchestrated and scripted Tripp’s activity in relation to Monica Lewinsky, including directing Tripp to tape her telephone conversations with Lewinsky. And, according to recent accounts, Goldberg then tracked Tripp into Starr’s office, using as “cut-outs” lawyers from the mislabelled Federalist Society—an organization funded by Richard Mellon Scaife.

# Historians slam GOP impeachment perfidy

by Jeffrey Steinberg

America's most prominent historians, of all political persuasions, have weighed in strongly, in opposition to the House Republican drive to impeach President William Clinton, on the basis of Independent Counsel Kenneth Starr's referral. At a Washington, D.C. press conference on Oct. 28, Princeton University professor Sean Wilentz, City University of New York professor Arthur M. Schlesinger Jr., and Yale University professor C. Vann Woodward released a statement on behalf of Historians in Defense of the Constitution, with the signatures of 400 of the country's leading historians.

The statement read: "As historians as well as citizens, we deplore the present drive to impeach the President. We believe that this drive, if successful, will have the most serious implications for our constitutional order.

"Under our Constitution, impeachment of the President is a grave and momentous step. The Framers explicitly reserved that step for high crimes and misdemeanors in the exercise of executive power. Impeachment for anything else would, according to James Madison, leave the President to serve 'during the pleasure of the Senate,' thereby mangling the system of checks and balances that is our chief safeguard against abuses of public power.

"Although we do not condone President Clinton's private behavior or his subsequent attempts to deceive, the current charges against him depart from what the Framers saw as grounds for impeachment. The vote of the House of Representatives to conduct an open-ended inquiry creates a novel, all-purpose search for any offense by which to remove a President from office.

"The theory of impeachment underlying these efforts is unprecedented in our history. The new processes are extremely ominous for the future of our political institutions. If carried forward, they will leave the Presidency permanently disfigured and diminished, at the mercy as never before of the caprices of any Congress. The Presidency, historically the center of leadership during our great national ordeals, will be crippled in meeting the inevitable challenges of the future.

"We face a choice between preserving or undermining our Constitution. Do we want to establish a precedent for the future harassment of Presidents and to tie up our government with a protracted national agony of search and accusation? Or do we want to protect the Constitution and get back to the public business?"

"We urge you, whether you are a Republican, a Democrat or an Independent, to oppose the dangerous new theory of impeachment, and to demand the restoration of the normal operations of our federal government."

## A powerful institutional message

In the question and answer period that followed the release of the statement, Dr. Wilentz emphasized that the overwhelming majority of leading American historians signed the statement. In a matter of just three days, after he and Dr. Schlesinger decided to launch the initiative, they had received endorsements from 300 historians. Ultimately, only one of the people approached refused to sign the statement, delivering a powerful message to Congressional Republicans, to Kenneth Starr, and to those cheerleading for the destruction of the Clinton Presidency, that they face major institutional opposition.

Dr. C. Vann Woodward, Civil War historian and, at 90 years of age, the dean of American historians, emphasized that the actions of the House Republicans have created the greatest Constitutional crisis since the attempted impeachment of President Andrew Johnson, 130 years ago. At the time of the Johnson impeachment trial (the Senate voted down the bill of impeachment), Dr. Woodward noted, the United States was not yet a world power. Today, the implications of "a protracted national agony" pose a grave threat to the well-being of citizens of every nation around the globe.

In response to a question, Dr. Schlesinger warned that the actions by the Republican majority in the House threaten to destroy the checks and balances at the heart of the U.S. Constitution, and render the United States a parliamentary democracy, in which prime ministers can be unseated by a vote of no confidence, based on the flimsiest of excuses.

When one reporter at the press conference tried to cast the historians' action as a partisan maneuver by "liberal academics" who all support President Clinton, Wilentz responded, harshly, that, among the signators were a large number of Republicans, and some prominent figures who had called for President Clinton's resignation and made other strong criticisms of the President. He cited author Gary Wills of Northwestern University, who has penned a series of anti-Clinton commentaries, and Franklin Roosevelt biographer Doris Kearns Goodwin, who has also spoken out publicly, criticizing the President's behavior. "This was nonpartisan or bipartisan or transpartisan, however you want to put it," Wilentz said.

The same day that the Historians in Defense of the Constitution released their statement, former Rep. Peter Rodino (D-N.J.), who chaired the House Judiciary Committee during the Watergate hearings, issued a statement to the *Newark Star Ledger*, that the evidence presented to Congress by Kenneth Starr fails to meet the standard of "high crimes and misdemeanors" set forth by the Founding Fathers.

# U.S. labor federation issues a call for 'Global New Deal'

by Marianna Wertz

The Executive Council of the AFL-CIO, representing 13 million trade union members in the United States, issued a resolution at its Oct. 13-14 meeting in Monterey, California, calling for a "global New Deal." The resolution, titled "U.S. Workers Addressing the Global Crisis," represents an important policy intervention, setting forth concrete proposals to deal with the global financial crisis from the standpoint of the interests of working people internationally.

Thea Lee, Assistant Director of Public Policy for the AFL-CIO, told this reporter on Oct. 27 that the resolution had several authors, including members of the International Affairs Committee, which is chaired by Jay Mazur, president of UNITE! (representing needletrades, industrial and textile employees), and the Economic Policy Committee, chaired by George Becker, president of the United Steelworkers of America. UNITE! and the Steelworkers have been at the forefront of the AFL-CIO's fight against free-trade policies.

In general, Lee said, "all of us felt that things are so serious, the kind of deterioration we see in the global economy, that we should put forth our concern and sympathy about it, but also a policy direction."

## Rebuild the economy 'from its foundations'

The resolution calls for measures similar to what Lyndon LaRouche has been advocating: capital controls, global debt relief, regulation of speculators, an end to bailouts of creditors, emergency international efforts to avoid famine in Russia and Indonesia, and the rebuilding of the global economy "from its foundations." Asked if she were familiar with LaRouche, who has called for a New Bretton Woods policy, she said she was, and that the AFL-CIO would probably support such a policy, although "there are a lot of different meanings" to a new Bretton Woods, she said.

In addition, Lee said, the AFL-CIO is interested in "recapturing the original mission of the International Monetary Fund, which was to provide liquidity in the international financial system in times of crisis, as opposed to imposing an ideology on developing countries and their domestic policy."

There are aspects of the resolution which are simply wrong, such as the opening statement, which declares this to be the worst global crisis since the Great Depression, when in fact it is the worst crisis in 500 years or more; or the call

for lowering interest rates as a cure for the economy's ills. Nevertheless, its general thrust is very important, as is the fact that the organization representing the interests of American workers has so boldly come out fighting at this time.

A second resolution, "Multilateral Agreement on Investment" (MAI), passed at the same Executive Council meeting, addresses the problems with globalization as well, from the standpoint of opposing the MAI, a treaty which is under negotiation by the Organization for Economic Cooperation and Development. The MAI's underlying objective is the abandonment of national sovereignty with respect to economic policymaking.

We publish here the full text of the AFL-CIO resolution, "U.S. Workers Addressing the Global Crisis," and excerpts of the resolution, "Multilateral Agreement on Investment."

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## Documentation

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### U.S. Workers Addressing the Global Crisis

Today, the world faces the worst economic crisis since the Great Depression. Economies across the globe are in trouble, and nations generating 40% of the world's output are in recession. Japan's decade-long slump threatens to turn into full-scale collapse, the Asian tigers are decimated, the Russian economy has imploded, and the contagion threatens to spread even further. Our economy is not immune and is already paying the price of global turmoil.

The loss of manufacturing jobs has accelerated—over 150,000 since January—our trade deficit has soared, and turmoil in financial markets reflects sharply reduced consumer confidence. The prospects of a crushing recession loom.

The United States must lead the effort to get the global economy growing again. The global crisis has been too casually described as a financial panic. It is far more serious. The real economy is tottering at home and abroad, yielding massive unemployment, crushed aspirations, and the prospect of widespread political unrest.

Emergency steps must be taken now to keep the crisis from leading to a global depression.

Interest rates in the United States and Europe must be reduced, and Japan must encourage growth by repairing its banking system and spurring domestic growth.

The global community must organize emergency international efforts to feed the families of workers who have lost their jobs through no fault of their own. In Russia and Indonesia, international aid is vital to avoid famine.

While crucial in the short run, steps to restore growth are not enough. We need a global New Deal that establishes new rules to temper the excesses of the market; promote sustainable, egalitarian growth; and assure that the rights of working people everywhere are respected.

The roots of this crisis are clear. De-regulated capital markets and floating currencies create tidal waves of short-term financial flows that level real economies. President Clinton is right, “new financial architecture” is needed, but cosmetic reform is not enough. The global economy must be rebuilt from its foundations. Basic building blocks must include:

- New controls on short-term capital flows at a national and international level, including sensible regulation of banks and speculators. The IMF must stop requiring that countries in crisis dismantle controls on short-term speculation and must radically alter its standard prescription of domestic austerity and export-led growth. The Multilateral Agreement on Investment, the ultimate expression of the old order, should be abandoned immediately.

- A transformed IMF and World Bank that focusses on financing growth and broad-based prosperity. Both the “moral hazard” of bailing out creditors who help cause the crisis, and the “immoral hazard” of enforcing austerity on the workers who are its victims must be ended.

- Global debt relief to ensure that nations are not forced to become export platforms to repay foreign creditors, trapped on a treadmill of competitive devaluations and competitive trampling of worker and environmental rights to attract foreign investment.

- Trade, investment, and other multilateral economic agreements must be written to assure that the promise of global growth does not become an ugly race to the bottom as investors seek the most exploitable worker or the most degradable environment. . . .

The lessons of this crisis are clear. De-regulated global markets, whether for capital and currencies, or for labor and goods, are not sustainable. They produce speculative, hot-money explosions and a relentless search for lower costs that devastate people, overturn national economies, and threaten the global economy itself.

We do not face a choice between growth and equity: Without equity, there can be no sustained growth. We do not face a choice between growth and sensible rules: Without sensible rules around the market, there can be no sustainable growth. We do not face a choice between empowering workers and trade: If workers are not empowered, trade can only become a race to the bottom.

We must build the structure, write the rules, and put in place the policies that ensure that the welfare of working people everywhere, not the profits of speculators, is the measure of economic success.

## **Multilateral Agreement on Investment**

Since 1995, the U.S. government has been leading an effort by 29 of the world’s richest nations to negotiate a Multilateral Agreement on Investment. Negotiated under the auspices of the Organization for Economic Cooperation and Development, the MAI was scheduled to be completed in April of 1998. Growing popular opposition forced a temporary suspension of negotiations, which are scheduled to resume in October 1998. [In fact, the negotiations broke down in late October, under opposition from France and the United States—ed.]

The principal objective of the MAI is to strengthen and expand international rules that elevate the mobility of capital and the rights of investors above all other considerations. In this system, worker rights, environmental protection, and necessary government regulation of the economy take a back seat to the interests of private capital. The AFL-CIO rejects this model as irredeemably flawed, harming workers across the globe while enriching the financial sector. At a time when the current system is increasingly being questioned, it is folly to lock in rules that only serve to perpetuate this system.

Unpredictable and uncontrollable capital flows have created turmoil in the global economy. The sudden outflow of investment funds has undone years of growth in a matter of moments, leading to economic meltdowns in Mexico in 1994-95, in Thailand, South Korea, Indonesia, and Malaysia in 1997-98, and in Russia this year. The conventional wisdom that countries should respond to such crisis with austerity and export-led growth exacerbates the problem of weak global demand. The U.S. economy suffers the impact of the international crisis in import-competing markets like steel, auto, apparel, and electronics; in the loss of export markets; and in all the industries and activities that support these sectors.

We are at an important historic turning point. The expert wisdom of a few years ago—that a deregulated world market would create prosperity for all—is now discredited. We have an opportunity to rethink and reshape the rules of the global economy. We should ensure that the global economy of the future is one built on a solid foundation of democratic, sustainable, and egalitarian growth, no unlimited profit for a few corporate giants.

The model of globalization promoted by the MAI underlies many of the problems in the world economy. The AFL-CIO rejects the MAI as flawed in both model and design. We will oppose this and any similar set of rules in the OECD, the World Trade Organization, the International Monetary Fund, or any other forum. . . .



# New light on Transatlantic assassins: Lucianne Goldberg and Murder, Inc.

by Anton Chaitkin

Lucianne Goldberg told Linda Tripp, a military intelligence spook and George Bush political operative, that she should wiretap Monica Lewinsky; Goldberg then busied herself with arrangements for the resulting sex scandal, to be used in the inquisition against President Bill Clinton. Twenty-five years earlier, the same Lucianne Goldberg carried out a startlingly similar dirty trick, in the campaign that ended up destroying President Richard Nixon.

How did a New York “literary agent” get into the business of political intrigue at this level? An *EIR* probe has now brought to light the London-controlled apparatus, procurers of Presidential assassination and Mafia blackmail, which has shaped Lucianne Goldberg’s career.

In 1972, when a gangland lawyer paid her to spy on Democratic Presidential candidate George McGovern, Lucianne Goldberg was already employed by a syndicate front for British spies and organized crime, the North American Newspaper Alliance (NANA). Her husband, Sidney Goldberg, was the longtime chief executive of that syndicate.

NANA’s role in the murder of President John F. Kennedy is now under our intensive investigation.

Lucianne Cummings (née Lucianne Steinberger), reputedly a “blonde bombshell” who slept with politicians and media men in pursuit of useful gossip and leverage, entered a rarefied world of global intelligence warfare when she married Sidney Goldberg in 1966.

The history of the Goldbergs’ mob/spy front group pivots around three individuals:

- British secret service agent **Ernest Cuneo** (1905-88), the chief American manager for media subversion and political operations of Sir William Stephenson (“Intrepid”) within the United States. Cuneo hired Sid Goldberg into the NANA syndicate in 1957.

- Intelligence community “black propaganda” operator and tabloid pioneer **Generoso Pope, Jr.** (1927-88), whose father had helped Cuneo coordinate the Mafia with British global strategy. Cuneo gave Pope control over Sid Goldberg’s NANA syndicate in 1962.

- Mob boss **Frank Costello** (1891-1973), partner of “Murder Inc.” chief Meyer Lansky; protégé of the British and the Anglophile faction of U.S. intelligence. Costello bankrolled the Pope family media empire.

## Thunderball, in real life

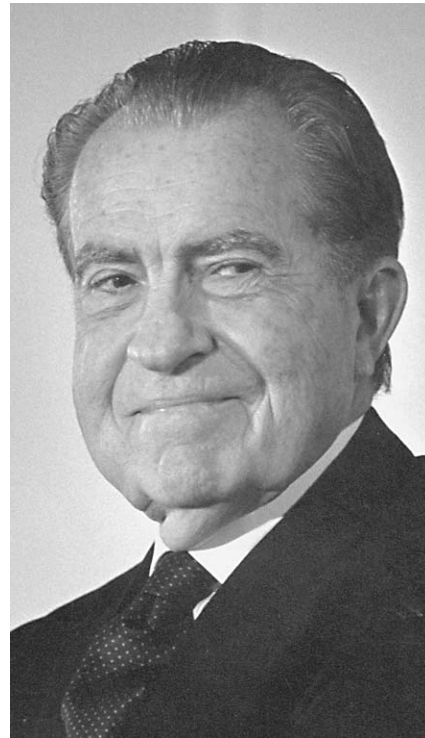
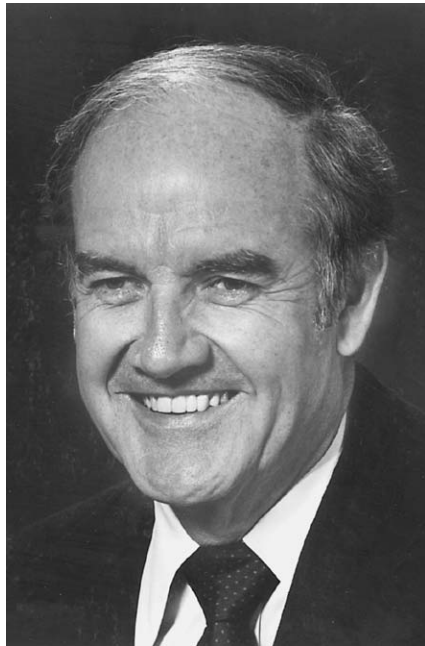
In the voluminous Ernest Cuneo papers, at the Franklin D. Roosevelt Library in Hyde Park, New York, there is to be found only a small fragment of the correspondence between Lucianne Goldberg’s husband and the veteran British agent who brought him into the big time; the last letter in the file is from 1983. Well known in the spy world, Cuneo, code-name “Crusader,” was the main World War II liaison between British Security Coordination (BSC), headed by Sir William Stephenson, and American agencies including the Federal Bureau of Investigation and the Office of Strategic Services.

The U.S. government designated Cuneo the official liaison to Stephenson’s spy group. But the American native Cuneo, a lawyer ambitious to rise in the lucrative power-politics associated with the Wall Street Anglophile brothers Allen and John Foster Dulles, reportedly did sufficient favors for the British Empire so as to prove himself a British loyalist, and came to represent the Crown secret services. He married BSC staff member Margaret Watson. Cuneo wrote that the “BSC . . . especially in the U.S., ran espionage agents, tampered with the mails, tapped telephone[s], smuggled propaganda into the country, disrupted public gatherings, covertly subsidized newspapers . . . perpetrated forgeries . . . and possibly murdered one or more persons in this country.”<sup>1</sup>

Cuneo consciously betrayed his country in favor of British objectives. In an autobiographical letter to Sid Goldberg,<sup>2</sup> Cuneo explicitly described his own work “negotiating with the Italians-in-Exile headed by Count Sforza,” and his role in President Franklin Roosevelt’s conflict with Winston Churchill over the U.S. post-war aim to “liquidate the European Empires.” Yet after FDR’s death, the Stephenson-Cuneo and American Anglophile apparatus succeeded in restoring the British-sponsored Mafia to criminal life in Sicily and America, and helped engineer the subversion of U.S. strategic and security policy so that the empires were never “liquidated.”

1. Ernest Cuneo Papers, box 107, CIA file, quoted in Thomas E. Mahl, *Desperate Deception: British Covert Operations in the United States, 1939-44* (Dulles, Virginia: Brassey’s, Inc., 1998), p. 16.

2. Undated letter, addressed “Dear Sid,” Sidney Goldberg file, Ernest Cuneo Papers.



Lucianne Goldberg's gang, procurers of Presidential assassination and Mafia blackmail, targeted President John Kennedy (left), and both George McGovern (center) and his opponent, President Richard Nixon.

Cuneo's close friend, British Special Operations Executive spy Ian Fleming, credited Cuneo with having originated the plot-line for *Thunderball* and other James Bond stories.

Cuneo's intermediary role between the British, FBI boss J. Edgar Hoover (his devoted fan), and international organized crime, ran parallel to the criminal operations of Montreal-based Col. Louis M. Bloomfield. As we shall see, Cuneo's Cuban and other initiatives overlapped with Bloomfield's Permindex organization, the central focus of New Orleans District Attorney Jim Garrison's prosecution of President Kennedy's assassins.

To continue his wartime operations, Cuneo in 1952 bought the North American Newspaper Alliance (a news syndicate which had been formed in 1922 by the pro-British San Francisco "blueblood" publisher Loring Pickering). Cuneo's idea for NANA may be understood from his boast to Stephenson, that during the war, "I controlled the world's largest newspaper and radio circulation, centering on Walter Winchell and his near 1,000 papers and . . . Drew Pearson's [syndicated column] Washington Merry-Go-Round."<sup>3</sup> Cuneo brought his British propaganda-channeler Pearson into the NANA organization.

### The Pope family and 'Uncle Frank'

NANA president Cuneo hired Sidney Goldberg, then age 26, as assistant editor in 1957. To follow the careers of Sid

3. Cuneo Papers, box 107, Crusader to Intrepid file, quoted in *Desperate Deception*, op. cit., p. 49.

and Lucianne Goldberg, we must become familiar with the gangster financial and political power backing the syndicate.

Britain's "Crusader," Cuneo, was retained on the payroll of Generoso Pope, Sr. during and after World War II.<sup>4</sup> Pope owned the Colonial Sand & Stone Company, which maintained a racketeer-protected monopoly on the delivery of sand and cement to New York City.

Pope reportedly controlled the Italian-American Democratic Party clubs in New York, but he was most widely known as the publisher of the leading Italian-American newspaper, *Il Progresso*, through whose pages he supported the cause of Benito Mussolini.

When the British made their tactical switch in the late 1930s, withdrawing their previous support for Mussolini—Winston Churchill's former darling—Pope was subjected to a nasty embarrassment. In a private meeting in Italy, Mussolini asked Pope to counter the rumors that he was anti-Semitic. Back in New York, Pope dutifully relayed this message to his numerous Jewish contacts (including the Warburg-Sulzberger circles of the B'nai B'rith and American Jewish Committee, who had previously adhered to the British line of protecting the Hitler and Mussolini regimes from foreign opposition). But shortly after his meeting with Pope, Mussolini, having lost his British sponsorship, turned to Adolf Hitler as an ally and, accordingly, put anti-Jewish laws into effect

4. Sept. 10, 1943, *Il Progresso* letterhead, engaging Cuneo as Pope's attorney; regular memos with payments, to Dec. 1, 1950; Cuneo Papers, Generoso Pope file.

in Italy. In later years, Pope's coordination with Cuneo got him lionized by columnist Drew Pearson, who described Pope as the leading anti-Fascist publisher!

Pope's main "muscle" in all these arrangements came from his intimate alliance with New York mob leader Frank Costello. Cuneo and his allies used the political-criminal axis of Pope and Costello for global covert operations throughout the 1940s.

The Sicilian immigrant Costello (born Francesco Castiglia) rose in the nationwide American organized "Crime Commission," in partnership with Meyer Lansky. Costello, Lansky, and Benjamin ("Bugsy") Siegel combined their criminal money and murder forces to create the Sodom and Gomorrah casino city of Las Vegas, Nevada. Lansky and Costello, working as partners, also set up the casino operations in pre-Castro Cuba.

From the late 1930s, gangster leader Charles ("Lucky") Luciano languished in a New York state prison; Luciano served as a political hostage for the Dulles brothers and their stooge, New York Gov. Thomas Dewey, who otherwise protected the Lansky-allied mob. During World War II, Lansky and Costello mediated between the imprisoned Luciano and the Cuneo-Pope apparatus, for strategic games amongst Mafia-linked U.S. waterfront workers and inside Italy. In 1946, after Mussolini's overthrow (and with Franklin Roosevelt dead), Costello led the successful effort to free Luciano.

"Lucky" was brought to Italy and served as a rallying point for the covert British apparatus in reintroducing Mafia control over Sicily, with the subsequent flourishing of global heroin trafficking.

Governor Dewey commuted Luciano's sentence in January 1946. Years later, reliable sources still tell a story about Murray Chotiner, the gangster lawyer and Nixon adviser who, in 1972, would secretly pay Lucianne Goldberg to spy: Chotiner was asked why he represented so many of Lansky and Siegel's murderous mobsters. Chotiner said, "It's legitimate—Governor Dewey referred them all to me."

Frank Costello, crime boss of New York City, was devoted to Generoso Pope, whose three sons, Generoso, Jr., Fortune, and Anthony, referred to him as "Uncle Frank." Costello was known as the godfather of Generoso, Jr., who assumed the family leadership when his father died in 1950.<sup>5</sup>

The activities of the wartime trio of Cuneo, Pope Sr., and Costello were carried over with Generoso, Jr.'s efforts to create the environment for the spook operations of Sidney and Lucianne Goldberg.

In 1951, following his father's death, Generoso, Jr. left his employment as an officer of the Central Intelligence Agency, where he had served in the Psychological Warfare section. He officially notified Cuneo that he was being kept on the

5. John Kobler, *Capone: The Life and World of Al Capone* (New York: Da Capo Press, 1992), pp. 22-23.

Pope family payroll.<sup>6</sup>

*New York Post* crime writer Leonard Katz, in his definitive biography of Frank Costello, shows that the gangster boss took his godson, Generoso, Jr., under his wing, gave him political protection, and financed his media operations. Costello dined with Pope and his staff members twice every week; this routine was only interrupted when Costello was imprisoned, and resumed in the 1960s after his release.<sup>7</sup>

In 1952, Cuneo bought the North American Newspaper Alliance, and Generoso Pope, Jr., meanwhile, bought the *New York Enquirer*. With thousands of dollars delivered in cash each week from Costello to Pope, the godson converted the failed rag of a newspaper into the *National Enquirer*. Cuneo's NANA and Pope's new tabloid, with its pornographic gossip, shared the intelligence community base of the Cuneo-Pope alliance.

Pope would later bring over the London sewer media expert, Iain Calder, as editor, to forge Pope's *National Enquirer* into America's premier British-modelled tabloid. With 5 or 6 million readers, it has become the third-largest circulation American publication, after *Reader's Digest* and *Parade* magazine.

In the tradition of the criminal oligarchy of Venice and their British monarchy imitators, the *National Enquirer* serves two political purposes: the degradation of the American public with sex gossip, as part of the calculated British assault against the progress-oriented U.S. culture; and, the hiring of operatives—of the type that Lucianne Goldberg became—to spy on celebrities and politicians, for blackmail and possible murder operations.

### **NANA and the Kennedy assassination**

We may now review the employment record of Sidney and Lucianne Goldberg, seeing them through the years in which their syndicate targetted the Kennedys, and into the Watergate and Clintongate affairs.

In 1957, the year NANA hired Sid Goldberg, "Uncle Frank" Costello was shot and wounded by a gangster adversary. The Katz biography carries a photograph of Costello emerging from the hospital with bloody clothes, next to a photograph of Pope's columnist John Miller,<sup>8</sup> who had just had dinner with Costello and Pope. A Costello sidekick telephoned Pope immediately to have him handle Costello's wife and the hospitalization.

Cuneo made Sid Goldberg NANA's news editor in 1958. During 1959, NANA employed Priscilla Johnson McMillan—who was otherwise a State Department and CIA opera-

6. May 18, 1951, Generoso Pope, Jr. to Cuneo, Cuneo Papers.

7. Leonard Katz, *Uncle Frank* (New York: W.H. Allen, 1974).

8. In later years, Yugoslav's Marshal Josip Broz Tito asked Pope tabloid employee John Miller, to ask Costello to organize casinos all over Yugoslavia. Costello turned down the offer, unsuccessfully recommending Meyer Lansky for the job. *Uncle Frank*, *ibid.*, pp. 253-254.

tive — when she went to Moscow and interviewed the apparent U.S.-Soviet double agent, Lee Harvey Oswald.

Sid Goldberg became the syndicate's overall editor in 1960. In that year, NANA's writer Victor Lasky issued a nasty political book attacking Presidential aspirant John F. Kennedy.<sup>9</sup> "Uncle Frank" Costello was released from prison, and resumed his direct sponsorship of Pope and Cuneo.

In 1961, John Kennedy became President. A rag-tag anti-Castro invasion of Cuba by Allen Dulles's CIA became a terrible fiasco, and Kennedy fired Dulles. Recruiting enraged Cuban exiles, Cuneo and his allies formed the anti-Kennedy "Free Cuba Committee."

In 1962, NANA was officially acquired by Fortune Pope, Generoso Jr.'s brother, in partnership with Cuneo's and Costello's friend, Drew Pearson. Generoso, Jr. remained the boss of the family's enterprises; and Cuneo remained active with the syndicate.

At this time, the overlap between the Cuneo-Pope operations, and those of the British intelligence Canada-Italy-Switzerland group, Permindex, was at its height. Roy M. Cohn, the New York organized crime lawyer and pervert, figured in both scenes. In his *Autobiography*, Cohn described his having grown up on the most intimate terms with Generoso Pope, Sr. and Jr., and related how he acquired for the Popes their control over New York radio station WHOM.<sup>10</sup> Cohn and Generoso Jr. were both involved in the direction of the Lionel Corporation (toy-train makers) as an instrument in Permindex's operations. And every single story put out by Pope's *National Enquirer* was said to be checked word for word by the firm of Edward Bennett Williams,<sup>11</sup> the longtime personal attorney for Costello, and lawyer for the Lansky mob's Caribbean operations during the 1960s.

Early in 1963, Generoso Jr.'s brothers, Fortune (Sid Goldberg's official boss) and Anthony, were convicted of violating Federal securities laws in criminally diverting funds from the family cement business, and filing misleading reports to conceal the diversion; each was fined \$25,000 and given suspended sentences. The three brothers' tax-free "Generoso Pope Foundation" — still operating as a secretive vehicle today — was listed as owning 49% of Colonial Sand & Stone.<sup>12</sup>

In 1963, not long before John Kennedy's murder, NANA writer Lasky put out another, more vicious sex-gossip book against the President, *John Kennedy: The Man and the Myth*.

Kennedy was shot on Nov. 22, 1963. That evening, the confused Lee Harvey Oswald was brought into a Dallas police station. When police asked Oswald if he was a member of the Free Cuba Committee, the spook outfit of which Cuneo was

9. Victor Lasky, *John F. Kennedy, What's Behind the Image?* (Washington: Free World Press, 1960).

10. Roy M. Cohn, *Autobiography* (Secaucus, N.J.: Lyle Stuart, 1988).

11. Interview in 1996 of Iain Calder with Elaine Zeide for the *Yale Journal of Ethics*, in [www.yale.edu/yje/calder.html](http://www.yale.edu/yje/calder.html).

12. *Wall Street Journal*, April 8, 1963.

a director, mob operative Jack Ruby, standing there at the station, shouted out, blocking Oswald's reply, that it was the "Fair Play for Cuba Committee," not the "Free Cuba Committee." Oswald was then asked if he had shot Kennedy. After he denied it, he was charged with the crime. Ruby later murdered Oswald, preventing a trial for the alleged JFK assassin.

In 1964, Sidney Goldberg became the overall general manager of the Pope-Cuneo syndicate, NANA, and of its subsidiary, the Women's News Service.

In 1966, Lucianne Cummings married Sid Goldberg.

## Lucianne: From Watergate to Clintongate

In 1972, as Richard Nixon campaigned for re-election, Sid Goldberg became president of the mob-spy front, NANA. A "plumber's unit" had been started up by Nixon's National Security Adviser, Henry Kissinger, supposedly to "plug leaks" from within the administration. Members of that unit — supplied with cash from the Texas Republican Party political machine run by then-UN Ambassador George Bush, and laundered through Mexico — were caught by police in a clumsy burglary at the Democratic campaign headquarters in the Watergate hotel and office complex. The burglars were officially working for the Committee to Re-Elect the President (CREEP). The scandal, directed by the media entirely against Nixon, would later force him to resign from the Presidency.<sup>13</sup>

Meanwhile, Pearson's column-writing partner, Jack Anderson, was the subject of a Jan. 17, 1972 memo to the chief of the CIA's Security Research Staff, Gen. Paul Gaynor, which warned of a supposedly dangerous Mafia conspiracy involving NANA, masterminded by Generoso Pope, Jr., publisher of "a pornographic sheet called *National Enquirer*." The CIA memo described the Pope syndicate's ties to the Lansky mob and to the "Zionist lobby."<sup>14</sup>

It was during the 1972 campaign, that mob lawyer and

13. According to the boast of *National Enquirer* editor Calder (in the 1996 interview, see footnote 11), the biggest coup the tabloid ever pulled off was the 1987 payment of "less than \$100,000" for a picture of Sen. Gary Hart in the company of model Donna Rice; this was used to end Hart's Presidential ambitions and career. Why target Hart? As a member of the Senate Intelligence Committee, Hart wanted to investigate and expose the relationship between the mob and the intelligence community. In 1976, during the Senate confirmation hearings on George Bush's nomination as CIA director, Hart had brought up, on the record, what had been the subject of Nixon's "smoking gun" tape, the notorious contribution from the George Bush, Hugh Liedtke, Bob Mosbacher, Pennzoil apparatus, to CREEP, the money that had been found in the pockets of Bernard Barker and the Plumbers after the Watergate break-in. Bush nearly blew a fuse, but though Hart and a few others voted against Bush's confirmation, Bush went on to head up the CIA. See Webster Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography* (Washington, D.C.: EIR, 1992), especially chapter 12, and pp. 297-300. Then, during the 1980s, Hart vowed that if he were elected President he would reopen the Kennedy assassination case and the role of organized crime in the JFK killing.

14. CIA memorandum "Subject: Jackson Northman Anderson," cited in Jim Hougan, *Secret Agenda: Watergate, Deep Throat and the CIA* (New York: Random House, 1984), pp. 87-88.

Nixon adviser Murray Chotiner was in the market for a spy against the McGovern Democratic Presidential campaign. Chotiner needed to replace his former agent in that work, CIA contract-“journalist” Seymour K. Friedin (who went on to become the Hearst papers’ London bureau chief.)

NANA syndicate writer Lasky, author of the books attacking John Kennedy, told Chotiner he should hire Lucianne Goldberg, wife of Lasky’s very close friend Sid.

Chotiner paid Lucianne Goldberg \$1,000 a week plus expenses, issuing checks from his own law firm totalling \$19,932.35. Chotiner recouped the money from the CREEP on vouchers in his own name, submitted for “survey expenses.” Chotiner’s death in a January 1974 head-on collision stopped Watergate prosecutors from charging him with violating election finance law through criminally intentional misreporting.

Lucianne Goldberg, officially a “journalist” representing the NANA subsidiary Women’s News Service, travelled on Democratic campaign airplanes, and spied on the Democratic candidate and his staff. Mrs. Goldberg phoned in reports to Chotiner’s office, where they were typed and forwarded to the White House. Several of her lewd reports eventually got on file in the U.S. National Archives, following the Watergate scandal. Among the stories she sent for Nixon’s consumption was the report that Senator McGovern had been having an adulterous affair while on the campaign trail in New Hampshire, and that McGovern’s wife Eleanor had collapsed when informed of it. When McGovern and his wife learned of Goldberg’s caper, they laughingly denounced this as the most ridiculous of smears. Perhaps one could usefully ask, whether McGovern, or Nixon himself, had been the intended victim of this gossip.

Lucianne Goldberg today still travels with Sid to strategy sessions of the syndicate (Scripps-Howard), which has incorporated the now-defunct NANA.

In the intervening years, Lucianne Goldberg has emerged as a “literary agent.” Her projects have included her gang’s continuous offensive against the Kennedy family. The *National Enquirer* pummeled the three Kennedy brothers with attacks of wicked gossip, as had Lasky. Lucianne was the commercial agent for Leo Damore’s savage hit on Ted Kennedy, *Senatorial Privilege: The Chappaquiddick Cover-Up*. The Damore book was issued in 1988 by right-wing publisher Alfred Regnery.

In mid-1996, before Monica Lewinsky had been heard of, Lucianne Goldberg presented Regnery with a prospectus for an anti-Clinton book to be written by Linda Tripp; this project did not come to fruition. Goldberg is also the literary agent for Dolly Kyle Browning, a 49-year-old Dallas lawyer who claims to have had a two-decades-long affair with Bill Clinton. No publisher would swallow it; even Regnery rejected it as “far below our standards.” It was finally published by Browning’s third husband.

Regnery introduced Mrs. Goldberg to Mark Fuhrman,

and she became the literary agent for the Los Angeles police detective’s published diatribe against O.J. Simpson. But Regnery turned down Lucianne Goldberg’s proposal that Detective Fuhrman write a book on Bill Clinton’s alleged murder of Vincent Foster.

Mrs. Goldberg nearly closed a deal to become literary agent for her friend, British reporter and intelligence agent Ambrose Evans-Pritchard, the original instigator of the Whitewater inquisition against President Clinton.

On Oct. 21, 1998, this reporter interviewed Jeff Harshman, manager of Speed Service, Inc., the courier service which carried Monica Lewinsky’s love letters to the White House. Harshman confirmed that Mrs. Goldberg told Linda Tripp to use that courier service, from whom the receipts could be retained, “because Lucianne is familiar with the company.” Harshman is married to Lucianne Goldberg’s niece. Lucianne’s brother, John Steinberger, founded the company.

For Harshman, the Lewinsky caper was a labor of love against the hated U.S. President. Though his company is a relatively small one, Harshman, like his wife’s aunt Lucianne, lives in a rarefied world. When this reporter told him some stories about his British courier-client Ambrose Evans-Pritchard, Harshman responded jovially, “I will have to call Mr. Pritchard and set him straight on these things.”

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

—Lyndon H. LaRouche, Jr.



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# President Clinton should listen to James Carville more often

by Debra Hanania Freeman

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### . . . And the Horse He Rode in on—The People v. Kenneth Starr

by James Carville

New York: Simon & Schuster, 1998

176 pages, hardbound, \$14.95

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I am not going to make you read this whole review before I reveal whether I'd recommend reading James Carville's new book. I'll tell you right here in the first paragraph: You should read this book.

Let me tell you why I like this book. It isn't because it represents the most comprehensive accounting of every detail behind the unprecedented, unconstitutional assault on the person and the institution of the U.S. Presidency that Ken Starr's witch-hunt represents. Carville has been on this case for a long time. His files are extensive.

Remember, it was Carville who, back in 1994, before anyone had ever heard of Paula Jones, or Monica Lewinsky, or even knew much about Whitewater, invited the Washington, D.C. press corps to breakfast, and embarrassed them with his "Media Food Chain" chart. Carville documented for them, in great detail, the genesis of every single "Clinton scandal" story that had appeared, under the guise of Woodward and Bernstein (of Watergate fame) "investigative journalism," in the American press and media. First, the story would be published, usually in its most scurrilous and vicious form, in the British press. Then, a week or two later, the story would come out in the *Washington Times*, or the *American Spectator*, or on the editorial page of the *Wall Street Journal*. Finally, the story's last stop would be under the by-line of some so-called investigative reporter, in the pages of the *New York Times*, the *Washington Post*, the *Los Angeles Times*, or some other "authoritative" outlet.

This isn't that kind of book. One can almost picture the inimitable "Ragin' Cajun" himself, who was frequently seen, during the War Room days of Bill Clinton's first Presidential

campaign, clutching a dog-eared copy of *EIR's* 700-page *George Bush: The Unauthorized Biography*, saying, "Hell, I wasn't looking to produce some 100 pound tome that Simon & Schuster would charge \$50 bucks for, and no one could afford—let alone read! Man, I've always been a Dagnet fan! You know, 'Just the facts, ma'am.'"

Don't misunderstand me, though. It's clear that some quality research went into the book. Carville documents a whole string of unappealing facts about the appointment and tenure of Starr, starting with the fact that Starr was appointed by a panel headed by right-wing Judge David Sentelle just after Sentelle's lunch meeting with North Carolina's dynamic duo, Senators Jesse Helms and Lauch Faircloth. He "follows the money," documenting billionaire Richard Mellon Scaife's involvement in chapters on Whitewater and the Arkansas Troopers, and right-wing payola.

### Starr's personal motives

Carville documents Starr's history as an attack dog for this group in the GOP, and he also establishes some pretty shocking personal motives for Starr's vendetta against Clinton. I know more than just about anybody (with the possible exception of Law Editor, Ed Spannaus) about this stuff, and I didn't know that Starr's law firm was sued by the Resolution Trust Corp., a government agency in charge of liquidating failed savings and loans (and an early target of Starr's "investigations"). Yes, indeed! There was Ken Starr, investigating the RTC for connections to a bad loan (the \$300,000 Whitewater loan) at the same time that the RTC was suing Starr's firm for aiding and abetting breaches of fiduciary responsibility in its connections to a failed savings and loan.

But, what the hell, maybe Ken Starr really was just dispassionately serving the public interest when he subpoenaed the very same people who were involved in the lawsuit against the law firm that made him a wealthy man.

Carville documents a couple of other choice facts that might cause a person, even a person who isn't a paranoid conspiracy theorist, to raise his or her eyebrows. How many American citizens know that Ken Starr represented Interna-

tional Paper, the company that sold land (and lost an awful lot of money on it) to the Whitewater Development Company? How many know that Starr was forced by Associate Attorney General Webster Hubbell, who continues to be so badly victimized by Starr during these last four years, to stop representing Bell Atlantic?

Maybe, the fact that Hubbell got between Ken Starr and an awful lot of money had absolutely nothing to do with what happened to Webb Hubbell.

There's a good deal more useful stuff in Carville's book: Ken Starr's chronic leaking (to the media); the abuses of power by Ken Starr and his underlings, and more. It's fashionable among Washington journalists and Ken Starr apologists to accuse Carville of being a "junkyard dog" for the White House. It's pretty clear that Carville doesn't really give a damn about the accusations. But, it's also pretty clear that they just aren't true.

There is no question that Carville holds Bill Clinton in pretty high regard, both as a President and as a friend. But, Carville is no apologist for Bill Clinton. He writes, "he's disappointed me a few times over the years. I think it was wrong of him to sign a bill that took away the benefits of legal immigrants, who work so hard to make it in this country." He makes no secret of the fact that he thinks the President was dead wrong in signing the welfare reform bill, that it represented bad policy *and* bad politics (Carville has been quoted many times saying it probably cost the Democrats a majority in at least the House of Representatives). And, Carville nails Clinton for what may be this President's greatest flaw, "I definitely think that, to his own harm, the President has a tendency to be far too accommodating to his political enemies."

The book's most valuable insights come, not from the research files of Carville's famous Rapid Response Team. They come from James Carville's own experience as an extremely intelligent, honest, and tough political operative, fighting for a policy and a nation he truly believes in.

### **An encounter with Starr**

Very early in the book, Carville tells a chilling story. He explains that his problems with Ken Starr began in October 1993, long before Starr was named Independent Counsel. Carville recounts sitting in Washington National Airport, waiting for his wife. "I noticed an intense, bespectacled man sidling up to me. . . . I gave him a nod and flashed him a big, friendly Serpenthed grin. Suddenly . . . this guy started spouting an unsolicited and shameful tirade against the President. 'Your boy's getting rolled,' muttered the stranger with undisguised glee." Carville jumps forward to early August 1994. He describes watching CNN when, "under the caption New Whitewater Independent Counsel, a familiar face stared back me. . . . It all came back to me with a jolt—the new independent counsel was the weirdo from the airport!"

Carville describes his obvious suspicion. When he carried



*James Carville. "I definitely think that, to his own harm, the President has a tendency to be far too accommodating to his political enemies."*

out a preliminary background check on Starr, his suspicions were confirmed. He describes his anger, and the fact that he wrote a letter to the White House, specifically to then-Chief of Staff Leon Panetta, explaining that it was essential to warn the American people about who Ken Starr really was. He writes that he also forwarded a copy of the letter to the late Ann Devroy, a good friend of his who wrote for the *Washington Post*. He even prints the text of the letter.

Carville reports that the "powers-that-be" at the White House worried that an offensive against Starr would be counterproductive, and they begged him to withdraw the letter. He did. He says that today, he believes that getting talked out of that fight was the biggest personal error he has ever made. Carville went along with the White House advisers for two years. "Finally, in October 1996, after hearing that the taxpayer-funded Ken Starr put in an appearance at Pat Robertson's school, I couldn't take it anymore. My mother, Miss Nippy, raised me to be a fighter, and now, embarrassed by my cowardly behavior, I could no longer allow the White House to constrain me to keep quiet about something I knew in my heart was wrong. That's when I began my new campaign, the Education and Information Project (EIP)."

This guy is no junkyard dog for the White House. But, he is unquestionably one of the greatest assets President Clinton has on his side. He was right during Clinton's first campaign, when he hung the sign that said, "It's the economy, stupid," in the campaign nerve center in Little Rock. He was right when he tried to mobilize the Democratic Party to launch an all-out offensive against the Gingrichites, while the Democratic National Committee tried instead to become a second Republican Party. And, he was dead right about Ken Starr. President Clinton should listen to James Carville more often.

Yes, I recommend Carville's book. It's a good read, and James Carville is a good guy. And, finally, just getting your hands on Miss Nippy's brisket recipe (it's on page 154) is worth the cover price!

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## Starr wants another chance to jail Hubbell

Independent counsel Kenneth Starr wants to revive his second prosecution against former Clinton administration official Webster Hubbell on tax charges, and Starr may even want to open up a third case against Hubbell for obstruction of justice, Starr revealed on Oct. 21 during appeals court arguments.

After Hubbell agreed to plead guilty on charges of stealing money from his law firm, and had served a Federal sentence, Starr opened a second investigation, which was seen as retaliation against Hubbell for his failure to cooperate with Starr's vendetta against President and Mrs. Clinton. The pretext for the second investigation was that the White House had conspired with Hubbell and others to obstruct justice by helping Hubbell obtain well-paying consulting contracts. However, unable to prove obstruction, Starr instead indicted Hubbell, Hubbell's wife, his accountant, and his lawyer on tax conspiracy charges.

That indictment was thrown out on two grounds: that Starr had exceeded his jurisdiction, by not obtaining permission from the Attorney General to enlarge his mandate; and that Starr had violated Hubbell's Fifth Amendment privilege against self-incrimination, by forcing Hubbell to turn over his personal financial records, and then using those records to prosecute him.

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## Eco-terrorists torch Vail ski resort

The Earth Liberation Front, a front group for the Earth First! terrorists, claimed responsibility for the Oct. 18 arson fire that caused \$12 million in damage to a Vail, Colorado ski resort. ELF's statement boasted that its action was to stop expansion of the resort into "the last, best lynx habitat in the state." It added, "For your safety and convenience, we strongly advise skiers to choose other destinations until Vail cancels its inexcusable plans for expansion."

Recent incidents of eco-terrorism have included several bombings in Canada, targeting oil production facilities, and shootings aimed at Alberta Energy Corporation executives. Only days before the Vail arson, some 30 hooded Earth First! terrorists assaulted a new Nike facility in Washington State. Last fall, over 60 eco-terrorists assaulted the Eureka, California office of Rep. Frank Riggs.

Private investigator Barry Clausen, who had infiltrated Earth First!, pointed out to the Oct. 24 *New York Times*, that the *Earth First Journal's* May-June issue carried an article headlined "Super Vail . . . Super Ugly." "It's a real pattern. Many times articles come out in the *Journal*. Then, there is sabotage," Clausen said. The *Times* reported that the EF! "charged that Vail wanted to 'bring the resort lifestyle into some of the last, best old-growth habitat for lynx in the southern Rockies.'"

Years before Unabomber Ted Kaczynski pled guilty in January 1998, Clausen had informed Federal officials that some Unabomber targets were taken from an October 1990 hit-list published by Earth First! members.

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## McDougal seeks dismissal after mistrial is denied

The California judge in Susan McDougal's embezzlement trial in Los Angeles has denied her motion for a mistrial, and has ruled that prosecutors did not violate McDougal's rights by withholding transcripts of a Federal grand jury which was convened to investigate McDougal's tax status. The prosecutor said that he had obtained the transcripts a month or two ago. McDougal's lawyer Mark Geragos had charged that the local prosecutor was working in collusion with Federal prosecutors, including Whitewater independent counsel Kenneth Starr. The judge has prohibited any mention of Starr or Whitewater in front of the jury during the trial.

Geragos planned to submit legal briefs on Oct. 23 arguing that the case should be thrown out. His Oct. 21 motion for mistrial charged that local prosecutors in Los

Angeles were "carrying water" for Kenneth Starr, in the ongoing trial of McDougal on embezzlement charges involving conductor Zubin Mehta and his wife, for whom McDougal worked in 1989-92.

The Los Angeles prosecutor was ordered to turn over hundreds of pages of Federal grand jury transcripts which had been withheld from the defense. The transcripts were from a Federal investigation of McDougal which was opened in Los Angeles, after she had refused to cooperate with Starr's Whitewater investigation in Arkansas. Geragos accused prosecutors of using the Federal grand jury to investigate her tax status while the embezzlement charges were pending. He said that prosecutors had launched "an illegal prosecutorial invasion of the defense camp," and were using a Federal grand jury to question witnesses who would be called for the defense in McDougal's trial. The transcripts included 450 pages of grand jury testimony by McDougal's fiancé, Pat Harris, who testified for the defense on Oct. 20.

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## Soros is funding seven pro-dope referendums

The Oct. 20 *Washington Post* covers the fact that the backers of drug legalization aren't besotted pot-heads, but the rich and shameless, not least, George Soros. "A war against the 'war on drugs,' fueled by millionaires, not pot-smoking hippies, is taking place in six states and the District of Columbia this month," writes reporter David Broder. The cover for legalization is "medical marijuana," on the Nov. 3 ballots in Alaska, Colorado, Nevada, Oregon, and Washington, and the District of Columbia.

The medical marijuana law passed in 1996 in California, with heavy Soros funding. In Arizona, a similar initiative, also Soros-funded, passed in 1996, "medicalizing" 117 drugs, including LSD, heroin, and PCP. The legislature re-criminalized the drugs pending approval by Congress or the Food and Drug Administration. The same proposal is back on the ballot for 1998.

Broder interviewed Soros by phone, asking him, "Why should a New York mil-



lionaire be writing the laws in Arizona?" Soros replied, "I live in one place, but I consider myself a citizen of the world. I have foundations in 30 countries, and I believe certain universal principles apply everywhere—including Arizona."

## Memorial to black Union soldiers on display

The 1897 memorial sculpture to the Massachusetts 54th Volunteer Infantry is being exhibited by the National Gallery of Art in Washington, D.C. until Dec. 14. The 54th Massachusetts was the Union's most famous regiment of African-American soldiers, whose bravery was celebrated by the country's leading post-Civil War sculptor, Augustus Saint-Gaudens. Booker T. Washington, president of Tuskegee Institute, addressed the unveiling ceremony, and Paul Lawrence Dunbar, among others, wrote poems about it.

The National Gallery provides a brief history of the unit, which was first headed by Col. Robert Gould Shaw, a young Bostonian whose family were strong abolitionists. Weeks after President Lincoln's Emancipation Proclamation in January 1863, Secretary of War Stanton authorized Massachusetts Gov. John Andrew to raise the first African-American corps in the North. Andrew appointed Shaw to lead it.

Frederick Douglass, whose sons Charles and Lewis signed on with the 54th, exhorted young men to give themselves to the cause. His appeal, "Men of Color, To Arms!" was circulated widely, and was instrumental in filling Union ranks. On May 18, 1863, the 54th regiment received its flag from the governor, who presented it with words that were later inscribed on Saint-Gaudens's memorial: "I know not, Mr. Commander, where in all human history to any given thousand men in arms there has been committed a work at once so proud, so precious, so full of hope and glory as the work committed to you."

On July 16, 1863, the 54th had its first test in battle, when 250 Union men held their ground against 900 Confederates. Two

days later, the unit was asked to lead an attack on Ft. Wagner, the key to the Confederate defense of Charleston. Shaw was killed, and Union casualties were 1,500 men. Despite this, the bravery of the African-American soldiers was publicly recognized and opened the door for black soldiers to join the Union Army in force. Nearly 180,000 African-Americans fought for the Union, and played a decisive role in victory for the United States.

## Mumford ordered to stop use of sterilization drug

In an Oct. 14 letter, the Food and Drug Administration told Stephen D. Mumford of the Center for Research on Population and Security to cease distributing the sterilizing drug quinacrine, and to destroy their supply of the drug. Quinacrine has been widely used in the Third World as an experimental method of population reduction, especially since then Secretary of State Henry Kissinger proclaimed population control to be U.S. foreign policy, in his National Security Study Memorandum 200.

Quinacrine sterilization is achieved by introducing a pellet into the uterus, burning and scarring the fallopian tubes with quinacrine hydrochloride acid. Laboratory tests in the United States have indicated that this procedure causes the uterine cells to mutate, and the FDA's letter mentioned possible health risks, including cancer. On June 18, the *Wall Street Journal* reported that more than 100,000 women in 20 countries have been sterilized with quinacrine, and some of them without their knowledge or against their will.

According to the *Journal*, which reported the FDA letter on Oct. 19, Mumford told the daily that the sterilizations will continue, using quinacrine manufactured overseas, beyond the reach of the United States government.

Mumford's book *The Life and Death of NSSM 200* defends population control as a strategic doctrine, applauding its decimation of developing countries' populations as a U.S. national security measure.

**DEMOCRATIC** Congressional candidate Jay Inslee who is running against incumbent Rick White in Washington State, is airing campaign ads attacking White and House Speaker Newt Gingrich for their role in the assault on the Presidency. A poll, conducted one week after the ad began to be broadcast, showed Inslee pulling even with White, whom he had been trailing.

**U.S. SANCTIONS** against India and Pakistan, which automatically went into force after the two countries tested nuclear devices, can now be waived by the President, under a provision that was included in the spending bill that Congress passed in October. The waiver authority can be applied to restart a variety of lending and aid programs.

**'LOSING THE VOTE,'** a new study by Human Rights Watch and The Sentencing Project, shows that 13% of African-American men have been deprived of the right to vote because of felony convictions. In Virginia, the figure is 25%. Altogether there are 3.9 million disenfranchised felons, or 1 in 50 adults. Some 1.4 million are ex-offenders who have completed their sentences.

**A TEXAS HMO** is being sued by the family of a suicide, only one month after the Federal courts upheld the Texas law allowing health maintenance organization patients and their families to sue for malpractice. In this case, the HMO had a suicidally depressed patient discharged from inpatient care, despite his physician's written objections and the family's protests. Within days, the man killed himself.

**GEOFFREY FIEGER,** Michigan's Democratic gubernatorial candidate and Jack "Dr. Death" Kevorkian's attorney, has refused to meet with handicapped organizations, *EIR* has learned. During the state party convention in August, Fieger ordered handicapped (Democratic) protesters to be arrested, when they demonstrated against him.

## Editorial

### *Ally with China, not London*

It is no secret that the Clinton administration is dangerously temporizing in dealing with the world financial meltdown. The “crisis management” mode is in full swing, and, worse yet, the President appears to be looking toward the new configuration in Europe—the Tony Blair-led crew of Social Democrats—as partners in dealing with the visible storms ahead. Initiative has been left to Prime Minister Blair to call a new emergency conference of the Group of Seven, and consultations between Washington and London are increasingly frequent. And, the U.S. administration seems to be tilting toward the British in opposing Asian self-defense moves against international speculators, particularly those taken in Malaysia.

The alternative to this disastrous trend is its direct opposite: a U.S. strategic alliance with China in dealing with the world financial crisis. As Lyndon LaRouche has recently noted, Washington must choose between London and China; there is no “middle” ground.

China’s adherence to currency and exchange controls, as well as its program of massive infrastructure construction, financed by state credit, typify the approach which all nations must take. While such self-defense does not substitute for an agreement to bury the International Monetary Fund, and establish a New Bretton Woods agreement, it is a step in that direction. It is also well known that China has been a crucial supporter of the Malaysian imposition of capital controls, which has put the international financial speculators into such a snit.

Over the last week of October, the media outlets for those speculators, the *Wall Street Journal* and the London *Financial Times*, have launched a new round of attacks on China, which are obviously meant to influence the Clinton administration’s outlook, and intimidate other nations. Most chilling was the *Journal*’s Oct. 23 editorial, entitled “The Chinese Model?”

The *Journal* poses the possibility that other nations would see China as a model because it has escaped the brunt of the “Asian” economic crisis through maintaining capital controls and state-funded infrastructure pro-

grams. Don’t do it, the editorial writer says. Beijing will ultimately collapse due to the government investment program. “The lesson for developing countries in Asia and elsewhere is that it’s useless to try to dodge the bullet of creative destruction through capital controls or extravagant fiscal stimulus.”

“Creative destruction,” of course, is an ideology of the radical free-marketeters, which never helped any population. But it has wiped out the barriers to looting by the like of Wall Street investors.

The *Journal* assault was supplemented by its older cousin in London, the *Financial Times*, which ran an extensive article on Oct. 29 predicting impending disaster in China, if Beijing continues the path shown by its shutting down the Guangdong International Trust and Investment Corp. GITIC was in trouble due to exposure to short-term capital, including derivatives, and the international investors who put their money in are looking at the potential of losing significant monies on their \$2 billion in loans to it.

China is simply plunging ahead with a rational approach to its national economy—using the power of the state to protect its people, and to invest in the physical economy. This reality was recognized by the Clinton administration over the last year, as it engaged in extremely positive diplomacy with the Jiang Zemin government, and talked of a “strategic partnership” in the making.

From London’s standpoint, this potential alliance is threatening, to say the least. Thus, the intense efforts coming from that quarter to sway the Clinton administration away from its previous support for China’s nationalist control of currency, and government programs of infrastructure-building. Washington’s attacks on the Mahathir government in Malaysia are just one reflection of London’s success.

Inevitable financial shocks will disrupt smooth progress for London’s plans, and, with the help of the LaRouche movement, bring Clinton back to his senses. But the advice must be clear: Ally with China, not London.

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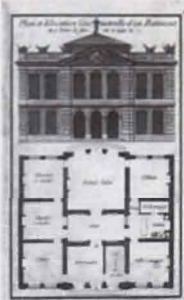
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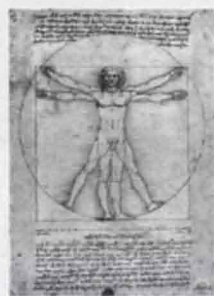
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