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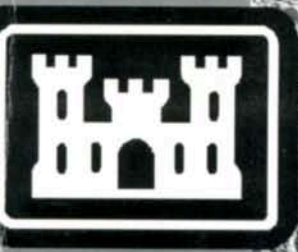
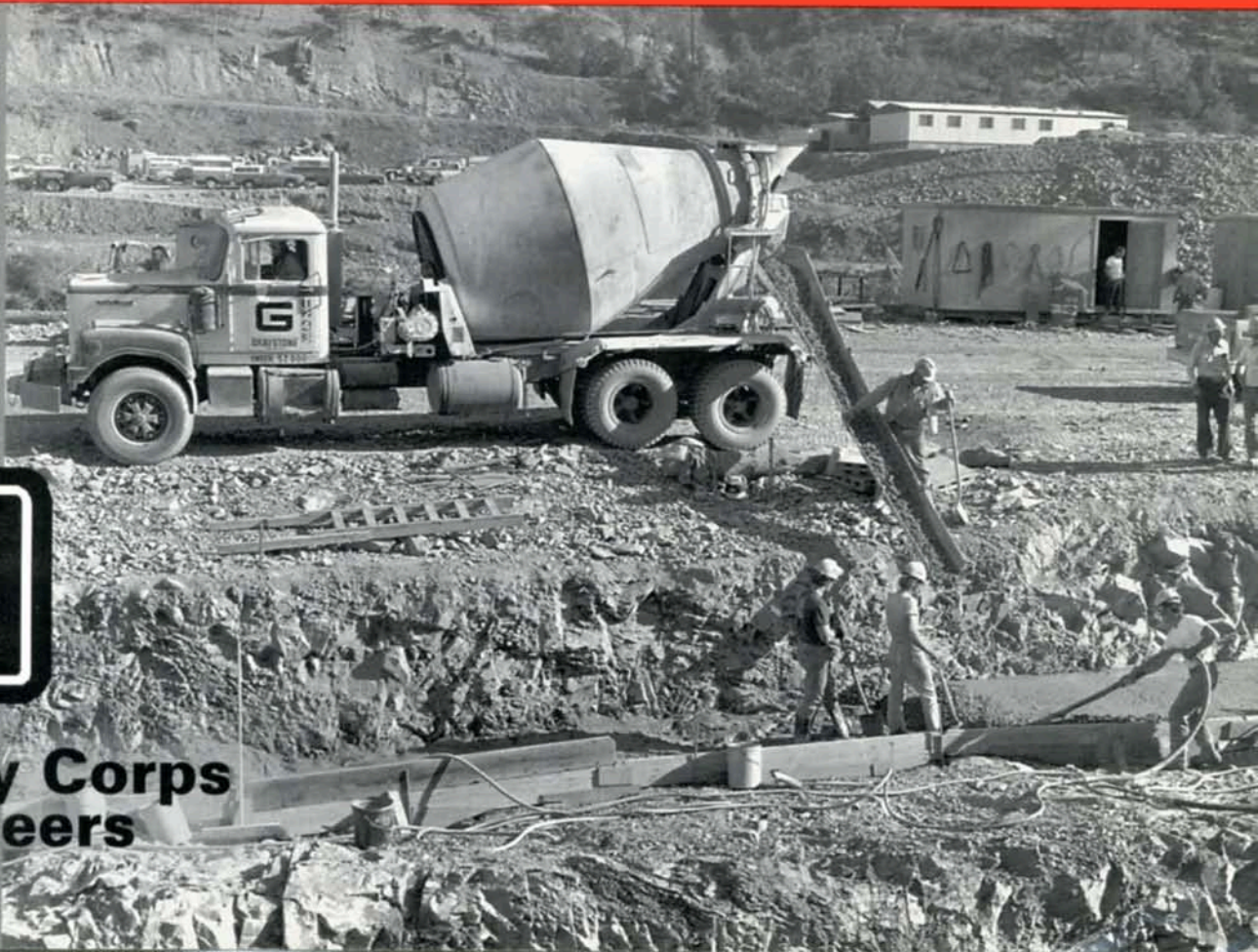
Executive Intelligence Review

June 18, 1999 Vol. 26 No. 25

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The battle for Balkan peace has just begun
If you get sick, will you have a hospital?
Nigerian President challenged by IMF blackmail

**Balkan peace and world economy:
The case for a 'New Marshall Plan'**

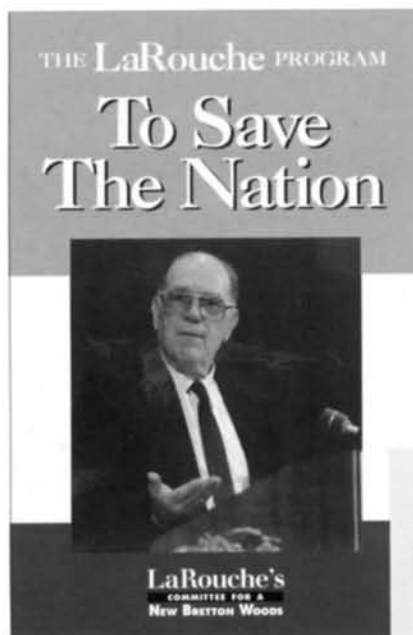


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of Engineers**

LA ROUCHE

for

President



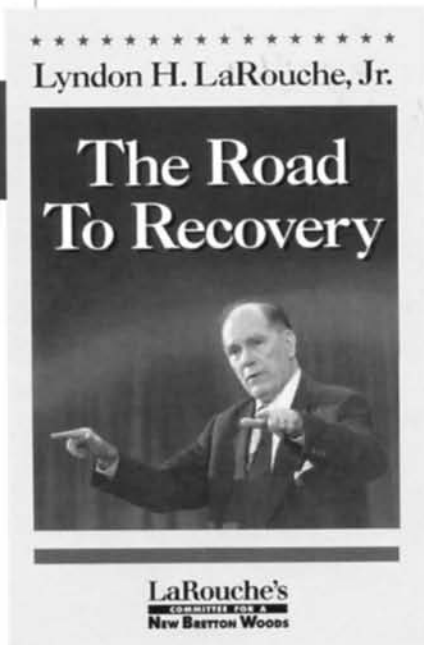
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These Books!

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“You can fool some of the people all of the time,
and all of the people some of the time;
but you cannot fool all of the people all the time.”

Don't be fooled again;
this time, vote LaRouche.



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From the Associate Editor

In this issue, we intend to do what *EIR* does best: provoke our readers. We are not going to tell you what you already believe, so that you can nod your head and go about your business. Starting with Lyndon LaRouche's article, "Balkan Peace and World Economy: The Case for a 'New Marshall Plan,'" we are going to challenge some of your most deeply held opinions.

For example, the need for LaRouche's policy for Balkans reconstruction is not some "nice idea" which is all well and good provided somebody else pays for it, and provided it doesn't get in the way of one's personal, pressing, concerns. What is at stake, if the opportunity now presented to implement this policy is not seized, is nothing less than World War III—in whatever form that might take, given the current strategic configuration.

That is why we have put a picture of the U.S. Army Corps of Engineers on the cover. What is needed is a military-style mobilization to accomplish the job of reconstruction of Kosovo before the winter sets in—and to extend that reconstruction to *actually removing control of the world financial system from the British-led financial oligarchy*. As President Franklin D. Roosevelt would have done.

Take the pulse of Russia's political and military circles, if you want to know why we have to do this *fast*. Russians are convinced that NATO's deployment against Yugoslavia was a "trial run" for a similar assault on Russia itself. The Russian State Duma has voted overwhelmingly to condemn Viktor Chernomyrdin's deal with NATO. Russia has announced a new nuclear strategy, which includes building 10,000 tactical nuclear warheads. We are sitting on a powder keg!

The decisive battle to be fought, is over what financial policy will govern the reconstruction effort. Will it be LaRouche's New Bretton Woods System, or will the British, the International Monetary Fund, the murderous "free-trade" mafia, succeed in burying any real reconstruction effort, as they have so often in the past?

As LaRouche writes in his paper, policymakers around the world will be studying this document. No competent understanding of the issues and solutions presented can be achieved, unless our readers—from the highest government officials, to ordinary patriotic citizens—change the way they think. With that happy challenge, I invite you to read on.

Susan Welsh

EIR Contents

Interviews

62 Roberto Formigoni

The president of the Lombardy region in Italy speaks about his recent visit to Iraq.

63 Hrant Khachatryan

The president of the Union of Constitutional Rights, a longtime friend of the LaRouche movement, has been elected to the Parliament of Armenia.

Departments

49 Australia Dossier

The bubble will soon pop.

68 Report from Bonn

German diplomacy pays off.

69 Africa Report

More massacres in the Kivus.

80 Editorial

Even the BIS is worried.

Photo and graphic credits: Cover, U.S. Army Corps of Engineers. Pages 8, 23, 26, 33-35, 63, EIRNS. Page 9, Bundesbildstelle Bonn. Page 10 (Clinton and Jiang), Barbara Kinney. Pages 10 (LaRouche), 16, 45 (Blair), EIRNS/Christopher Lewis. Page 10 (Primakov and Solana), *NATO Review*. Page 10 (Vajpayee and Khatami), Indian Embassy website. Page 13, NASA. Page 15, National Archives. Page 20, TVA. Pages 39, 45 (Prodi), 66, 73, 76, EIRNS/Stuart Lewis.

Economics

30 If you get sick, will you have a hospital?

Under the parasitic “managed care” insurance system, the Hill-Burton Act’s high standard of health care, established in 1946, is being replaced with Auschwitz methods of cost-accounting.

38 ‘Managed care’ and nursing: Back to the 19th century

Market-driven “reforms” have forced hospitals to replace registered nurses with untrained “aides.” Are you feeling better, now?

40 Specific cases of illness and death

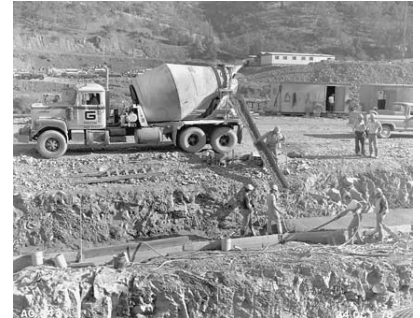
42 Ecuador banking: IMF demands euthanasia

44 How the British oligarchy controls Brussels EU policy

Most of the 360 million people within the European Union are unaware that the tiny handful of people who ultimately determine policy concerning their economic well-being, do so with no accountability to the citizenry.

50 Business Briefs

Feature



The U.S. Army Corps of Engineers at work on a construction project in Oregon.

4 Balkan peace and world economy: The case for a ‘New Marshall Plan’

By Lyndon H. LaRouche, Jr. “The British monarchy and that monarchy’s American lackeys . . . were prepared to go to extremes to launch this war, and are prepared, if permitted, to go to extremes in their efforts to prevent U.S. President Bill Clinton from bringing it to the truly peaceful conclusion which he proposed in his San Francisco address,” LaRouche writes. “My subject in this report, is the issues of global economic policy posed by any serious effort to conduct ‘A New Marshall Plan’ of economic reconstruction in the region of southeastern Europe.”

International

52 The battle for peace in the Balkans has just begun

The peace accords are resting on a very fragile foundation, and the key now is to move swiftly with a reconstruction program — and to outflank the inevitable geopolitical counterattack by the British oligarchy.

54 Macedonian President Gligorov calls for Balkans reconstruction

55 European elections: BüSo makes reconstruction the campaign focus

LaRouche's co-thinkers are the only party talking about the opportunity for hope after the Balkans war.

56 Peace through development for the Balkans

New signers on the Schiller Institute's call for a "Marshall Plan" for the Balkans.

57 'Hawk' Blair exposes British aims to China

The assault on Iraq, and Blair's bloodthirsty pursuit of the bombing against Yugoslavia, and his relentless demands for a ground invasion, have done much to expose London's strategic aims to China's leaders.

58 Al Gore and his Wall Street cronies are out to sink Russia

The ouster of Russian Prime Minister Yevgeny Primakov was the product of a secret meeting at New York's Four Seasons restaurant.

61 PKK leader: British run Kurdish terrorism

62 End the embargo against Iraq

An interview with Roberto Formigoni.

63 Elections in Armenia signal a political shift

An interview with Hrant Khachatrian.

65 New Nigerian President challenged by economic crisis, IMF blackmail

Olusegun Obasanjo has been sworn in as the new President of the Federal Republic of Nigeria.

70 International Intelligence

National

72 The U.S. political battle over Balkan reconstruction

The Republican-controlled Congress has passed two resolutions toeing the British line against reconstruction. But policy has not yet been decided, and, as the LaRouche movement has been emphasizing, a Marshall Plan-style program for the Balkans must become the catalyst for shifting the world away from the momentum toward World War III, and toward building a new world monetary system, based on infrastructure development.

74 Opposition grows to Cox Committee hoax

Demands for better U.S. relations with China dominated a seminar in Washington hosted by the Cato Institute.

74 Chinese press covers LaRouche on Cox Report

76 Scotland tells Pat Robertson: 'No deal'

Robertson's plans to establish a U.S. telephone-based bank with the Bank of Scotland have fallen through.

78 National News

Balkan peace and world economy: The case for a 'New Marshall Plan'

by Lyndon H. LaRouche, Jr.

The following report was composed before the June 3, 1999 announcement of a tentative Balkan peace agreement. However, on rereading it before the process of final editing, this report would not be improved respecting any of the matters it addresses, by expanding it to reflect the new developments of June 2-9th.—LHL.

June 1, 1999

It should be clear to all literate and sane U.S. citizens, that, as of the present date of writing, the British monarchy and that monarchy's American lackeys, such as bouncing bad Czech Madeleine Albright, were prepared to go to extremes to launch this war, and are prepared, if permitted, to go to extremes in their efforts to prevent U.S. President Bill Clinton from bringing it to the truly peaceful conclusion which he proposed in his San Francisco address on the subject of his proposed "exit strategy."¹

It should also be clear that, even if peace breaks out, despite the efforts of that monarchy and its lackeys, the latter are prepared to prevent any meaningful economic reconstruction in either Kosovo, or Yugoslavia as a whole, just as they misused the Dayton accords as a cover for preventing any of that serious reconstruction of Bosnia which had been intended by former U.S. Commerce Secretary Ron Brown, before the

sudden death of Brown and his distinguished companions.

It should also be clear, that even if a peace agreement is soon reached, and even if a general agreement on what President Clinton has described as "A New Marshall Plan" is adopted, that the British monarchy and its lackeys, such as Zbigniew Brzezinski, see the Balkan war against Yugoslavia as merely a gambit in furtherance of their real purpose, to seize the present opportunity virtually to remove a conveniently weakened Russia from the world map, for once and for all. Any peace in the Balkans would be seen by these British circles and their lickiest of American lackeys as an obstacle to reaching their real goal; that goal is an immediate effort to finish off Russia now, and ruin China, too, even if that strategic outlook means thermonuclear war with Russia's only major military capability, its ageing "doomsday" arsenal!

My subject in this report, is the issues of global economic policy posed by any serious effort to conduct "A New Marshall Plan" of economic reconstruction in the region of south-eastern Europe. However, to situate those issues, I must preface that chief part of my report, by some most pertinent observations on key global features of the British monarchy's leadership of NATO's Balkan war as such. The relevance of those observations to the economic issues of peace and reconstruction, will become clearer in the course of this report as a whole.

I forewarn the reader, that this report is of some length, and contains parts which only citizens who actually think (cognitively) are likely to read to completion. The world, even

1. Speech on April 15, 1999 before the American Society of Newspaper Editors in San Francisco. For text see *EIR*, April 30, 1999, pp. 58-61.

our United States itself, has come into such a time of world crisis that no desire to retreat into isolation from the world at large could protect us. Only the leadership provided from among the precious minority of actually thinking citizens in the pores of the citizenry, in addition to exceptional leaders from among official circles, will be capable of getting the world safely through the several years ahead.

The world is presently gripped by the worst crisis experienced at any time during this passing century. This crisis was not inevitable. It has come upon us because of nothing but those habits of thinking which have controlled the United States and Europe, among other places, during, especially, most of the past thirty-odd years. For anything our nation may suffer now, or during the months and years ahead, most of you citizens have no one to blame as much as yourselves. Nothing has shaped the way this crisis was brought upon us all, as much as those fatal errors of assumption which too many of you regard as “generally accepted ways of thinking.” Others in high places may have shaped the policies which have ruined us, but it is most of you, who have gone along with those directions in policy-shaping.

As President Lincoln once put it, most of you have been fooled—about all sorts of things—most of the time. What the evil Walter Lippmann defined as “public opinion,” is the world’s great whore. To understand her, and her patrons, such as you yourself, you must see her as Lippmann did, through the eyes of her mass-media pimps. Others fooled you, but they were able to do that only because too many among the legendary common people, insisted upon fooling themselves into “going along with public opinion” as the Roman imperial tradition of *vox populi* identified it, as Lippmann’s mass-media redefined it. If someone induced you to believe what a certain mass-media controlled “public opinion” told you to believe as fact, most of you, until now, have accepted that misleading advice in the manner a puppet responds to jerks on its strings.

It was you who played thus the role of real-life Lilliputians—or, of the Laputans—as if out of the pages of Jonathan Swift’s *Gulliver’s Travels*.² It is necessary to blame those officials and other notables who pushed these policies forward for what they did; but, as Cotton Mather warned you,³ and as Swift wished to teach you by his fables, you will not be freed from the grip of misleadership by the so-called “establishment,” until the great majority among you stop playing the sophist’s fool. You must cease your foolish tendency to rely upon cheap debater’s tricks to defend your wrongheaded choice of opinions; you must cease behaving as if you were a

2. Jonathan Swift, *Gulliver’s Travels* (New York: St. Martin’s Press, 1994).

3. H. Graham Lowry, *How The Nation Was Won: America’s Untold Story* (Washington, D.C.: Executive Intelligence Review, 1988). See p. 49 for Mather’s 1696 pamphlet, *Things for a Distress’d People to Think Upon*. See also pp. 36-50 and 297-313.

pimpled sophomore in a college undergraduates’ debating society. You must stop basing your opinion on approval from the lying mass-media and other hoaxsters who have shaped most of perceived “public opinion” up to now.

We have thus come into a time, in which mere opinions, and so-called conventional ways of acting, are worse than worthless. Only carefully thought-out ideas are useful opinions, ideas which go against the grain of what most readers would, initially, still prefer to hear, even today. If the world is to come safely out of this mess, as it can, most of you are going to have to change your present opinions about the way in which “things” do, or ought to work.

No competent understanding of the issues and their solutions could be presented in that shorter length, or “more simple formulations” of concepts, which careless popular opinion today demands. For a change, you must think Socratically. You must consider changing the way you think about your own political and related behavior, your attitude toward public opinion as shaped by existing educational institutions, the mass media, and the leaderships of existing political parties, in particular. If you are unwilling to change your own habits of thinking on such matters, you, and our nation, are not likely to survive.

On a contrasting note of optimism, I also point out that some very serious policy-shapers in various nations are awaiting the publication of this report, and will be influenced by the report in the form it is published in *EIR* here. They have come to understand, that radical changes in ideas, in ways of thinking, are now indispensable, if civilization is to be saved. If you wish to know what is going on in today’s world, and care about the outcome of present trends, you will study this present report carefully, not just with a quick speed-reading brush.

The Belgrade China Embassy

No qualified analyst has now any remaining private doubt that the Belgrade China Embassy was deliberately targeted—as what NATO knew beforehand to be the China Embassy—by the British-controlled agencies responsible for NATO’s choices of bombing targets. The following facts are sufficient to make that point.

On May 7, 1999, China’s Belgrade Embassy was reportedly struck, within a tight time-interval, by three bombs, with clearly intended, devastating effect. According to uncontested reports, the bombs were delivered by a U.S. aircraft, ostensibly a B-52. This set of facts indicates the use of guided bombs, positioned on their targets by GPS means.

Prior to that May 7 event, the target, that Embassy, was long the subject of intensive electronic monitoring of its communication by agencies coordinated through the British Foreign Office’s Cheltenham GCHQ. Thus, Her Majesty’s British Foreign Office, which would clear such covertly selected, NATO-assigned targets, would recognize the GPS map-

position as corresponding, *within a range of a single meter*, to nothing other than the Belgrade China Embassy.

The purely diversionary piece of fiction, that “dog and pony show” about an antiquated map, which was staged by the U.S. Department of Defense, merely serves to demonstrate that the Pentagon had been assigned to stage a witting cover-up for the British monarchy’s responsibility for the selection of the China Embassy as a target. The bungled Pentagon side-show suffices to underline the certainty, that the Pentagon knew that the selection and assignment of the Belgrade China Embassy as NATO’s target was made by the British monarchy through the “Cosmic” covert channels into the relevant offices in NATO. They knew that the targetting of the embassy happened that way, because they knew, as did all other persons around the world possessing the relevant technical knowledge, that that is the way the command structure of SACEUR Wesley Clark’s NATO works.

Thus, these facts concerning that bombing of the Belgrade China Embassy, are known beyond doubt by every qualified observer in the world today. It would not be unreasonable to infer that the two relevant, China-hating hoaxsters in the U.S. Congress, lackeys of British influence Cox and Dicks, know, or might assume this to have been the case.

Four other incidents during the same general period as the Pentagon “dog and pony show,” are directly related to the British monarchy’s policy behind the bombing of the Belgrade China Embassy. This and related evidence must be taken as warning that the British monarchy and its lackeys will go to almost any lengths, in “flight forward” mode, either to prevent peace from breaking out in the Balkans, or, failing success of Britain’s hysterical efforts to escalate the war itself, resort to desperate actions to prevent any effective mode of economic reconstruction from being launched in that region.

The first such incident, attempting to prevent peace, was the ouster of Russia’s Prime Minister Yevgeni Primakov. According to Primakov’s reported terse account of the relevant incident, the ouster occurred at the behest of the leading British asset of the Russian “mafia,” Boris Berezovsky. We should add, that there was a financially corrupt political role of Vice-President Al Gore in this affair during that same period.⁴

4. Russian Communist Party head Gennady Zyuganov reported that Berezovsky knew beforehand that Primakov would be ousted. According to Itar-Tass, during the 12-hour period before Yeltsin announced Primakov’s firing, he held two separate meetings with Chernomyrdin. Several Russian media reported that Chernomyrdin had gone to visit Primakov, accompanied by Berezovsky, and that Berezovsky told Primakov that he was “finished.” For this, and for Al Gore’s meeting with Wall Street “big shots” to force the ouster of Primakov on charges of “anti-Semitism,” see article by Scott Thompson and Jeffrey Steinberg in this issue, p. 58. Berezovsky, the most powerful, British-backed magnate of Russia’s present-day mafia, was reported to be in Israel shortly before returning to Moscow to orchestrate the ouster of Primakov. Gore has been a partner of Russian mafia figure Viktor Chernomyrdin since no later than the formation of the crime-riddled Golden ADA operation (see Edward Spannaus, “Gore, Chernomyrdin Caught Up in Russian Gem Scandal,” *EIR*, March 19, 1999, p. 60).

The second British Commonwealth stunt, was the orchestration of a parliamentary coup d’état against the government of India.⁵ The third British stunt, was the release of the hateful, fraudulent Cox report against China.⁶ The fourth stunt was the British intelligence service’s insertion of its Afghan-war, “Taliban” assets into a key area of Kashmir,⁷ seeking thus to set off a war between India and Pakistan, and topple the present government of Pakistan.

Look at the Alice-in-Wonderland map of Eurasia, as portrayed by Secretary Albright’s sometime mentor, mad Zbigniew Brzezinski, in his *The Grand Chessboard*. Look at the matching revival of far-out “geopolitics,” in a recent issue of the London-founded New York Council on Foreign Relations’ *Foreign Affairs*.⁸ Look at the London-directed flow of funds into financial and related forms of anti-Russia, anti-China, anti-Iran, anti-India—and, anti-Pakistan—geopolitical operations in Central Asia. Compare these facts with the British traditional “great games” of the pre-1918 period. Look at the conflicts in the Balkans in general, and involving Serbia and Yugoslavia in particular, as the traditional British and French gateway to devastating Twentieth-Century wars between Central Europe and Russia.

Now, situate this array of strategic facts in the context of developments since the world financial crisis of August-October 1998. The disgusting conduct of Secretary Madeleine Albright and her fellow-Blair crony, Vice-President Al Gore, in the setting of the November 12-18 Kuala Lumpur APEC conference,⁹ marks a series of events leading into the British monarchy’s use of its U.S. assets, Albright and Gore, in the launching of the bombing of Sudan, the launching of the renewed bombing campaign against Iraq, and the presently ongoing Balkan war.

Those benchmarks given, locate the functional connection among them.

The terminal phase of the presently still ongoing world

5. On April 17, 1999, the coalition government led by Prime Minister Atal Behari Vajpayee fell, after losing a vote of no confidence by just one vote. According to a report filed by *EIR*’s New Delhi bureau, Jayaram Jayalalitha, leader of the AIADMK, a regional party from south India, which had just 18 seats in the Lok Sabha (Parliament), pulled out of the ruling coalition on April 14.

6. Report of the House Select Committee on U.S. National Security and Military/Commercial Concerns with the People’s Republic of China, May 25, 1999. See Jeffrey Steinberg, “The Cox Report Is a Gore, Inc. Pack of Lies,” and Lyndon H. LaRouche, Jr., “A Scientifically Illiterate Hoax,” *EIR*, June 4, 1999, pp. 68-71.

7. In the last week of May, the Indian Army disclosed that a large number of armed insurgents from Afghanistan had intruded far inside the Line of Control that separates the Indian and Pakistani armies in Kashmir. See Ramtanu Maitra, “Crisis in Kashmir Created to Weaken South Asia,” *EIR*, June 11, 1999, p. 38.

8. Lyndon H. LaRouche, Jr., “Mad Brzezinski’s Grand Chessboard,” *EIR*, April 1, 1996.

9. Mary Burdman, “Gore Bombs at APEC, as New Economic Order Is on Agenda,” *EIR*, Nov. 27, 1998.

financial crisis, was opened, as I had forecast months earlier, in October 1997. This led into a series of developments, including the inevitable, virtual sovereign bankruptcy of Russia in mid-August 1998. That virtual bankruptcy plunged one of the world's largest and most far-reaching hedge funds, the New York-based Long-Term Capital Management (LTCM) fund, into virtual bankruptcy. By mid-September, the LTCM crisis could be concealed no longer.¹⁰ In the setting of this crisis, a new Russia government, under Prime Minister Yevgeni Primakov, came into power in Moscow.¹¹ Out of this came a three-cornered strategic economic partnership among China, Russia, and India.¹² The partnership which has continued to be consolidated since, extends, in practice, to Iran and Malaysia, more recently to Pakistan, and to other Asia nations as well.

From the standpoint of London, and of British Commonwealth press syndicates such as the Hollinger and Murdoch chains, the progress of a strategic partnership between China and U.S. President Clinton, was a potentially mortal threat to what the British monarchy and London financial center deemed their most vital strategic interests. A broader partnership, including Germany, Russia, China, India, and others, the British monarchy considered a mortal threat to London's global financial interests. A series of measures followed the mid-October 1998 G-7 decision to join the British monarchy in a desperate, global effort to prop up the IMF's crumbling world financial system—if no more than temporarily—through the type of hyperinflationary methods since being deployed by Chairman Alan Greenspan's U.S. Federal Reserve System.¹³

It was in this context, that the strategic actions directed against President Clinton—the November-February impeachment campaign—and operations against other targets

10. Richard Freeman, "Greenspan Presides Over LTC Disaster," *EIR*, Oct. 9, 1998, p. 10.

11. Primakov was appointed by President Yeltsin on Sept. 10. See Rachel Douglas, "Russia Gets New Government, But Has Little Time," *EIR*, Sept. 18, 1998, p. 38.

12. On the need for a three-cornered Eurasian partnership, see Lyndon H. LaRouche, Jr., "The Road to Recovery," *EIR*, Feb. 19, 1999, p. 97. For a selection of *EIR* reports on the progress of establishment of this partnership, see Mary Burdman, "Jiang in Russia: A Speech That Can Change History," *EIR*, Dec. 4, 1998; Jonathan Tennenbaum, "The Russia-China-India Triangle Moves Forward," *EIR*, Jan. 8, 1999, p. 42;

—, "The Russia-China Partnership: Good News For Human Survival," *EIR*, March 12, 1999, p. 4;

—, "Will America Join the China-Russia 'Survivors' Club?" *EIR*, April 9, 1999, p. 14.

13. See Lyndon H. LaRouche, Jr., "Paul Krugman's Cargo-Cult Economics," *EIR*, Oct. 23, 1998, p. 18;

—, "The Roots of Today's Mass Hysteria," *EIR*, Nov. 6, 1998, p. 16;

—, "Food, Not Money, Is the Crisis," *EIR*, Nov. 13, 1998, p. 26;

—, "When Economics Becomes Science," *EIR*, Dec. 18, 1998, p. 20;

Richard Freeman, "Greenspan Creates New Hyperinflation Danger," *EIR*, Nov. 13, 1998, p. 16.

(Sudan,¹⁴ Iraq,¹⁵ Russia, China,¹⁶ India, etc.) were set into motion. Blair crony's, Vice-President Al Gore's November 16, 1998 most undiplomatic tirade against Malaysia's Prime Minister Mahathir bin Mohamad, was the opening gun of British asset Gore's and Gore hatchetman Norman Dicks' effort to launch a "Cold War" hate campaign against China, and to topple the then-emerging three-cornered collaboration among China, Russia, and India.

Observe the functional nature of the strategic connections among the set of facts I have summarized here thus far. In the light of these facts, for those who have any comprehension of financial matters, the significance of the British monarchy's control over NATO's Balkan war soon becomes unignorable.

Finance and war

Although some wishfully self-deluded people were taken in temporarily by the myth of "The Three Marketeers,"¹⁷ the Washington G-7 decisions of October 1998 actually solved nothing. In fact, as I had forecast the effects of attempting to manage the world financial crisis in that way, the G-7's hyperinflationary bail-out tactics, made the present world situation only desperately far worse than would have been the case had my proposal for a "New Bretton Woods" been accepted, instead of the October 1998 G-7 package.

One might recall, as Japan's International Vice Finance Minister Eisuke Sakakibara did recently, that it was sources such as U.S. Deputy Secretary of Treasury Larry Summers, who had pressured Japan into abandoning relevant reforms,

14. On Aug. 21, 1998, U.S. cruise missiles struck and destroyed the Al-Shifa pharmaceuticals plant in Khartoum. See Linda de Hoyos, "London Set Terror-Trap for President Clinton," *EIR*, Aug. 28, 1998, p. 38.

15. Key meetings of the Principals' Committee took place during President Clinton's visit to Tokyo and Seoul which began on Nov. 15 (British Defense Secretary George Robertson met with the Principals' Committee) and during the President's trip to the Mideast which began on Dec. 13. When the President was still in Israel, he was informed that the Principals' Committee had reached a "unanimous agreement" to bomb Iraq. En route back to Washington on Dec. 15, the President approved the plan, and the attack began the next day. See Jeffrey Steinberg, "Blair Hawks Gulf War to Destroy Clinton Presidency," *EIR*, Nov. 27, 1998, p. 46; Michele Steinberg, "How the British Israelites Sprang the Iraq Trap on Clinton," *EIR*, Nov. 27, 1998, p. 49. Jeffrey Steinberg and Michele Steinberg, "Will Al Gore Be Impeached?" *EIR*, Jan. 22, 1999, p. 50.

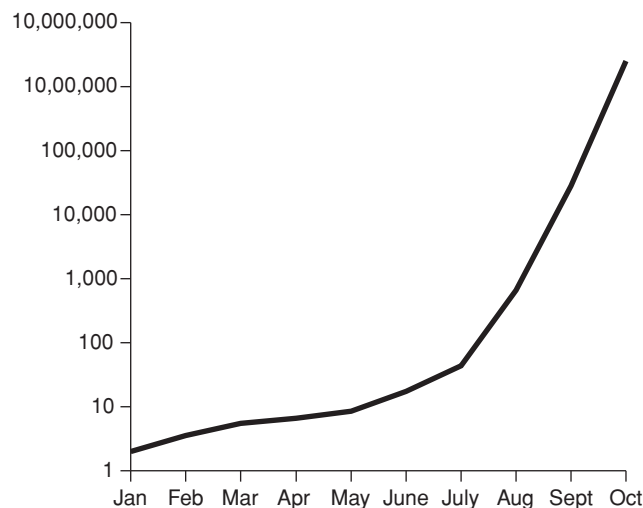
16. Gore crony Rep. Norm Dicks (D-Wash.) of the Cox Committee identified that the anti-China campaign had been reactivated during the same period of Gore's attack on Malaysia's Mahathir. See Jeffrey Steinberg, "Backlash Grows Against Gore's Cox Report Hoax," *EIR*, June 11, 1999, p. 60; Lyndon H. LaRouche, Jr., "A Scientifically Illiterate Hoax," *EIR*, June 4, 1999, p. 70; Edward Spannaus, "Next Round of Assault: Clinton's China Policy," *EIR*, Feb. 26, 1999, p. 58.

17. Joshua Cooper Ramo, "The Committee to Save the World: The Inside Story of How the Three Marketeers Have Prevented a Global Economic Meltdown—So Far," *Time*, Feb. 25, 1999. The cited three marketeers are U.S. Treasury Secretary Robert Rubin, Federal Reserve Chairman Alan Greenspan, and Deputy Treasury Secretary Larry Summers.

FIGURE 1

Hyperinflation in Weimar Germany, 1923

(trillions Reichsmarks outstanding)

Source: *Zahlen zur Geldentwertung in Deutschland 1914 bis 1923.*

a \$100 billions Asia Monetary Fund, earlier during 1998.¹⁸ The London-sponsored G-7 decisions of October 1998, to postpone discussion of a “New Bretton Woods,” and to choose hyperinflation, rather than a “New Bretton Woods,”¹⁹ thus postponed the day of reckoning, but at the price of making the crisis conditions of mid-1999 predictably far, far worse than would have been the case otherwise.

The events of Summer-Autumn 1998 brought the world to a state of affairs like that of Weimar Germany during the Spring and Summer of 1923. Since the French military occupation and looting of Germany’s Rhineland (in the name of collecting war-reparations payments), Germany had resorted to hyperinflationary policies much like those being used now by Greenspan’s Federal Reserve System. As a result, Germany came under escalating hyperinflationary and deflationary pressures, simultaneously. At the close of Spring 1923, the pent-up hyperinflationary pressures exploded, leading to the hyperbolic disintegration of the German Reichsmark. [Figure 1.] The world, including, notably, Japan, Russia, Brazil, the Euro, and also New York’s financial market, are on the verge of a similar transformation, all occurring either simultaneously, or in closely proximity to one another.

See the implications of this set of facts through the eyes

18. *Australia Financial Review*, May 25, 1999.

19. The LaRouche Democratic Presidential pre-candidacy, LaRouche’s Committee for a New Bretton Woods, was officially filed with the U.S. Federal Election Commission (FEC) on Sept. 8, 1997. This proposal and its principal features, were detailed in several extended reports circulated during 1997 and 1998, prior to the LTCM crash and October 1998 G-7 meeting.

of both the British monarchy and the City of London financial center. The British Commonwealth is the world’s leading financial and political power today. The most vulnerable flank of that combined power is London’s still-expanding domination of the world’s financial system, including that of the U.S.A. That financial system is a giant, vastly overstretched bubble, now about to burst.

This circumstance allows two types of near-future alternatives: either chaos, or a political reorganization-in-bankruptcy of the world’s present financial system. Either way, there is no possibility that the IMF system could continue to exist in its present, London-dominated form.

Remember, that the British monarchy is the only sovereign government of the United Kingdom, and also the de facto government of the British Commonwealth, as well as of several among the nations which are Commonwealth members. This monarchy is not a feudal monarchy in the same sense we would describe that gang of brutish robber-barons who forced the monstrous travesty known as the Magna Carta on King John. The present British monarchy is a Venice-style financier-oligarchical monarchy, not a monarchy rooted in a landed aristocracy. The ruling set of barons of today’s British empire is selected from among the financial oligarchs, a social formation whose highest rank features the same set of leading private banking firms of the London clearing banks’ center, the which were represented by Britain’s Montagu Norman in bringing Adolf Hitler to power in Germany.

Therefore, if the virtual world-monopoly power centered in that City of London were broken, the Duke of Edinburgh and his mean-tempered wife would be reduced to circumstances like those described by Macaulay, of Lord Sir George Jeffreys (he of whores’ court and Bloody Assizes notoriety), fleeing into his imprisonment while pursued by an outraged English mob’s appetite for justice too long delayed.

That British financial power is threatened with doom. Should a powerful group of nations, perhaps assembled in concert with the President of the U.S.A., respond to the need for an emergency monetary conference, to establish a new monetary order modelled on the best features of the pre-1958 Bretton Woods system, the world’s economy would prosper, but the United Kingdom would suddenly become just another state within Europe, reduced to equal status with today’s France, or, even today’s Spain, perhaps. Rather than risk that, the British—or, should one say “Brutish”—monarchy would prefer to send the world to Hell. To the prospect of such a risk, Queen Elizabeth II responds, as she did to the threat which Princess Diana posed to the royal image of the Windsors, with a state of mind like that of England’s Richard III, or of a doomed Adolf Hitler in the bunker.

The current objectives of British policy followed. First, destroy, or neutralize Democratic President Bill Clinton (and also rid the world of the growing global influence of the ideas of Democratic Presidential pre-candidate Lyndon LaRouche, in any way possible), while reducing the U.S. to a virtual



Queen Elizabeth (left) and Prince Philip. Rather than relinquish its power, LaRouche writes, the British—“or should one say ‘Brutish’—monarchy would prefer to send the world to Hell. To the prospect of such a risk, Queen Elizabeth II responds, as she did to the threat which Princess Diana posed to the royal image of the Windsors, with a state of mind like that of England’s Richard III, or of a doomed Adolf Hitler in the bunker.”

Commonwealth-style colony of London. Second, isolate and destroy Russia, such that it might never again become a major power. Third, target China and India for chaos, and reduce continental Europe as a whole to a state of ruin reminiscent of the Fourteenth Century.

In short, the present British monarchy, including its Commonwealth press-lord lackeys such as Hollinger’s Black and Murdoch, is desperate to prevent a secure peace from breaking out in the Balkans.

Reflect on the maddened British monarchy’s fears.

First, the establishment of an armistice based upon so-called G-8, rather than NATO conditions, would put President Clinton back in charge of the United States, taking his power back from the British-run cabal which grabbed much of his power during and since the November 1998 launching of the since-defeated act of impeachment. That, the British monarchy and Blair government are determined to prevent, if possible.

Second, with bitter memory of the fraud played against him in the setting of the earlier Dayton accords, the President is not likely to allow easily the squandering of funds on payments for the incompetent advice of accounting firms, as putative substitutes for actual assistance to victims of the war, as was the case in post-Dayton Croatia and Bosnia-Herzegovina. This time, the President seeks genuine economic reconstruction, which means a type of program which can not be entrusted to institutions such as the IMF and World Bank. Such a U.S. policy, the British monarchy and its Wall Street lackeys will not permit, if they are able to prevent it.

Assume that the aforelisted obstacles to peaceful economic reconstruction are put aside. What then, should be de-

finied and adopted as an effective program, not a repeat of the disgusting blunders of Dayton?

1. The crucial issue

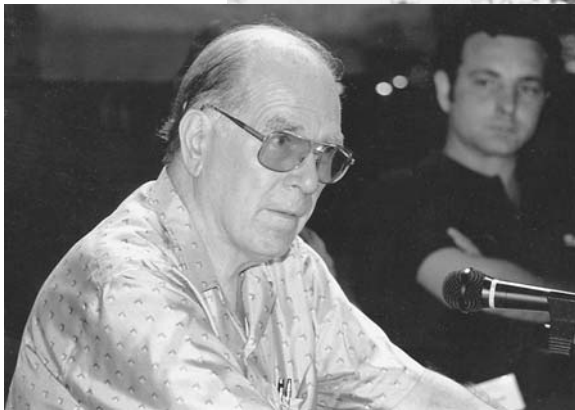
So far, it has been crudely, but fairly estimated, that for each U.S.-dollar-equivalent spent in NATO’s bombing war against Yugoslavia, the equivalent of \$10 of ruin has been left on the bombing’s targets. So far, as a matter of ball-park estimates, we are speaking of a \$100 billions bombing war, assuming NATO’s war stops at that. In short, the reconstruction bill for the area has now reached approximately \$1 trillions equivalent.

Some foolish people say that Europe and the U.S.A. combined could not afford the costs of anything approaching reconstruction on such a scale. True, the cost would total to what seems an enormous amount, but only pathetically ignorant people would imagine we could afford *not to pay* those costs. Such foolish people ought to remind us of those who would not meet the medical costs of their parent’s survival, on the pretext that “We had put that money aside for our vacation.”

Assume this damage is not repaired? In that case, not only would the post-war death-toll caused by the war exceed all the suffering incurred during the war; the entire area would be plunged into a chain-reaction of death and disease. The area would become a bleeding ulcer in the belly of Europe, a region plunged into a protracted “new dark age.” These effects would not be limited to the area of today’s Yugoslavia and its Kosovo province. All of southeastern Europe, south of Vienna and Bratislava, would be plunged, by economic



U.S. President Bill Clinton and Chinese President Jiang Zemin in Beijing, June 27, 1998.



Democratic Party Presidential pre-candidate Lyndon H. LaRouche, Jr.

The current objectives of British policy: “First, destroy, or neutralize Democratic President Bill Clinton (and also rid the world of the growing global influence of the ideas of Democratic Presidential pre-candidate Lyndon LaRouche, in any way possible), while reducing the U.S. to a virtual Commonwealth-style colony of London. Second, isolate and destroy Russia, such that it might never again become a major power. Third, target China and India for chaos, and reduce continental Europe as a whole to a state of ruin reminiscent of the Fourteenth Century.”



Former Russian Prime Minister Yevgeni Primakov (left), with NATO Secretary General Javier Solana.

Indian Prime Minister Atal Behari Vajpayee (left), whose government was defeated in a no-confidence vote on April 17, with Iranian President Seyyed Mohammad Khatami.



chain-reactions, into the same “new dark age.” The victims would include not only the already pitiful Albania, but also Romania, Bulgaria, Macedonia, and Greece, spilling back into not only still unrebuilt Croatia, but also Slovenia.

The rest of Europe would be similarly affected.

There are small-minded and ignorant persons among influential circles in Washington, D.C., and elsewhere, who babble on the subject of alleged economic rivalry between the United States and the so-called “Euroland” of western continental Europe today. Some such foolish influentials speak of “trade wars,” as the unfortunate Vice-President Al Gore does. Others also speak of financial and monetary, as well as trade competition. These mean-spirited fools exhibit not only their brutish ignorance, but also most pathetic and dangerous delusions, especially when their opinions are expressed by what are, unfortunately, influential circles.

Europe is currently bankrupt. It would be bankrupt even without the added burden of an estimated new \$1 trillions of devastation heaped on Europe as a whole by the bombs lately dropped on Yugoslavia. The blame for the general present state of virtual bankruptcy, lies chiefly with the agreements imposed upon both western and eastern continental Europe by the cabal of Thatcher, Mitterrand, and Bush, back during 1989-1991. For this, Bush should fork over his money as payment for damages; but, it is unlikely that he, Baroness Thatcher, or the culpable cronies of Mitterrand will do so.

That leaves Europe with the challenge of finding other means for ridding itself of the Thatcher-Mitterrand-Bush legacy, and of taking suitable additional measures for climbing out of its presently bankrupted state. Without cooperation with Europe in just such a mutually beneficial undertaking, the U.S.A. is also virtually bankrupt at this time—which all of you, personally, will discover as soon as the present Wall Street bubble pops, as it soon will.

I summarized the U.S. interest in Europe’s internal situation, in the following remarks, within my keynote address at the April 21 *EIR* seminar held in Bad Godesberg, Germany:²⁰

“... Let’s take the case of Germany. I don’t want to meddle in the affairs of the German government, but I do have a perception of what the vital interests of Germany and Europe are, and I feel perfectly free in speaking to those anywhere.

“For some period of time, the economy of western Europe has depended absolutely upon the economy of Germany. The economy of Germany, in turn, has depended upon the export activities, particularly the machine-tool sector export activities of Germany. If the machine-tool sector of Germany collapses, then the German economy will collapse. If the German economy collapses, the entire European economy will col-

20. “The Way Out of the Crisis: Europe, the World Financial Crisis, and the ‘New Cold War.’” A seminar featuring LaRouche, Germany’s Professor Wilhelm Hankel, Russia’s Professor Stanislas Menshikov, Germany’s Helga Zepp-LaRouche, India’s Professor Devendra Kaushik, China’s Professor Qian Jing, with participation by Germany’s Michael Liebig and Russia’s Professor Taras Muranivsky, among others, *EIR*, May 7, 1999.

lapse. Therefore, Germany has a vital interest at this point in restoring its machine-tool export-oriented industry. It’s the only way you can solve the problem. Nothing else will work. And it can not develop that industry, unless it protects its markets for the increase of [those-LHL] exports. Those markets are primarily Eurasia. They are primarily China, India, Pakistan, Iran, Russia, and so forth.

“So, unless you are going to defend the viability of growth in China, India, Pakistan, Bangladesh, Iran, and so forth, and Russia, you’re not going to save the European economy, because you’re not going to save the German economy. Therefore, Germany has a vital existential interest in those political operations which will create the circumstances in Eurasia—especially Eurasia, which suffice to rebuild the economy of Europe, and Germany in particular. Very simple.

“And, I think that perhaps anyone in Germany who is a senior military figure or a senior civil servant, or other senior figure of the economic community, understands that: that, unless that is done, nothing is going to work. And, therefore, it is in the vital interests of the United States to support that interest of Europe and Germany.

“The conditions exist, under which that can be the case. And, if the United States doesn’t support such a policy, the United States doesn’t know its own interests, and is insane. That’s my policy.”²¹

At several points, during that same conference, several of the participants referred to the role of Germany’s famed post-war Kreditanstalt für Wiederaufbau (KfW), which seminar speaker Professor Hankel once served as economist. Respecting the prospect of what President Clinton has proposed as a “New Marshall Plan” of economic reconstruction for southeastern Europe, it should be noted that, relative to Germany’s famed “economic miracle,” the other leading beneficiaries of U.S. credit extended, such as Britain and France, were relatively economic failures. It is the combination of the model of the KfW with my emphasis on the crucial role of a revived machine-tool-design sector, on which the possibility of a successful “New Marshall Plan” depends absolutely.

Naturally, there will be sundry forms of objections to such an approach. All opposition to either a “New Marshall Plan,” or to my own, and others’ emphasis upon the combination of the machine-tool principle and the KfW model, are intrinsically incompetent objections, but not unexpected ones. Consider the case of opinion among politicians, bankers, and ordinary folk within the U.S.A. itself.

From Roosevelt to Kennedy

From the time of the process of economic recovery launched by President Franklin Roosevelt, through the foreshortened term of President John F. Kennedy, most of the adult population of the U.S.A., like that of Europe, was dominated by emphasis upon economic values associated with

21. *EIR*, May 7, 1999, pp. 10-11. Some corrections of punctuation to conform to original oral version of text as delivered.

real—chiefly physical—measures of income and national productivity. Then, the veterans of the 1930s Depression and World War II more or less readily supported long-term investments in infrastructure development, and in projects such as the Marshall Plan-aided reconstruction of war-torn Europe.

It will be more difficult to mobilize such political support for economic reconstruction today. Times have changed; unfortunately, people have changed, too. Nonetheless, we must not flinch from proving that it is in our most vital, immediate interest, that we must support such programs, once again, now. Therefore, I must help to persuade you to support President Clinton's proposal for a "New Marshall Plan" for all of southeastern Europe.

Since the impact of the "rock-drug-sex counterculture" on much of the university student population of the 1964-1972 period, especially since the economic downturn of the 1971-1982 interval, there has been an increasing ideological, cultural pessimism within the population, akin to that of post-Versailles Europe of the 1920s and 1930s. This recent surge of cultural pessimism has been accompanied by an increasing shift away from emphasis upon the physical side of economic reality, an existentialist's shift to emphasis on money, or neurotic (and, as the Littleton horror shows, even worse) flights into novel forms of pleasure-seeking as such.²² Thus, today, we have the spectacle of people who believe—rightly, or wrongly—that they have now more countable money to spend, but whose total net physical purchasing power as income from actual earnings in their profession or productive work-place, is less than that of persons in comparable occupations at any time during the past thirty years!

More than thirty years ago, the emphasis was on what might be termed "solid economic values." Today, in these shoddy times of "outsourcing," such solid, well-crafted values are less emphasized, replaced by an emphasis upon a sense of the power to enjoy novel kinds of cheap recreational pleasures, the latter echoes of a trend launched with the "rock-drug-sex youth-counterculture" of the 1964-1972 interval.

Much of this downshift in notions of economic value, is correlated functionally with radical changes in the composition of employment, and of demographic characteristics of employment in the U.S. population as a whole. Incomes derived from work of operatives and professionals in agriculture and manufacturing, are a smaller percentile of employment as a whole, replaced by often doubtful varieties of non-professional services and clerical routines. The idea of actually *earning* an income through contributing necessary effort to support the production of tangible wealth, has been replaced

22. See, Lyndon H. LaRouche, Jr., "The Roots of Today's Mass Hysteria," *EIR*, Nov. 6, 1998. The Internet-age cult behind the Littleton horrors, finds its origins in earlier developments such as the cults built up around "Dungeons and Dragons," Tolkien's *The Lord of the Rings*, and the mass-lunacy of the Hollywood *Star Wars* fandom. I will address the specific mass-lunacy among *Star Wars* fans, and the connection to Littleton, in a forthcoming report.

by the sense of income as either derived from forms of gambling (including mutual funds), or from employment in forms in which the relationship to fostering production of needed tangible wealth is obscure, or even non-existent.

Admittedly, if we could say that the recent three decades of trends in U.S. and European public opinion would continue, it would be impossible to persuade a majority of U.S. adults to support the kind of economic reconstruction program which President Clinton's references to a "New Marshall Plan" imply.

Fortunately—and, also somewhat unfortunately, public opinion is now at the verge of a sudden, almost violent change, perhaps a long-overdue change for the better. The "money system" in which a majority of the populations of the U.S.A. and western Europe have come lately to locate their underlying religious belief, is about to be shattered—at least in its present form. Indeed, one of the significant reactions to the recent Balkan War and its side-effects, has already been a significant shift in direction within important, and increasing sectors of public opinion.

The continued influence of the Negro Spiritual illustrates the grip which the best old values may manifest upon the present generations. Most of us, especially those from reasonably stable family and related cultural backgrounds, and from formerly tightly knit communities, experience a twinge of conscience when our own present behavior reminds us of values which had taught us to think and act better than most of the adolescent and adult population has done during the recent two or three decades.

That is not to propose that "old values" are always necessarily better; many so-called "old values" were bad. It is to point out that our ability to compare present values with those of past periods reaches back as far as several or more generations, and for historians such as I have become, centuries, even millennia. The lessons of the U.S. and European recoveries from the Great Depression, World War II, and that war's aftermath, may remind many of us of a time when we, or our forebears knew how to make conditions of life change for the greater benefit and security of the general welfare, a time from which we may borrow valuable lessons for application to what are otherwise the most terrible problems threatening us today. Under Franklin Roosevelt's leadership, we did much better, in net effect, than anything we have done since President Kennedy was shot.

President Kennedy said, "Think what you can do for your country." Then, such a proposal would bring a tear of joy to some citizens' eyes. Today's "me generation" people are of a more selfish, hedonistic inclination; therefore, to persuade this more selfish generation, I am obliged to stress what you must do urgently for yourself. I must emphasize that what you might think you are doing for others, you might actually be doing for yourself.

Think of the original Marshall Plan, for example. The credit advanced to Europe under the Marshall Plan, had the



President John F. Kennedy on May 25, 1961, announcing U.S. determination to land a man on the Moon. "President Kennedy said, 'Think what you can do for your country.' Then, such a proposal would bring a tear of joy to some citizens' eyes. Today's 'me generation' people are of a more selfish, hedonistic inclination; therefore, to persuade this more selfish generation, I am obliged to stress what you must do urgently for yourself. I must emphasize that what you might think you are doing for others, you might actually be doing for yourself."

effect of a powerful stimulant on the growth of U.S. exports. This growth of exports to Europe, served as one of the leading contributing factors in the U.S. economy's revival from its deep 1946-1948, post-war economic recession.

Today, things are different, but also much the same. Once again, the farms and the manufacturing and related industries of the U.S. are in deep economic trouble: "outsourcing" and related policy blunders of successive U.S. administrations have ruined U.S. farmers, and are stripping the U.S. of the ability to manufacture a strategically crucial portion of the goods on which our national economic security depends. The U.S. balance of trade figures reported, already show a foreign-trade catastrophe hitting the U.S. as a nation; the real figures are far worse than anything so far reported.

At this moment, the majority of the population of the U.S.A. is dominated by two bubbles. The first is the tangle of Wall Street and other financial bubbles polluting the world financial system. The second bubble, is what might be fairly described as the "bubble-headedness" of much of our population, including — hopefully, only temporarily — most leading

politicians. When the first bubble pops, the cult of bubble-headedness will collapse, too. Stripped of their financial delusions, most ordinary people, and the relatively saner politicians, will suddenly reacquaint themselves with the real world. "How do we eat, now?!" will become suddenly the most popular watch-word of the day.

Under those latter circumstances, certain recently overlooked, troubling facts will be perceived.

To get out of the deflationary collapse which the popping of financial bubbles will express, we need an export boom, which we can not actually have without stimulating the economies of those parts of the world which are presently our most natural potential customers for high-technological manufactured product, especially machine-tool-grade exports. In that sense and degree, 1999 is like the period of the original Marshall Plan.

If we continue to allow the looting of nations of South America by George Soros and his like, if we go to the brink of war with those nations of Europe and Asia which represent the majority of the population of the human race, and if we allow western continental Europe to slide into the ruin to which current British policy is bringing it, to whom shall the U.S. export?

Strategic partnership with western continental Europe and with the nations of the emerging group of Eurasia nations rallied around the China-Russia-India strategic partnership, is the most vital strategic interest, including the strategic economic interest, of the U.S.A.

As a report issued by my personal Presidential campaign has identified the leading points, the region of southeastern Europe, from Austria and Slovakia, south to Turkey, and east to Ukraine, Russia, and the Caucasus, is a vital natural artery of trade essential to the vitality of the western Europe economy as a whole.²³ Not only must this region become economically and politically stable, but it can not be so without developing commerce around the Rhine-Main-Danube artery from the North Sea to the Black Sea, and without developing a high density of transportation and power conduits, south from the Danube to the Mediterranean and Black Sea. The Balkan region is also the natural gateway to the extensive development of the perennially crisis-wracked Middle East.

This is a time to refresh our memories of relevant experiences from earlier decades.

Twice during this century, the orchestration of Balkan Wars has been the detonator for the spread of world wars in Europe and beyond. For a third time, just now, we have gone to the brink of a new such catastrophe. The most vital economic and other strategic interests of the U.S.A. require a stabilized, and prospectively prosperous Balkan region. Without that stability, the U.S.'s vital partners in Europe and Eurasia are put into jeopardy by the onrushing financial, eco-

23. Lothar Komp, "Reconstruct the Balkans — and the World!" LaRouche's Committee for a New Bretton Woods, May 21, 1999.

nomic, and related storms of today.

The Balkans could not be made stable without a reversal of the presently ongoing economic collapse in Europe. Without a stable Europe and without Europe's and our own partnership with Eurasia, the prospects of the U.S.A. are very poor, or worse than that. Thinking U.S. citizens will recognize a successful form of new Marshall Plan as in the strategic interest of our republic.

As I shall now develop that point below, an appropriate approach to a "New Marshall Plan" for southeastern Europe, emerges at this immediate juncture as the make-or-break turning-point, on which the avoidance of a deep and prolonged world-wide economic depression now depends.

2. An engineer's duty

The U.S.A.'s second, 1812-1815, war of independence against the British monarchy, proved itself later to have been the watershed of the Nineteenth-Century history of extended European civilization as a whole. Out of this 1812-1815 war, two principal currents of the U.S.A.'s own future history flowed. A summary overview of the most crucial features of that period of history, points to the character of the approach which must be applied to the economic reconstruction of Europe today.

The first result of 1812-1815, was the victory of an alliance between the most reactionary forces, the leading enemies of the U.S.A., which operated against us from bases within both Europe and the Americas. This anti-U.S.A. alliance was centered in the several decades-long, temporary alliance of Jeremy Bentham's Foreign Office—i.e., Anglo-Dutch financial-oligarchical power—with Clement Prince Metternich's most unholy Holy Alliance—i.e., the relics of the feudal landowning baronies.

This menacing situation facing both a virtually isolated U.S. republic and also the emerging republics of the Americas to our south—in Mexico and South America, was typified by the Duke of Wellington's success, in preventing hero Lazare Carnot from becoming the President of post-Napoleonic France, and by the same Duke of Wellington's role in orchestrating what was to become a corrupt U.S. President Polk's war with Mexico. The Duke's success in exiling Carnot from France, aided by Wellington's agent Fouché, thus ruined France for more than a half-century to come, beginning with the monstrous French Bourbon Restoration. The ouster of Carnot also outflanked Carnot's and the U.S.A.'s allies among the Prussian reformers, all at the same time.

That was the dark side of 1815-1861, the side of the post-1815 developments which led into Britain's creation of its treasonous puppets, the Confederate States of America, and the Nazi-like Maximilian dictatorship which Britain, Britain's Napoleon III puppet, and the silly but wicked Isabella II of Spain imposed upon Mexico.

There was another side, the opposite side. Two aspects of this other side are crucial.

First, the circles of Lazare Carnot and Gaspard Monge brought the spirit and knowledge of Carnot's pre-Restoration France into the then still-young U.S.A. This imported knowledge was used by U.S. patriots such as James Monroe and John Quincy Adams to build up the West Point Military Academy, under Commandant Sylvanus Thayer, as a military engineering school in the image of Carnot and France's Mongeled Ecole Polytechnique.

Second, although the 1815-1819 triumph of Metternich's reaction, combined with the Anglophile corruption of the Prussian royal court, worked against the U.S.A.'s interests, the core of the surviving Prussian reformers, typified by the Humboldt brothers, maintained the German Classical cultural movements' traditional affection for the cause of the young U.S. republic. The relationship which developed between Benjamin Franklin's great-grandson, Thayer West Point graduate Alexander Dallas Bache, and Alexander von Humboldt, was crucial for laying the foundations of that future, 1861-1876 economic revolution, out of which the U.S.A. emerged as the world's most powerful national economy, and the most advanced, by far, technologically.

During the interval 1815-1863, the British monarchy, as guided by its Foreign Office's Jeremy Bentham and Lord Palmerston, had seen itself, as Foreign Minister Canning had proposed, positioned to beat out its temporary ally, the Holy Alliance's Prince Metternich, and to destroy the U.S.A. as an intellectual force in history.

Then, a President Jackson controlled by Wall Street's Martin van Buren, and the awful role of British dupes such as Presidents Polk, Pierce, and Buchanan, seemed to justify Lord Palmerston's and treasonous Wall Street banker August Belmont's dream of breaking up the U.S.A., by aid of the Confederacy, into several quarrelling baronies of a "balkanized" North America.

By mid-1863, with the failure of General Lee's foolish, desperate drive into Pennsylvania, and the British-intelligence orchestrated, racist New York draft riots, Palmerston's dream had been virtually defeated. Worse for Queen Victoria's monarchy, the U.S.A. emerged from its continuing 1861-1876 agro-industrial mobilization as the most technologically advanced and most powerful nation-state economy of the world. This latter U.S. achievement was substantially imitated, from 1876 on, in Germany, Russia, Japan, and elsewhere. The U.S. model of agro-industrial sovereign nation-state economy threatened to take over the world, by imitation, and nearly did so, but for the effects of London's orchestration of what became World War I.

That conflict between the British monarchy and the Lincoln legacy has remained the central, defining issue of world politics and economics since 1861-1876. Thus, the developments of 1812-1815 became the watershed of modern world history.



Gen. Douglas MacArthur (foreground), in October 1944. Under the West Point tradition, “professional officers and their units were not merely combat forces, but engineering units, whose ability to build an economy was as exceptional as their ability, like that of our greatest World War II military commander, General Douglas MacArthur, to defeat an enemy force.”

After 1876, the West Point tradition persisted, despite the pro-British Wall Street faction’s attempts to crush the West Point tradition of Thayer et al. out of existence, and despite the corrupting influence associated with Presidents Theodore Roosevelt, Woodrow Wilson, Calvin Coolidge, and the pollution of our military ranks with Rhodes scholars and their home-grown like.

The West Point, and matching traditions of an Annapolis established under the influence of Benjamin Franklin’s great-grandson, Alexander Dallas Bache, served the U.S. very well during two World Wars, and the immediate decades of post-war reconstruction. A study of the way in which the U.S. Corps of Engineers and its achievements served both our peace-time economy, and our war-time requirements, is crucial for pin-pointing the approach which must now be taken, at U.S. initiative, for the economic reconstruction of southeastern Europe.

Typical of the impact of that West Point tradition, is the personal report of a since-deceased friend, a regular army officer who, as a Colonel, had led the advance of General George Patton’s Third Army toward Austria—as the Colonel put it, “With Patton’s Third Army coming down on my heels.” He detailed the actions of his units in establishing functioning self-government of the economic and related affairs of the localities taken over by advance Third Army elements. Under that West Point tradition, also the republican tradition of Lazare Carnot and the general staff and *Auftragstaktik* tradition

established by Germany’s Scharnhorst, professional officers and their units were not merely combat forces, but engineering units, whose ability to build an economy was as exceptional as their ability, like that of our greatest World War II military commander, General Douglas MacArthur, to defeat an enemy force.²⁴

That often-repeated lesson of the West Point tradition of engineering officers, is absolutely indispensable for a successful reconstruction in southeastern Europe today. Any other approach would fail, miserably. It is as necessary, in such situations, to smash through bureaucratic obstacles—to get the job done—as might have fit the late General George Patton’s disposition. What is needed, is a centralized command of a quickly mobilized and deployed, peacetime military crash-program type of engineering effort. Otherwise, the Balkan region will rot in a spiral of death and decay lasting as long as decades, or even longer.

The cutting edge of the reconstruction, which must be assembled and deployed immediately, will be a military engineering spearhead.

A military engineering force must be deployed to clear up to as many as a million land-mines in the Kosovo region, and elsewhere. Means required: coordinated military teams drawn from several participating nations, teams aided by sharing technologies for this purpose.

The Danube River must be cleared immediately for not only normal but expanded barge traffic, and other relevant rivers, too. Ball-park cost of an immediate emergency rough-cleaning of the transport waterways: \$1 billions equivalent.

Rail and truck connections must be restored and improved immediately, otherwise the entire peace-building effort will turn quickly into a catastrophe, that within months.

24. A collaborator, Andreas Ranke, has pointed out, that the first thing to notice in the common features of the contemporary military reformers Lazare Carnot and Scharnhorst, was that they were typical of the moral superiority of plebeian officers from the engineering and artillery, over most of those from the landed aristocracy which commanded the other military arms. (Notable, is the role played by Germany’s Moses Mendelssohn in shaping the institution which produced Scharnhorst. Anti-Semites must wish to denounce the creation of the German general staff system as a “Jewish conspiracy.”) West Point as reformed under the influence of Monroe and John Quincy Adams, the West Point of republicans such as Grant and Sherman, typifies the quality of the military professional which separates a Scharnhorst and Carnot from the cabinet-warfare inclinations exhibited in the U.S.A.’s disastrous Indo-China war of 1964-1975.



The Main-Danube Canal in Germany, with one of the locks shown in the background. A priority for Balkan reconstruction is that the Danube River be cleared immediately of debris from the war in Yugoslavia, for not only normal but expanded barge traffic. The Balkans cannot become economically and politically stable “without developing commerce around the Rhine-Main-Danube artery from the North Sea to the Black Sea, and without developing a high density of transportation and power conduits, south from the Danube to the Mediterranean and Black Sea.”

Adequate power generation and distribution must be restored immediately, otherwise the winter will be a panic-stricken carnage of death and epidemic disease.

Hospitals and related facilities must be established immediately. The nature of the wounds suffered by military and civilian victims alike, including children, requires a restoration of the kind of rehabilitation programs the U.S. Veterans Administration used to muster, and which are being curtailed, for budgetary reasons, in Germany and other nations today.

These and other elements of basic economic infrastructure must be provided immediately. The strategy for doing this, is a crash program. The means for injecting that program, is a military engineering command functioning as the U.S. Corps of Engineers used to function under war-time-like conditions of emergency—as my late friend, the veteran of the Third Army advance, would have understood the mission.

We have at hand, the prospect of a multi-national military engineering team, as the spearhead of the reconstruction efforts. The military side of the joint effort must emphasize responsibility for the immediately needed infrastructural measures. The form of the mission is, to secure and restore essential functioning of government and economy in the assigned areas. The assigned officers must apply the Scharnhorst-Moltke principle of *Auftragstaktik*—also Carnot’s method, to get the job done. The Carnot mobilization of 1792-1794, is the relevant French model to be considered.

The reconstruction, thus, has three principal elements in general.

1. A multi-national military-engineering authority, which must have authority and responsibility for the emergency basic economic infrastructure mission, and will serve, for the initial period of operations, as the agency primarily assigned for liaison with authorized private economic initiatives of reconstruction.
2. A special financial facility, operating with independence from presently existing monetary and related institutions, and modelled upon the success of the KfW, for coordinating the funding of both the public and private enterprises of economic reconstruction. Otherwise, very little of what need be done would ever be accomplished.

3. A Private Contractors Authority, assembled in memory of former U.S. Secretary of Commerce Ron Brown, which mobilizes public and private vendors of materials and engineering services for support of the infrastructure-building effort, and on behalf of fostering development of private enterprises relevant to the mission of economic reconstruction.

The functioning of such three cooperating agencies will inevitably vary among the nations directly participating in such a program for southeastern Europe. For example, special cooperating agencies would be needed for relations between the Yugoslavia teams and those of adjoining nations such as Austria, Slovakia, Slovenia, Croatia, Bosnia, Hungary, Romania, Bulgaria, Macedonia, Turkey, Greece, and Albania. The European Union might provide assistance to this effect.

The principal physical difficulty of such an undertaking will be, that none of the military or private facilities available to be deployed in this mission, has, today, better than a small fraction of the military and industrial engineering-type capabilities the same nations had as recently as ten years earlier. The level of competence is less than that available ten years earlier, and the quantity of the relevant types of capabilities is only a small fraction of that which existed ten years earlier. The general level of literacy of military and civilian personnel, has fallen significantly below even the levels which pre-

vailed ten years earlier. Much emphasis on forced-draft “on the job training” of military and other personnel will be indispensable. The accompanying feature and purpose of the program must be to foster the reawakening of the interdependent factors of morale and morals within the military forces deployed.

Nonetheless, there are some impressive technologies and skills currently lying fallow. Ukraine, for example, could contribute from its store of such potential additions to the reconstruction repertoire. Italy’s engineering design for the construction of a bridge across Messina strait, is an example of a relevant technology and skills applicable to the problems posed in the Balkans.

This brings us to the most critical of the political issues: How shall it be financed?

3. The Carnot principle

The effort will fail unless we exclude the use of what have become conventional financial accounting practices from the designing of the program of reconstruction itself. This means the exclusion of the present leadership of the IMF and World Bank from control over the program. This brings us to the most technically sophisticated feature of this report, but a feature which must be understood if the reconstruction is not to degenerate rapidly into a far worse failure than the Dayton accords have suffered so far.

The essential function of good accounting, is to detect theft and looming potentials for financial bankruptcy, especially the kind of theft on a grand scale, by which today’s criminally inclined, liberal financial carpetbaggers of the U.S.A. and Europe have employed a criminal “mafia,” to loot post-1989 Russia, and other eastern European states. This crime has been committed in the name of a form of theft called, euphemistically, “liberal reforms.” Therefore, the accounting firms, if they are honest and competent, will not have to beg for their proper work as auditors of financial institutions and of the pilfering by the “liberal” carpetbagging mafia.²⁵ Under the City of London’s direction, the bankers of much of the world, even formerly austere scrupulous bankers, have been turned into thieves, as the only way in which they can maintain their positions as bankers under the present, London-dominated IMF system. Honest accountants will be busily occupied with such matters.

Merely conventional accounting and related auditing practice, has no comprehension of the kind of real economics

25. It is relevant, that the Vice-President Al Gore who acted as partner of Russia’s Viktor Chernomyrdin in the Golden ADA mafia-scheme, has recently been a principal in other swindles, including the LTCM-related scandals, and Gore’s lunatic proposal to denounce as “corruption,” any resistance to the actual corruption practiced by the hedge funds and their mafia accomplices.

needed to get the world out of the economic depression, unleashed by the presently accelerating world financial catastrophe. The delimitation of the competence of financial accounting, on this account, is that financial accounting is currently based on a set of virtually “flat Earth” assumptions (definitions, axioms, and postulates) which are intrinsically linear forms of deductive relations. Thus, what passes customarily for good accounting principles, is worse than useless for defining, or judging how real economic processes, including the generation of real (e.g., physical) economic growth works. Such incompetence intrinsic to present-day financial accounting, is reflected in the scandalous misuse of the funds intended for the proposed reconstruction of Bosnia, in particular.

In economic policy, financial accounting must be reduced to the rank of servant and hod-carrier for real economics. I mean real economics as typified by both the policies outlined by U.S. Treasury Secretary Alexander Hamilton, and scientific principles of economic growth introduced to practice, during 1792-1794, by France’s Lazare Carnot.

Admittedly, some financial accountants develop useful insights into features of industrial and other economics matters as such, but, as in the related case of exceptionally insightful persons among the common run of contemporary academic economists, this reflects their individual, personal cognitive qualities of insight of persons able to rise above the limits of current academic doctrine. The generally accepted, deductive principles of current accounting practice as such, are axiomatically incompetent in the matter of defining and assessing net economic growth. Any design of a Balkans reconstruction plan based upon such accounting principles would be a mass-murderous tragedy in effect. In the field of economics, science and engineering must compose the tunes to which the financial accountants march.

Today’s financial accounting practice and good economics practice are founded upon mutually exclusive, often directly contrary principles. It is possible for some individuals to become skilled in both, but, otherwise, speaking of the analytical functions applicable to analysis in the two respective professions, the two fields have nothing substantially in common.

To understand how a successful economic reconstruction of southeastern Europe might be devised, the absolute difference between responsible auditing and economics must be clearly emphasized, as I summarize that distinction at this point.

For the competent economist, and for the physical scientists generally, the world of accounting is, as I have already forewarned you, a domain of virtual reality, a “flat Earth” world, in which the relations among economically significant magnitudes are reduced to systemic misrepresentation, and thus assumed, falsely, to be simple, linear, deductive relations among magnitudes measured in prices. Monetarism, such as that of Friedrich von Hayek, Milton Friedman, or John von Neumann, is the outgrowth of carrying that specific kind of

“flat Earth” mentality to fanatical, radical-positivist extremes. Except for bare distinctions between the simple notions, the mere empty Aristotelian copula, of plus and minus,²⁶ accounting has no notion of the actual physical functions (transformations) by means of which the shrinking or growth of a real economy is actually determined.

For example, the notion that reducing costs (e.g., “cost-saving,” cutting budgets) will directly and simply cause an economic process to grow more successfully, is typical of the kinds of delusions upon which former Speaker of the House Newton Gingrich’s “Contract with America” folly was propagated; precisely the opposite effect, directly contrary to that projected by Gingrich et al., has already occurred, as similar logic has been a principal contributing cause for the presently accelerated budgetary crisis in Germany, and the collapse of that recently established Euro system, set into operation at the beginning of this present year.

For example, in earlier times, one of the more frequent causes of bankruptcy, or near-bankruptcy of formerly well-established companies, was the cutting of capital-intensive advances in technology, as a means of increasing disbursements to Wall Street interests or company stockholders who had grown soft-headed and greedy in younger generations. The various expressions of obsolescence which resulted from looking at corporate budgets in principally simple budgetary terms, sometimes pushed a firm over the edge, beyond which it could never reverse the damage it suffered as a result of such medium- to long-term policy blunders.

For example, the present, lunatic fad of computer-based “benchmarking,” as a cost-saving substitute for engineering testing of design principles, has plunged numerous formerly outstanding corporations to the brink of irreversible degeneration. The “flat Earth” side of the financial accounting mentality, is a leading contributing factor, if not the only element of incompetence underlying such disastrous trends in performance.

Never impose upon the financial-accounting profession, the responsibility of stating how real economic growth is generated. One might begin, instead, by reading U.S. Treasury Secretary Alexander Hamilton’s December 1791 Report to the U.S. Congress *On The Subject of Manufactures*. Or one might study the way in which an American, Benjamin Franklin, not only personally directed the original industrial revolution to occur in England, but took his protégé, Scotland’s Watt, to France, to learn from the circles of Lavoisier, how to design a steam engine based on the principles of steam-engine

26. Or, more exactly, the wildly positivist linear system of Bertrand Russell’s contributions to the *Principia Mathematica*, which was Russell’s outburst of hatred against Carl Gauss and the *Disquisitiones arithmeticae*. Russell acolyte John von Neumann’s lunatic notion of economy as a zero-sum game, and the Black-Scholes’ formula adduced from von Neumann’s lunacy, pinpoint the incompetencies spilling over from excessive reliance upon today’s methods of financial accounting.

design earlier developed by Gottfried Leibniz and Papin.

With this sort of difference between accounting and economics under consideration, now focus upon the problem of generating the self-expanding pyramid of credit needed for even the bare minimum of immediately required economic reconstruction in southeastern Europe. The problem is, since Europe (and also the U.S. economy) are now virtually bankrupt, how could Europe and the U.S. combined fund the needed reconstruction of the Balkan region? How can we generate the growth in real wealth, which would enable us to sustain the funding of even the minimal level of necessary reconstruction? Accounting will never give the answer. Economics, instead of accounting, is required.

Politicians and other laymen will wish to learn: Since wealth is not created in the ways in which financial accountants describe such growth, how is real wealth actually produced, with or without the presence of accountants? The founders of the Massachusetts Bay Colony and others understood those principles, in an elementary but accurate way, during the Seventeenth Century.

Lessons from history

When the Spaniards arrived in Central America, the area of today’s Mexico supported not more than about two millions individuals. The vaster area of Canada and the U.S.A. today, sustained a population of much lower population-density than did the Mexico founded by the Spaniards. Today, the population of Mexico is about fifty times the number existing when Cortés landed. The area of the United States, which could not support more than a few millions persons before the colonists landed, could now support three to four hundred millions in prosperity, indefinitely, if nothing more than existing science and technology were intelligently applied to this purpose, as it has not been during the most recent decades.

This has involved an American principle which was already understood by English colonists such as the leaders of the Massachusetts Bay Colony.²⁷ Here was a vast, economically infertile wilderness, a virtual wasteland, as measured in terms of the potential relative population densities of the existing cultures encountered by the English colonists. The first economic task of the settlers was to tame the wilderness, to develop the agricultural and other basic economic infrastructure needed to provide both the settlers and pre-existing populations a standard of living and culture soon superior to that enjoyed by those who remained behind, in England.

Thus, largely through the methods described by Hamilton’s *Report on the Subject of Manufactures*, by the time of the first U.S. decennial census, the per-capita income and economic output of the U.S.A. was twice that of Britain. Much of the reason for this economic success, was the fact that the literacy, and, therefore, the productivity of the U.S. citizen,

27. Some wags might say, the leaders of the Massachusetts Bay Colony had the good fortune not to have graduated from St. Albans.

was more than twice that of the Englishman. This achievement reflects the fact that the first government of the U.S. Federal Republic had inherited national bankruptcy, but rose, through the methods described by Secretary Hamilton's reports, to be envied abroad, by the turn of the century.

It is the type of economics thinking which Hamilton's report typifies, which must be chosen, instead of conventional financial-accounting methods popular with today's miseducated, monetarist, and other financial-accounting-oriented professionals. It is the methods of Leibniz, Franklin, Hamilton, the Careys, and List, as enriched by the revolution in Leibnizian principles of machine-tool design introduced by Carnot, which are the foundation of all of the successes of the American agro-industrial model defined by the U.S. developments of 1861-1876, the American model upon which the successes of the economies of Japan, Germany, and many other nations have depended crucially.

Admittedly, there were political setbacks. Nations which had adopted this American System model sometimes abandoned it, much to their sorrow later.

Thus, it must be acknowledged, that the economic policy of the U.S. itself, under Albert Gallatin's President Jefferson and Madison, who had abandoned the economic policies of Franklin and Hamilton, led to a national economic disaster. The same kinds of ruinous effects, but far worse, the 1837 Panic, were the result of the policies under President van Buren and his protégé and predecessor Andrew Jackson. Such was the U.S. under Polk, and far worse under the treasonous Pierce and Buchanan.

Nonetheless, when the U.S. returned to the American System, during 1861-1876, we returned, more or less effectively, to the economic policies of what Hamilton had termed "the American System of political-economy."

That recurring story of ups and downs, does not end there. Anglophile New York bankers such as Morgan and the treasonous August Belmont were not pleased with the success of the 1861-1876 transformation into the world's leading national economy. Those bankers, in concert with our nation's London adversaries, rammed measures such as the Specie Resumption Act through, driving our national economy to the brink of ruin. The assassination of President William McKinley brought pro-Confederacy ideologues such as Presidents Theodore Roosevelt and Woodrow Wilson to power.

But, the American methods which Teddy Roosevelt and Wilson hated, and attempted to uproot, were forced upon Confederacy and Ku Klux Klan buff Wilson, employed to the degree needed to support Britain's cause in World War I. The same American System methods seen in the form of the 1861-1876 industrialization of America, were employed to foster the recovery of the U.S. from the Depression, and to enable the U.S. to perform what envious other nations viewed as economic miracles during the period of World War II.

Today, the ration of persons in the world who understand the secrets of the periods of former U.S. economic leadership, is shrunken far smaller than at any time during this century. Nonetheless, the principles still work; under present circumstances, they are the only guides to economic policy which will actually succeed.

In reviewing the span of the history of modern national economy, a certain pattern has prevailed until now. Notably, it was only under conditions of wars and other revolutionary changes in circumstances, under conditions of urgent need for an exceptional economic mass mobilization, that those always successful American System methods of Leibniz, Franklin, Hamilton, the Careys, and Friedrich List were used. We should never have abandoned those methods; suffering Americans, and many others, are suffering increasingly today, because we went back to the old ruinous British "free trade" methods, instead of the American System. We shall not come out of the present crisis, without returning to the "economic mobilization" methods which served us so well during the grave crises of the past.

That said, turn now to the way in which those same American System methods — incorporating the Carnot principle, as used so successfully by Germany's post-war KfW and related institutions, provide a unique solution for the problems posed by the urgency of a general post-war economic reconstruction of southeastern Europe.

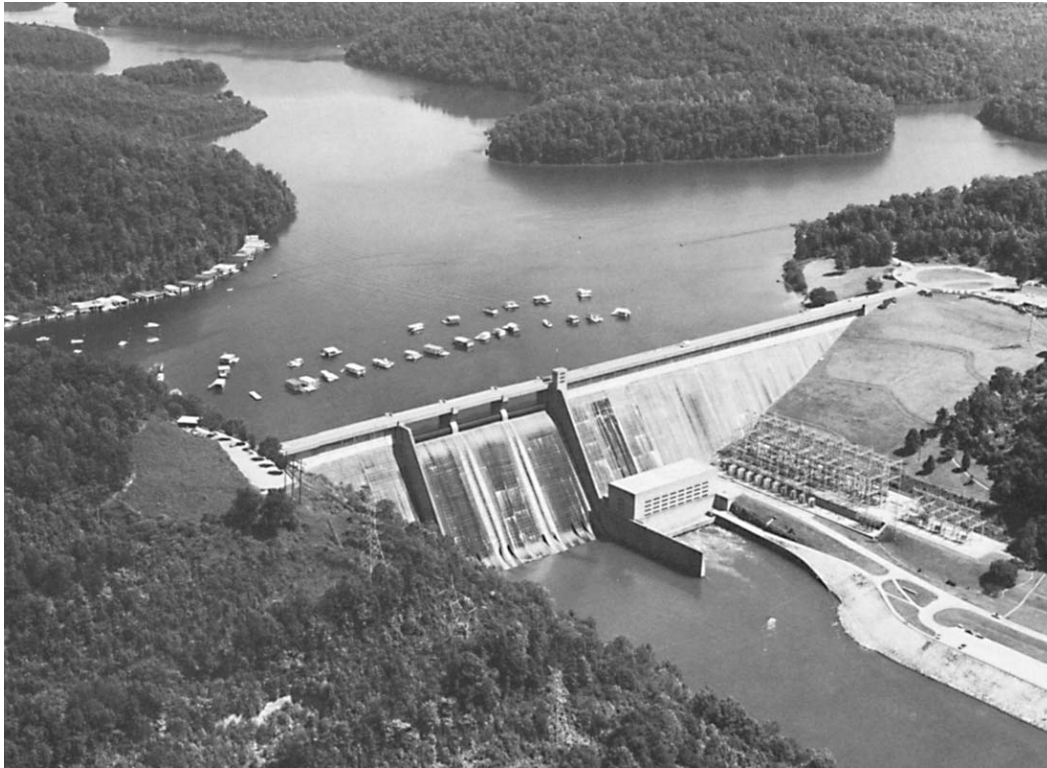
Physical economy as science

I shall now describe the general method by which "economic miracles" such as those of Germany's Marshall Plan-aided post-war reconstruction were accomplished. I focus on the way in which a self-expanded volume of secured investments, brought about the growth of stable credit needed to bring that so-called "German economic miracle" about, in contrast to the relatively much poorer performance of Britain and France during that same period.

After outlining the method of financing to be used, I shall summarily define the physical principle upon which the success of this method depends.

The method of economic expansion used, is not dependent primarily on borrowing from some "primeval hoard" of miser's money on deposit. The method of the American System of political-economy, places the primary emphasis on the issue of state-guaranteed, and kindred forms of bank credit, as the basis of fostering investments in which the resulting rate of growth of secured assets is far greater than the credit originally advanced.

Thus, as the economy expands under such credit-stimulus, the volume of new credit which can be created increases, without causing the kind of inflationary effects which inheres in monetarists' reliance on a simple financial-accounting "multiplier effect." The expansion of credit and investment does not risk the inflationary devaluation of the total volume of secured assets, which must occur under a simple financial



The Clinch River Dam, one of the first projects begun after legislation approving the Tennessee Valley Authority (TVA), was signed in the 1930s. The role of the TVA, “in making possible the scale of the mobilization for war later, illustrates the means by which successful economic mobilizations succeed.”

expansion under conditions of “free trade” rules.

This was the same method at the core of the means used by Franklin Roosevelt’s U.S.A. to produce what seemed to many at that time as “a miracle” of war-production for World War II.²⁸ It is the kind of method to which capable modern governments turn for successful war mobilizations.

The role of the U.S. Tennessee Valley Authority (TVA), launched during the 1930s, in making possible the scale of the mobilization for war later, illustrates the means by which successful economic mobilizations succeed. It is the same general approach proposed by German economist Dr. Wilhelm Lautenbach, in a secret report adopted in 1931 by Germany’s Friedrich List Society, the report whose policy could have prevented Hitler from being brought to power. It is broadly the same method at the core of the success of the KfW in fostering the so-called “German economic miracle” of Chancellors Adenauer’s and Erhard’s Germany.

Let us take as illustration, the way in which a group of nations, chiefly the U.S.A. and continental Europe, should

28. Roosevelt saw himself as compelled to cooperate with his deadly adversaries of the Wall Street crowd, in arranging the financing of war production and warfare itself. Had he lived, he would almost certainly have handled the resulting U.S. war debt, politically, in a much happier way than occurred during the immediate post-war years. He would not have objected, nor could I, to the manner in which the U.S. deployed the Marshall Plan for the reconstruction in western Europe, in particular.

approach the financing of an economic mobilization for the reconstruction of the area of southeastern Europe. I shall outline some of the highlights of this approach, and then, as I have promised, explain those scientific principles which might be called the “secret” of the success of such methods.

Let each of the participating nations pledge a line of credit made available to the kind of master financing facility, modelled on the success of the KfW, which I have indicated above. The U.S. Export-Import Bank was a facility designed to perform this kind of function for the U.S. economy. This is not a pledge of money, but rather, a credit which can be used to purchase relevant goods from the national economy which has provided a line of credit for this purpose.

This line of credit has two primary financial-economic impacts. It provides the delivery of goods from the national economy extending the line of credit. As the U.S. Marshall Plan experience illustrates the point, it also serves as a stimulus of real economic growth in the nation which provides that line of credit. A large program of this type is a leading source of increased productive employment in the economy which extends the line of credit.

The credits extended by the vendor nations are of two principled types: grants in aid, and loans. Under the conditions of the U.S. during the 1930s, or a revival of the regulated exchange-rate system of the pre-1958 Bretton Woods agreements, the latter type of lines of credit, when used to



Artist's representation of China's Three Gorges Dam project. "Large-scale construction programs in infrastructure are the most natural, rapid stimulant of levels of employment and of all other economic activity, in the region where such infrastructural developments are operating. The impact of the U.S.A. TVA, and a comparison of the TVA with China's ongoing Three Gorges Dam project, is a suitable illustration."

build up assets in the Balkan-region nations, are convertible into long-term bonds at nominal interest-rates (1%-2%), and built-in grace periods, earmarked to the assets built up in the recipient nation. These obligations are either secured by sovereign guarantees, or private securities. Twenty-year maturities—more or less—for such bonds would be typical. This will work as a sound economic and financial arrangement, only under the condition that fixed exchange-rates, like those operating during the pre-1958 period of the Bretton Woods agreements, are in operation for the life-span of the bonds and other securities issued as part of the reconstruction process.

The operation begins with heavy emphasis upon developing essential basic economic infrastructure in the nations of southeastern Europe. This has two immediate functions. First, the development of functioning basic economic infrastructure, as typified by public works and utilities, is the precondition for viable agriculture and industry. Second, large-scale construction programs in infrastructure are the most natural, rapid stimulant of levels of employment and of all other economic activity, in the region where such infrastructural developments are operating. The impact of the U.S.A. TVA, and a comparison of the TVA with China's ongoing Three Gorges Dam project, is a suitable illustration.

Mass transportation (especially water-borne and railway networks), water management, power production and distribution, typify, but do not delimit the leading elements of

mass development of basic economic infrastructure. These programs of reconstruction can usually be successful only in the public sector. If this is limited to private sector ventures, the entire reconstruction effort would be a catastrophic failure.

These and comparable crash-program developments of basic economic infrastructure, perform three leading functions.

1. Without such infrastructure's development, the development and functioning of the private sector will be largely a failure, especially so when we recognize the rates of economic growth which southeastern Europe must experience to overcome the more than \$1 trillions of economic deficit, left in the wake of the recent Balkan wars. The provision of cheap and reliable efficient transportation, adequate power, water management, and sanitation, to the entirety of the land-area of a nation, is the absolute precondition for successful economic growth of the private sector as a whole.
2. Large-scale infrastructure programs of this type provide an immediate, direct boost to the economy as a whole, providing the conditions and economic-growth stimulant required for emergence and growth of private ventures.

Of course, as the painful experience of such programs in the new federal states of Germany ought to remind us, without a concomitant fostering of large-scale agricultural and industrial development, especially in the relatively higher technology, closely-held middle-sized ventures, such as the machine-tool sector, the growth potential contributed by infrastructure programs may “rot on the vine.”

A note of caution, here. It is necessary to set priorities, which ensure that the economy emerging from the reconstruction program has the structure of the composition (infrastructure, agriculture, general manufacturing, machine-tool) which characterized the most successful national economies coming out of the 1950s period of post-war reconstruction in western continental Europe and Japan. What is to be avoided, is the disastrous effects which the so-called “structural reforms” of the 1964-1998 interval have introduced into continental Europe, as this trend began in Prime Minister Harold Wilson’s United Kingdom.

3. Among the leading factors of stimulus, which infrastructure programs provide to growth of the private sector are two: employment of the labor-force in the infrastructure programs, and the role of private vendors in the construction and maintenance phases of the infrastructure program.

As the cases of Croatia and Bosnia should remind us, among the leading special considerations to be faced in reconstruction of the economy of a war-torn area, is the rebuilding of housing and small shops. The same lesson is to be observed from the experience of reconstruction in post-war Germany. Assistance to households for the rebuilding of their own homes, is usually the most efficient administrative approach to the most pressing social problems of the economy during the immediate post-war period.

The extension of reconstruction credits for loans to private enterprises, is best handled through coordination with the financial agency responsible for the reconstruction program, but in coordination with a facility of the sort which former U.S. Commerce Secretary Brown was working to assemble for Bosnia at the time of his death.

The general program of reconstruction which ought to govern the immediate, emergency economic restoration of southeastern Europe, can be viewed broadly as emphasizing three interrelated economic missions.

First, the rapid establishment of the basic economic infrastructure required as the foundation of a viable economy in and among each of the nations involved.

Second, the development of private enterprises essential to the day-to-day life of the economy of each nation.

Third, private economic development aimed to provide each and all of the nations of the region a rational basis for earning international revenues, at a level needed to enable these economies to sustain themselves. Focus on this third

mission for a moment. I shall return to this important sub-topic below.

Just as I did in my Berlin Columbus Day address of 1988,²⁹ as my associates and I did in our 1989-1990 development of guidelines for a European Productive Triangle Program,³⁰ and, as we have done, beginning 1992, in defining the objectives of the Eurasian Land-Bridge policy,³¹ and as Friedrich List defined the policy upon which both the development of the U.S. transcontinental railway and the original Eurasia Land-Bridge proposals were based,³² the proper design of the development of any very large land-area must be based on certain geographical principles. In modern history of the past two centuries, the center of these geographical principles is transportation routes, chiefly for water-borne commerce and trunk railways, still the cheapest and most efficient modes for movement of produced goods.

Just as my associates and I have detailed this within our prescriptions of design for both the Productive Triangle and the Eurasia Land-Bridge, and as the 1861-1876 Lincoln reforms defined the development of the U.S. transcontinental railway system, begin with the natural routes for trunk-lines of trade.

These lines often turn out to have a history going back to medieval, or even more ancient times, as the Silk Roads did. Do not think of this as merely passage-ways for transportation; think of them as development corridors, just as the U.S.A.’s Lincoln reform of 1861-1876 defined the relationship between transcontinental railways, and economic development of the land-areas through which the railways passed. Think of these as *strategic development routes*.

Today, such a strategic development route features a modern high-speed, high-capacity railway spine: the cheapest method of rapid transport of manufactured goods, and the fastest economical route for movement of perishable refriger-

29. Lyndon H. LaRouche, Jr., Presidential candidate’s broadcast, “The Winter of Our Discontent,” Oct. 31, 1988, which included the candidate’s press conference at the Berlin Kempinski-Bristol Hotel. The full transcript appeared in *EIR*, Oct. 21, 1988.

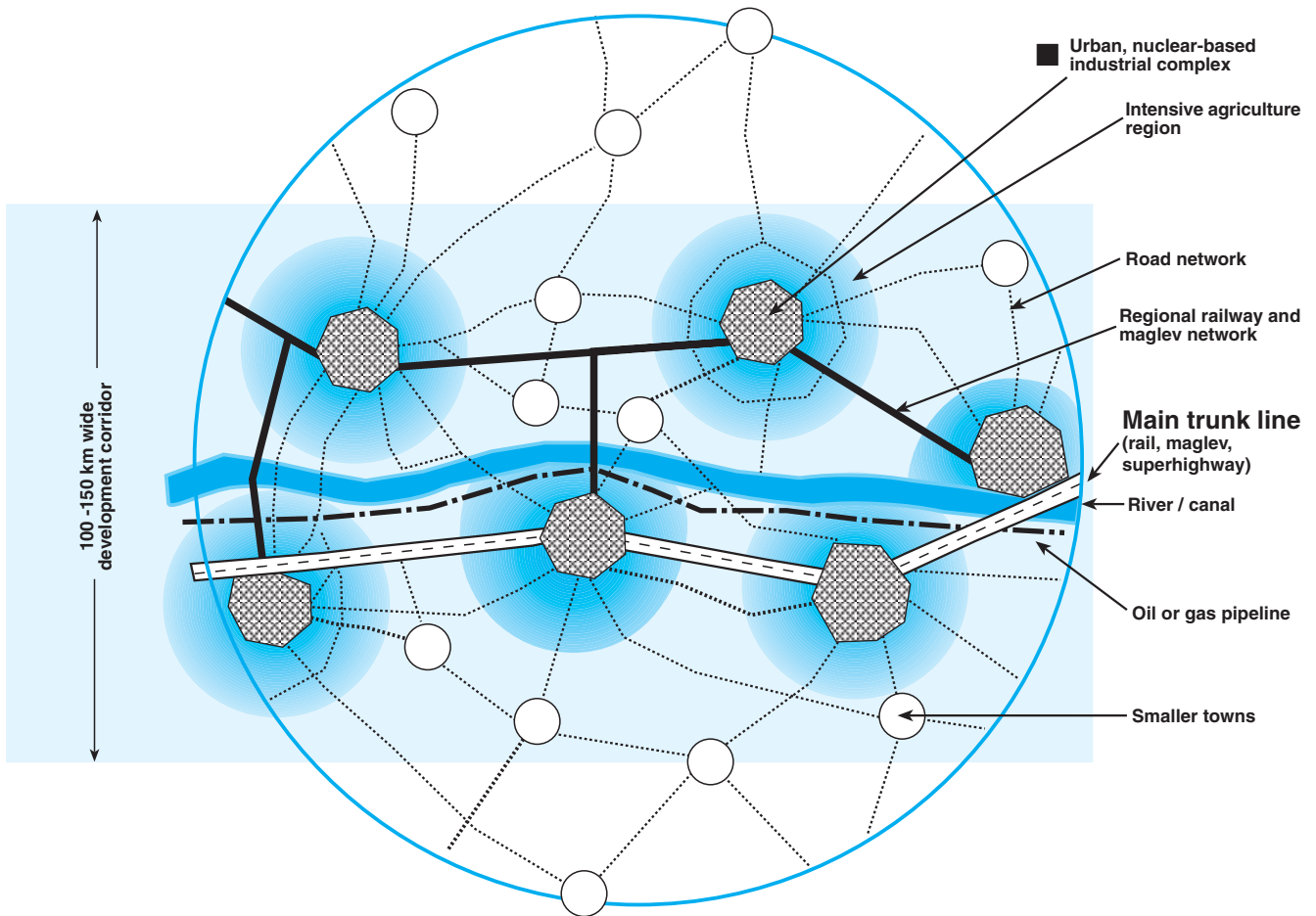
30. Dec. 10, 1990, LaRouche issues memorandum on “Economic Development for Eastern Europe,” later published as part of an *EIR* White Paper, “The Crucial Role of Lyndon LaRouche in the Current Strategic Situation,” April 1993; Jonathan Tennenbaum et al., *Das ‘produktive Dreieck’ Paris-Berlin-Wien: Ein europäisches Wirtschaftswunder als Motor für die Weltwirtschaft* (Wiesbaden: EIR Nachrichtenagentur GmbH, August 1990); “The Economic Geography of Europe’s ‘Productive Triangle,’” *EIR*, Aug. 3, 1990; *EIR*, “High-Speed Railroads Will Transform Europe’s Economy,” Aug. 31, 1990, p. 22; “High-Speed Rails Planned in France, Germany, Italy,” *EIR*, Sept. 14, 1990.

31. Jonathan Tennenbaum, “Beijing Promotes Grand Design for Eurasian Progress,” Helga Zepp-LaRouche, “Building the Silk Road Land-Bridge,” *EIR*, June 14, 1996; Jonathan Tennenbaum et al., *The Eurasian Land-Bridge: The ‘New Silk Road’—Locomotive for Worldwide Economic Development* (Washington, D.C.: EIR News Service, Inc., January 1997).

32. Friedrich List, *Outlines of American Political Economy* (Wiesbaden: Dr. Böttiger Verlags-GmbH, 1996).

FIGURE 2

Graphic representation of a 'development corridor'



ated and other agricultural goods.³³ Attached to the lengths of that spine, are subordinated railway and automobile routes, and also trunk-lines for large-volume water and power development and transmission.

Think of these routes as not merely conveyer-belts of people, goods, water, and power, but as like production-lines: a zone of efficient, high-density production of agricultural, mining, and manufactured goods, running the length of the trunk-line and with a width of up to approximately a hundred kilometers. [Figure 2.]

33. Magnetic levitation systems of mass transport are not merely an upgrading from friction-rail systems. Although the speeds achievable do relieve the presently excessive reliance on passenger air transport for medium-distance travel, the revolutionary impact of magnetic levitation shows itself in the transport and classification of freight shipments. Of course, on the horizon, there is the prospect of magnetic-levitation transport within long evacuated tunnels, and well above ordinary supersonic speeds. We would rely on the latter for sub-surface transport among centers in a science-city form of astro-

Within this zone, there are nodes, such as cities and towns, areas of intensive agricultural and industrial production. Think of this trunk-line zone not in terms of the cost of moving transported goods, but, rather, in terms of the net social (physical) profit generated along each hundred kilometers' length of the movement of productive activity, along the route of that trunk line.

These trunk lines are the proper location for most of the agricultural and industrial output of the nations through whose territories they pass. We should have brought together here, in these zones, the most efficiently provided basic economic infrastructure required for high-density, diversified production. The effective economic development of adjoining areas, outside the width of these trunk-line zones, is fostered by the functional relationship between those wider areas

physical research and development, and production colonies on the Moon or Mars, for example.

and the trunk-line zone.

This plan for development of the Balkans was included in the first Productive Triangle plan designed by my associates and me.³⁴ This is what I have endorsed as an outline of the policy for the immediate economic reconstruction of southeastern Europe.

Unlike the time when accountants favored alleged economies achieved by use of super-sized thermonuclear warheads, this approach gives us the “biggest and best economic bang for the buck.” It is the only really efficient economic approach.

Now, look briefly at the way in which this approach benefits the other nations of Europe, especially from Brest in France to Ukraine, Russian Siberia, the Trans-Caucasus—and beyond.

Since the time of Charlemagne, the civilized minds of all Europe have aimed at criss-crossing Europe with a well-connected network of improved riverways and barge-canal links, to provide efficient barge-transport waterways linking Europe from France and the old Hanseatic seaports and their riparian tributaries, and, by way of the Danube, to the Black Sea. Ironically, the main spine of the barge-system, the Rhine-Main-Danube route from the Netherlands ports to the Black Sea, was not completed until about the same time as the break-up of the Soviet Union. Since about 1992, that link has been effectively jammed up by the recent Balkan wars. *What a terrible, disgusting waste of economic opportunity we have tolerated, all too long!*

By combining modern rail trunk-line systems with improved waterways, the long-locked-up economic potential of southeastern Europe can be suddenly freed to work. The formula is rather simple.

First, remember that efficient transport through an area under economic development is not a net cost, but a source of net physical profit in and of itself. Think, as I have said, of transport trunks as the main conveyer-belts of a productive enterprise. Real profit, as profit is defined in physical terms, is generated every hundred kilometers of trunk-line length. This defines the link-areas, such as the Balkans, as areas of rich economic potential, because of their highly useful role in linking adjoining regions. Second, the critical margin of growth which will define the prosperity of the region's future, is those kinds of industries which are designed to serve as source of inputs to their immediate neighbors along those trunk-line routes.

Take as an example, the shipments of foodstuffs and other bulk freight along the Rhine-Main-Danube barge-route to the Black Sea. These and other, related considerations show how improved trunk-lines through the region of southeastern Europe, tap the economic growth potential of now largely idled or underutilized labor-force in the impoverished portions of this region.

34. Jonathan Tennenbaum et al., *Das 'produktive Dreieck' Paris-Berlin-Wien*, op cit.

Think also, of the desperately needed stimulant to the economies of France, the Benelux nations, Germany, Italy, and others, through the fruits of such economic reconstruction of southeastern Europe. It must be conceivable even to some hard-headed Republicans in the U.S. Congress, that a U.S.A. now suffering an already catastrophic and growing balance-of-trade deficit, might have a vital national economic interest, both directly and indirectly, in fostering such growth in southeastern Europe and beyond.

Someone in Oshkosh needs a decent job? Economic reconstruction of southeastern Europe would work in the same general way as Marshall Plan reconstruction of war-torn Europe earlier.

This brings us, now, to the matter of scientific principle involved.

Carnot, Gauss, and Riemann

Now, we come to a crucial point, a point rarely understood, even among economists who are otherwise of relatively leading competencies. On that account, I have placed this, relatively most technical portion of the report as the concluding part. This is not to suggest that this portion of the report is in any sense optional study. It is indispensable. However, from a pedagogical standpoint, it were more convenient to the future transactions between author and readers, to situate this as the concluding topic of the report as a whole.

What is the crucial role of that development of the machine-tool principle, by Lazare Carnot, on which the exemplary success of the United States' 1861-1876 economic revolution was premised? What is the basis for that principle within physical science in general?

The only completely rational answer to that set of questions, lies in the most crucial, but, relatively, least widely understood principle of modern physical science, science as redefined by the successive work of Carl Gauss and Bernhard Riemann in elaborating the principles of what is known to qualified mathematicians and physicists as *an intrinsically non-linear hypergeometry, a physical geometry defined as functions of an orderable succession of multiply-connected physical manifolds*.

From the standpoint of physical science and engineering, *the functional definition of economic growth, of the expansion of wealth, is a generalized increase of physical productivity, as measured in physical, not financial terms, per capita, and per square kilometer*. The assured success of credit-expansion programs, such as the so-called “German economic miracle” under Chancellors Adenauer and Erhard, or of the kind of economic recovery programs which the world requires today, depends upon the validity of that scientific principle. In particular, the success of any proposed “New Marshall Plan” for southeastern Europe, given present conditions, depends absolutely upon that set of principles of physical economy.

The crucial relevance of that principle for the task at hand, lies in that fact, that it is only on the condition, that a society

is increasing its productivity and scale of physical output, in these terms, that that mission could succeed. It is only when the physical-economic growth of productivity is advancing by this standard, that we could have that sustainable source of secured physical assets, the which could serve as the basis for the continued, non-inflationary expansion of public credit for the “New Marshall Plan” mission.

The principle, as I have asserted it, by description, here, is valid. However, the mere assertion of that validity is not sufficient. Those who are responsible for directing this mission must rely upon something more than blind faith in the fact of my outstanding success in related matters of long-range economic forecasting. They must be certain that the principle, as they understand it, and are to apply it, is a correct principle. Hence, at least some summary clarification to that effect must be provided as an included feature of the present report.

To supply a scientific definition for this fundamental principle of economic science, to define this most critical measurement in physical terms, we must reference the historical and functional complementarity of the work of Gauss and Riemann, to the preceding work of France’s Monge-led Ecole Polytechnique, especially Lazare Carnot’s definition and first successful general application of a Leibnizian machine-tool principle.³⁵ These connections are indispensable for actually defining a rational comprehension of the way in which real economic growth (per capita, per square kilometer) of productivity is generated.

The roots of this aspect of physical science, go back very deep into the development of elementary astronomy, geodesy, and transoceanic navigation, perhaps tens of thousands of years ago, or more, to some time during the last glacial ages. There, the roots of ancient Chinese and Vedic solar-astronomical calendars were developed, for example. The critical feature of such relevant calendars, and early geodetics and related navigation, was constructed on the basis of measuring relative angular changes in the relative positions of stars and planets, from points of observation on the surface of our planet. Prior to the development of Classical Greece’s science, the most advanced accomplishments known are those long-cycle calendars made by ancient Egyptians, such as the pyramid-builders.

35. Carnot’s original discoveries in physical science and technology, like his revolutionary approach to the design and use of military fortifications, were premised chiefly upon Leibniz’s notion of a *geometry of position* (*analysis situs*). Typical of such notions of geometry of position, is the elementary approach to the physics of non-linear elementary forms of action, such as the treatment of isochronic pathways, and evolute-involute pairs, by Huyghens, Leibniz, and Jean Bernouilli. The higher forms, beyond Carnot, of regular non-constant curvatures, are the subject of Gauss-Riemann physical hypergeometries. Notably, however, the elementary revolutionary discoveries of the Ecole Polytechnique’s Fresnel (demolishing Newton on light) and Ampère (e.g., the Ampère-Weber “angular force” in electrodynamics), reflect the same view of *analysis situs* expressed by Carnot’s definition of the machine-tool principle.

The notable fact here, is that much of this science, especially the comprehension of the most crucial principles, was lost to European civilization during the long reign and aftermath of Roman power.³⁶ It was only during the middle of the Fifteenth Century, with Golden Renaissance figure Nicholas of Cusa’s *De docta ignorantia*, that the most crucial features of Classical Greek scientific thought from sixteen hundred years earlier, were restored to relatively broad practice as the basis for modern scientific thought.

The pivotal feature of Cusa’s contribution to that mid-Fifteenth-Century founding of modern physical science, is his discovery of what came to be known as the principle of so-called transcendental functions, with his explicit insistence on what was already known by the Classical Greeks, that the Earth orbited the Sun, and the related principle, that elementary physical action in the universe does not occur along straight lines, but in those forms of regular, if not necessarily constant curvature, corresponding to measurement and normalization of observed angular displacements in astronomy.³⁷

There is a direct line of successive development of modern physical science, from Cusa, through Luca Pacioli and Leonardo da Vinci, through Johannes Kepler, through Christiaan Huyghens and Gottfried Leibniz, through Carnot and Monge, and through Gauss, Riemann, et al. Reliving the successive, actually historical steps of this connection, is crucial for any rational comprehension of the way in which real physical-economic growth occurs in modern economies.

Thus, situate the most crucial fact of all modern economy, that a political and scientific revolution, centered in Italy, France, England, Germany, and Spain, during the Fifteenth Century, resulted in the greatest improvement in the condition of the human species ever experienced, until that time. The growth of population, and increase in life-expectancy, spreading world-wide since that time, is but one leading expression of that result. [Figure 3.] This was the result of the radiated influence of what is known as the Fifteenth-Century, Italy-centered Golden Renaissance.

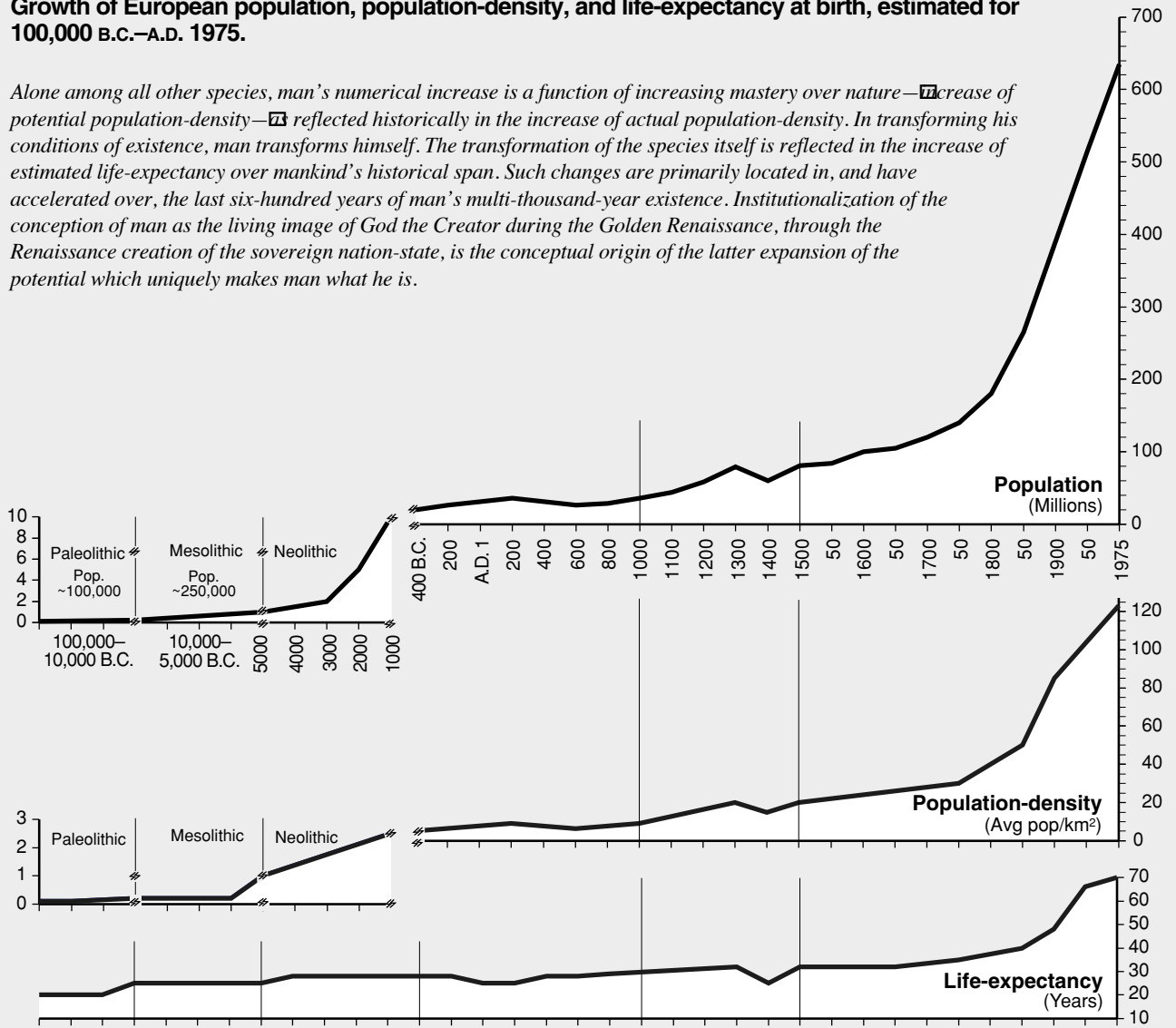
36. From approximately the time of the Romans’ murder of Archimedes, until the middle decades of Europe’s Fifteenth Century. Typical of this degeneration is the fabrication and perpetuation of the celebrated fraud perpetrated for astronomy by Claudius Ptolemy.

37. The pivotal case which Cusa employed in defining the elementary difference in Eratosthenian cardinality between so-called irrational and transcendental measurements, was Cusa’s critical correction of the estimation of π presented by Archimedes’ theorems on the quadrature of the circle and parabola. Cusa returned to that Classical Greek standpoint, that of Plato, for example, in which the elementary form of physical action was not straight-line action, but regular curvature, such as the surface of the sphere, or regular, but non-constant curvature, as the latter standpoint was developed successively by Kepler and Leibniz’s discovery of the calculus. Thus, the followers of Cusa, such as Pacioli, Leonardo, and Kepler, followed Plato in the point of the so-called “five Platonic solids.” If the universal principle of physical action were spherical action, as the empirics of astronomy argue, then the metrical characteristics of elementary forms (phenomena) of physical action cohere with the “five Platonic solids.”

FIGURE 3

Growth of European population, population-density, and life-expectancy at birth, estimated for 100,000 B.C.—A.D. 1975.

Alone among all other species, man's numerical increase is a function of increasing mastery over nature— \square increase of potential population-density— \square reflected historically in the increase of actual population-density. In transforming his conditions of existence, man transforms himself. The transformation of the species itself is reflected in the increase of estimated life-expectancy over mankind's historical span. Such changes are primarily located in, and have accelerated over, the last six-hundred years of man's multi-thousand-year existence. Institutionalization of the conception of man as the living image of God the Creator during the Golden Renaissance, through the Renaissance creation of the sovereign nation-state, is the conceptual origin of the latter expansion of the potential which uniquely makes man what he is.



All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History*; for life-expectancy, various studies in historical demography.

Note breaks and changes in scales.

For our subject here, the physical basis for self-perpetuating generation of credit, the crucial relevant features of that Renaissance revolution are chiefly the following.

The aftermath of the Council of Florence established a new principle of law and nation-state, based on the principle that each man and woman is made equally in the image of the Creator, and thus set apart from and above all beasts. As best typified by the influence of the principal pre-architect of the Council of Florence, that founder of modern experimental physical science, Cusa, the empirical fact upon which this

unique quality of the human individual was premised for proof, was the role of experimentally measured, validated discoveries, by individual minds' sovereign cognitive processes. The central feature of this, is the efficiency of those discoverable, universal physical principles, in increasing mankind's power in, and over the universe.

In this circumstance and revolutionary intellectual spirit, the Golden Renaissance overturned the formerly customary place of forms of society in which relatively large populations of virtual human cattle, were ruled over by the whimsical laws

of a much smaller population composed of oligarchs and those oligarchs' lackeys.

The first relatively successful implementation of this revolution began with the accession of France's King Louis XI. Typified by the direction of Louis' reforms, the law of the state became the obligation to serve the general welfare, or what is otherwise known as natural law. This became a new kind of society, the modern form of sovereign nation-state consistent with republican social and natural-law principles.

The education and other uplifting of the general population, and promotion of rapid rates of physical-economic growth per-capita of the whole population, began a revolution based on the modern sovereign nation-state committed to the same principle of the general welfare set forth as the fundamental law of our Federal republic, in the Preamble of our Constitution. Louis XI's success led to the accession of reformer Henry VII in England. Isabella I of Spain was of a like, Renaissance-inspired disposition.

Although Europe's struggle to establish true sovereign nation-states never fully recovered from the pro-world-government, feudal, anti-nation-state oligarchy's defeat of the League of Cambrai, it was through the republicans of Europe, that the future U.S.A. was colonized, and the U.S.A. as such founded. The same European republicans' efforts, efforts strengthened by the successes of the U.S.A., to establish true republics in Europe, rather than merely parliamentary systems, have persisted from the Renaissance, until the present world crisis. These efforts, typified by the original Federal Constitution of the U.S.A., have persisted until now, despite intervening centuries of repeated setbacks to this cause within Europe itself.

Thus, with the waning in power of that landed aristocracy which ultra-reactionary Habsburg Chancellors von Kaunitz and Metternich had represented,³⁸ the leading remaining adversary of civilization has been a financier oligarchy based on the model of Venice, as this is exemplified by the British monarchy financier oligarchy of today. Despite both landed aristocracy and financier oligarchy, it has been the continuation of the opposing, anti-oligarchical, republican cause, since the Fifteenth Century, which has been responsible for the great global advances in the human condition, which were generally in progress globally until the past quarter-century or so.³⁹

Thus, the root of all of the trends toward improvement in the human condition, since the Fifteenth Century, has been byproducts of the launching of modern sovereign nation-states, premised upon the equality of man under the principle of the obligation of the nation-state to defend and improve

38. In this instance, "reactionary" points to the efforts to turn back the clock of history, to the Middle Ages, by the enemies of Austro-Hungary's reforming Emperor, Joseph II.

39. The republicanism of the two greatest military thinkers of France and Germany at the turn to the Nineteenth Century, typifies the republican instincts among the non-aristocratic officers found among the officer corps of the artillery and engineering branches.

the general welfare. This progress has been chiefly expressed in those economic reforms essential to improvement of the demographic characteristics of populations, and the increase of the physical productive powers of labor. This improvement, in turn, has been the result of advances toward universal, Classical forms of education, and a matching fostering of scientific and technological progress.

The relevant hallmarks of the emergence of the modern sovereign nation-state, have been chiefly the following. The accelerated emphasis upon the responsibility of the nation-state for basic economic infrastructure. Notable examples, in the case of Louis XI's France, are his reforms in education, and the famous pioneering in hospital care at Beaune, the latter launched by an associate of Cardinal Nicholas of Cusa. The legacy of the Council of Florence, as typified by Nicholas of Cusa's ground-breaking work in experimental physical science,⁴⁰ leading to the work of such successors as Leonardo da Vinci and Johannes Kepler, and to resulting revolutions in science and technology. Central has been the increasing role of public education and fostering of the introduction of advances in science and technology, increasingly, into the economic practice of an educated general population.

It has been the combination of trends toward what the Renaissance adopted as so-called Christian Humanist methods of secondary education, intersecting the fostering of a process of economic growth driven by scientific and technological progress, which has been the characteristic moral and physical superiority of modern nation-state economy over preceding forms of society. The Classical Humanist methods of education associated with Wilhelm von Humboldt for Germany, are typical of the broad intellectual foundations developed among the young, upon which the possibility of continuing general economic process has depended.

Among the principled advantages of such types of education over any alternative, is the fact that a secondary level of such education, based on the student's reliving the experience of original discovery of both universal physical principles and Classical artistic principles, enables that student to relive, one after the other, the most essential fruits (discoveries of validatable universal principles) of human history to date.

This reliving occurs within the student's own cognitive experience, instead of the stultifying practice of merely "learning" those results, as in such inferior modes of education as "textbook"-based instruction. The student, by reliving any of the most essential accomplishments, in discovery of principle, of human existence to date, becomes, in that sense, an embodiment of a continuing process of living history from past to present. Hence, such forms of education not only provide the best education in science, for example. They are indispensable for providing the maturing young person that deep, inner sense of personal connection to, and personal

40. *De Docta Ignorantia (On Learned Ignorance)*, trans. by Jasper Hopkins as *Nicholas of Cusa on Learned Ignorance* (Minneapolis: Arthur M. Banning Press, 1985).

identity within ongoing history, which is fostered only through that kind of education. Students, so educated, develop moral qualities and ability for problem-solving generally lacking in other populations.

Limiting our attention to physical science and technology as such, the following connections are crucial for grasping the importance of the Carnot principle. I briefly identify, and then summarize the leading points.

1. The absolute superiority of the human species to all other living creatures, is expressed by the fact, that only mankind is capable of willfully increasing its species' power within and also over the universe.
2. This power is expressed as a series of discoveries of validatable, interconnected, universal physical principles. Each member of this set of interconnected universal physical principles, comes into existence as human knowledge through that non-deductive method of discovery of such principles, through what is called non-deductive "cognition," as distinct from so-called formal, or deductive modes of thought. These discoveries of principle can be known to persons other than the original discoverer by no other means than each individual's independent replication of the original cognitive act of original discovery: e.g., by Classical humanist methods of education, or their equivalent. This cognitive process of human progress, is the quality of potential which defines the human species, which sets us apart from, and above all other living species. It is this cognitive power which absolutely distinguishes the healthy human specimen from both the higher apes and fruit-flies of creation, and also sets cognitively thinking persons apart from such unfortunates as populists and pedants.
3. It is through the accumulation of these validated universal physical principles, that the human species acquires increasing power in and over the universe. It is the development of that set of interconnected principles, which is the primary form of action by means of which the human species is able to increase its physical power within and over the universe.
4. In the language of mathematical physics, this set of validated universal physical principles, as developed and practiced up to any point in the history of mankind, constitutes a Gauss-Riemann form of hyper-geometry, a phase in a succession of multiply-connected manifolds. Each such manifold of general economic and other practice, is associated, in physical science, with the notion of an experimentally demonstrable, relative physical space-time curvature. In physical economy, we experience such gains in

curvature as increase of the net physical productivity of labor, per capita and per square kilometer, of whole societies.

This change in physical-economic curvature, is expressed as an increase in the power of human action on the universe, per capita, and per square kilometer of the Earth's surface. That is the meaning of the term "physical-space-time curvature," as applied to the domain of a science of physical economy.

Thus, the essential thing in the shaping of economic policy of practice, is to aim to increase what Leibniz and Hamilton defined as the productive powers of labor, through the realization of scientific and technological progress, or what Hamilton and others of his time sometimes termed "artificial labor." It is those changes in productivity, so realized, which are the proper primary subject, and determining variable of all competent economic policy-shaping.

5. Thus, to increase the amount of credit which can be generated in a sustainable way over the long term, action in the short term must be aimed at the long-term result of increasing the physical productive powers of labor per capita and per square kilometer. These choices of short-term action for long-term effects, must meet the requirement of shifting the implied Riemannian technological manifold upward. *As long as that requirement is met, and on that condition*, the possibility for continuing to increase the amount of state-backed credit generated, is limitless.
6. The machine-tool principle as defined by Lazare Carnot, and as introduced to practice under his direction during 1792-1794, points directly to all of those connections between science and technology, upon which the possibility of limitless, inflation-free issue of state-backed credit for physical-economic growth depends.

Now, examine summarily the form those connections assume in real economies. Trace the steps from the original discovery, or rediscovery of a universal physical principle, to the realization of that discovery as the applicable technologies through which man's power in, and over the universe, is increased per capita and per square kilometer.

Technological progress begins with the recognition of evidence of a systemic error in generally accepted beliefs of that place and time. Either, what is implicitly treated as a universal principle is false, or existing knowledge fails to recognize some existing, relevant, universal physical principle. In that sense, all human progress is revolutionary as a matter of principle.

Limit our attention here, to the cases in which most of the presently accepted physical principles are not false in and of

themselves. In this case, there is a systemic error in all beliefs respecting matters of physical science. This error corresponds to the failure to recognize one or more actually existing, additional physical principles.⁴¹

The result of noting such a systemic error has the same effect as recognizing a true Classical paradox in the field of artistic composition. The resolution of such a paradox by deductive methods, is an axiomatic impossibility; only through the creative-cognitive faculty (which Immanuel Kant, for example, said did not exist), as employed by a scientifically cultivated mind, can a validatable, principled solution be generated.

In the case such a solution is proposed, the question is: How shall this be validated? The answer is that proposed by Cusa. Contrary to nominalist fanatics such as Bertrand Russell and Russell's John von Neumann, it can not be settled by deductive methods at the blackboard, or by digital-computer methods; it can be settled only by a suitable design of a physical experiment which provides us a relevant quality of measurable result. This brings us directly to the matter of Carnot's principle.

Riemann defines the nature of such a proof of principle experiment more precisely than had been the case earlier. A proof-of-principle experiment must be that which Riemann defines as a *unique* experiment.

This notion of a *unique* experiment flows directly from the conception of the array of validatable universal physical principles, as a multiply-connected manifold of the Gauss-Riemann type. In other words, if manifold $n+1$ has a physical-space-time curvature of q_{n+1} , prove that manifold $n+2$, including an efficiently multiply-connected newly proposed principle, has a distinct curvature q_{n+2} . In other words, it is not competent practice, to assume that a simple experimental test of an isolated $n+2$ th principle is proof; what must be tested is the difference in curvature defined experimentally, as the difference in characteristic curvature of the two manifolds.

Given, a physical process located within manifold $n+2$, define the characteristic curvature of physical action for that manifold. Now design the application of that manifold to some medium of action accordingly.

41. For example, when the British ideologue J. Clerk Maxwell composed his celebrated work, he initially omitted certain previously proven electrodynamic and related principles from his system. These omissions included the relevant discoveries of physical principle by Fresnel, Ampère, Gauss, Wilhelm Weber, and Riemann. Maxwell admitted that he had willfully committed such a fallacy of composition, and attempted to justify this fraud by reporting that he, as a British ideologue, had preferred to omit reference to "any geometries but our own." It is then an interesting illustration of Riemann's principle, to compare the view of electrostatics, relying upon Maxwell's fallacy of composition, as compared with the result of correcting Maxwell's work by adding an experimentally validated universal principle, the Ampère-Weber "angular force." Thus, treating Maxwell's electrostatics as an n -fold manifold, the relevant error is corrected by an $n+1$ -fold manifold which incorporates the Ampère-Weber principle as a multiply-connected feature.

That is what Carnot prescribed for the case that the elementary form of action considered, is derived from regular action of constant curvature. The study of the principle of isochronic characteristics of the cycloid pathway of action, by Huyghens, Leibniz, and Bernouilli, is the simple point of conceptual reference which serves as introduction to the challenge of multiply-connected manifolds. From that point on, the significance, and outcome of Carnot's influence on this point, speaks for itself.

That illustrative picture given, now trace the outcome of a discovery of universal physical principle through the principal later steps.

The direct connection between the discovery of an experimentally validated universal physical principle, and a resulting increase of the productive powers of labor, lies in the design of the appropriate experimental (e.g., "laboratory") apparatus, by means of which a proposed physical principle is supplied a meaningful test by measurement.

Such a design of such an experiment, can then be studied from a different standpoint. If the design of the experiment provides an efficient, successful test of the principle at issue, the experimental apparatus already incorporates principles of machine-tool design, by means of which the proven principle can be incorporated in such forms as new designs of products and productive processes.

Although such practical conceptions were introduced to forms of generally applicable economic practice no earlier than such Renaissance figures as Leonardo da Vinci, the same principles are implicit in the history of physical science, from the earlier times of validatable long-cycle solar-astronomical calendars, more or less deep within the last long glacial age. What is essentially new, is the new political-economic system, the system based upon the modern sovereign form of nation-state, the state based upon the controlling principle of general welfare. It is the direction of general trends in education, and in science, to those forms of scientific and technological progress by means of which the general welfare is better served, which has brought the modern agro-industrial economy into the form in which we are able to willfully pre-empt the self-expansion of the physical productive powers of labor, per capita and per square kilometer.

Whether or not the relevant political authority fully understands the principles of economic science which I have once again reported here, he or she, by aid of relevant experts who do, may be assured in a choice of policies, by means of which self-replicating, non-inflationary increases in state-backed creation of credit, may solve problems such as that posed by the crisis of southeastern Europe today.

The catch is, that the effort to aid southeastern Europe could not succeed, unless a hopelessly bankrupt present world financial system were radically reformed, through politically directed reorganization in bankruptcy, to be capable to adapting to such tasks as the urgently needed tasks of a "New Marshall Plan" for southeastern Europe as a whole.

If you get sick, will you have a hospital?

by Richard Freeman

For the past 15 years, and for the past five years in particular, America's health delivery infrastructure has been torn apart by the financier oligarchy's policies. As the worldwide financial disintegration enters a final eruptive phase, combined with existing lowered living standards and increased disease, the conditions have now been set for America's death rate to rise.

America's network of community and long-term care hospitals is being dismantled, brick by brick. At the hospitals which are still standing, services have been greatly reduced: Since 1980, the number of allowable days of inpatient care, per capita, has been cut by 50%. At many community hospitals, nurses are being fired. A large number of services that were previously provided on an inpatient basis at hospitals have been shifted to outpatient, ambulatory care, or emergency room bases; but then, emergency rooms are being closed.

Increasingly, an individual finds that even if he has the means to pay, no physical hospital structure may exist in his vicinity to obtain medical service. This is true in both rural areas and densely populated urban areas.

And, alarmingly, this is happening in America, a nation which, during the late 1940s through the early 1970s, possessed one of the world's finest hospital systems.

Two policies, implemented by the London-centered financier oligarchy over the past 15 years, are responsible for this gutting of America's medical system:

- The policy of "managed care," which now dominates the medical industry. The leading form of managed care is the health maintenance organization (HMO); also wide-

spread, but less well-known, is the preferred provider organization (PPO). A majority of large HMOs are owned outright, or exist in the orbit of, insurance companies, such as Aetna Insurance. These HMOs apply concentration-camp accounting, siphoning and stealing profits out of the medical system at the expense of life. This is accomplished by chiseling or reimbursing at less than the true medical cost—shaving payments for surgical operations, reducing the time allowed for hospital stays, and/or refusing to pay anything for some expensive life-saving operations. As a result, the medical providers, such as hospitals, nursing homes, and doctors, which are reimbursed by HMOs at less than the cost needed to exist, either triage their medical service or, failing that, close down.

- The effects of the Balanced Budget Act (BBA) of 1997. This additional element was superimposed upon the longer-term downward spiral by the banker-run Conservative Revolution crowd in Congress. The sponsors of the BBA were Senate Majority Leader Trent Lott (R-Miss.) and then-Speaker of the House Newt Gingrich (R-Ga.). Strong backing is also reported to have come from Vice President Al Gore.

The BBA instituted deep budget cuts in programs that make substantial payments to hospitals: Medicare, the Federal program that provides medical assistance to the elderly and disabled; and Medicaid, the joint Federal-state medical assistance program for the poor. For the five-year period extending from fiscal year 1998 (which started Oct. 1, 1997) through fiscal year 2002, the BBA rammed through cuts in Medicare and Medicaid of \$115.1 billion and \$10.4 billion, respectively. For the following five fiscal years (fiscal years 2003-07), Medicare and Medicaid were axed by an addi-

tional \$270.4 billion and \$37.4 billion, respectively. Thus, over 10 years, the combined cuts in the funding for the two programs is to be \$433.3 billion. Approximately 65% of that sum—nearly \$300 billion—is money for payments by the elderly and poor, mostly to hospitals, and some to nursing homes.

To a hospital system already crippled by HMO policies, the past two years of BBA have proved to be dangerous. In 1997, 44% of community hospitals' revenues came from two sources: 33% from Medicare, and 11% from Medicaid. Hundreds of hospitals located in areas serving a large number of elderly or poor, derive an ever-larger share of their revenues—between 50 and 80%—from Medicare and Medicaid. Many hospitals may not survive.

On May 28, a spokesman for the American Hospital Association, which represents 5,000 hospitals out of the roughly 6,500 in the United States, stated that, "given the reduced level of reimbursement, many hospitals which remain open are cutting back or eliminating services: obstetrics, care for the elderly, and so forth. *They are rationing care*" (emphasis added). This is outright medical triage.

The present report will first look at the take-down of America's health and hospital system infrastructure, including hospital beds, many hospital services, and nurses, and will then assess the superimposition of the Balanced Budget Act onto this downward-spiralling process.

Take-down of hospital infrastructure

A first approximation of the state of the U.S. hospital system begins with the number and availability of hospitals, hospital beds, nurses, and emergency room access. This, most emphatically, includes the amount of time that patients, once admitted to a hospital, are permitted to stay there. HMOs and insurance companies are attempting to move them out the hospital bed and out the door with indecent haste.

However, as important as the hospital system is, it is only one part of what constitutes the health of a nation. A nation must provide citizens with clean, disease-free water, sewage removal, and decent housing. These three types of infrastructure were essential to breaking the grip of disease in every American city in the period 1880-1930, especially in the ghettos and urban tenements, where disease flourished. There must be electricity (to power many things, including the advanced EKG and CT machines), and adequate food supply to maintain proper levels of nutrition. There must be a decent standard of living, and provision of vaccine-inoculation programs, in particular, for the very young and very old. There must be basic scientific research. There must also be hospitals, doctors, nurses, and so on. This is an interconnected package; there cannot be just one or two parts of it. The problem in the United States, is that so many other parts of the infrastructure of the health of a nation are also breaking down.

To focus on the hospitals in the United States, let's look

at the community hospitals, which comprise 81% of all hospitals in the nation. The American Hospital Association, which represents them, defines community hospitals as "all non-Federal, short-term, general, and special hospitals whose facilities and services are open to the public." This excludes: long-term care hospitals, such as hospitals for tuberculosis and other diseases which require long-term care; Federal hospitals, which are largely Veterans Administration hospitals; and psychiatric hospitals.

Table 1 shows the condition of hospitals for the 15 states with the highest rates of hospital shutdown in the nation (ranked from the highest percentage of hospital shutdown). In 1985, the United States had 5,732 operational community hospitals. By 1996, the latest year for which figures are available, the United States had only 5,134 hospitals, a loss of nearly 600 hospitals, or 10.4% of the total. In the 1985-96 interval, Massachusetts lost 21.4% of its hospitals; Texas, the nation's second-most populous state, and Michigan, the nation's eighth-most populous state, lost 15% of their hospitals. These 15 states with the highest rate of hospital shutdown, contain 58% of the U.S. population; the hospital shutdowns occurred in the states with the highest population concentrations.

Table 1 also shows that in 1985, the U.S. community hospitals possessed slightly more than 1 million beds. By 1996, they had only 862,400 hospital beds, a decrease of 138,238 beds, or a loss of 13.8%. Six states listed in Table 1 lost one-fifth or more of their beds.

The most extreme case of the loss of hospitals and hospital beds is the state of Massachusetts. In 1980, Massachusetts had 110 hospitals; today it has 77, a decline of 30%. **Figure 1** shows the beds in Massachusetts. In 1980, Massachusetts community hospitals had 24,237 beds; by 1999, they had 14,599. According to testimony presented on May 20, 1999 to the Massachusetts state legislature, prepared by Alan Sager and Deborah Socolar of the Boston University School of Public Health, by the year 2005, Massachusetts community hospitals will have only 12,000 beds. If that trend holds true, then in the quarter of a century since 1980, Massachusetts will have lost 50% of its hospital beds. The Sager-Socolar testimony is titled, "Massachusetts Should Identify All the Hospitals Needed to Protect the Health of the People."

Table 2 shows that in 1985, the nation's community hospitals had a ratio of 4.19 beds for every 1,000 Americans; in 1996, this ratio was 3.25 beds for every 1,000 Americans. This decline by 22.4% between 1985 and 1996 is very steep. To get an idea of the risk this exposes the nation's population to, we can compare today's ratio of beds per 1,000 persons to the objective standard set by the Hill-Burton Act of 1946.

Hill-Burton—named after its sponsors, Sen. Lister Hill (D-Ala.) and Rep. Harold Burton (R-Ohio)—specified a survey of the nation's hospitals and a state-by-state census of hospitals and beds, on both a rural and urban basis, and it set

TABLE 1

Community hospitals closed and beds eliminated, 1985-96

	1985		1996		Change 1985-96			
	Hospitals	Beds	Hospitals	Beds	Number Shut Down		Percent Shut Down	
					Hospitals	Beds	Hospitals	Beds
Massachusetts	112	25,892	88	18,000	24	7,892	21.4%	30.5%
Texas	480	66,061	408	56,300	72	9,761	15.0%	14.8%
Michigan	193	37,546	164	28,800	29	8,746	15.0%	23.3%
Tennessee	145	25,230	124	20,600	21	4,630	14.5%	18.4%
Illinois	238	54,925	205	40,700	33	14,225	13.9%	25.9%
Minnesota	165	21,933	142	17,600	23	4,333	13.9%	19.8%
Washington	103	13,173	90	11,100	13	2,073	12.6%	15.7%
Alabama	129	19,703	113	18,700	16	1,003	12.4%	5.1%
New York	259	78,986	227	72,100	32	6,886	12.4%	8.7%
California	479	83,232	420	75,700	59	7,532	12.3%	9.0%
Missouri	141	25,734	125	21,500	16	4,234	11.3%	16.5%
Louisiana	145	20,190	129	19,300	16	890	11.0%	4.4%
Ohio	197	47,500	178	36,900	19	10,600	9.6%	22.3%
Oklahoma	118	13,692	108	10,800	10	2,892	8.5%	21.1%
Pennsylvania	241	56,221	223	47,000	18	9,221	7.5%	16.4%
U.S. total	5732	1,000,688	5134	862,400	598	138,288	10.4%	13.8%

Sources: American Hospital Association; *U.S. Statistical Abstract*, various years; *EIR*.

an objective standard of between 4.5 and 5.5 of general-use hospital beds per 1,000 Americans. The act also set standards for the needed number of long-term care and psychiatric hospital beds. Because the Federal government authorized money for hospital construction, most communities brought their beds per 1,000 population ratio up to the Hill-Burton objective standards during the 1970s. But today, not one of the 15 states listed in Table 2 reaches the Hill-Burton level. Today, the national average of 3.25 hospital beds per 1,000 Americans is 28% below the lower range, and 41% below the upper range, of the Hill-Burton standard of 4.5 to 5.5 hospital beds for every 1,000 Americans.

The insurance company-Conservative Revolution-HMO crowd continues to argue that the Hill-Burton standard no longer applies, and that the United States needs fewer hospital beds. That argument will be answered below. But, even if a slight reduction in hospital beds were possible, the steep drop in the number of beds bears no relation to the real needs, and represents a major threat to the nation's health. Many communities have been denuded of hospitals and hospital beds: The hospitals are either standing empty, or have been ripped down, in some cases replaced by shopping malls. In an emergency, this can mean the difference between a sick or injured person surviving or dying.

An extreme example of this is the Borough of Manhattan in New York City. In 1960, New York City had 154 functioning hospitals; today, that number is approximately 77. **Figure 2** shows the Borough of Manhattan, which has a population

TABLE 2

Beds decline per thousand population

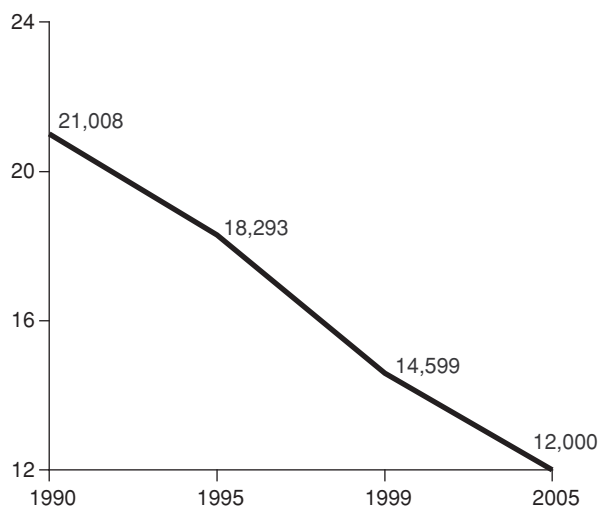
	1985	1996
Massachusetts	4.45	2.96
Texas	4.03	2.95
Michigan	4.13	2.96
Tennessee	5.29	3.88
Illinois	4.76	3.44
Minnesota	5.23	3.79
Washington	2.99	2.01
Alabama	4.90	4.36
New York	4.45	3.98
California	3.16	2.38
Missouri	5.11	4.01
Louisiana	4.50	4.45
Ohio	4.41	3.31
Oklahoma	4.13	3.28
Pennsylvania	4.74	3.90
U.S. total	4.19	3.25

Sources: American Hospital Association; *U.S. Statistical Abstract*, various years; *EIR*.

of 1.7 million, more than most cities in America. The map shows that in 1960, Manhattan had 78 operational hospitals. By 1995, this had dropped to only 33 hospitals (**Figure 3**). The significance of this can be seen by looking at the "goose

FIGURE 1
Number of hospital beds declines in Massachusetts

(in thousands)



Source: Dr. Alan Sanger and Deborah Socolar of the Boston University School of Public Health.

neck” of Manhattan, which is the area north of 110th Street: In 1960, it had seven hospitals; today, it has only three significant hospitals. The area contains more than 450,000 people and many poor districts, such as Harlem, and some parts of Washington Heights. *More than one-half of the poor do not have a primary care doctor; the only doctor they see is when they have to go to the hospital*—yet, only three hospitals exist.

The same is true of many rural areas across the country, which have lost their only hospital.

The march of the HMOs

A health maintenance organization is a health care group plan. It is contracted for by a business that wants the HMO to cover its employees. In turn, the HMO pays a doctor a lump sum (called a capitation fee) to provide medical coverage for a patient for a year. If the doctor can keep the cost of covering the patient below the lump sum that the HMO pays him for treating the patient, the doctor can keep the difference. If the cost of treating the patient is greater than the lump sum that the HMO pays him, then the doctor himself must absorb the loss.

This method builds in a bias from the start: There is an incentive to keep the costs of treating the patient below the lump sum the HMO pays for covering that person. This principle of cost-cutting extends throughout the gamut of the HMO’s activities: If it costs too much to send a patient to an expensive specialist—even though that is what is needed—discourage, or, in some cases, forbid, sending the patient to

FIGURE 2
Hospitals in Manhattan, 1960

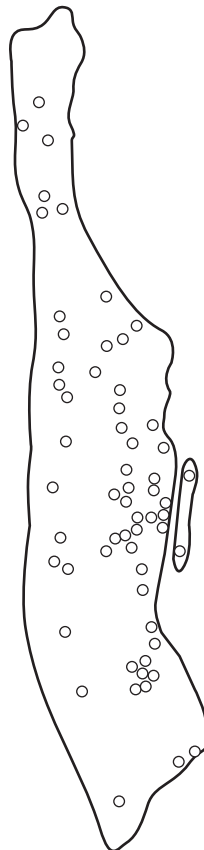
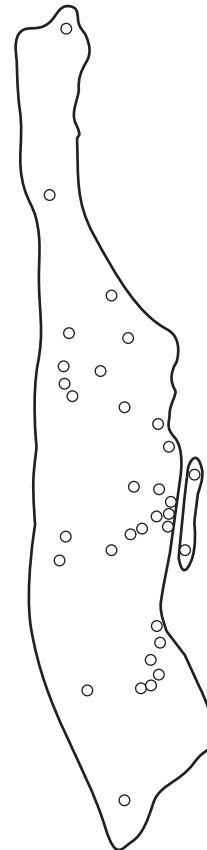


FIGURE 3
Hospitals in Manhattan today



the specialist. If the patient can be moved, or forced out of the hospital earlier, by covering only part of the usual days required for a particular hospital stay, then do that.

This is the principle that some of the giant HMOs, such as Kaiser-Permanent and Aetna US Healthcare, have implemented (Aetna is one of America’s biggest insurance companies). The concept of medicine has been turned upside-down. Instead of the goal being the well-being and survival of the patient, the goal is now the ability to build profits, by squeezing the profits out of the cash stream of the health industry. HMOs, with their cost-accounting practices, could offer lower costs for covering employees than the traditional health plans. For that reason, increasingly, employers began contracting with HMOs to cover their employees.

Table 3 shows that in 1980, only 9 million Americans were enrolled in HMO plans. Many of these HMOs were the old-fashioned type, which actually tried to provide reasonable health care. By 1985, there were 21 million Americans enrolled in HMOs, and by 1990, this figure rose to 33 million. By then, the leading HMOs were of the newer breed, which

TABLE 3

Enrollment in health maintenance organizations

(millions of Americans enrolled)

1980	9.1
1985	21.0
1990	33.0
1995	46.2
1997	66.8

Sources: *InterStudy Competitive Edge*, published by InterStudy, Minneapolis, Minnesota; *Statistical Abstract of the United States*, 1998.

expanded at a rapid rate by simply under-cutting the cost of all other health plans. In 1997, the number of Americans enrolled in HMOs jumped to 68 million, double its 1990 level.

The HMO expansion of the past 15 years has set the geometry for the health industry: all health plans, regardless of whether they are HMOs, must buckle under to the strict cost-accounting method, which callously reduces medical coverage. Those parts of the health industry that have resisted this current have usually failed and gone out of business.

During the 1990s, the HMOs have “cherry-picked” the best business, and, through their methods, profits could be enlarged by cutting down services, closing departments, and firing nurses. But, predictably, with each successive year, such cuts have become harder, and the “easy” profits have become harder to come by. According to a survey by Weiss Ratings, Inc., which evaluates HMOs and financial institutions, in 1997, there were 57% of all HMOs in financial difficulty. While some HMOs may be overstating their difficulties, the problem is that if some HMOs were to fail, millions of Americans would be left without health coverage.

Reinforcing the HMOs’ cost cutting has been the growth of the large for-profit hospital chains, such as the notorious Tennessee-based Columbia/HCA, which have become bloated by slashing costs through layoffs and so on. Columbia/HCA has two bankers on its board: T. Michael Long, a partner of Brown Brothers Harriman & Co. investment bank; and Carl Reichardt, retired chairman of Wells Fargo bank. It also recently added to the board J. Michael Cook, former chairman and CEO of the Deloitte & Touche accounting firm. Columbia/HCA owns and operates 300 hospitals and health care facilities, with 60,000 beds, most of them in the United States.

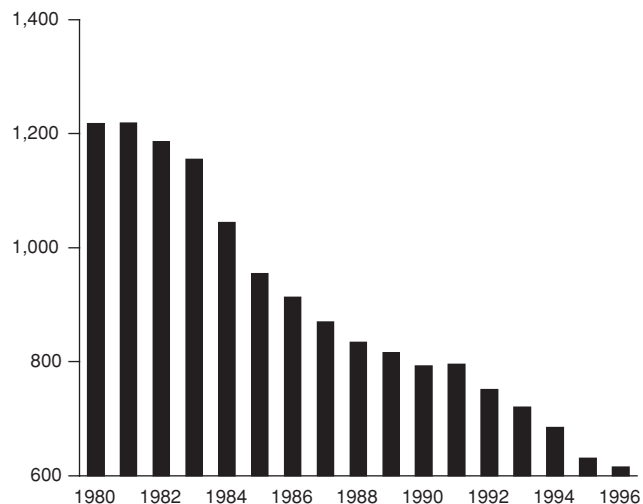
Reduction of patient days

A critical outcome of the Auschwitz-style accounting practices of the HMOs, and the insurance and financial industries which control them, has been the reduction of the number of days that patients are allowed to stay in hospitals. HMOs

FIGURE 4

Days of hospital care decline

(Care days per 1,000 persons)



Sources: U.S. National Center for Health Statistics; *Statistical Abstract of the United States*, various years.

set limits on how many days of stay in a hospital they will pay for: Every day over that limit, must be paid for by the patient, or, in the case of the poor, by the hospital. It required the threat of national legislation to make HMOs allow mothers, after childbirth, to stay two days in the hospital, instead of the *one day* that the HMOs were insisting on. The HMOs have a list of the number of hospital days allowed per illness, and often doctors must spend precious time arguing with the HMO to get additional—and necessary—days of stay for patients. For example, one HMO recommendation is that someone who gets a leg amputated below the knee leave the hospital in 2.5 days. HMOs and the insurance industry are also putting blocks on allowing patients to be admitted as inpatients.

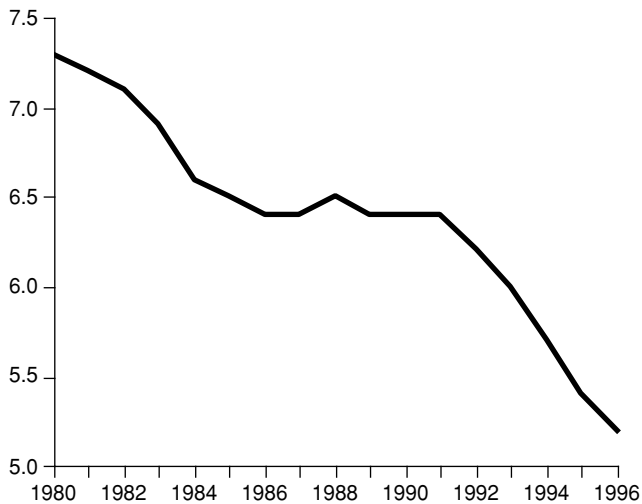
This picture is presented in **Figure 4**, which shows the number of inpatient care-days per 1,000 of Americans—in other words, the average number of days citizens are in hospitals receiving inpatient treatment. In 1980, there were 1,217 inpatient care-days per 1,000 people; in 1996, this had plummeted to 604 inpatient care-days per 1,000 people. In other words, *patients are permitted only half the amount of time today in hospitals as they were in 1980*. The HMOs and insurance companies save a bundle on this.

Figure 5 shows the average length of inpatient stay, in days: a decline from 7.3 days in 1980, to 5.2 days in 1996. Thus, if one is fortunate enough to make it into a hospital as an inpatient, one is moved out more quickly, often with life-threatening haste.

FIGURE 5

Average length of hospital stay is cut

(days)



Sources: U.S. National Center for Health Statistics; *Statistical Abstract of the United States*, various years.

The HMO-Conservative Revolution attempts to defend this policy by asserting that the occupancy rates of hospitals were down, and that this meant that fewer hospitals were needed. They argue that the improvements in medicine have outmoded the Hill-Burton standards and that, therefore, such standards should no longer be adhered to.

There have, of course, been improvements in medicine and medical technology. Several medical procedures, which previously required invasive surgery, can now be carried out with non-invasive or less invasive procedures. This includes, for example, several types of operations for appendectomies and hernia, which no longer require deep incision operations, but can be performed on an outpatient basis. The patient can be discharged on the same day, and does not require a stay in the hospital. But in other cases, medical advances have *increased* the need for hospital stay. For example, today, hip replacements are easier to perform, and more people have them, whereas 30 years ago they were relatively rare. This has increased the need for hospital and long-term care stay for hip-replacement patients.

Improved medicine provides only part of the answer to why, since 1980, the number of care-days that patients have been permitted in hospitals has been slashed in half. If an HMO or insurance company will only give limited hospital coverage, then sure enough, the time a person spends in the hospital will fall, and this pushes down the occupancy rate. That is, if the coverage for hospital stays is reduced—or if

patients are refused hospital admission—then the hospital occupancy rate will be lowered. Indeed, the occupancy rate is often a direct consequence of HMO cost-cutting policy. Yet, the same HMO will complain that there are too many beds.

The HMOs' track record makes clear, on a deeper level, what is really happening.

In their haste to push patients out the door, HMOs and insurance companies are responsible for deaths. In Loudoun County, Virginia, four years ago, an elderly woman was forced out of the hospital by her health insurance plan, after being allowed to stay only the stipulated few days for treatment of pneumonia. A few days after being discharged, she died—a death that would not have occurred had she remained in the hospital.

Furthermore, HMO cost-accounting practices, by cutting payment allowances to hospitals, increase the pressure on hospitals to cut costs, and, for example, to fire competent RNs, replacing them with unlicensed technicians and aides who have very little training. In a case that made national headlines, in November 1996, Christ Hospital in Cincinnati, Ohio settled a suit for \$3 million, in which an unlicensed technician missed all of the warning signs of a post-operative infection in a hysterectomy patient, Rebecca Strunk. As a result, Mrs. Strunk died.

HMOs are focussed on what each doctor can bring in as profit, to the point of discouraging the treatment of the poor. In the March 24/31, 1999 issue of the *Journal of the American Medical Association*, Peter Cunningham et al. issued the findings of a study titled “Managed Care and Physicians Provision of Charity Care.” The report found that doctors whose incomes depend most heavily on managed care plans, such as HMOs, or who work in areas with a high level of HMO penetration, provide either none or only half the hours of uncompensated charity care for the nation's indigent, compared to physicians with no involvement with managed care. HMOs in some cases, actively discouraged doctors from treating the indigent.

According to a class-action suit brought by the Foundation for Taxpayer and Consumer Rights, which represents thousands of present and former members of the Kaiser-Permanente, the HMO violated California's laws regarding patient care. Kaiser-Permanente is a giant HMO, with more than 9.1 million members in the United States, of whom 5.6 million are in California. The suit reported what Dr. John Vogt, Kaiser's Texas regional resources management director, instructed Kaiser managers in a 1995 seminar. Vogt said, “We need to get from 300 [hospital days per 1,000 patients] to 180 days, and do it in less than two years. . . . We're basically on-line to getting [to] 180 days by 1996.”

And how do you cut the number of patient days in half that quickly? Vogt proposed that Kaiser dump its chest-pain protocol (which saves lives by early identification of heart attacks), because the protocol “trip[le]d our hospital days.”

As these few examples demonstrate, once one sees the HMO and insurance company practices of reducing patient-days in the hospital up close, it confirms that the reduction of patient-days in hospitals is mostly explained by the implementation of the financiers' strategy to skim profits at the expense of lives of citizens.

Other infrastructure: emergency rooms and nurses

Other remaining vital infrastructure of the health and hospital system is being scuttled. For many poor and lower-income individuals, the point that they first meet a doctor is usually in the emergency room of a hospital. But now, the emergency rooms are being closed. This has started in pockets across the country, but especially in California, the state where the HMO industry has one of the highest rates of penetration. A significant reason for the closings is the growing trend, especially in parts of California, for the HMOs to either delay or not reimburse the hospitals for the costs of emergency room treatment of patients (see article, p. 38).

Nurses are under the knife. Under the financier/HMO-generated atmosphere of cost-cutting, many hospitals have cut back on the number of nurses, substituting for them nurses aides or untrained "technicians." Then, to cover for the nursing shortage, nurses are made to work mandatory overtime of up to 70 hours per week. A measure of this trend is the reduction of the number of registered nurses working at community hospitals, per 1,000 of the U.S. population. In 1993, there were 2.74 hospital-based registered nurses per 1,000 population; in 1997, there were 2.65. That is a decline of 3.3% in five years, which can already make a difference in the life or death of some patients. Were this ruinous trend to continue at the present rate, there would be a 10% to 15% reduction in hospital-based registered nurses per 1,000 of the population by the year 2005.

As dangerous as any one of these policies can be, it is their simultaneous occurrence—shutdown of hospitals and hospital beds, tossing of patients out of the hospital or denying them admission, reduction of hospital-based registered nurses, and so on—which is disassembling the integrated physical infrastructure of the U.S. hospital system and its attendant staff of doctors and nurses.

Balanced Budget Act

Into this downward-cascading process of the U.S. health and hospital system, Congressional Conservative Revolutionaries Trent Lott and Newt Gingrich, backed by Vice President Al Gore, dropped the Balanced Budget Act, which was signed into law in August 1997. The BBA was touted as "a solution to the funding crisis of Medicare." Its solution: Cut Medicare and Medicaid with a vengeance. Furthermore, while exacting this austerity, it instituted capital gains tax and estate tax cuts of several tens of billions of dollars for the

benefit of the wealthy.

Because Medicare makes significant payments to hospitals, this is a direct assault on the hospital system.

Medicare is the Federally funded program that provides medical assistance to 38.3 million persons who are 65 years or older, or disabled; 90% of Medicare enrollees are elderly. Medicaid is a joint Federal-state program that provides medical assistance to 36.1 million poor and low-income persons. Eliminating double-counting, combined, these programs provide service to more than 70 million people.

The main effects of the BBA meat-axe, as noted above, are that for the ten fiscal years from 1998 through 2007, the total cumulative cuts are for Medicare, \$385.5 billion, and for Medicaid, \$47.8 billion, or combined, \$433.3 billion.

To comprehend how these cuts will affect the U.S. hospital system, focus on the \$115.1 billion mandated cuts to Medicare for the period from fiscal years 1998 through 2002. More than three-fifths of that \$115.1 billion in cuts, or \$71.2 billion, was previously earmarked as Medicare payments to hospitals. The \$71.2 billion represents a 10.5% cut in the funding level that Medicare would pay to hospitals during this period. According to a study commissioned by the American Hospital Association (AHA), "The Balanced Budget Act and Hospitals: The Dollars and Cents of Medicare Cuts," the cut in Medicare payments will force profit-loss margins for the Medicare portion of operations at the nation's hospitals from negative 4.4% now to negative 7.8% in 2002, and possibly even lower. These are substantial loss rates.

These cuts will affect not just the Medicare portion of hospital operations, but the entire financial health of the hospital, extending harm beyond Medicare patients. A spokesman for the American Hospital Association reported that 33% of all payments to hospitals come from Medicare. Further, Medicaid constitutes another 11% of all hospital revenues. Together, Medicare and Medicaid constitute 44% of all hospital revenues, and both are being cut. For hundreds of hospitals, Medicare and Medicaid payments constitute 50 to 80% of revenues. Thus the Medicare and Medicaid income stream folds into the hospital's total pool of funds, from which they draw on in order to exist.

The BBA cuts are razing a hospital system that has already been withered by the HMO-insurance company policies, and, on top of that, by 30 years of post-industrial society policy in America. Here is a look at some of the casualties:

- *More hospital closing and cutbacks.* The South Shore Hospital in South Weymouth, Massachusetts has a Visiting Nurse Association, which serves 5,000 patients, many of whom are frail, elderly, and chronically ill. Medicare payments make up a large portion of VNA's revenues. The BBA cuts, already in effect for 18 months, had forced the South Shore Hospital Visiting Nurse Association to triage service: It has closed two satellite offices, laid off 50 employees, and reduced patient visits by 30%

- *The grinding up of the country's teaching hospitals.* The Association of American Medical Colleges estimates that between fiscal years 1998 and 2002, the losses for the nation's teaching hospitals could reach \$14.7 billion. Teaching hospitals teach the next generation of doctors, conduct research, and also provide medical service to a large number of the poor.

Boston has some of the country's finest teaching hospitals; five out of the top eight private employers in Boston are teaching hospitals. Under the BBA, for the period from fiscal year 1998 through fiscal year 2002, Medicare payments to Massachusetts are scheduled to be cut by \$1.7 billion, most of which would be payments to hospitals, and a good amount of which would be payment to Boston teaching hospitals.

Dr. Michael Collins, president and chief executive of Caritas Christi Health Care System, a seven-hospital group affiliated with Tufts University in Boston, told the May 6 *New York Times*, that the effects can be seen in research. In 1988, Dr. Collins said, it was still experimental for doctors to open blocked arteries by passing tiny balloons through them; now, they have a number of expensive new options (which options can become less expensive once they are developed further). These include spring-like devices called stents that cost \$900 to \$1,850 each; tiny rotorbladers that can cost up to \$1,500; and costly drugs to supplement the treatment, which can cost nearly \$1,400 per patient. "A lot of scientists are doing research on which are the best catheters and which are the best stents," Dr. Collins said. That research is now costing the Caritas Christi Health Care System \$50,000 per month, and it is not getting back a nickel. Medicare funds, in part, have made that research possible. The cuts in Medicare funding, he said, will seriously harm research.

New York City is another center of teaching hospitals. New York Presbyterian Hospital, a leading teaching hospital, is expected to lose \$320 million under BBA-stipulated cuts—more than any other hospital in America. Dr. David Skinner, chief executive officer of the hospital, reported that he has asked every department of the hospital to cut spending by 5%. "The so-called low-hanging fruit has all been picked," he said. "Something's got to give here. You look at where can you downsize departments that are losing money. . . . I don't want to say which ones because I don't want to unnecessarily panic the troops." The "money-losing departments" that are frequently cut are emergency rooms, outpatient clinics, psychiatric and rehabilitation departments, and maternity wards.

- *Devastating the nation's skilled-nursing homes.* As a result of the BBA cuts, a growing number of skilled-nursing facilities are denying admission to high-cost, high-maintenance patients, especially those who depend on ventilators or kidney dialysis. The May 26 *Wall Street Journal* reported that the Seattle-based Sisters of Providence Health System recently bought a prosthetic device for \$3,750 for a patient transferred to the facility, who had a leg amputated below

the knee. The patient stayed at the facility for six days. But Medicare would only pay \$1,830 for both the stay and the prosthetic device.

The *Journal* also reported, "In another case, in New Jersey, an elderly woman taking expensive drugs for respiratory therapy, renal failure, and bed sores was ready for discharge from a hospital, but was denied admission by two nursing facilities on the same day. The hang-up was that her drug costs alone exceeded the Medicare reimbursement for her care."

In LaCrosse, Wisconsin, Tom Rand, administrator of the Bethany St. Joseph Care Center, a nonprofit nursing home, said he reluctantly decided late last year to close his ventilator-care unit to new patients. The reason: His new Medicare payment rate for ventilator-dependent patients was \$170 a day, despite the fact that his costs typically ran two to three times that amount. "At that rate," Rand said, "it doesn't take very long to go bankrupt."

- *Repeal of the "Boren amendment."* The BBA also repealed the "Boren amendment," which required that states pay for nursing facility services under Medicaid using rates that are "reasonable and adequate." With the repeal, states were able to pay at a rate that is below that of reasonable and adequate. In turn, nursing homes might refuse, or make it difficult, to admit Medicaid recipients.

The coming devolution

Concomitant with the cuts in services, America, especially in urban areas, has experienced a recrudescence of disease. In Harlem, New York, the tuberculosis incidence rate had fallen to 80 per 100,000 in the 1980s; it is now back up to 182 per 100,000, which is half of what it was in the 1950s, when TB was considered rampant. The rise of diseases has pushed the U.S. health system to below its break-even point. The poor, the elderly, and the very sick are experiencing this first.

So far, as the oligarchy and its followers in the HMO industry and the Conservative Revolution faction—including balanced budget supporter Al Gore—have contended, the death rate in America has not zoomed up as a result of the BBA cuts or the shutdown of hospitals, beds, and nurses during the past 15 years. But there is a lawful limit to the breakdown process.

The lunatic policies of Federal Reserve Board chairman Alan Greenspan have put the world on the path for a 1921-23 Weimar Germany-style hyperinflationary blow-out. When that hits, it will intersect the destruction of America's health system, its falling living standards, increased disease vectors, and the collapsed physical state of the economy. The death rate will not rise incrementally, but rather will explode, in full realization of the Auschwitz policies that have been established.

Having lost its health system, America will pay the consequences.

'Managed care' and nursing: Back to the 19th century

by Linda Everett

Registered nurses, the backbone of the nation's health care system, are the nation's largest health care profession, with more than 1.9 million jobs (1998-99). Yet, so-called "managed" health care and "market-driven reforms" have so deeply cut into the health care delivery infrastructure and staff numbers, that there is now a growing and alarming shortage of registered hospital nurses, the immediate result of which is increased rates of patient morbidity and mortality.

This suffering is *preventable*, and allowing it to continue amounts to rolling back gains in hospital care to the point of 19th-century standards.

Shortages are growing

The trends in shortages of nurses are shown even by the crudest estimates of the U.S. Bureau of Labor Statistics (BLS). Using very rough calculations — which do not address meeting the full medical needs of the country, or the increasing needs of its aging population — the BLS projects that the nation will need more than 2.6 million working registered nurses by the year 2005 — an increase of some 700,000 RNs. By 2010, other Federal projections indicate that the demand for registered nurses will grow twice as fast the expected increase in the RN workforce. By 2015, the Federal Division of Nursing expects that 114,000 jobs for full-time equivalent RNs *will go unfilled* nationwide.

The rising complexity of acute care is only one reason why the projected 36% increase in demand for hospital RNs, will outstrip supply by the year 2020. The principal reason for the nursing shortages is the genocidal looting by the managed care system of the U.S. health care delivery system. Under "market-driven" concerns, a hospital's survival depends upon its willingness to cut its own costs by increasingly cutting its capacity to provide for the community's needed services. In *Special Reports* in 1995, *EIR* warned that under such "reforms," 70% of U.S. hospitals were undergoing massive restructuring, to eliminate "excess" hospital beds and to cut 40% to 50% of RN staff through "downsizing" or "rightsizing" or other schemes that resulted in an increase in patient morbidity and mortality levels.

David Schildmeier of the Massachusetts Nursing Associ-

ation described to *EIR* at that time, how "wave after wave" of cuts had decimated the ranks of hospital RNs for more than a decade. During the early 1980s, hospitals invested heavily in nurse educators, who trained new registered nurse graduates for specialized areas, creating highly skilled staffs within hospitals. Then, Schildmeier reported, these staff-development nurses were "dramatically curtailed" in the first round of cuts by hospitals, when the brutal impact of managed care/health maintenance organization (HMO) policies was first being felt.

Among the first cadre to be eliminated were clinical specialists, who are masters-degree nurse experts in specific fields, such as cardiology, oncology, or pediatrics, who act as consultants in hospitals to the nursing staff, "to train them, to bring them along" in these specialized fields. The rationalizations given by hospitals complying with managed-care pressures, was that their facility had to "remain competitive" for managed care/HMO contracts.

The remaining core RN staff came under attack during another wave of cuts in the mid-1990s, when hospitals paid hundreds of millions of dollars to notorious management consultants, like Milliman and Robertson, or American Practice Management, that demanded that hospitals undertake straight "slash and burn" policies to redesign hospital delivery system to "cut costs." Their first target was to cut labor costs by laying off RNs who, in some cases, were told to reapply for their same job at lower pay.

Primarily, the overall national pattern was to replace experienced RNs (who usually have a four-year degree in bachelor of science in nursing, have passed a state licensing exam, and often have further training in specialty areas, such as geriatrics, pediatrics, or cardiology), with cheaply paid, unlicensed aides, who would then provide direct patient-care procedures, such as inserting urinary catheters and starting intravenous tubes. Aides were even assigned to perform some complex, high-risk procedures such as changing sterile dressings and stapling head wounds.

In one mid-1990s survey, 41% of hospitals reported that their unlicensed aides had less than 40 hours of training; 58% said their aides had between 41 and 120 hours of training.



Thousands of nurses protesting congressional cuts in hospital bedside care in March 1995.

(Reported in *Nursing Economics*, March-April 1994, Vol. 12, No. 2.)

In California, the most managed-care-saturated state in the country, all 24 hospital regions were below the already inadequate national average of 3.4 registered nurses per 1,000 residents; 23 of the 24 regions fell below the national average of 13.7 total hospital employees per 1,000 residents, according to reports from the California Nurses Association.

Harm to the patients

Wall Street's prescriptions for a "booming" health care industry, are disastrous for patients. As of the early 1990s, researchers were reporting the existence of an "unambiguous inverse relationship" between nurse staffing and death rate. In other words, the fewer the RNs, the higher patient mortality.

A cut of just 7.75% of a hospital's registered nursing staff has been shown to increase morbidity rates by up to 400%, according to a report in *Modern Healthcare* (November 1993).

The U.S. Agency for Health Care Policy and Research (AHCPR) has found that patients undergoing surgery at hospitals that have fewer RNs per patient than other hospitals, run a higher risk after surgery of developing avoidable complications, such as nosocomial (hospital-acquired) infections, thrombosis (blood clots), and pulmonary congestion and other lung-related problems. The study also found that hospitals that provided one hour or more of nursing care per patient day—that's about a 17% increase in nurse staffing levels—

had 10% fewer patients with urinary tract infections and 8% fewer patients with pneumonia. The study found a "strong inverse relationship between registered nurse staffing and adverse patients events." (Reported in *Image: Journal Nursing Science*, Vol. 30, No. 4, 1998.)

Data collected from state agencies in 1992 and 1994, from 502 hospitals in California, Massachusetts, and New York, showed that patient morbidity indicators for preventable conditions—such as pressure ulcers, pneumonia, post-operative infections, and urinary infections—were inversely related to RN skill mix. In other words, the more RNs taking care of patients, the fewer preventable conditions those patients experience. This was reported in a 1997 American Nursing Association study.

The list of studies with similar results goes on and on. In general, as reported in the article "Nurse Staffing and Patient Outcomes," by M. Blegen in *Nursing Research* (January/February 1998), a higher proportion of RNs to patients is directly related to lower incidences of negative patient outcomes, such as medication errors, bed-sores, and so on.

Harm to nurses

Along with increasing shortages of nurses, the average age of nurses in the United States has now risen to 44 years old, which means that fewer are entering nursing, and more are leaving the profession. The nation has faced nursing shortages before, but never those associated with the "aging" of the workforce. RNs are retiring, being laid-off, or otherwise

Specific cases of illness and death

Massachusetts: A family filed a lawsuit in January 1999 against a Beverly Health and Rehabilitation Services, Inc.-owned Hermitage Health and Rehabilitation Center in Worcester, for causing the death of their father by intentionally engaging in a practice nationwide, of understaffing their facilities. The suit specifically alleges that the licensed practical nurse (LPN) in charge of the patient's care had only two-and-a-half weeks experience as an LPN when she was placed in charge of 62 patients in two of Hermitage's three units. (An LPN's training usually consists of a 12- to 18-month post-high school course that focusses on basic nursing care.)

The facility ignored her concerns that she was incapable of supervising two units, when the patient—who was suffering from respiratory depression, pneumonia, seizure disorder, dementia, and pernicious anemia—died (*Worcester Telegram and Gazette*, Jan. 30, 1999).

Massachusetts: In 1997, at one major Boston teaching hospital where nurses had gone through two years of staff “downsizing,” use of unlicensed personnel, increase of patient assignments to unsafe ratios, and a dramatic rise in mandatory overtime to cover for a lack of registered nurses (RNs), a concerned hospital manager provided the nurses with a confidential report from the hospital's quality assur-

ance department.

As described by a representative of the Massachusetts Nurses Association to *EIR*, the report “contained the hospital's own data on patient outcomes related to nursing issues. What the report showed was that patient falls had increased, medication errors (and nosocomial infections) had been increasing, patient satisfaction had been declining, and sponge counts in the operating room were routinely incorrect,” that is, surgical sponges were left inside of patients after surgery. The manager saw a direct and unmistakable connection between poor RN staffing and poor patient care in the hospital's own data.

Ohio: In 1994, Christ Hospital of Cincinnati was one of the first and most aggressive hospitals to use unlicensed technicians as nurse aides. In August 1994, their patient, Rebecca Strunk, died after untrained aides missed all the tell-tale warning signs (falling blood pressure, pain) of a massive infection after Strunk's surgical hysterectomy. Aides had never reported her condition, nor the family's complaints made to the overworked nursing staff. There was a failure to order blood cultures. The infection was finally so widespread, that nothing could be done. After a \$3 million settlement against the hospital in 1996, Strunk family attorney Richard Lawrence said that what killed Mrs. Strunk was the hospital's policy of “replacing educated minds with uneducated ones that can't appreciate subtle signs and symptoms before they become deadly.” (This case was reported in *The American Journal of Nursing*, November 1996.)

being driven out of hospitals because of impossible working conditions—“speed-up” (routinely having to do the work of several workers), unsafe circumstances, such as caring for far too many acutely ill patients without an adequately trained staff, and so on.

In nine Minneapolis/St. Paul hospitals, where RN positions were reduced by 9.2%, one study found a 65.2% increase in injuries to RNs, who were forced to move patients and heavy medical equipment without help. In contrast, nurses have worked—unharmful—for 20 years, using the “buddy-system” to move patients. Now, staff cuts “are crippling a whole generation” of nurses, according to researcher Elizabeth Shogren. At hospitals that refuse to replace RNs lost through attrition, nurses are ordered to work double shifts several times a week and work 55 to 60 hours a week, for weeks or more, or face disciplinary action for “abandoning their patients,” a charge for which they can lose their nursing license, or lose their job.

Typically, hospital RNs work round the clock in cases of major accidents or natural disasters, and they regularly

provide overtime on a voluntarily basis. But hospitals now utilize mandatory overtime to meet *regular* staffing needs. In many Massachusetts hospitals, for instance, when the four-week nursing schedules are posted, there are as many as 40 to 60 unfilled shifts, or holes in the schedule; the hospital does not have enough nurses to staff the facility. Nurses ordered to work double shifts end up working 16 to 24 hours a day in some cases, and then put in another 12 hours caring for their own children.

The practice of mandatory overtime is a dangerous trend, in which overtired nurses might not be alert enough to catch subtle changes in a patient's condition. The problem is especially serious in an intensive care unit, where nurses give a lot of vasoactive drugs intravenously. A drug miscalculation can kill a patient.

An account of the problem in *The American Nurse*, in an article titled “Fighting the Clock” (May-June 1998), cited many other instances:

- One nurse at Ohio State University Medical Center was ordered, under threat of disciplinary action, to report to work

immediately, and bring along her 7-year-old son, because she could not get a babysitter. She was told that her son could be accommodated by keeping him outside the hospital's 56-bed cardiac unit where she worked. But, she was expected to care for several critically ill cardiac patients while also supervising her son.

- A nurse in Massachusetts, after completing his 12-hour shift on the surgical intensive care unit of Boston University Center, was ordered to work the next 12-hours with an open-heart surgical patient in crisis, because the hospital had not scheduled adequate staff to cover the higher number of more-acute patients. The patient pulled through, but the nurse nearly crashed his own car when he fell asleep at the wheel on the way home.

Nurses unions are pursuing "protection," in the event that mandatory overtime may lead to patient injury or death under a nurse's care. Unions want hospital management to sign a statement that they are forcing the nurse to work overtime "under duress," against his or her will. One Massachusetts hospital had 280 instances of forced mandatory overtime in three months. Yet, no state or regulatory agency stopped the dangerous practice—which no other industry would tolerate—and which nurses now call the "biggest safety issue in the world."

No typical shortage cycle

Overall, hospitals nationally have slashed RNs and "de-skilled" nursing staff to the point that it is no longer possible to appropriately treat the growing number of elderly and acutely ill patients. (See, for example, "Trouble in the Nurse Labor market?" by P. Buerhaus et al., *Health Affairs*, January/February 1999.) Clearly, this crisis will escalate along with demographic changes in the population: Hospital use by Americans aged 45 to 64 is nearly double that of people aged 15 to 44. Further, hospital usage rates are an additional 2.5 times higher among people aged 65 to 74.

Consider also, that since 1996, there has been a concerted effort to close Veterans Administration hospitals and medical centers, contracting with area hospitals to provide hospital services to veterans. Many of these veterans, especially those older patients with injuries sustained from Korea or World War II, have significant and complicated medical conditions, with acuity levels that demand much more specialized nursing attention.

A survey of hospitals by the Hays Group found that 81% of patient care managers have a major shortage of registered nurses. (Reported in "Where Have All the RNs Gone?" *Hospital and Health Networks*, August 1998.) Hospitals nationally also report shortages in critical and acute care

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EIR's Jeffrey Steinberg (left) and Gail Billington interview Cambodian Ambassador Var Houth.

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nurse specialists.

All this adds up to a crisis. The American Association of Colleges of Nursing warns that the lack of nurses is no typical “shortage cycle,” like the pervasive shortfall of nurses in the mid-1980s. Undergraduate enrollment in nursing schools dropped by 6.6% in 1997, and 5.5% in 1998, continuing a four-year downward trend. This trend was caused, in part, by the publicized lie that there was an “oversupply” of nurses—along with hospital beds, and that U.S. medical care had to be retooled for a post-industrial style of managed care.

In particular, this lie was promoted by the Pew Health Professions Commission, which in 1995 called for closing 20% of the nation’s nursing programs. The commission’s proponents said we needed 500,000 fewer nurses.

Exacerbating the overall shortage of RNs and acute care specialists is the lack of advanced level, Ph.D. nursing faculty at nursing colleges. Sixty-four of 159 nursing school deans associated with the American Association of Colleges of Nursing, reported in April this year, that recruitment difficulties hampered their ability to increase school enrollments: “Lower enrollments equals less revenue equals less faculty,” they said.

The vicious cycle of pressures from ruthless managed-care policies, and Federal budget cuts, is making it impossible for some hospitals to afford continued support of the traditional volunteer hospital “preceptors”—clinical nurse specialists who act as mentors and train third-year nursing students in hospital settings. Because of staff shortages, nurse mentors often must care for 12 to 14 patients, as well as take responsibility for students’ assigned patients, in addition to fulfilling an educational role in giving instruction and supervision.

A 1995 Lewin-VHI study cited the lack of “availability of clinical training sites for appropriate clinical education as one of the *major* problems facing education today for nurse practitioners, clinical nurse specialists, and other nurses with advanced practice skills. The data show that this availability is the single most important factor in determining a school’s ability to expand its advanced practice nurse training capacity.”

In the world of free-market health care, the training of nursing students is seen as cutting into the nurse-mentor’s “productivity.” This view is diametrically opposed to Presidential pre-candidate Lyndon LaRouche’s notion of development of the workforce as a precondition for the production of a nation’s infrastructure—and thus a glaring problem.

“Many agencies feel the need to have every minute of their nurses’ time accounted for in terms of revenue-generating activities,” states Anita Hufft, dean of Indiana University Southeast School of Nursing. So, some hospitals refuse a working partnership with area nursing colleges—thereby undercutting the nation’s ability to prepare for the future, let alone caring for the sick today.

Ecuador banking: IMF demands euthanasia

by Manuel Hidalgo

For the past several months, Ecuador has been faced with a banking crisis linked to major exchange and fiscal problems, collapsing export income, capital flight, and recession, a situation that is fast becoming the norm for all the countries of South America’s Andean region. Ecuador and its banking system are the mirror in which Peru and Colombia, among others, can see their own futures not many weeks and months down the line.

The dramatic paralysis of the country that followed President Jamil Mahuad’s March 11 announcement of a brutal International Monetary Fund (IMF) austerity “packet,” had as its active ingredients the ongoing banking crisis combined with speculative attacks against the Ecuadoran currency, the sucre, which has lost at least 50% of its value since Feb. 12, when the government allowed it to float.

A bank holiday

All of this had been preceded by rumors of a shutdown of one of the country’s leading banks, Banco del Progreso, which in turn forced Mahuad to decree a surprise bank holiday for seven days, and to freeze a large percentage of banking deposits (\$3 billion, according to the political opposition) for a full year, in order to avoid an immediate collapse of the banking system. According to Marino Canessa, director of the Ecuadoran Association of Private Banks, “some \$1 billion has fled, due to the degree of uncertainty in the country in recent months.”

But all these measures are like a painful postponement of the last days of a dying invalid who has been suffering for months: Since last August, 10 of the country’s 39 banks have been targets of formal intervention, have been shut down, or have had their operations temporarily suspended. So far, the rescue has cost the government at least \$1 billion, with Filanbanco receiving the lion’s share.

The response of the International Monetary Fund and the international financial community to this crisis has been to demand that the Ecuadoran government allow the bankruptcy of a series of banks, and to then use \$2 billion of state funds to “recapitalize” those which remain—that is, to clean up the mountain of bad debt afflicting the nation’s banks by absorbing it as government debt, so that the international banks can then move in and buy up those banks at firesale prices, exactly as is occurring in Mexico, Argentina, and elsewhere.

The March attack

Rumors of the insolvency of the Banco del Progreso, and of a probable seizure of deposits, were the context for a speculative attack on the currency on March 3, which led to a banking panic and to the sucre's largest fall in value of the year (26% by the end of the day, after a low of 50% at one point that day). The government responded by declaring a "bank holiday" for March 8-9, which was then extended through March 12, when withdrawals by panicked depositors threatened the entire banking system. Depositors and bankers began to buy dollars at a frantic rate, in anticipation of a still-larger fall in value. When the banks reopened on March 17, following two days of nationwide protests against Mahuad's austerity package which paralyzed the country, deposits remained frozen, confirming the rumors yet again.

On March 22, the Guayaquil-based Banco del Progreso reignited the rumors by announcing that it was closing its doors. Its director, Fernando Aspiazú, accused the Mahuad government of favoring the banks of the capital city of Quito, against those of the coast represented by Guayaquil, and headed up a massive street protest in that city. The March 11 austerity measures had only served to throw gasoline on the fire, increasing nervousness and deepening the recession. The shock treatment paralyzed trade, while the freeze on deposits has, predictably, resulted in the population's refusal to deposit any more money.

The March attack can be traced back to last December, when Ecuadoran authorities created the Deposit Guarantee Agency (AGD) to deal with the avalanche of bank bankruptcies they knew were coming, and to try to prevent the crisis from shutting down the entire banking system. The warning took the form of the bankruptcy of the Banco de Préstamos in August 1998, and the growing problems of Filanbanco, one of the country's leading banks. In fact, the depositors of Filanbanco were the first to line up at the AGD, when the latter was forced to intervene in Filanbanco in December of last year.

Loss of confidence in the banks was spreading, and more bankruptcies and interventions were not long in coming: Tungurahua, Azuay, Finagro, Mutualista Previsión y Seguridad, and Financorp. However, the March 22 closure of Banco del Progreso marked a turning point in the flood of government interventions: The AGD did not take over the bank, as in the previous cases, but gave a deadline to the bank directors to recapitalize, something which was next to impossible. The state had already spent more than \$1 billion on the earlier bank rescues. Since there was no more room in the lifeboat for another passenger, they sacrificed it.

On May 21, the Colombian Banking Superintendent intervened in the Colombian branches of two Ecuadoran banks, Banco Andino and Banco del Pacífico. On May 23, in the midst of widespread rumors of an Ecuadoran intervention into the Banco del Pacífico, Ecuador's central bank injected \$14 million worth of liquid credit into that bank, through one of

the other banks into which it had intervened. According to the news agency DPA, "If Del Pacífico were to fall, three of Ecuador's four top banks would have collapsed in less than six months."

What no one doubts is that the banking crisis is going to sink a number of banks. "The state should come out and say which are the banks that should remain, and thus put an end to all these rumors and the public's insecurity," Banco del Pacífico's Arturo Quiróz said on March 25, just weeks before that bank became the next victim of the rumors.

Banking 'triage'

The IMF has sent a special mission to Ecuador to monitor the banking system and reorganize it as it chooses. The IMF warned the government on the same day that Banco del Progreso closed its doors, that the fund for bank rescues was empty, and threatened to suspend the signing of a new agreement for funds Ecuador needs desperately. "If the bank remains under the direct or indirect control of its owner (or owners), through financial support from the public sector [i.e., the government], a rapid agreement with the Fund . . . should not be expected," the IMF threatened in a letter to the Ecuadoran Finance Minister. "The clients [of Progreso] should be informed that if their deposits are turned into stocks or some kind of capital invested in the bank, their money will be in serious danger," the letter read.

The line expressed in no uncertain terms by the IMF, according to public officials quoted by Reuters news agency, is that "the bank with problems, is the bank that should fold: The International Monetary Fund is pressuring the government to clean up the banks once and for all, and to stop giving them money."

The main action ordered by the International Monetary Fund has been to hire three foreign auditors to carry out a general review of the Ecuadoran banks. "The audit will determine which banks are viable and which are not, and what can be done to help them survive . . . recommending either fusions or that they get out of the market," explained Banking Superintendent Jorge Egas. President Mahuad said on June 1: "The banks that come out of the audit with certificates of good health will be saved." Mahuad had earlier insinuated that some banks would be shut down, to then proceed with the "cleanup" of those which remained.

The investment bank Lehman Brothers put out the following assessment on May 24:

"The cleanup of the Ecuadoran banks will cost \$2 billion, as long as the authorities act now." Such a cleanup would include, according to Lehman Brothers, an exchange of half of the banks' loan portfolios for state bonds, and a total recapitalization of the Ecuadoran banking system. "This cleanup is the most critical factor in the current Ecuadoran economic situation, upon which will depend the success of the government's global plan," Lehman Brothers concluded, with more than a hint of blackmail.

How the British oligarchy controls Brussels EU policy

by William Engdahl

Most of the 360 million people within the 15-member-nation European Union are unaware that the tiny handful of people who ultimately determine policy concerning their economic well-being, do so with no accountability to the citizenry. The recent scandal over allegations of corruption and nepotism within the EU Commission, which forced the resignation of the entire EU Commission of Jacques Santer, has in no way made the EU supranational institutions more democratic. Most important about the Santer “mismanagement” affair, is the light it sheds on who wields real power within Europe.

The new EU Commission president, former Italian Prime Minister Romano Prodi, a graduate of the London School of Economics and a key player in the “Clean Hands” operation which destroyed the traditional Italian political parties, was the personal choice of British Prime Minister Tony Blair. In nominating Prodi, whom Blair calls “Mr. Clean” (in contrast to the “tainted” Santer Commission), the British Prime Minister chooses to overlook strong evidence of Prodi’s misuse of power as head of IRI, Italy’s largest state holding company. Blair also immediately renamed the two British EU Commissioners, Neil Kinnock and Sir Leon Brittan, to Prodi’s Commission, apparently to underscore the British posture of being “above suspicion.”

Indeed, the showdown which forced the resignation of the Santer Commission was orchestrated from behind the scenes by Blair, acting through his close associate, Pauline Green. Green, a U.K. national who heads the largest bloc in the European Parliament, the Socialists, is a close friend of Blair and a member of Blair’s Labour Party. It was Green who initiated the vote of no confidence in December 1998, when few took the allegations seriously. It was Green who, on release of the March 15 report of a committee of independent experts, forced the Commission to resign, by insisting that Santer bore full responsibility for the misdeeds of his fellow commissioners. Notable about the scandal, is that there was nothing in any of the allegations which could not have been made against any EU Commission at any time since 1958. It is in the oligarchic nature of the Commission, removed from direct voter oversight, that such corruption has always existed. The crucial point is: Why did the crisis arise now, and why was a new Commission, one headed by Blair’s hand-picked choice, Romano Prodi, brought in?

The EU Commission

The Brussels EU Commission itself is an example of what the Greeks more than 2,000 years ago termed an oligarchy. In contrast to a democracy, in an oligarchy political rights and power are held exclusively by a tiny elite whose power and political rights are based solely on their wealth and property or family connections. While EU institutions today maintain the barest facade of democracy, real power is held by a small elite of civil servants, not accountable to voters. And, their policy decisions, in turn, are made on behalf of the most powerful financial and corporate interest groups—the oligarchy of the giant European banking and insurance groups, often acting in concert with a handful of European-based global multinationals.

Who actually holds power within the EU institutions is clear from a brief account of their structure. The ultimate decision-making power in EU policy is held largely by a European Commission consisting of 20 appointed commissioners. Once appointed by their national government, they are free from any democratic checks. They decide all aspects of policy in Europe, from environment, to transportation, to industry, to health, to finance and banking, decisions affecting every aspect of the daily lives of the 360 million EU citizens. Yet, not one of these 20 persons has been elected by the broader population to hold this decision-making power over all of Europe.

True, there exists a body called the European Parliament, for which elections are held periodically throughout Europe. However, the European Parliament is little more than an impotent cover designed to provide the gullible with an illusion of democratic representation, while real power lies in the hands of the unelected EU Commission and the powerful financial and corporate interest groups behind it. This reality has been given the label “Democratic Deficit.”

The European Parliament has no legislative powers of substance; it is only advisory. It has no control over the choice of the 20 members of the Commission. Moreover, the acquiescence of this pseudo-Parliament was just purchased, to keep it quiet about its lack of power: The 626 Members of European Parliament (MEPs) will now receive a monthly sum of 18,760 deutschemarks (more than \$11,000), in addition to a monthly expense allowance of some DM 6,400, all taxed at the lowest



British Prime Minister Tony Blair (left) and former Italian Prime Minister Romano Prodi, now president of the European Commission.



possible rate.

A tiny elite of giant banks and insurance firms, and a tiny elite of giant European industrial conglomerates, determine most of the vital economic and social policy, which the EU Commission implements. This reality is obvious from the influence of banking and large industry in policy, above all in the creation of the euro, a common currency for the 11 Euro-land member-states, and the European Central Bank, as well as in the radical reform of EU practice called Agenda 2000, where the Brussels-based European Roundtable of Industrialists shapes policy for the commissioners behind the scenes.

The European Central Bank

An example of the oligarchic nature of the EU institutions can be found in the recent creation of the European Monetary and Social Union, the EMU, and its supranational European Central Bank.

It can be said that the Maastricht Treaty and the creation of the euro is the final triumph of former British Prime Minister Margaret Thatcher, even though Thatcher was out of office when Maastricht was signed, and despite the fact that she became a vehement critic of British entry into Maastricht. The effect is more subtle.

The EMU represents the victory of Thatcher's "free market" ideology over the traditional German-centered "Rhine-land capitalism" model of the postwar period, which remained dominant until the murder of Deutsche Bank's Alfred Herrhausen on Nov. 30, 1989.

The 1991 Maastricht Treaty on European Monetary and Social Union was created at the time of German unification. It was forced upon the government of Helmut Kohl by France's François Mitterrand, Britain's John Major, and other EU

heads of state, in order to contain German economic power. The treaty contained the most profound assaults on national sovereignty, including abolition of one of the most essential rights of a sovereign nation — power over its national currency and monetary policy.

Yet, there was no vote by the population of Europe on whether to undertake this radical surrender of fundamental sovereign rights. When the voters of one small EU member, Denmark, rejected the Maastricht Treaty in a non-binding referendum in June 1992, the EU oligarchic apparatus and complicit governments, including Mitterrand's, quickly acted to ensure that there would be no serious public vote on the euro or the EMU.

There never was a public debate within Germany or other EMU countries on the role of the European Central Bank, which is wholly independent of any elected governments or of any control by the citizenry. Article 107 of the Treaty of Maastricht, which is now law throughout the EU, mandates that "neither the European Central Bank nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, or from any government of a member state or from any other body." The proceedings of the ECB are secret. In short, the EU institution which exercises more power over the daily lives of Europe's citizens than any other, the ECB, is outside the reach of any democratic process whatsoever. Not even the Bundesbank, Germany's Central Bank, enjoys such unrestricted liberty.

It is no coincidence that as the EMU became operational during the spring of 1998, and the euro went into effect on Jan. 1, 1999, a wave of banking, insurance, and corporate mergers swept across Europe. The euro and the ECB policy

behind it were essential to allow the giant national financial and industrial groups to create even greater concentrations of financial and economic power. To proceed, they insisted on the elimination of cross-border currency risk. The euro ensures that.

The predictable result has been the most rapid and extreme concentration of financial and corporate power in the history of Europe. This has taken place at the expense of millions of jobs across Europe in small and medium-sized firms — what in Germany is called the *Mittelstand* — which are crucial to economic health. Under the euro, the *Mittelstand* is being destroyed in the name of the European Union. Today, the elite financial and industrial groups dominate Europe as never before.

The banking and insurance oligarchy

The creation of the euro was primarily the work of a handful of giant financial institutions (banks and insurance companies) which shifted billions in world capital flows into the markets of the euro countries over the past two years. On the surface, these giant financial groups would appear to be fierce rivals for market share. But, on vital strategic issues germane to expanding their enormous power within Europe and globally, they act as a group. They have common and conflicting goals, simultaneously.

The most crucial element in the transformation of Europe under the Maastricht Treaty and the euro since 1991, is the role played by one member of the EU in particular, itself not even yet a member of the EMU: Great Britain. The City of London has come to dominate the economic and monetary policy of the 11 Euroland countries, not through direct control of their banks or insurance groups, but rather, through control of euro policy and the ECB, using a far more effective means: ideology.

Beginning in the mid-1980s, as the City of London and Britain were faced with a major crisis in terms of their role in a rapidly changing world, the leading circles of the City of London financial establishment, the real architect of the Thatcher Revolution, launched one of those bold strategic shifts which have characterized British power in the world since the 1588 defeat of the Spanish Armada.

Rather than try to directly control the far larger continental European economies and political processes within the EU, the City set out to subvert the industry-oriented banking and corporate policy throughout continental Europe, especially the German-speaking business world in Germany and Switzerland. To accomplish this, the Bank of England began offering its pawns in order to ultimately secure the queen in the chess game of euro politics. The Bank of England's Eddie George was delegated to find marriage partners big enough and wealthy enough among the large continental banks, for the small but powerful merchant banks and stock brokerages of the City of London. The first major merger carried out with the Bank of England's blessing was the takeover of the

prominent London brokerage Philips & Drew by the Union Bank of Switzerland in 1986. The takeover of the prestigious London house of Morgan Grenfell by Germany's Deutsche Bank, in November 1989, was the second such marriage arranged by the Bank of England.

Since then, Dresdner Bank was allowed to take over the Kleinwort Benson merchant bank; the Dutch ING Group was sold the defunct Barings Bank; and Swiss BankCorp got the elite S.G. Warburg & Co. What was not appreciated by most, was that through these takeovers of elite City banks, the British free market speculative cancer infected the banking host of the continent. The case of Deutsche Bank is the paradigm for this process.

The murder of Herrhausen in November 1989 and the Deutsche Bank takeover of Morgan Grenfell the same month mark the critical shift in continental industrial policy, which opened the door for Maastricht, and allowed the EU Commission, and the financial and industrial oligarchy behind it, to destroy the traditional *Mittelstand*-based "Rhine-land capitalism" model.

First under Hilmar Kopper, and now under Rolf Breuer, Deutsche Bank has transformed itself from the premier industrial bank of postwar Europe, typified by the industry policies of Hermann J. Abs, into a bank whose only focus is "bottom-line," short-term speculative profit, regardless of the larger

LAROCHE ON THE NEW BRETTON WOODS

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

**It can not be reformed, it
must be reorganized.**

**This must be done in the
manner of a reorganization
in bankruptcy, conducted
under the authority
not of international
institutions, but of
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consequences for the German or European economy. Deutsche Bank has focussed its investments and energy into building up the London-centered speculation in derivatives, and in trading stocks and bonds and currencies. Only a few months ago, Deutsche Bank announced that it will take its large stock ownership in vital German industry, including Daimler-Chrysler, RWE, Deutz AG, Metallgesellschaft, and Philip Holzmann AG, and create an entirely separate investment fund holding separate from the bank. Deutsche Bank says that, at the appropriate time, it will sell the stock completely, severing its last ties to industry. Dresdner and the other large German banks immediately followed suit. The “shareholder value” mantra, first chanted in Britain, was given as the justification—i.e., paper profit is king, regardless of whether it is good for the industrial base of Germany or Europe. This shift is the direct result of the introduction of City of London speculative ideology, achieved through the skillful marriage of City merchant banks like Morgan Grenfell with select continental banks.

Now, these continental banks and the industry that their free market, globalizing policies dominate, have combined to push through the euro, a supranational currency.

Eliminating the risk of currency shocks within the 11-nation EMU made mergers of banks or insurance firms far easier across Europe. Not surprisingly, over the past 18 months, a merger wave has hit European finance, surpassing any in history. The sheer size of the new banking and insurance conglomerates extends the hegemony of the British-style banks even further over European policy.

Today, the creation of European mega-banks or financial conglomerates out of formerly nationally based giants is far from complete. Already, of the ten largest banks in the world, Europe has the three largest—BNP-SocGen-Paribas, UBS, and Deutsche Bank-BT—and five of the ten largest. The other five largest are Japanese.

The size of these new European banking giants overshadows anything heretofore seen. In 1997, the United Bank of Switzerland, the huge Swiss merged group, had total assets exceeding the entire Gross Domestic Product of the Netherlands, Sweden, and Switzerland combined. If the Paris BNP bank completes its hostile merger with Société Générale-Paribas, the new French giant will be even larger, with total assets nearly the size of the GDP of Italy. Never before has such a concentration of financial and economic power been held in so few hands. Here is a brief profile of the most important of the oligarchical banking and insurance companies behind the EU Commission policies:

UBS Bank: United Bank of Switzerland is the merger of the two largest Swiss banks—Union Bank and Swiss Bank-Corp. Their combined assets in 1998 totalled just under \$700 billion. With their combined share holdings in Swiss industry, the new UBS can be called Swiss, Inc. Yet, the concentration of UBS is in the highly secretive area of private banking. The new UBS owns six private banks, including Banco di Lugano,

Cantrade Privatbank, and Ferrier & Lullin. It is also one of the world’s largest stock brokerages through its London-based S.G. Warburg-Dillon Read. In November 1998, the chairman of UBS, Mathias Cabliavetta, was abruptly forced to resign when certain illegal details emerged of UBS’s major ownership of the Long Term Capital Management hedge fund. The collapse of LTCM, in the wake of the Russian debt default in August 1998, threatened losses so huge that the existence not only of UBS, but also the entire global financial system, was in danger.

Deutsche Bank-BT: With the takeover this year of New York Bankers Trust, Deutsche Bank became one of the three largest banks in the world, and one of the largest derivatives traders. Before the merger, it had assets exceeding \$590 billion. Today, Deutsche Bank is almost unrecognizable as the bank of German industry created in 1871 by Georg von Siemens, when it played a vital role in such infrastructure “great projects” as financing construction of the Berlin-Baghdad Railway. Chairman Rolf Breuer has been instrumental in making Deutsche Bank into one of the world’s most aggressive derivatives and speculation banks, a far cry from the bank of Abs or Herrhausen, traditionally tied to industry. Deutsche Bank was also a significant player in the LTCM hedge fund debacle, as well as in speculation in Russian GKO bonds.

Société Générale-BNP-Paribas Bank (SBP): If the hostile takeover by Georges Pebereau’s Banque Nationale de Paris of newly merged Société Générale-Paribas bank succeeds, this new French giant will become the world’s largest bank, with total assets of more than \$1 trillion. Paribas was originally created in 1872 in Belgium, France, Switzerland, and the Netherlands as part of the then-dominant Rothschild banking network. Today, it has become so powerful inside French policy circles that it is called a “state within the state.” It owns a major interest in Paul Desmarais’s Power Corporation of Canada, a giant financial holding company, via their Belgian COBEPA. Power Corp. includes Charles Bronfman of Seagram’s Liquors and Gustavo Cisneros, the shady Venezuelan financier. The French state still holds an 18% share of Paribas, despite its privatization. Claude Bebear, the head of the world’s largest insurance group, AXA, is on the Paribas board. Paribas chairman, Michel François-Poncet, is personally close to President Jacques Chirac.

Crédit Agricole-Crédit Lyonnais: One of the largest banks in the world is the semi-state bank of French agriculture, Crédit Agricole. Today, Crédit Agricole is a global bank with only superficial ties to agriculture. Recently, it has taken over Indosuez Bank, and an Asian investment bank, W.I. Carr. Further, indications are that the Jospin government is allowing Crédit Agricole to become the dominant owner of the troubled French state bank, Crédit Lyonnais, when it is privatized later this year. That would create a behemoth of \$690 billion in assets. Crédit Agricole also owns 30% of Italy’s second largest bank, Bank Intesa, which combined

Banco Ambrosiano Veneto and Cariplo. Crédit Agricole also owns Banco Espírito Santo in Portugal, and the Basque Banko group.

ABN-Amro Bank: ABN-Amro is the largest Netherlands bank and one of the most rapidly growing European megabanks, with banks in Hungary (Magyar Hitel Bank), Romania (Ion Tiriac Bank), and France (Banque Demachy and Banque du Phénix). It has a cooperation agreement with Britain's N.M. Rothschild Bank, and recently bought Banco Real in Brazil, as well as banks in the cocaine regions of Colombia. ABN-Amro appears frequently in the Dutch media in scandals involving laundering of illegal narcotics profits; and it is one of the world's most active banks in derivatives trading and currency speculation.

Dresdner Bank: Dresdner Bank, together with Deutsche Bank the dominant power in German banking and industry, has a major presence in the City of London from its investment bank, Dresdner-Kleinwort Benson. Dresdner holds a 10% share in both Allianz Insurance and Munich-Reinsurance. It also owns major shares in Hapag-Lloyd, Bilfinger & Berger, and Continental AG. For several years now, Dresdner and Europe's second-largest insurance giant, Allianz of Munich, have been in a strategic cross-ownership alliance, with Allianz owning 22% of Dresdner. Dresdner is one of the more aggressive derivatives banks in Europe as well. Dresdner and the Paris-based BNP have a strategic partnership in eastern Europe, with 50-50 ownership of banks in Russia (Rossija), BNP-Dresdner Bank Prague, and BNP-KH-Dresdner Bank of Budapest.

Allianz-Munich-Re: The largest shareowner of Dresdner is the largest German insurance giant, Allianz, as noted. Allianz is also the second-largest insurance conglomerate in Europe, controlling RAS insurance of Italy, and the large AGF insurance group in France. The world's largest reinsurance company, Munich-Re and Allianz are fully interlinked, with each owning 25% of the other.

Crédit Suisse: Crédit Suisse, the second-largest Swiss-based bank after UBS, with combined assets of \$473 billion, is one of the most aggressive speculation banks in the world. In 1995, its London-based Crédit Suisse First Boston created the Russian GKO state bond scheme, which collapsed when Russia was defaulted in August 1998. Crédit Suisse is known as the "black sheep" of Swiss banking because of scandals involving its dirty-money operations with elements of Italian organized crime (Chiasso Affair), with the Meyer Lansky Syndicate money-lauderer Bernie Cornfeld of IOS, and with the heroin money-laundry in Lugano known as "The Pizza Connection." In addition to owning the largest stock brokerage in Brazil and the Mellon Scaife-tied First Boston investment bank in New York, Crédit Suisse merged with the large Winterthur Insurance group.

ING Bank: Holland's second giant bank, with more than \$330 billion in assets, is one of the most aggressive currency speculators and an operator in offshore money laundering

around the world. ING Bank was selected by the Bank of England to carry out a friendly takeover of Barings Bank, the old bank of the British royal family, after it collapsed in a 1995 derivatives fraud. ING Bank itself is the result of a merger of Nationale Nederland, an oligarchic Dutch insurance group, with the privatized Postal Savings Bank of Holland. Given this reputedly conservative origin, it is notable that ING Bank rapidly built a global network of banks in the offshore money-laundering centers including Curaçao, Netherlands Antilles, where George Soros's Quantum Fund is based. ING also had banks in Bogotá, Montevideo, Hong Kong, Budapest, Luxembourg, and Geneva. ING Bank recently bought 39% control of the German BHF Bank, and in 1998 took over the Banque Bruxelles Lambert in Belgium, giving it major ties to the Franco-Belgian financial oligarchy as well. BBL was a major owner of the now-defunct Drexel Burnham Lambert bank of "junk bond" king Michael Milken in the 1980s. BBL also owns the Geneva-based powerful financial holding group, Pargesa.

The European Industrial Roundtable

Parallel to the growing power of the giant financial groups under free-market globalization, has been the expanded power of giant multinationals. The influence of these global, Europe-based giants is exercised through the little-known group of giant European multinationals, the European Roundtable of Industrialists, based in Brussels.

For example, the controversial Agenda 2000—proposals for radical reform of the EU Common Agriculture Program in the context of the expansion of the EU membership to incorporate Poland, Hungary, the Czech Republic, and other eastern European markets, and changes in internal power within the EU—was largely the result of the behind-the-scenes influence the European Roundtable of Industrialists. The European Roundtable, as it is known, consists of a hand-picked group of only 45 chairmen and chief executive officers of the most influential European companies.

The members of the European Roundtable include the chairmen of St.-Gobain, Lafarge, Total SA, Rhône-Poulenc, Suez-Lyonnais des Eaux, Renault, Nokia, Fried, Krupp, Veba, Siemens, Bayer, Daimler-Chrysler, Bertelsmann, Fiat, Pirelli, Phillips, Akzo Nobel, Unilever, Ericsson AB, Hoffmann-LaRoche, Nestlé, British Telecom, Imperial Chemicals Industries (U.K.), Royal Dutch Shell, Pilkington Ltd., General Electric Co. Ltd., and British Petroleum-Amoco.

Their concentrated power through the European Roundtable, in combination with the transformation of continental European finance into the free-market model over the past decade since the Maastricht summit, threaten to utterly destroy the economic development philosophy which had guided the postwar reconstruction success of Germany and much of Europe until 1990. The secret of their power is their control over the policy of the EU Commission, now run by Tony Blair's friend, Romano Prodi.

The bubble will soon pop

Australia's world-beating GDP growth is simply a last-minute credit card splurge.

Australia's alleged exceptional economic performance in the face of the global financial upheavals that began with the Asian crisis in 1997, has long confounded the experts. While the so-called Asian Tiger economies dropped like flies following the currency crises of late 1997 and early 1998, their trade partner Australia, according to the latter's government indicators, powered ahead with consistently high economic growth rates, and a steadily rising stock market. On June 1, Australian Treasurer Peter Costello gloatingly proclaimed an annualized Gross Domestic Product growth of 4.8% based on the first quarter of 1999—the highest rate in the developed world. But, buried within the Australian Bureau of Statistics (ABS) figures, is all the evidence one needs to show that the "growth" in the Australian economy is simply a debt-fed bubble, which is expanding so rapidly that it is going to burst.

Australia's 4.8% growth came despite a massive 3% contraction in national economic output, as measured in GDP terms. The so-called "growth" was fuelled almost entirely by *consumer spending*—which is in turn driven by the mysterious force called "confidence." Real consumer spending has grown by more than 10% in the two years to March. According to the ABS, this breaks down into 23% more motor vehicles being bought compared to 1997, and 22% more telephone calls, 16% more alcohol, 15% more clothes, 14% more education, entertainment, and non-car transport, 13% more restaurant meals, and 12% more household energy.

Yet, while spending has surged,

household savings have collapsed, from 5.6% of after-tax income in 1997, to just 0.4% this year! In dollar terms, this is a drop in household savings from \$18 billion in 1997, to just \$2 billion now. (These, and all following figures are quoted in the Australian dollar, which is US\$0.64.) While savings have collapsed, debt has skyrocketed: In the past six months alone, housing mortgages grew by an annual rate of 12%, personal loans grew by 20%, and credit card debt grew by 24%.

Nationally, all of this debt-driven consumer spending has produced record levels of foreign debt, and record trade and current account deficits. In December 1997, the Australian government stopped keeping monthly current account deficit (CAD) figures, probably in anticipation of the impending record deterioration. The quarterly CAD (which is the trade deficit, or excess of imports over exports, plus the net income deficit) for the first quarter of 1999 was \$8.9 billion, or 5.9% of GDP.

Last year, Opposition Treasury spokesman Gareth Evans was attacked for "undermining consumer confidence," when he observed that a current account deficit of 6% of GDP was regarded as "Banana Republic" levels. Today, 5.9% is seen as just the beginning: A massive monthly trade deficit in April of \$1.9 billion is certain to push the CAD well above 6%.

The April record trade deficit brought the trade deficit for the first four months of 1999 to \$6.35 billion, compared with \$2.85 billion for the same period last year, and just \$55 million in 1997. At this rate, Australia is

heading for an annual trade deficit of around \$20 billion, and a current account deficit of about \$40 billion.

Forced to address the stark reality of the CAD figures, Treasurer Costello tried to put on a brave face: "You would expect at a time when your domestic economy is strong and your export opportunities are weak, because of a downturn in the rest of the world, you would expect pressure on your current account deficit," he said lamely.

Spurred by the trade deficit, foreign debt has ballooned. In the year to March, net foreign debt (total foreign borrowings minus total foreign lending, government and private) rose by \$17 billion, or 7.5%, to \$241.6 billion. This was only half of the increase in total net foreign liabilities to owners, shareholders, and lenders over the same period, which rose by \$36 billion, to \$354 billion. Almost 80% of Australia's foreign debt is owed by corporations, and more than half of it by banks, which, stretched to the limit, have been forced to borrow overseas to finance the consumer spending spree on foreign imports. For the two and one half years from mid-1996 to the end of 1998, the foreign debt of Australia's banks rose nearly \$60 billion, going from \$75 billion to \$134 billion.

So, even in orthodox economic terms, Australia's economy is in dire straits. In physical economic terms, it is much worse, as the rural sector has been devastated, and the all-important manufacturing sector is evaporating. Since 1996, roughly 30,000 manufacturing jobs have been lost in the state of Victoria alone, which is historically the heart of manufacturing in Australia, while more than 300,000 well-paid manufacturing jobs have disappeared nationally since the late 1980s—a huge number, especially in a nation of only 18 million people.

Business Briefs

Malaysia

Government boosts construction sector

Malaysian (Public) Works Minister Datuk Seri Samy Vellu on June 1 announced a program worth 4.4 billion ringgit (slightly more than \$1.1 billion), for building 200 schools, 20 hospitals, and other projects to boost the crisis-stricken construction sector. The projects will be started immediately, and will be accompanied by another program, in the range of 3.8 billion ringgit, for construction of roads and bridges, over the next six months.

"These projects are vital, following a slowdown in the construction industry last year, due to the economic downturn, which also saw the ministry cancelling 2 billion ringgit worth of projects," the cabinet minister said. To ensure the smooth implementation of the projects, the minister said that he will hold two meetings a week, and make weekly visits to project sites. Many of the schools are to be completed within the next two years, and by next year, 25-30% of the hospital projects are to be completed, he said.

Advanced Technology

Pakistani urges Muslim world to go nuclear

Renowned Pakistani nuclear scientist Dr. Abdul Qadeer Khan urged the Muslim world (57 nations) to invest in the field of nuclear technology and the promotion of science and technology, in an interview with the Middle East Broadcasting Center in Islamabad, the Pakistani daily *The Nation* reported on May 31. "An energy-deficient Muslim world can bring [about a] revolution in the lives of its people if nuclear technology is used in an effective way," he said.

When asked about the U.S. CIA claims that Pakistan uses plutonium instead of enriched uranium, Dr. Khan said, "This is absolutely rubbish. Anyone with a slight knowledge of nuclear physics knows that for a plutonium device you ought to have a whole

paraphernalia of power plants, reprocessing plants, and other related establishments. We have no such set-up." He said that Pakistani devices were based on enriched uranium provided by the Uranium Enrichment Plant of Laboratories at Kahuta. "I believe the CIA needs a thorough overhaul and revamping," he said.

When asked about the help provided by China and North Korea in Pakistan's nuclear arms program, he said: "China is a great friend of Pakistan and our friendship is time-tested. Same goes for North Korea, as we have always adhered to the principles of self-respect and mutual cooperation for the benefit of the people of both countries. China and Pakistan have mutual cooperation in a number of projects. But I never cooperated with them in the nuclear field. They are building a power plant at Chashma for the Pakistan Atomic Energy Commission. Our missile program is completely indigenous and an outcome of hard work of our scientists and engineers."

Dr. Khan said that Pakistani scientists have been encouraged by the perfect flight of the Ghauri Missiles. "This has in fact motivated us to concentrate on satellite-launching technology, which will be a great achievement," he said.

Debt

Filipino clergy seek reduction, cancellation

Thirty Filipino bishops and 16 priests and nuns representing the Visayas and Mindanao have convened a coalition, the Philippine-Asia Jubilee Campaign Against the Debt (PACJAD), to demand that President Joseph Estrada's government "break the debt cycle." The coalition is seeking repeal of Presidential Decree 1177 (Article 31, Section B), which established as law the automatic allocation of 40% of budget funds for foreign debt service.

The coalition rejects the structural adjustment programs stipulated by the International Monetary Fund and the World Bank as conditions for loans. A statement issued by PACJAD says, "Debt-dependent countries such as our Philippines pay debts with

new debts, pushing them deeper into the debt mire." PACJAD is headed by Cebu Archbishop Cardinal Ricardo Vidal, and is participating in the Jubilee South Movement, involving Ibero-America, Africa, the Caribbean, and Asia-Pacific in following the guidance of Pope John Paul II's call for debt cancellation.

Cardinal Vidal issued a statement declaring that the debt problem had matured into "institutionalized global usury, perpetuated by international finance institutions and banks dominated by creditor-nations and private monopolies of the northern countries," depriving people of essential nutrition, health care, housing, and education.

Transport

Malaysia, China boost regional cooperation

China and Malaysia signed an agreement on May 31 on enhancement of cooperation in air, land, and maritime transport, and science, technology, and infrastructure development, at the beginning of a five-day visit of Malaysian Foreign Minister Syed Hamid Albar to the People's Republic. In particular, the agreement envisages cooperation in medical research, pharmaceutical production, and information and communication.

As part of the agreement, China and Malaysia will cooperate in the development of the Trans-Asia Railway system. In a joint statement issued on June 1, the two governments announced a framework for bilateral cooperation to promote the Singapore-Kunming Railway project of the Mekong Valley Development Program. The statement said that the project will serve the long-term interests of not only Malaysia and the People's Republic of China, but also other countries in the region.

The joint statement declares that both sides will undertake concerted efforts to further develop bilateral relations and to promote lasting peace, stability, and prosperity in the region; maintain close and frequent contacts and exchanges of visits at all levels; strengthen the mechanism of annual meetings between senior officials of their respective foreign ministries for consultations on

bilateral, regional, and international issues of mutual concern; and expand friendly and mutually beneficial cooperation in the fields of trade, investment, banking and finance, defense, security, education, science and technology, information, tourism, culture, and health.

Finance

U.S. slump could 'collapse global capitalism'

Japan's Vice Minister of International Affairs at the Ministry of Finance, Dr. Eisuke Sakakibara, told the May 24 *Australian Financial Review* that the flaws in the global economic system, and the vulnerability of the U.S. economy, could combine to bring about a collapse in the system of global capitalism. "The U.S., right now, is the center of global capitalism, and if the center collapses, the world system could collapse. And the situation in the U.S. is not sustainable," he said. Sakakibara is the man who first labelled the U.S. economy "bubble.com." He urged the use of capital controls.

"Last year, I think we were on the verge of collapse," Sakakibara said. "I remember Larry Summers saying to me, 'The world is collapsing.' But Wall Street forgets that the basic structure is the same. The U.S. authorities have maneuvered the situation very skillfully, but the basic structure of global capitalism is unchanged. The basic problem of this globalized and virtualized economy has not been overcome, so it may recur. And that is huge amounts of money, highly leveraged, moving across borders very quickly." He said, "I think it is possible for the U.S. to have a soft landing in the next year or two, but it is possible the Dow will crash."

Major changes to the international financial system are necessary, Sakakibara said. "We need to monitor flows of money, we need to monitor highly leveraged institutions, and we need to monitor offshore centers. And we may have to have some sort of prudential regulations, especially for developing countries. Just as the New York Stock Exchange has circuit-breakers, we need to apply the same sorts of rules to the international system." He urged the reporting of

large trading positions in foreign exchange and other markets, a more flexible approach by the International Monetary Fund, and general acceptance of capital controls as an intermediate step for countries in trouble.

Sakakibara is retiring from public service in July, and has accepted a visiting fellowship at the Australian National University.

Europe

Tauern tunnel fire exposes bottlenecks

On the weekend of May 29, a fire destroyed part of the tunnel through the Austrian Tauern mountains, closing it for repairs for at least several months. The tunnel is the main route for cars and trucks from west-central Europe into Italy and the Balkans. Its shutdown exposes Europe's infrastructure bottlenecks.

The shutdown is expected to double commodity transport costs, putting an especially heavy burden on food products from southeastern Europe and Italy. Danube waterway transport is already down because of the NATO air war against Serbia, and a sizable part of waterway cargo has been shifted to trucks, which have to go around Austria, using the poorer highways of Romania, Hungary, and Slovakia before they reach the Austrian highway grid, which meets modern transport standards.

For more than 20 years, additional tunnel projects and the expansion of existing single-tube tunnels by a second tube, including Tauern, have been delayed. Engineers favor separate lanes for private cars, trains, and trucks, to avoid situations like Tauern tunnel fire, caused when a truck crashed into a car at high speed and exploded, destroying more than 40 cars and killing five people. Fiscal austerity and ecological protests have killed or delayed all those projects, including preventing improvements. The crisis created by outdated infrastructure and increasing traffic can only be dealt with by massive investments into rapid development programs. On June 1, as a result of the fire, the Austrian government okayed the second tube for the Tauern tunnel.

JAPAN AND CHINA aim to work out a bilateral trade agreement during Japanese Prime Minister Keizo Obuchi's visit to Beijing in July. Jun Yokota, deputy director general of the Foreign Ministry's Economic Affairs Bureau, told Nikkei in Tokyo May 22. The two nations worked out a trade agreement for goods in September 1997, and are now negotiating liberalizations in services, including telecommunications, finance, and construction.

PERUVIAN banks are demanding a government bailout, as the merger of Banco Wiese, Peru's second-largest bank, with France's Sudameris has begun to unravel. Many fear that if the merger falls through, that may pull the plug on the banking system. None of the bailouts in Colombia, Mexico, and Ecuador, Peru's bankers neglect to mention, have succeeded in bringing any of those banking systems out of bankruptcy.

MYANMAR'S Economics Minister said on May 26 that foreign direct investment by fellow ASEAN members, which account for 60% of total foreign direct investment, fell 70% in 1998. Myanmar was spared the "initial crisis shock" of 1997 because of its underdeveloped capital markets, tight foreign exchange controls, and non-convertible currency, he said.

CHINA has agreed to significantly open its markets to Australian primary products including wool, dairy produce, meat, wheat, rice, and barley, as part of a deal to secure Australia's support for China's bid to join the World Trade Organization.

RUSSIAN and U.S. experts are voicing concerns about the plan by Energia, which owns the Mir space station, to leave it in orbit unmanned between August, when the current crew leaves, and next February. On June 2, thirty-one Russian space designers and engineers stated that there are no funds either for continuing the manned flight, or "for carrying out its guided descent into a designated area of the ocean."

The battle for peace in the Balkans has just begun

by Jeffrey Steinberg

To say that the just-concluded Balkan peace accords are resting on a fragile foundation is perhaps the understatement of the decade. On June 10, by a vote of 14-0 (China abstained), the United Nations Security Council put in place a formal structure for a political solution to the three-month war in Kosovo. Hours earlier, the NATO bombing of Yugoslavia had ceased, after a Yugoslav military withdrawal from the devastated province was verified to have begun. President Clinton delivered a brief national television address, hours after the ink had dried on the UN Security Council document, expressing his relief that a diplomatic solution was achieved and that “we averted the wider war this conflict might have sparked.” Indeed, up to the point that the diplomatic breakthrough was consolidated, the Balkan conflict had all of the hallmarks of the opening skirmishes of a new global war, more akin to the Thirty Years’ War that ravaged Europe during 1618-48, than anything seen during the two world wars of the 20th century.

On the optimistic side of the ledger, President Clinton, German Chancellor Gerhard Schröder, and other continental European leaders have all agreed that the key to the Balkan peace lies in real, substantive economic reconstruction. Indeed, it was only on the basis of a shift of emphasis, from the NATO bombing campaign, to a diplomatic solution— involving Russia, and hinged on the economic revitalization of the entirety of Southeast Europe—that President Clinton and others were able to cobble together the cease-fire and peacekeeping framework now being set in place.

However, the breakthroughs achieved after weeks of painstaking trilateral diplomacy by U.S. Deputy Secretary of State Strobe Talbott, Russian Presidential Balkan emissary Viktor Chernomyrdin, and European Union peace negotiator Finnish President Martti Ahtisaari, were only accomplished

over the strongest British opposition, and came after months of British and American unilateral military aggression in the Persian Gulf and the Balkans, that has nearly wrecked U.S. relations with Russia and China.

President Clinton broke that “Anglo-American” pact, first, with his speech in San Francisco on April 15, in which he first invoked the need for an exit strategy from the escalating Balkan war, through economic reconstruction. A week later, he made his break with British Prime Minister Tony Blair public, at the 50th anniversary NATO summit in Washington, where he revived his collaboration with Schröder and Italian Prime Minister Massimo D’Alema, and publicly repudiated London’s pressure for a full-scale ground invasion of Kosovo. In the course of shedding the Anglo-American cloak, the President also downgraded two of the biggest British lackeys in his inner circle, Vice President Al Gore and Secretary of State Madeleine Albright.

Unfortunately, even as President Clinton was moving to reassert control over his own Presidency, at the expense of London and the British-American-Commonwealth (BAC) contingent in Washington, the world was suffering a series of strategic jolts that are still yet to fully play out:

- Former Prime Minister Yevgeni Primakov, the first popular and effective official to be placed in charge of the Russian government since the disintegration of the Soviet Union, was fired by President Boris Yeltsin, at precisely the moment that he was attempting to wrestle power from a clique of corrupt “tycoons” with unsavory ties to Western speculators and raw materials looters. That clique, personified by Boris Berezovsky, has been increasingly reasserting its control over the Yeltsin Presidential entourage.

- The Indian government collapsed in a vote of no confidence, and elections are not scheduled until the fall, assuring

that the South Asian subcontinent remains in a state of heightened instability.

- U.S. strategic ties to China sank to the bottom of the ocean, as the result of the “mistaken” bombing of the Chinese Embassy in Belgrade, and the release of the “bipartisan” Cox Committee report, fabricating a Chinese military threat to the United States, based on the alleged theft of top-secret nuclear weapon designs from American national laboratories. Unless and until President Clinton provides the Chinese leadership with a full and honest accounting of how its Belgrade Embassy was bombed, and takes strong action against those in the NATO and Pentagon command who were responsible, American-Chinese relations will remain at an impasse—or worse.

In each of these instances of eruptions of political instability, the “invisible hand” of the British was certainly involved. The strategists in London are well aware that Lyndon LaRouche has identified the “Survivors’ Club,” centered around China, Russia, and India, as the natural allies of the United States and continental Europe, in ridding the world, once and for all, of the power of Perfidious Albion, through the creation of a New Bretton Woods financial system, and the implementation of the Eurasian Land-Bridge plan for global economic reconstruction.

British policy is to use any and all means—up to and including triggering World War III—to stop LaRouche’s vision from becoming a reality.

The Brits will lash out

There can be no confusion: The Blair government in Britain was delivered a dramatic setback, when President Clinton broke free of the BAC manipulations that had paralyzed his Presidency for 15 months, and successfully forged a diplomatic solution to the Balkan mess, with crucial European and Russian assistance.

Blair has now proven himself to be a failure, in the eyes of the British Crown, and he may soon disappear from the political scene, like one of Queen Elizabeth’s once-prized horses that has fallen on hard times and is thus carted off, with no royal remorse, to the glue factory. However, the British will not sit idly by and allow the Balkan peace process to move forward unimpeded. And, if history provides any guidance, one can expect the British and their submarines within the NATO structures to launch a new wave of “strategy of tension” irregular warfare in the Balkans, the Middle East, and the Far East, where equally fragile peace processes are moving forward in fits and starts.

Already, both Italy and Germany have been targeted for terrorist destabilization; British “Islamists” have been identified as crucial operatives in an attempt to provoke a new shooting war between India and Pakistan over Kashmir; and, a new upsurge of terrorist atrocities have occurred in southern Lebanon, in the aftermath of the Israeli elections, in which the British marcher-lords Benjamin Netanyahu and Ariel Sharon

were overwhelmingly defeated, in a clear referendum in support of a renewal of the Israeli-Palestinian and Israeli-Syrian peace process.

On June 11, Jürgen Möllemann, the former minister of economics in the Helmut Kohl cabinet, barely escaped death in a parachuting incident, which police later confirmed involved professional sabotage. Möllemann, who presently is the head of the German-Arabian Society, had been targeted by the British recently for his efforts to sign a lucrative oil deal with Turkmenistan—in direct competition with a British consortium.

The Russian crisis deepens

The Russian involvement in the Balkan peace process was accomplished at a very high price, which will only be overcome if the reconstruction of Central Europe proceeds rapidly, and with heavy Russian participation. In the wake of the UN Security Council vote, a barrage of criticism has been thrown at President Yeltsin and his emissary Chernomyrdin. On June 10, the Russian State Duma (lower house of Parliament) voted by an overwhelming 271-92 majority, to condemn Chernomyrdin for “pursuing a line that contradicts the state interests of the Russian Federation.” The resolution stated, “The defeat of a strategic ally of Russia in the Balkans has sharply worsened Russia’s geopolitical position and created a serious threat to its national security.”

On the same day, Pavel Felgengauer, a Russian military analyst who often speaks for Russian military intelligence, penned an article in the English-language *Moscow Times*, charging that “the pro-Western Kremlin clique sold the Serbs down the river.” He harshly warned that any Russian participation in the Kosovo peacekeeping force would render Russian troops “Western-paid proxies like their political masters in the Kremlin.” Even more ominously, he concluded that “almost all Russians, especially the Russian military, increasingly believe that Yeltsin’s continued presence in the Kremlin is a terrible liability, a handicap for Russia. The country and its military may simply not wait for elections to get Yeltsin out.”

On an even more ominous note, on June 8, the Chinese *People’s Daily* reported that Russia is implementing a new nuclear war-fighting doctrine, based on the development of “miniaturized nuclear warheads” that will “make limited nuclear attack possible.” In response to the NATO Balkan air war, the Chinese official paper noted, President Yeltsin ordered the development of “non-strategic nuclear weapons” to revitalize Russia’s nuclear deterrent. Russian Prime Minister Sergei Stepashin informed the Duma that the defense budget would be increased from 2.8% to 3.5% of GDP in order to guarantee the financing of the “non-strategic nuclear weapons.” Yeltsin is reportedly talking about an arsenal of 10,000 such miniaturized and super-miniaturized weapons, that would, nevertheless, have 1,000 times the explosive power of the bombs that the United States dropped on Hiroshima and Nagasaki.

Macedonian President Gligorov calls for Balkans reconstruction

by Mark Burdman

On June 8, Kiro Gligorov, the President of Macedonia, delivered a one-hour speech at the University of Bonn in Germany, at an event sponsored by the Bonn-based European Center for Integration Studies. His speech was delivered at a time when Macedonia is undergoing a giant crisis, because of the hundreds of thousands of Kosovar refugees now on its soil. He was in Bonn just before the June 10 meeting convened in Cologne to discuss an international aid and reconstruction effort for the Balkans, under the auspices of the European Union; Germany currently occupies the presidency of the EU.

Gligorov issued an appeal for Balkans reconstruction, to be implemented by what he called the “creation of a solid organization that can finance projects.” He affirmed that his country, and the Balkans more generally, require “development, an economic upswing, and infrastructure links,” as part of a “struggle for the future” in the region, to leave behind “the gruesome reality of war” that the Balkans region has seen. To those who consider the Balkans region to be a hopeless area of conflict and instability, Gligorov stressed that, more than 50 years ago, Europe as a whole was in a similar condition, but has progressed greatly since then, thanks to “the dreams and vision of the great European leaders,” Konrad Adenauer, Charles de Gaulle, Alcide de Gaspari, and Winston Churchill. Gligorov stressed: “We must create a Europe from the Atlantic to the Urals.”

The theme of his speech was “The Commitment of the Republic of Macedonia toward Membership in the European Union and NATO.” Gligorov made clear his desire for closer Macedonian relations with, and/or integration into both organizations. Early in his speech, he said that a key task was to “overcome the bureaucratic rules of the European Administration.” Several times, he welcomed the creation of a “Stability Pact for Southeastern Europe” by the European Union, the details of which are being thrashed out in Cologne and in other locations. But he also expressed reservations, because the Stability Pact lumps “the Western Balkans” together into one category. This includes Bosnia-Herzegovina, Croatia, Yugoslavia, Macedonia, and Albania—countries that, in various ways, have been in conflict with one another. He also stressed that there was considerable room for interpretation,

as the pact has “not been written down, and there are various versions of it.”

Gligorov repeatedly stressed Macedonia’s commitment to realizing “European standards,” including democratization, human rights, minority rights, open borders, free flow of peoples, and so on.

The Macedonian economy

The Macedonian President drew attention to the plight of the economy, which is 80% dependent on exports to even minimally survive. He criticized the approach of traditional “aid donors” to solving problems, noting that Macedonia had not had good experience with “donor conferences.” The country has been badly hit by United Nations sanctions against former Yugoslavia, by other embargoes in the Balkans, by factory closings in the country, and so forth. “Yet,” he noted, “we have not been compensated with one dollar. A United Nations team visited our country, and said there was \$3.8 billion in damage, but that the UN had no money. An international organization cannot think like that.”

Positively resolving the economic plight of Macedonia and the Balkans is all the more urgent, because the potential for further conflict and unrest is vast. Gligorov warned that there are various possible scenarios for conflict that would drag Macedonia in. He stressed that there are no defined borders between Yugoslavia and Macedonia. Yugoslavia still has border designs, and with the Kosovo Liberation Army existing now in Macedonia, the Yugoslav army could move into Macedonia to stop their activity.

He claimed that the presence of NATO was the main “deterrence” for this or other scenarios to unfold in Macedonia. He said that his country “doubtless wants to become a member of NATO.” There are still “designs” by certain countries on Macedonia, “all you have to do is read documents put out by the Serb, Bulgarian, and Albanian Academy of Sciences,” he said.

Using irony, Gligorov contrasted the attitudes of certain countries which are very committed to vast military action in the Balkans, but suddenly become uncooperative when it comes to taking in refugees from the war. He praised German Chancellor Gerhard Schröder, who agreed, after one discussion, that Germany would take in 20,000 refugees, and would organize a special meeting to rally Europe to take in 100,000 refugees in total. Five countries have followed Germany’s lead to some degree, but the others have “not helped,” he said, only agreeing to a “symbolic” haven for a few hundred refugees. While not naming names, certainly Britain and France are exemplary of that “paradoxical” (as he called it) attitude of putting forth considerable resources to fight a war and virtually no resources to help with refugees.

Gligorov stressed that Macedonia now had 330,000 refugees, 17% of its total population. If Germany were to take in a similar proportion of refugees compared to total population, that would add up to 16 million people.

European elections: BüSo makes reconstruction the campaign focus

by Ortrun Cramer

Ironically, most expectations on the European elections held on June 13, in all member states of the European Union, are that voter participation will be at a record low. Campaign workers and candidates of the parties across Europe have complained about a lack of interest in their campaigns by the population.

In view of the fact that the election campaign took place during a war conducted by NATO forces on European soil, for the first time since the end of World War II, this lack of interest appears to be paradoxical. However, almost none of the political parties made a campaign issue of the war and the more pressing question of the necessary economic reconstruction after the end of the bombings. Thus, questions of European economic integration or other issues addressed by the parties — mostly in extremely lame campaigns — were of little concern to the public.

The election campaign waged by the German Civil Rights Movement Solidarity (BüSo) and its co-thinker parties and organizations in other European countries that are all part of the LaRouche political movement internationally, stood in profound contrast to others' empty campaign slogans, posters, and TV advertising. BüSo's intervention presented a comprehensive alternative economic policy: In posters put up all over the country, the party demanded "Peace through Development," and the implementation of the Eurasian Land-Bridge program. This "New Silk Road," which had been promoted in Germany by BüSo chairwoman and leading candidate for the European elections, Helga Zepp-LaRouche, would provide the overall framework for economic reconstruction of the Balkan countries devastated by the war, which was the central demand of BüSo's campaign.

In a short address to voters which was aired four times between May 21 and June 7 on the two national state-controlled TV channels in Germany, Zepp-LaRouche had focused on the need "to overcome the terrible war on the Balkans immediately by an economic reconstruction program for all of Europe, since not only the Balkans, but also Europe is destroyed economically today." She indicated the models that the reconstruction program must be based on: "Therefore, we must implement today, for the Balkans and for Europe, the same policy that was characteristic for the reconstruction after the Second World War, which made possible the German

economic miracle," she said. This "characteristic policy" was elaborated in a leaflet circulated by BüSo candidates and campaign workers: A new Marshall Plan, combined with the establishment of a financial institution like the postwar German reconstruction bank, the Kreditanstalt für Wiederaufbau, which provides credit for the large-scale infrastructure projects, such as those needed for the Balkans. More than 100,000 leaflets were distributed during the last 12 days of the election campaign in Germany. BüSo's co-thinker parties and organizations — which, with the exception of European Labor Party (EAP) in Sweden, were unable to run candidates in the elections — circulated the same appeal throughout Europe.

Among the rather meager coverage that the media gave to the European election campaign, there was one broadcast on the "small parties" in the race, aired by the national all-news station "Phoenix." In this broadcast, Zepp-LaRouche spoke on behalf of her party. "We condemn the conscious bombing of the Chinese Embassy in Belgrade," she stated, warning that those responsible for the bombing "seem to want to unleash a Third World War" which might become similar to the Thirty Years' War. "We are fighting for a peaceful solution, because the reconstruction of the Balkans can be the chance for an economic recovery. We must develop eastern Europe, but with that, we serve our own interest, through the new expanding markets along the New Silk Road."

As BüSo's leading candidate, Zepp-LaRouche addressed many public events organized by the party in the last two weeks of the campaign. She spoke in Hamburg, Hanover, Berlin, Munich, and in two events in rural districts in the southern state of Bavaria, in Kirchweidach and Pfaffenhäusen. In each meeting, she was joined on the podium by the party's regional candidates. Other public events were addressed by other leading party representatives in Frankfurt, Duisburg, Stuttgart, Dresden, and other cities. All events were well attended by members and supporters of BüSo, but also by many voters attracted by the campaign. The depth and intensity of discussions during those meetings went far beyond what the party had seen in previous election campaigns. Also, because of the turmoil which the war in Yugoslavia had created in the activities of the other parties, the discussions shook the minds of many voters, and made them much more

receptive to new ideas. Ironically, the parties who spoke out strongly against the war in Yugoslavia, were the communist Party of Democratic Socialism and the conservative Christian Socialist Union in Bavaria — while the Green party's leadership, traditionally considered "pacifist," was most outspoken in support of the war. This support had prompted many Green party chapters to refuse to do any campaigning during the election.

In her presentations, Zepp-LaRouche challenged her audiences to reflect on "how it could occur, that there is war in Europe." She detailed the program for a New Bretton Woods system, laid out by Lyndon H. LaRouche, Jr., and the full scope of the Eurasian Land-Bridge development program, as the only way out of the crisis. Voters have to understand, that the fundamental reason for the war in the Balkans lies not in Serbian dictator Slobodan Milosevic, "but rather in the global financial crisis," she stressed.

A reason for optimism

In the public meetings in Hamburg, Hanover, and Berlin, Zepp-LaRouche was joined by Marivilia Carrasco, chairman of the Ibero-American Solidarity Movement in Mexico, one of BüSo's international allies. Carrasco told people "how important your activities here in Europe, to build a New Bretton Woods system, are for our countries in Ibero-America, which are already in an economic downward spiral. Many countries are now close to a civil war." Nevertheless, Carrasco stressed that she is "optimistic" about the situation, because the LaRouche movement presents an alternative, which is regularly covered by many of the leading newspapers in Mexico and other Ibero-American countries.

BüSo's campaign also was supported by the president of the Schiller Institute in Russia, Prof. Taras Muranivsky, who addressed a public meeting in Frankfurt on May 29. He reported about a recent conference in the Russian State Duma (lower house of Parliament), where LaRouche's ideas of physical economy had been the subject of debate among high-level economic experts from Russia. Concerning the Balkan war, Muranivsky stressed that Milosevic was used as a pretext, to economically destroy southeastern Europe. "It seems, that the financial oligarchy tries to solve its problems with bombs," he observed.

BüSo's intervention, however, was not only a response to the pressing economic and financial crisis of Europe. In her televised address, as well as in all of her public statements, Zepp-LaRouche stressed that Europe and Germany, whose machine-tool capabilities would play a key role both in the reconstruction of the Balkans and the building of the Eurasian Land-Bridge, must return to the Classical roots of its culture and educational system. "The quality of our products always depended on a good education in the framework of the Humboldt education system," she explained. And, it was in this sense, that she appealed to the voters to "act as real citizens of the state."

Peace through development for the Balkans

The Schiller Institute is circulating a worldwide call for a "Marshall Plan" for the Balkans, as part of an overall Eurasian development program. In last week's issue, we published the text and a selected list of signers. The following are among the people who have signed since our last issue went to press.

United States Congress

John Lesinski, former U.S. Representative, Dearborn, Michigan

Clair Callan, former U.S. Representative, Fairbury, Nebraska

Mervyn Dymally, former U.S. Representative; chairman, Congressional Black Caucus, California

Byron Johnson, former U.S. Representative, Englewood, Colorado

Poland

Prof. Aleksander Krzyminski, former Vice-Minister of Foreign Affairs; professor, Warsaw School of Economics

Dr. Jerzy Oledzki, former Vice-Minister of Education

Jozef Fraczek, senator of Polish Republic

Jozef Gruszka, deputy of Polish Sejm (Parliament)

Stanislaw Kalemba, deputy of Polish Sejm

Janina Kraus, deputy of Polish Sejm

Miroslaw Pawlak, deputy of Polish Sejm

Ryszard Stanibula, deputy of Polish Sejm

Wojciech Zarzycki, deputy of Polish Sejm

Ewa Borzymowska, ROP (Movement for the

Rebuilding of Poland)

Czeslaw Domaradzki, Christian Democratic Labor

Party

Jerzy Czeszko, Awat (Optoelectronic company)

Henryk Krakowiak, "Pioneer" (Society of Pensioners)

Dr. Zygmunt Krolak, former government adviser,

Warsaw School of Economics

Kazimierz Maksjan, Polish Patent Office

Wieslaw Olichwier, Parliamentary Club of PSL

(Peasants Party)

Prof. Tadeusz Przewozinski, Society for Free

Education in Poland

Jozef Skura, Society for Free Education in Poland

Dr. Jerzy Stefanski, Awat (Optoelectronic company)

Jolanta Sypien, Schiller Institute, Warsaw

'Hawk' Blair exposes British aims to China

by Mary Burdman

In October 1998, at the close of his one-week visit to China, British Prime Minister Tony Blair pompously proclaimed "a new era" and a "fresh start" for mutual relations. Blair's "fresh start" has not lasted. The unilateral Anglo-American assault on Iraq in February, and then the full-scale war against Yugoslavia, shocked Beijing. In the past 10 weeks, Blair's bloodthirsty pursuit of the bombing, and his relentless demands for a ground invasion of Yugoslavia, have done much to expose London's strategic aims to China's leaders.

China has certainly not forgotten Britain's Opium Wars, and the wanton destruction of the city of Beijing by British-led invaders in 1901. But the general tendency has been to view Britain today as a diminished partner of the American superpower. Now, after Blair's open fight with U.S. President Clinton, to press for a ground war, Britain is being recognized in Beijing as America's "hawk ally."

A commentary in China's *People's Daily* on May 18, titled "A High-Sounding Pretence of Virtue," captured very well Blair's peculiarly lethal mixture of bloodthirsty self-righteousness. Blair had said, *People's Daily* wrote, that "NATO launched its war in Yugoslavia not for territory or oil, and that it is fighting a war for virtue, a war for values, a war for a neo-internationalism, and a war to avoid a humanitarian disaster.

"This is to say NATO's war, a war by hegemonic U.S.-led NATO to browbeat a small and weak nation as Yugoslavia, is to be embellished by Blair's words with a bright halo of humanitarianism."

But, the NATO war violates every theory of a "just war," *People's Daily* wrote. "The 'virtuous' banner flaunted by NATO is merely a fig leaf to cover up its war crimes in Yugoslavia. British Prime Minister Blair said that NATO's military intervention is meant to avoid a humanitarian disaster of 'racial holocaust.'" But, despite efforts to end the conflict, "NATO was obstinate to carry its war through to the end; this unveils naturally the moral hypocrisy of U.S.-led NATO's humanitarianism," the commentary concluded.

Several guest commentaries published in the official English-language *China Daily* on June 4 and 5, have stung London, as the complaints in the *Daily Telegraph*, the most violently pro-war of all London's establishment dailies, show.

"To a certain extent, the Kosovo crisis has become a war of wills and egos, which could easily turn personal, irrational, and insane," stated one commentary. "Already British Prime

Minister Tony Blair has declared the crisis a war of ideals between the 'evil one,' Slobodan Milosevic, and the 'righteous one,' NATO." The next day, another commentary attacked the "leaders of some NATO countries—the United States and its hawk ally Britain in particular," for their reluctance to welcome Belgrade's acceptance of the European Union peace plan.

Britain singled out

These comments provoked the *Daily Telegraph* to whine on June 7, that since NATO bombed the Chinese Embassy in Belgrade on May 7, Britain is being "singled out" of all NATO countries outside America, "for Chinese anger" about the bombing. Blair's "tough line" on Kosovo has soured Sino-British relations, the *Telegraph* complained.

While for many NATO countries it is now "business as usual" in China, Britain is considered the most hard-line member of the alliance by Beijing. British diplomats are complaining of discrimination, and a leading British businessman was recently lectured by a high-level Chinese official that "something had to be done" by London to solve the crisis in Sino-British relations.

An analysis by one of China's leading policy institutes, published in *China Daily* on June 9, reflects the extent to which Beijing has taken note of Blair's war policies. "Though they began the air strikes with one voice against Yugoslavia, NATO member countries harbor contradictions on a series of issues," the commentary states. "Germany, France, and Italy indicate the crisis can be defused through political channels, while the United States, and its hawkish ally Britain, are intent on intensifying air strikes until Yugoslavia capitulates unconditionally.

"In terms of the feasibility of sending ground forces, NATO countries are not in agreement. Among NATO's major leaders, only . . . Blair has been bandying ground attacks. Even U.S. President Bill Clinton, an outright warmonger, welcomes ground attacks with caution, though he does not say anything in public that would keep him from ruling out the possibility of sending ground forces.

"Just as U.S. Defense Secretary William Cohen put it during a news briefing, the alliance has shown no signs of edging toward a consensus on ground attacks."

The commentary emphasized the deep divisions between the continental Europeans, especially Italy, Germany, and France, and the overall policy of the United States and Britain. France and Italy "pin high hopes on the United Nations for settlement of the Kosovo crisis." The "unexpected consequences" of the prolonged NATO attacks "have caused NATO countries to rethink the Kosovo crisis . . . in accordance with their own national interests. . . . Most European nations fear that they will be plunged into an abyss of war in Kosovo or that they could be dragged into a larger global conflict."

Not so the hawkish Tony Blair.

Al Gore and his Wall Street cronies are out to sink Russia

by Scott Thompson and Jeffrey Steinberg

EIR has, once again, caught Vice President Albert Gore in bed with some of the nastiest of the Wall Street speculators, plotting behind the back of President Bill Clinton, to wreck U.S. collaboration with Moscow, among other treacheries.

On March 4, *EIR* has confirmed, the Vice President held a meeting behind closed doors with a collection of Wall Street sharks at the Four Seasons Restaurant in New York City. While the precise details of the meeting are not known at this time, there are strong indications that one objective of the gathering was to destroy then-Russian Prime Minister Yevgeni Primakov.

It is known that Vice President Gore coordinated his personal "Get Primakov" efforts with Viktor Chernomyrdin, the former Russian Prime Minister whose personal corruption was covered up by Gore after the CIA came up with a detailed dossier, in 1995, proving that Chernomyrdin had stolen an estimated \$5 billion from the Russian treasury, during his first term as Prime Minister, beginning in 1992.

Not the first time

In August and September 1998, the Vice President held earlier meetings with the same Wall Street cabal, and promised them that he would do everything in his power to assure that Russia would honor its enormous, unpayable debt to its New York and London creditors. One of the participants in the Gore-fests was David Shaw, the head of the New York hedge fund D.E. Shaw, which had become overexposed on the Russian GKO (short-term treasury bond) market. Executives of D.E. Shaw gave \$40,000 to Gore's exploratory Presidential campaign committee during the summer 1998 Russia debt crisis.

At the end of August, working at cross-purposes with his nominal boss, President Clinton, Gore attempted to reinstall Russia's leading "kleptocrat," his close ally Chernomyrdin, as Prime Minister.

For a period of several weeks, as the Russian debt crisis was playing out in late August 1998, Gore did succeed in convincing Russian President Boris Yeltsin to reappoint Chernomyrdin as interim Prime Minister, after Sergei Kiri-

yenko had been dumped. However, when the State Duma (lower house of Parliament) blocked the Chernomyrdin confirmation on Sept. 10, 1998, President Yeltsin named Foreign Minister Yevgeni Primakov, as the new Prime Minister. Primakov promptly appointed an economic policy team that was committed to reviving Russia's collapsed physical economy, paying back wages, and renegotiating the country's foreign debt.

For his efforts, Primakov earned the undying hatred of Russia's "tycoons," the scant dozen corrupt financial oligarchs, all tied to Western speculators, who had financed Yeltsin's last Presidential campaign.

Gore and his Wall Street backers nearly lost their shirts in late September 1998, when the Long Term Capital Management hedge fund almost went under, as the result of the Russian debt crisis. Long Term Capital Management was bailed out to the tune of \$4 billion, and a systemic collapse of the world financial system was, for the moment, averted, through a hyperinflationary binge by Alan Greenspan's Federal Reserve.

Gore and his Wall Street backers have been gunning for Primakov ever since: Capitol Hill sources have told *EIR* that Vice President Gore's longtime national security adviser, Leon Fuerth, had been "bad-mouthing" Primakov at every opportunity, in early 1999.

The March 4 meeting

New York City real estate and publishing magnate Mortimer Zuckerman confirmed that he attended the March 4 Four Seasons Restaurant meeting with Gore. But, he refused to provide further details on the meeting, which he described as a "private affair."

Other people who are reported to have participated in the New York get-together with the Vice President included: Edgar Bronfman, the Seagram's whiskey owner who is head of the World Jewish Congress and a leading figure in the Anti-Defamation League (ADL) of B'nai B'rith; Jon Corzine, the outgoing chairman of Goldman Sachs; Steven Ratner, deputy chairman of Lazard Frères who ostensibly runs the Wall Street "rat pack" bankrolling an Al Gore

Presidency; Jonathan Tisch, chief executive of Loews, Inc.; Maurice “Hank” Greenberg, chairman of American International Group; and Lionel Pincus, the chief executive of Max Warburg & Co.

In addition, there are unconfirmed reports that Gore also held a separate meeting with mega-speculator George Soros on Long Island during March. Soros had participated in the August and September 1998 private sessions with Gore.

American Jewish Congress memorandum

EIR has confirmed that at least one discussion among at the Four Seasons cabal, was on the need to pressure Russian Prime Minister Primakov, during his March 22 official visit to Washington, about the alleged growth of anti-Semitism in Russia. While there may be some reality to the problem of Russian anti-Semitism, the charge has been often used as a pretext for political destabilizations, by a most unsavory combination of foreign elements, including the ADL, and Russian oligarchs.

A spokesman for the American Jewish Congress (AJC) eventually confirmed to *EIR* that a memorandum had been discussed with Vice President Gore at the March 4 gathering, and that Bronfman et al. had pressed for the Clinton administration to link further economic assistance, including U.S. support for new International Monetary Fund (IMF) loans to Moscow, to Russian action against the alleged anti-Semitic upsurge.

Prime Minister Primakov’s scheduled visit to Washington, where he was to hold his first face-to-face meeting with President Clinton as head of the Russian government, was intended to focus on urgent assistance for the Russian economy, including the renegotiation of IMF loans.

The meeting never happened. On March 23, while en route from Shannon, Ireland to Washington, Primakov was told by Vice President Gore that NATO would not delay the launching of the bombing campaign against Yugoslavia. Primakov promptly ordered his plane to return to Moscow, knowing that, had he been in Washington when the bombing began, he would have been ousted from office.

(This marked the second time in four months that a face-to-face meeting between President Clinton and Prime Minister Primakov had been blocked. In November 1998, as the result of British efforts to force President Clinton to start bombing Iraq, Clinton had cancelled his trip to Malaysia, for the Asia Pacific Economic Cooperation Forum (APEC) meeting, where he was to meet Primakov. Gore attended the APEC meeting in Clinton’s stead, where he staged a diplomatic provocation against the conference host, Prime Minister Dr. Mahathir bin Mohamad. Gore’s outburst was widely read as a vicious attack against China, which had backed Mahathir’s decision in September 1998 to impose capital and exchange controls to beat back the speculative attacks against its currency by Soros et al.)

The American Jewish Congress’s Commission on International Affairs had prepared a memorandum on Feb. 19, 1999, detailing how to hold Russian economic aid hostage to action against anti-Semitism. The memorandum, which has been posted on the AJC’s website, stated in part: “We are sympathetic to the plight of Russia and the Russian people and we recognize the urgent need to alleviate the present distress. But before assistance can be considered, we believe that it is imperative that there be changes on the ground so far-reaching and extensive that they can be taken as a dependable sign of Russia’s readiness to meet its demons, alter its practices, and thereby qualify as an eligible and deserving recipient of aid.”

The memo continued: “Normal life cannot be conducted in a society in which the calculated use of force is so pervasive; and a viable economy cannot be built in an environment in which transactions are frequently either coerced or negated by the use or threat of force. A society in which platoons of bodyguards are commonplace is not likely to qualify for either sympathy or assistance.

“The readiness of Russian society to reject or repudiate anti-Semitism is a measure of the readiness of that society to adopt substantial change. Firm action against anti-Semitism is a necessary and credible indication that Russia is willing to face up to and take on the whole host of problems it confronts in its national life.

“This readiness can best be demonstrated by explicit repudiation of all forms of anti-Semitism and anti-Semitic statements on policies that emanate from or are endorsed by government leaders, including action by the Duma disavowing and reversing its failure to censure Gen. Albert Makashov.”

Four days after the American Jewish Congress document was released, on Feb. 23, the ADL released its own report, “The Reemergence of Political Anti-Semitism in Russia: Growing Anti-Semitism in Russia.” The report led with the case of the same Communist Party Duma member, Gen. Albert Makashov.

A flurry of activity

Immediately following the Gore-Wall Street meeting at the Four Seasons, and the activation of the AJC and the ADL around the new Russian “anti-Semitism” scare, two of Primakov’s biggest enemies inside Russia—“tycoon” Boris Berezovsky and former Prime Minister Chernomyrdin—arrived, separately, in the United States for a week of private meetings.

Berezovsky travelled to New York City, Washington, and Los Angeles, according to a spokesman for the Eurasia Group, a consulting firm that organized his U.S. tour. On March 11, Berezovsky spoke at a conference of the Milken Institute in Santa Monica, California. The institute was founded by convicted swindler and ADL money-bags Mi-

chael Milken. Otherwise tight-lipped, the Eurasia Group spokesman confirmed that “this visit by Boris Berezovsky to the U.S. was another one of his chess moves against Primakov.”

Chernomyrdin was in the United States during March 11-18. At some point during his several days in Washington, Chernomyrdin met privately with Gore, according to the Vice President’s national security spokesman, Tom Rosshirt. “They mainly discussed the status of the Russian economy,” he told *EIR*.

Chernomyrdin also met with IMF Managing Director Michel Camdessus and World Bank President James Wolfensohn.

Meanwhile, back in Moscow . . .

Prime Minister Primakov had been scheduled to visit Washington, beginning on March 22. Prior to the trip, President Clinton had announced that he was upgrading the Primakov meetings to a state visit, and that he — not Vice President Gore — would be holding the most crucial of the bilateral talks with the Russian leader.

For unknown reasons, the Primakov departure from Moscow was delayed by 24 hours. Instead of departing for Washington on March 22, Prime Minister Primakov held a meeting with a delegation from the ADL, headed by National Chairman Howard P. Berkowitz and National Director Abe Foxman. An ADL press release issued following the meeting stated ominously, “We welcome Prime Minister Primakov’s strong and clear condemnation of anti-Semitism. Until today, his was a voice that was missing in condemning anti-Semitism in Russia.”

The press release noted that “the ADL delegation also raised the issues of Russian technology transfer to Iran and Russian-Israeli relations.”

A day earlier, the Hollinger Corp.-owned *Jerusalem Post* published a story about another Primakov meeting scheduled, at the last minute, for March 22 — with Israeli Prime Minister Benjamin Netanyahu and Foreign Minister Ariel Sharon.

According to Uri Dan, the author of the *Jerusalem Post* story and the longtime publicist for Sharon, the meeting took up tightening cooperation against terrorism between Russia and Israel, following the bombing of a crowded market in Chechnya. Dan wrote, “A top Israeli anti-terrorism expert said the scene in the Russian market place reminded him of the suicide bombing in Jerusalem in the summer of 1997 that killed 17 people and wounded 150.” According to the expert, Dan claimed, Russia is now desperate to cooperate with Israel in anti-terrorism operations, intelligence exchange, and so on. “Moscow is also aware that just four weeks ago, Muslim fundamentalists tried to assassinate their ally, President Islam Karimov of Uzbekistan.” The unnamed expert also noted that the Russian Federal Security Service “is ready for full cooperation, as Israel has had for many years with the United States

and European countries.”

Nevertheless, Dan emphasized that “the Israelis see some ambivalence and duplicity in the Kremlin because of ongoing assistance from at least 10 Russian companies to Iran’s ballistic missile and nuclear weapons program.” According to Dan, Netanyahu and Sharon planned to use the March 22 meeting with Primakov to offer Israeli economic aid, and assistance to Russian ventures abroad, in return for Russia cutting off the sales to Iran.

Dan then noted: “Vice President Al Gore coordinates the U.S. effort to break the Moscow-Tehran aid, and last week discussed the issue with Israeli Minister of Industry and Commerce Natan Sharansky in Washington.”

Yeltsin fires Primakov

After leaving Washington, Berezovsky remained abroad, spending time in France and, according to some sources, in Israel, where he maintains dual citizenship. Russian Federal Prosecutor Yuri Skuratov, whom Yeltsin had unsuccessfully attempted to fire, issued an arrest warrant against Berezovsky in early April, which was widely believed to represent a move by Prime Minister Primakov to curb the power of the Russian oligarchs. Interior Minister Sergei Stepashin, whom President Yeltsin later named as First Deputy Prime Minister, announced on April 10 that he had refused to serve the arrest warrant on Berezovsky, choosing, instead, to allow Berezovsky to return to Russia from Israel and testify voluntarily.

On April 14, President Yeltsin appointed Chernomyrdin as his personal envoy to the Balkans.

Then, on May 12, one day before the Duma impeachment proceedings against President Yeltsin were to begin, Yeltsin abruptly fired Primakov, and named Stepashin as Prime Minister.

While the details of this latest byzantine political play by Yeltsin and company are not known, certain details have been confirmed. According to Itar-Tass, during the 12 hours before Yeltsin announced he was sacking Primakov, he held two meetings with Chernomyrdin, whom he had already appointed as his personal Balkans emissary. The first meeting took place on the evening of May 11 at Yeltsin’s country residence, Gorky-9. Chernomyrdin met for a second time with Chernomyrdin the next morning, shortly before the announcement that Primakov was out.

Subsequently, several Russian media reported that, days before the coup, Chernomyrdin had gone to visit Primakov — accompanied by Berezovsky. The essence of the meeting, according to the Russian news accounts, was that Berezovsky told Primakov that he was “finished.”

Was Primakov’s ouster hatched during the Berezovsky and Chernomyrdin visits to Washington immediately following Gore’s private lunch at the Four Seasons? A definitive answer to that question is not possible, but the pattern of events certainly warrants further investigation.

PKK leader: British run Kurdish terrorism

by Joseph Brewda

Abdullah Ocalan, the founder of the Kurdish Workers Party (PKK) who is on trial for treason in Turkey, testified on June 1-3 that the terrorist insurgency which he has been leading since 1984, and which has killed more than 30,000 people, has been run by Britain, with the help of several other European states. Ocalan was arrested by Turkish authorities in Nairobi, Kenya in February, after his flight from his safe-haven in Italy in January.

“Britain has a deep Kurdish policy,” Ocalan said on June 2, in explaining why the British have been his sponsor. “This has been going on for 150 years. This country protects some, and spends some. I believe that they have strong manipulative tendencies, and are pursuing a deliberate Kurdish policy in this way. Britain wants the Kurds to remain a problem for Turkey.”

Ocalan further admitted to receiving political, military, and logistical support, as well as safe-haven, from Germany, the Netherlands, France, Yugoslavia, Greece, Cyprus, Syria, and Lebanon.

Ocalan attempted to justify his actions by claiming that Turkey is planning to seize the Kurdish regions of northern Iraq, which nation is breaking apart as a result of the 1991 Gulf War, the continuing embargo, and Anglo-American patronage of the Iraqi Kurds. But he also said that Britain is also behind this breakup plan, which he said he opposed. “Britain has given the ‘green light’ to the Iraq issue since 1993,” he said. “In the past, Britain possessed Mosul and Kirkuk [in northern Iraq] after a similar game. Now, the developments in northern Iraq and the interest shown in the Kurdish problem, are indications of a design to play the same game.”

Ocalan’s admissions corroborate *EIR*’s numerous reports (for example, see “Levy Sanctions on Britain for Harboring Terrorists!” April 4, 1997) showing that London is the real controller of terrorist gangs which the United States and Britain falsely blame on various “rogue states.” His statements also corroborate *EIR* charges that Britain has deployed the PKK to weaken or break apart Turkey, Iraq, and Iran, and to spread new wars in the region.

Humanitarians shut up

Commenting on these dramatic revelations, Turkish Prime Minister Bulent Ecevit said on June 2 that they “clearly disclosed what kind of international conspiracy Turkey has been faced with for years.” He added, “It is also a source of

embarrassment for some certain countries, which are trying to teach us lessons pertaining to human rights, democracy, and becoming civilized.”

For its part, the British government chose to impose a blackout. “The British Embassy in Ankara announced that it was wrong to comment on a trial still in progress, and that they had no intention of intervening in Turkey’s domestic issues,” the Turkish daily *Akram* dryly noted on June 3, adding that “the British media did not cover the Ocalan trial very much yesterday, and Ocalan’s statements against Britain were censured.” Instead, *Akram* said, “the British media are highly critical of Ocalan’s cowardice.”

The British-loving U.S. press hasn’t covered Ocalan’s revelations either. But they have beaten the drum against Turkish suppression of human rights, with the *Washington Post* editorially demanding on June 7 that Turkey use the occasion of the trial to cut a deal with the PKK, if it wishes to show the West that it cherishes “humane democratic values.”

The European controllers

In describing the inner workings of his organization, Ocalan lashed out at the British and German governments, which, he charged, have been planning to dump him as the PKK’s leader, and replace him with his factional rival, Kani Yilmaz, the western European leader of the PKK. “After I left Syria [in October 1998], Germany’s policy toward me developed toward not wanting me,” he charged. “Indeed, Germany moved in the direction of finding another man to replace me.” He emphasized that “Kani Yilmaz was arrested in London for no reason in 1994. He was extradited to Germany after being held under arrest for four years.” But then, he added, “Germany released him, and granted him political asylum. This sequence of events is a sign that Germany and Britain are contemplating replacing me with Yilmaz.”

Under cross-examination, Ocalan confessed that his main contact in British intelligence has been Lord Avebury, chief of the House of Lords Human Rights Committee, who steers the PKK and other insurgencies in the Middle East and Asia. But, Ocalan denied prosecution charges that he paid Avebury £40,000 for his numerous diatribes against Turkey. “The Lord is very rich,” Ocalan corrected the prosecution on June 3. “He should have given it to us.”

Ocalan also reported that his primary go-between with the German government has been former Christian Democratic Union Sen. Heinrich Lummer, who struck a deal with him in 1995 to give the PKK safe-haven there.

Additionally, Ocalan reported that the PKK has had friendly ties with Danielle Mitterrand, the widow of French President François Mitterrand, who works closely with Lord Avebury on the Kurdish insurgency project, and who has been lobbying hard to gain support for the PKK in the U.S. Congress. “It is true she has relations” with us, Ocalan said, noting her longtime association with the PKK’s French leader, Kendal Nezan.

End the embargo against Iraq

Roberto Formigoni is president of the Lombardy region in Italy, one of the most important industrial regions in Europe. In April, Formigoni had an official meeting with Chinese President Jiang Zemin, when Jiang visited the region. On April 21, Formigoni sent greetings to the EIR conference in Bonn, and endorsed Lyndon LaRouche's proposed reconstruction plan for the Balkans and his proposal for a New Bretton Woods global financial system.

On May 19, Formigoni returned from an official visit to Iraq, which was aimed at ending the embargo against that nation. He granted the following interview to Liliana Celani upon his return.

EIR: When you recently returned from Iraq, you officially demanded an end to the policy of economic sanctions. What effect has this policy had on Iraq in the last eight years?

Formigoni: A devastating one. Eight years after the beginning of the embargo, despite the fact that Iraq had complied with all UN requests, economic sanctions are just a cruelty against the population. Recent reports from the World Health Organization demonstrate that it has caused malnutrition and disease. An entire new generation has been affected by it. The average height of children apparently shrunk by 3 centimeters as a result of it. You have the phenomenon of increasing starvation and begging, and a large proportion of the population sees no hope for the future. A figure which is significant: child mortality increased from 3.7% before the Gulf War to 12% today. In hospitals, essential medicines are lacking, equipment is obsolete. This is the situation, despite the fact that Baghdad rebuilt many of the structures that had been destroyed by the war: bridges, roads, buildings.

EIR: According to a report on your trip published by the Italian Catholic daily *Avvenire*, the report of UN chief inspector Richard Butler, which was used as a pretext for the recent attacks, is a fake, and this has been confirmed even by other UN inspectors.

Formigoni: In Baghdad, I had the opportunity to meet some international representatives, including from the UN, who confirmed for me that the recent attack was not justified. I hope that Richard Butler will be replaced very soon. Every

person with good sense inside the UN knows that UN inspectors had already checked every corner of the country, and demanding new controls was looking for a *casus belli*.

EIR: Pope John Paul II has been invited to Iraq. What are the concrete perspectives for his visit, and how do Iraqis see his recent interventions against the war in Kosovo?

Formigoni: There is great anticipation regarding the Pope's visit, including among the people. They all know that the Pope wishes to come to Iraq, and they await him with joy. Iraq is one of the few Islamic countries which allows total religious freedom. There is a Christian community, whose churches publicly display crosses. I would add a little provocation: I could visit Catholic and Protestant kindergartens and elementary schools, which are financed there by the state, in contrast to Italy!

In the Chaldean Church, they are preparing for the Pope. [Catholic Archbishop] Monsignor Dadah was here in Milan, and I also met [Chaldean] Patriarch Bidawid in Baghdad. The Pope has completed the preparations for his visit to Iraq, whose timing depends pretty much on the international situation.

EIR: Recently, the Pope spoke of "very precise, unnamable interests behind this war" in the Balkans. What do you think he was referring to?

Formigoni: It is difficult to interpret the words of the Pope, but there is no doubt that there are specific international interests behind the war in the Balkans, countries which always thought of having privileged relations with Serbia, financial and economic interests, which first supported [Serbian President Slobodan] Milosevic, and are now leading the bombing attacks.

EIR: Lyndon LaRouche recently proposed a reconstruction plan not only for the Balkans but for all of southeastern Europe, as President Clinton had already envisaged in his speech in San Francisco. It was proposed as a Ron Brown Memorial Plan, in memory of the Secretary of Commerce who died in Bosnia in 1996. What do you think about such a new Marshall Plan proposal?

Formigoni: I fully endorse this plan. I hope it will be realized very soon, because the world economy needs to be revived very urgently. There are ethical reasons for this, but also reasons of economic convenience for all of us.

EIR: Before you go, I have a last question on the bombing of the Chinese Embassy in Belgrade, since you recently met with President Jiang Zemin in Milan. Are you among those who say that the attack was not a mistake?

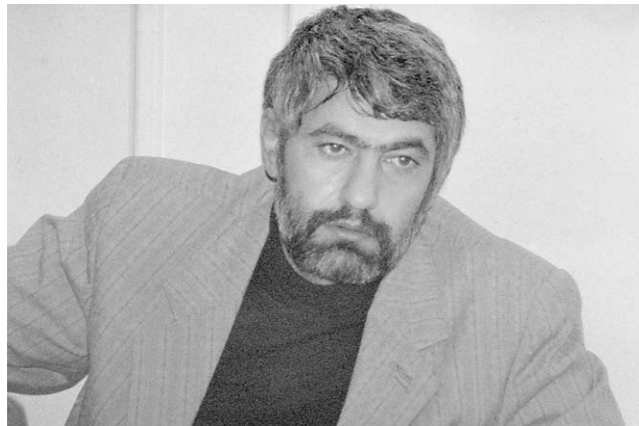
Formigoni: Let's put it diplomatically this way: I hope that it was only a mistake, because had it been otherwise, it would be very bad.

Elections in Armenia signal a political shift

Virtually ignored by the international media, the population of Armenia went to the polls on May 30 to elect a new national Parliament from among the 21 parties on the ballot. The most significant feature of the election results, is that the slate "Iravunk ev Miabautiun" (Justice and Unity), an electoral alliance led by Artashes Geghamian, Hrant Khachatrian, and Haik Baboookhanian, emerged as the second most powerful force. In the process, it swept past other firmly established and very well financed parties. Among them are the Communist Party, and especially the "Dashnaksutiun" (Armenian Revolutionary Federation), which was founded during Armenia's short-lived independence, after World War I. During the Soviet hegemony, the party organized among the diaspora Armenians, and returned to the country only after the collapse of Communism.

"Iravunk" is not new to our readers (see EIR, Jan. 9, 1998, p. 79; March 22, 1996, p. 46; Aug. 4, 1995, p. 57; June 25, 1993, p. 40): The leading party within the electoral alliance is the Union of Constitutional Rights (UCR), which, founded in the second half of the 1980s, became the driving force behind Armenia's independence. In the beginning of the 1990s, very close collaboration developed between the UCR and the Schiller Institute. Hrant Khachatrian and Haik Baboookhanian, along with other representatives of the UCR, participated in numerous international conferences of the Schiller Institute, representing the true interests of Armenia, against the so-called "reform policies" of the International Monetary Fund (IMF). In Armenia, Hrant Khachatrian enjoys enormous respect and prestige, as a person with "clean hands," a man of moral stature.

In spite of enormous difficulties, the organization has succeeded over the past ten years not only in guaranteeing the regular appearance their newspaper Iravunk, but in transforming it into the biggest weekly in the country. It was through this publication, that Armenians, struck by earthquakes, war, and economic devastation, have been able to gradually rebuild confidence in themselves and in the future. And this is the only explanation for Iravunk's stunning electoral victory. Although the election was marred by corruption and intrigue, whereby chunks of votes were stolen, nonetheless, the electoral alliance of "Iravunk ev Miabanutiun" could not be kept out of Parliament. Their results clearly signal that the era of communism, and the era of liberalism, is coming to an end.



Hrant Khachatrian, president of the Union of Constitutional Rights, who, along with Haik Baboookhanian, won election to the Armenian Parliament on May 30.

Karl Michael Vitt interviewed Hrant Khachatrian, president of the Union of Constitutional Rights, who was elected to the Parliament along with Haik Baboookhanian, on May 31, the day after the elections.

EIR: Could you tell us what occurred in the recent elections in Armenia?

Khachatrian: In these elections we have seen the continuation of the process that began in 1998 when President Levon Ter-Petrosian and the head of the Parliament and other people resigned, and we had Presidential elections, which were won by Robert Kocharyan. One of the slogans expressing these political changes, was that Armenia is a victim of the criminal programs that were implemented in Armenia through these people. But, unfortunately, during the recent period, over more than a year, these slogans of change, which aimed at preventing the economic thugs and criminals from consolidating power — only a very small part of the new President's promises were kept.

Among the influences on the elections just held, were dirty money and criminal structures, which were deployed; and it is obvious now, that the results of the central election are criminal results [in the sense that votes were bought]. The representatives of these criminal structures will have a majority in the new Parliament. But, even under these circumstances, the Union of Constitutional Rights has stayed alive and succeeded in winning more than 10% in the new Parliament. We have now the preliminary results, according to which the forces that are now in power got about 40%, and we have (according to these preliminary results) 7%. We know we should have about 15%, and the computers say that we have 5%, so, we are now fighting over this, and still waiting for the final results to be declared.

EIR: Will there be a change in economic policy?

Khachatrian: I would say that one of the slogans of all of

the parties is that foreign financial institutions such as the International Monetary Fund, the World Bank, and other structures that represent the world financial oligarchy, implemented a program of liberalism in Armenia, and destroyed the Armenian economy, political institutions, and also had their impact upon the cultural, educational, and moral institutions that we had before the democratization process. But, unfortunately, many of the party leaders who used these slogans to come to power, and who speak out in the political arena calling for change, most of them are using these slogans only on paper, they are only words.

We had very successful results in these elections. I think that in the future, we will have the chance to organize the Members of Parliament for these ideas, not only with words, but with our votes in the Parliament.

EIR: In the past, you supported the call for the New Bretton Woods conference to reform the world financial system, and for the construction of the Eurasian Land-Bridge, as a motor for the world economy. What do you think now about these programs, and what do you plan to do in this direction?

Khachatryan: I think that in the last month, we have seen a new expansion of oligarchical programs; I mean the war in the Balkans, I mean the new developments in Russia—new operations against the Russians—have reduced the possibilities of calling a New Bretton Woods conference. But, on the other hand, more and more people understand that the choice is between the world population and a small group of people that has only its own financial interests, and that wants to control the world from a single center. This is what creates new opportunities to organize people, to ensure that we have to organize with the idea of gaining our civil liberties, with the idea of fighting the structures of crime. Then I think we can solve our problems with the living standard.

EIR: The American economist Lyndon LaRouche has always said that we have to reestablish the full sovereignty of the nation-state in the world against the supranational institutions, such as the IMF. Do you agree with this thinking?

Khachatryan: We think highly of Mr. LaRouche's ideas for the self-determination of nation-states, for calling for the New Bretton Woods and stopping the growth of the financial bubble. We succeeded in the elections, because people in Armenia know that there are not only people from the West who have ruined our economic structures, but that there are also people in the West who are working against these negative processes, against the people who have no concern for the world population. And, our voters know that cooperation of forces, this collaboration between people in different countries, is the greatest hope for changing policies toward a successful and peaceful future.

EIR: Mr. LaRouche has announced his Presidential campaign in the United States for the year 2000. What do you

think about the significance of this for the United States?

Khachatryan: About two-thirds of the Armenian population lives outside of Armenia. A large number of Armenians live in the United States. People read about Mr. LaRouche not only in Armenia, but also in other countries. We also publish the writings of Mr. LaRouche in our newspapers here. I think that our success in these elections will have a positive influence on Lyndon LaRouche's efforts.

EIR: The Caucasus region has always been a region of destabilization by the British-American-Commonwealth group, especially in the last 10 years. Do you think now, with your position in Parliament, that you can stop the geopolitics of destabilization?

Khachatryan: One means of destabilization used by the oligarchical forces, is a policy of dividing nations. I think we have reached a new stage of development in our region. We have in our program that we will push our Parliamentary activity, for Armenia to become a center for collaboration among Russia, Georgia, Armenia, Iran, and Arab countries, that we will create a real economic partnership, and become a factor against NATO and Western pressure against our region. The aim to have Armenia as a real independent country, a united Armenia with Nagorno-Karabakh, will be important in the natural crossroads of economic integration between north and south, and between west and east.

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New Nigerian President challenged by economic crisis, IMF blackmail

by Uwe Friesecke

On May 29, in Abuja, Nigeria's capital, Olusegun Obasanjo was sworn in as the new President of the Federal Republic of Nigeria. This ended an 11-month transition to civilian government which was initiated by Gen. Abdulsalam Abubakar in June last year. Abubakar took over the Nigerian Presidency after Gen. Sani Abacha, the President since 1994, died unexpectedly. General Obasanjo emerged as the winner of Nigeria's Presidential elections on the ticket of the People's Democratic Party (PDP) in February 1999.

A week before the Presidential elections, the voters were called to the polls to elect their House of Representatives and Senate. Both chambers met five days after the Presidential inauguration to choose their President and Speaker. The 109-member Senate elected Chief Evan Enwerem, 63, an experienced politician from the East, as President, and the 360-member House of Representatives selected Alhaji Ibrahim Buhari, 36, a successful businessman from the North, as Speaker.

With this inauguration of the new President and the seating of the National Assembly in Abuja, the Nigerian political class is attempting a fresh approach at tackling Nigeria's difficult political and economic problems. Their optimistic calculation is that, if, under the new civilian government, Nigeria ends its status as a pariah and is again accepted by the international community, then help and support will be forthcoming. A critical review of developments surrounding Obasanjo's inauguration as head of state clearly shows, that this will turn out to be a thorough miscalculation. Because the British government, speaking for the international community, has made it very clear that Nigeria will have to pay the price of strict adherence to economic dictates of the International Monetary Fund (IMF). The sooner some of the political leaders in Nigeria realize this, the better it will be for the country and its people.

In his inauguration speech, President Obasanjo emphasized as his main concern the need to fight corruption and to implement principles of good governance. And, consequently, President Obasanjo, after two days in office, started implementing measures accordingly. He suspended all government contracts, licenses, and appointments (except judiciary appointments) made by the Abubakar administration since January of this year, and set up a re-

view panel for this. He fired 99 high-ranking Customs officials, and has made it known that the conduct of the entire civil service will be reviewed. In the military, a wide-ranging process of early retirements is under way, affecting in the first round more than 40 officers of the rank of two-star general, and ultimately up to 400 officers in all three services.

While dubious practices in Nigeria's administrative institutions need to be corrected, political observers emphasize that this is not the only reason for these measures. President Obasanjo and his team of advisers would also like to score some points with the international community and media, which had praised him so much before. But, nobody should be fooled. Nigeria's critics in London and on Wall Street don't really care about corruption or good governance, except for purposes of political blackmail.

The more critical points in the inauguration speech were promises to do something about the collapsed economy and infrastructure of the country. He defined the priority issues which his administration must deal with, including: the crisis in the oil-producing areas; food supply, food security, and agriculture; education; exchange-rate management; supply and distribution of petroleum products; the debt issue; infrastructure; job creation; and housing and health services. In a speech to the first joint session of the House of Representatives and the Senate, Obasanjo specified even more clearly his administration's commitment to rehabilitate and modernize transportation infrastructure, and to revive the Nigerian educational system, as preconditions for improving Nigeria's economy.

It will soon become obvious, that the new President and his government will find themselves in a bind. Because the Nigerian people, after undergoing more than 15 years of dramatic decline of living standards, expect that the new government will fulfill its promises in the short term. If not, social unrest is preprogrammed, no matter how "democratic" the new government is. But, this means that the new government will have to spend money for those programs. Yet, the international community, represented by financial institutions including the IMF, the World Bank, and the Paris Club of creditors, is demanding that money first be spent on debt repayment rather than improvement of Nigeria's economic infrastruc-



Nigerian President-elect Olusegun Obasanjo, at a meeting with U.S. Secretary of State Madeleine Albright on March 31, 1999. The sooner some of the political leaders in Nigeria realize that the IMF and London do not intend to help it overcome its economic crisis, the better it will be for the country and its people.

ture. And, their praise for “democracy in Nigeria” will soon evaporate if the new government were to resist their demands, which, according to well-informed sources, the Western financial institutions did not miss their chance to deliver during the inauguration festivities in Abuja. So, the big question, right from the beginning of what is now called Nigeria’s Fourth Republic, is: How far is President Obasanjo’s government willing to go to challenge the IMF, the World Bank, and the Paris Club?

The weakness of the Nigerian economy

Speaking before Parliament, President Obasanjo sounded the alarm over the fact that the national budget is dramatically sliding into deficit and running out of foreign reserves. He warned that if current trends continue, at the end of the year the Nigerian budget deficit would grow to \$246 million. And, he reported that foreign reserves fell from \$7.1 billion in January to \$3.75 billion at the end of May. Nigeria’s almost complete dependency on revenue from oil sales turns out to be devastating. Because the world market price fell below \$10 per barrel, because the Organization of Petroleum Exporting Countries members agreed on reduced production quotas, and because of violence in the oil-producing areas of the Niger Delta, the monthly revenue from oil sales for Nigeria fell from more than \$1 billion in January 1997 to only \$310 million in December 1997. Therefore, for this year, the government already projects a drop in foreign exchange earnings to \$6.37

billion, as compared to \$12 billion last year. With the IMF demanding approximately \$3 billion a year in debt payments, it creates an impossible budgetary situation for the new government, because, after subtracting the operational costs of running federal, state, and local governments, it leaves nothing for any new investments.

When the Manufacturers Association of Nigeria (MAN) published its semi-annual review of the economy in mid-May, it became clear again what the fundamental deficit of the Nigerian economy is: the lack of an industrial base. Although the country is rich in natural and human resources, successive governments since independence almost 40 years ago have failed to develop a self-sustaining industrial economy for the country. To this day, Nigeria is dominated by agriculture, most of it at subsistence level, and the export of oil. The industrial production of physical goods constitutes only a tiny proportion of economic activity. Therefore, Nigerian industry cannot produce the amounts of cement, fertilizer, bitumen, or other goods so urgently needed for economic development. The country does not even operate enough refineries to supply the domestic market with gasoline and other petroleum products. Nigeria still has to import every bit of steel that is needed for construction.

And, as the MAN semi-annual review shows, for the little industrial production that exists, things went from bad to worse in 1998. Capacity utilization fell to 31.3% by the end of 1998. While industrial employment was 45,948 at the end

of 1997, it fell to 32,471 at the end of 1998, losing some 13,500 jobs in one year, or almost 30% of the workforce. The value of industrial output correspondingly plunged to 27.48 billion naira (Nigeria's currency), which is 31.4% lower than the 40.05 billion naira in 1997. Even more alarming, is the fact that total investment expenditure crashed by 1.8 billion naira, or 66%, and that no investment went into any new projects. In other words, Nigeria is rapidly losing its productive industrial sector.

The unavoidable fight with the IMF

When IMF Managing Director Michel Camdessus visited Abuja in March, the Nigerian government finally capitulated to his demands. It devalued the naira by 4.2%, from 86 to 90 to the dollar, and ended the fixed exchange-rate regime. The naira, which 20 years ago was worth more than a dollar on the parallel market, immediately lost more than 10% of its value and fell to between 100 and 104 to the dollar. By the end of May, this sent prices for foodstuffs and consumer goods soaring by up to 15% already in most of the markets in Nigeria's big cities such as Lagos or Kaduna. Imports of capital equipment or spare parts for industry and agriculture, such as irrigation pumps, equally rose in price and are becoming out of reach.

With the decision to devalue the naira, the Nigerian capital market also has become vulnerable to attacks by international speculators. The second IMF demand calls for unrestricted privatization of state companies to balance the budget. While complaints about the inefficiency of certain state enterprises, such as the refineries or the telephone system, are justified, selling these enterprises off to international bidders will only lead to asset-stripping in favor of international investors, not the Nigerian economy.

The third IMF policy demand is for a further increase in government austerity measures, such as lowering wage benefits and laying off large numbers of government employees. This can only accelerate a social catastrophe, because most civil servants are already unable support their families on an average government salary, and outside of government employment, no new jobs are available. The IMF prescriptions for Nigeria, if implemented, would further destroy Nigerian industry and agriculture and spread poverty like wildfire. If the Obasanjo government agrees to such IMF conditions, as are now demanded, it will commit political suicide.

Signs of resistance

But, there are signs of a fight against the IMF within Obasanjo's government. Sources report that Her Majesty's government of British Prime Minister Tony Blair may have overplayed its hand with the demand for posting of permanent IMF monitors at the Central Bank and Federal Finance Ministry, which British Chancellor of the Exchequer Gordon Brown

expressed in a letter to Nigerian Finance Minister Ismaila Usman, at the beginning of May, as a precondition for British support for new IMF loans. General Obasanjo reacted with unusually harsh language. At a meeting with the director of the Jubilee 2000 Coalition, Obasanjo declared that he had invited the IMF and the World Bank to come and examine the Central Bank, but that he would not be dictated to by such institutions. He noted that at least half of Nigeria's debt "is dubious." "The people who gave those loans, knew that the money wasn't being spent wisely. Perhaps they even took their own cut. Yet the ordinary people of Nigeria have to pay back that loan," he said. In an apparent response to the British Chancellor, Obasanjo continued: "Once you owe money, you lose an element of sovereignty. But I want to make it clear, that they cannot tell me what to do in Nigeria. I have stuck my neck out. You want openness, I'll open up. You want transparency, I'll give you transparency. After that, what else is the West asking me to do? Cut my neck? Bleed Nigeria to death?"

Nigerian patriots, who fought against the structural adjustment policy of the IMF for the last 15 years, were relieved by Obasanjo's statement, because finally, after months of appeasement from official circles in Abuja toward the IMF and Western creditors, there was a sign of a fight. There are prominent Nigerian economists and political leaders who are trying to push the new President to resist IMF blackmail. They point to China and Malaysia as two countries in Asia which survived the storms of the financial crisis, because they defended themselves with calculated dirigistic measures such as exchange and capital controls. They argue that the West has only limited means of blackmailing Nigeria; after all, Nigeria has the largest population of Africa, and is still the largest oil producer on the continent. What could the West really do, if the Obasanjo government were to move toward a dirigistic policy of a controlled market economy based on rapid development of infrastructure and protectionist measures favoring the internal market for Nigerian industry and agriculture? What could the West do, if the new Nigerian government decided to allocate significant money from oil revenue to build railroads, highways, waterways, energy plants, schools, universities, hospitals, and refineries, to rehabilitate roads, and, finally, finish the Ajeokuta steel project?

The anti-IMF faction argues that President Obasanjo can only fulfill his promises to the Nigerian people if he resists the IMF pressure, even though a strong faction of the old Vision 2010 project is lobbying for a sellout to the IMF. This will decide the fate of Obasanjo's Presidency more than anything else. If he and the new political leadership in the House of Representatives and the Senate are serious about creating a new Nigeria, they will initiate a public debate on the IMF as the life and death question for Nigeria's future.

German diplomacy pays off

Germany's cease-fire diplomacy has been facing off against British war-mongering.

With the resolution passed by the Group of Eight (G-7 plus Russia) foreign ministers in Cologne on June 8, the diplomatic framework has been established for an end to Balkan hostilities, a withdrawal of Serbian forces from Kosovo, and the stationing of an international peacekeeping force—mandated by the United Nations—in Kosovo, which would allow the safe return of almost 1 million refugees. All of this was within reach as of this writing.

Much of the diplomacy that contributed to the opportunities for peace after more than 10 weeks of NATO's air war on the Serbs, centered around the role of the German government. In retrospect, the destruction of the Chinese Embassy in Belgrade by NATO bombs on May 7, was a watershed: The Germans then decided to intensify their efforts to end the war as soon as possible, and to ensure that it would not escalate even further.

While not officially breaking with NATO over the attack on China's Embassy, or over the air war, the Germans intensified diplomatic contacts with Russia and China to achieve a cease-fire. During his May 12, one-day visit to China, Chancellor Gerhard Schröder publicly apologized for the embassy bombing, and called for a thorough investigation of the incident and for a review of NATO decision-making structures. Schröder also emphasized in Beijing, that he hoped that U.S.-Chinese relations would not suffer from the embassy bombing. Numerous articles have since appeared in the Chinese press, addressing the fact that NATO is split over the Kosovo

issue, that there are hawks and non-hawks.

On the eve of the G-8 foreign ministers resolution, the director of political affairs at the German Foreign Ministry, Gunter Pleuger, stayed in Beijing for two days of talks. His discussion partners had pointed out to him that Germany's active role in getting China involved in the cease-fire process, was praised highly by the Chinese. There are also reports by diplomatic sources that among the 19 NATO member-nations, Germany receives the best rating among the Chinese, while Britain and its war-mongering government receives the worst. If China, one of the UN Security Council's five permanent members, supports the G-8 formula, it is also due to the intense diplomatic communication between Germany and China over the last few weeks.

There is also a Western component in this cease-fire diplomacy: The White House has chosen to work through Bonn, and its good relations with Moscow and Beijing, to restore a strategic dialogue among the United States, Russia, and China. This has proceeded, to the embarrassment of the war-mongers in Britain. The British daily the *Guardian* on June 5 revealed that in a direct way. It reported that Clinton, from the outset of the air war, had never been in favor of a ground invasion of Kosovo, and that most recently, he had even become "more, and not less, hostile to a land operation in Kosovo."

"For the first half of the Kosovo conflict, Mr. Clinton's primary European ally and confidant was [Prime Minister] Tony Blair," the *Guardian*

wrote. "But after the NATO summit in late April, the German Chancellor, Gerhard Schröder, became increasingly influential. In the final weeks of the conflict, U.S. policy has been more closely calibrated toward German caution than British belligerence. German diplomatic sources in the U.S. have sometimes had a more realistic take on U.S. intentions than their British counterparts."

White House support enabled the German government to split from the pro-war course of Blair, and to openly promote diplomatic efforts for a cease-fire in the Balkans, while the British kept calling for a ground war. Without that crucial backing from the White House, Schröder certainly would not have said what he said in an exclusive interview with the German weekly *Der Spiegel* on June 7. As if he had anticipated that Britain's Gen. Sir Michael Jackson would break off the military talks between NATO and the Serbs on a foul pretext, on June 7, which delayed the moves toward a cease-fire by several days, Schröder stressed that the peace talks had to be conducted with maximum speed, so that no time gaps emerged: "In such gaps, things may always happen that endanger the entire process," he warned.

Schröder urged a review of NATO decision-making structures after the end of the air war. "It cannot be contested, that there have been incidents that are reason enough for a review—just take the destruction of the Chinese Embassy," he said.

Such steps would inevitably put the Germans into a fierce fight with the British and their officers in the NATO command structure, who have played a determining role in NATO disasters over recent weeks. Some people in London will not like that review. But others, in Beijing and at the White House, certainly will.

More massacres in the Kivus

The Kivu provinces of eastern Congo are occupied by Rwandan troops, with deadly results for the civilian population.

In an article on May 17 excoriating the government of Rwanda for its attacks on the Roman Catholic Church inside the country, the Vatican daily *L'Osservatore Romano* pointed out that Rwanda in reality has suffered a "double genocide." This second genocide, which was documented by *EIR* at the time, occurred in 1996-97. It was a "genocide of Hutus," says the Vatican's newspaper, "continued in the forests of Zaire, where Hutu fugitives were massacred for months, without protection from the international community."

By the end of the month, however, the Italian missionary news agency Misma was reporting that "another Kosovo" is taking place in the forests of the Kivu provinces of eastern Congo, bordering Rwanda. These provinces were placed under effective Rwandan rule during the 1996-97 war against former Congo President Mobutu Sese Seku. Now, they are under direct Rwandan authority, following the May 1998 invasion of Congo, again from Rwanda.

The invasion followed precisely British intelligence plans to seize eastern Congo, the richest area of Congo—on behalf of British Commonwealth extraction companies—and to have the area be administered out of Kampala, Uganda.

While the Rwandan government of Defense Minister Paul Kagame announced on June 7 its withdrawal from the Congo, Rwanda has made clear that its condition is the elimination of any Hutu insurgencies against it, which Rwanda claims have been trained and backed by the Congo government of Laurent Kabila. Kigali's demand has been backed by the "inter-

national community." European Union envoy for the Great Lakes region Aldo Ajello said that "one of the most sensitive issues" that must be addressed in order to establish peace in the Congo is the disarmament of the "Interhamwe" of Rwandan Hutus and ex-FAR (former Rwandan army) now in Congo. The point has been accepted, but there are serious differences over who should do it, and when—before or after the withdrawal of foreign troops.

The Rwandan government appears to be taking matters into its own hands—as usual. On May 5, according to reports from the region, Kagame declared that he had given instructions to his army to clean the regions of Rutshuru and Masisi of Mayi-Mayi insurgents, the ex-FAR, and any armed forces of Congo who refused to join the so-called Congolese rebellion, run from Kampala and Kigali.

In the same statement, he also ordered the population in the areas of Masisi and Rutshuru to gather in the trading center of Mushaki and Matanda, where they will be forced to undergo identity screening. The statement added that Kagame had given instructions to the Rwandan army to shoot and kill anyone found outside those trading centers. As the Afro-America Network noted in a report: "The forced concentrations are similar to the infamous concentration and death camps created by the Rwandan Patriotic Front in northwestern Rwanda, in the provinces of Gisenyi and Ruhengeri."

The purposes of the sweep operation are believed to be part of the policy of isolating any Hutu insurgents from the "sea of support" within the population—a standard practice of the

Tutsi militaries of Burundi and Rwanda. In this practice, outlawed by international law, the population is effectively put into barbed-wire concentration camps, while a scorched-earth policy is carried out against their farms and villages. In Mushaki and areas around it, the Rwandan army has reportedly already started to destroy villages and burn homes of the Congolese citizens there, forcing them to flee into the concentration camps.

As reported by the Afro-America Network: "It is also reported that many people, mainly the vulnerable (women, children, and elderly people), have been beaten and seriously injured. Bodies of massacred people are buried in mass graves. Those awaiting the identification process are gathered in Bukumbili Secondary School close to Kibabi. Many more are deported to Rwanda and labeled 'repatriated Rwandan refugees.'"

The sweeps are also the first step to the wholesale looting of the properties of the local people. This process has been going on in the Kivus ever since the Rwandan army secured the region in 1997. Further, from the moment that the Rwandan army took the provinces in early 1997, the Kivus have been under Rwandan domination and the border has been managed by Kigali. The Rwandan army since 1996 has long been in a position to "secure" its border.

But the trouble comes not only from the Rwandan Hutus operating in Congo. The local Mayi-Mayi and Banyamulenge (Congolese Tutsis, originally from Rwanda) were originally on the Rwandan side, the treatment meted out to them locally has forced many to turn on the Rwandan "liberators." Military resistance mustered by local groups against the Rwandan army, however, is countered by Kagame's army with escalated attacks on civilians.

International Intelligence

Missionaries arming African mercenaries

Investigators from Zimbabwe and the Democratic Republic of Congo found 11,000 rounds of ammunition at a house used in the Congo by three American Pentecostal missionaries, according to a May 27 report by the Zimbabwean daily *The Herald*. "Three Americans . . . [arrested] on allegations of sabotage are suspected to have been involved in supplying arms of war to [the Angolan rebel group] UNITA and D.R.C. rebels following the discovery of about 11,000 rounds of ammunition in an arms cache beneath a house they used in Lubumbashi in the D.R.C." The three men, John Lamonte Dixon, Gary Blanchard, and Joseph Wendell Pettijohn, were arrested by Zimbabwe officials earlier this year and face charges of plotting acts of terrorism or sabotage. They belong to a Pentecostal missionary group called Harvest Field Ministries, now based in Indianapolis.

The Herald wrote further, "The three saboteurs took cover of the Church" to buy presumed humanitarian aid. But, "no one in the D.R.C. could say where the large quantities of blankets and powdered milk went. They did not see these items being given to the poor. This suggests that the blankets and the milk were sent to the rebels," said the investigator's report.

The trial of the Americans is to begin on July 12.

China, Russia opening to North and South Korea

North Korea's second-ranking political leader, Kim Yong Nam, president of the Presidium of the Supreme People's Assembly, arrived in Beijing on June 3, for the first high-level meeting between the two nations in eight years. The talks are intended to demonstrate that the alliance between North Korea and China remains strong. They come as the Clinton administration has made its own offers of cooperation with North Korea.

North Korea was expected to ask China

for renewed commitments of food, energy, and other aid that has helped it survive the disastrous famine and concomitant constriction of its industries. China, in turn, was expected to press Pyongyang to moderate its behavior in areas that have threatened China's strategic interests, appealing to North Korea not to repeat its tests of a new long-range missile. China was also expected to urge North Korea not to develop nuclear weapons. There is no evidence that China has transferred advanced technology in either area.

China endorses cooperation between the two Koreas and the "four-party" international talks on a long-term peace settlement. A week earlier, former U.S. Secretary of Defense William J. Perry visited North Korea as President Clinton's personal envoy, offering economic and diplomatic benefits if the country would agree to abandon its missile and nuclear weapons program.

In the meantime, the two Koreas have also discussed resumption of talks on the reunification of families and economic aid.

On May 28, South Korean President Kim Dae-jung, after meeting in Moscow with President Boris Yeltsin proposed widening the four-party talks—North Korea, South Korea, China, and the United States—to participation by Russia and Japan. Kim was touring Eurasia to promote his "sunshine" policy for peaceful and "comprehensive" negotiations with North Korea.

Mahathir, Zhu Rongji mark 25 years of amity

Malaysia's Prime Minister Datuk Seria Mahathir bin Mohamad and China's Prime Minister Zhu Rongji marked their countries' 25 years of diplomatic relations on June 1 with an exchange of greetings. In a message forwarded by the Malaysian Foreign Ministry on May 31, Dr. Mahathir said, "During these years, we have nurtured a close relationship, built upon mutual understanding, co-operation and friendship. [This is] reflected in the frequent high-level exchanges between our two countries, the substantial growth of two-way trade and investment, the

increased interactions between our two peoples, the expansion of co-operation into new areas such as tourism and education, as well as the excellent co-operation existing between the two countries at the regional and international levels. . . ."

In his message to Dr. Mahathir, which was released by the Chinese Embassy in Kuala Lumpur, Zhu said, "Over these years, abiding by the spirit enshrined in the Joint Communiqué on Establishment of Diplomatic Relations and the Five Principles of Peaceful Co-existence, both countries have treated each other sincerely and lived together in amity."

An included element of the visit of Malaysian Foreign Minister Datuk Seri Syed Hamid Albar to Beijing, was the release, in Mandarin, of "The Selected Speeches of Dr. Mahathir Mohamad, Prime Minister of Malaysia." Some of the speeches address the challenges facing developing countries on the threshold of the new millennium.

Manila Senate passes 'visiting forces' accord

The Philippines Senate voted up the Visiting Forces Agreement with the United States on May 27. The 18 Senators who voted for the VFA expressed the victory in the anti-China idiom of the U.S. China-bashers, and stressed that the vote opens the way for strengthening Filipino military capabilities, through joint training exercises of up to 2,000 troops and transfer of matériel under the 1951 Mutual Defense Treaty with the United States. President Joseph Estrada has said that the VFA is "very necessary" to provide a "balance of power" in the region.

Sen. Sergio Osmena, one of the four who voted against the VFA, sharply rebuked the government for instilling "fear in the Filipino people that the nation now faces the immediate threat of an invasion by Chinese hordes from the mainland."

Former Defense Secretary Sen. Juan Ponce Enrile raised the specter of a conflict over the Spratly Islands, which are disputed by six countries, including the Philippines and China. He rumbled, "We have to provide

RUSSIA abolished the death penalty on June 3, and commuted all sentences to life or to 25 years in prison. Justice Minister Pavel Krasheninnikov told Federal News Service in Washington, D.C. that President Boris Yeltsin had signed the decree in order to bring Russia into line with the rules of the Council of Europe, which Russia has joined.

TURKISH POLICE shot and killed two members of the Turkish Workers and Peasants Liberation Army (TIKKO), as they were preparing to attack the U.S. consulate in Istanbul on June 3. According to Italian and Turkish press, TIKKO, which is allied to the Kurdish Workers Party, has established itself in Italy over the last few years, with close relations with remnants of the Red Brigades and other terrorist gangs.

A GREEK GROUP, with uncanny timing, landed on the tiny, uninhabited islet of Agathonisi, in the Aegean, and raised the Greek flag, according to Turkey's Anatolia News Agency on June 4. Athens says the rock belongs to Greece, while Ankara says its ownership is unclear. In 1996, a confrontation was narrowly averted after some Greeks raised flags over the uninhabited Aegean outcrop of Kardak (known as Imia in Greece).

SAUDICROWN PRINCE Abdullah told the London-based Saudi newspaper *Asharq al Awsat* on May 31: "Iran has the right to develop its military capabilities to ensure its security without harming or damaging the rights of others. . . . All the countries of the world follow the same path. Why should a question be raised over Iran?" The statement is without precedent in 20 years.

RICHARD TOMLINSON told the May 27 *Sydney Morning Herald* that the Australian Secret Intelligence Service actively provided Britain's MI6 with information on potential spy recruits. "It is done by a liaison officer in London," said Tomlinson, a former MI6 agent, whom Britain has been trying to silence.

our country and people with some degree of protection from such an audacious, unmistakable, and blatant act of aggression and threat" by China, which has built "extensive military fortifications." Enrile continued, "It may even be possible that someday, in the not too distant future, she will install guided missile sites over there to ensure her military power and entrench her position and control over the natural resources and sea lanes of the South China Sea." He concluded, "Our defense alliance with the United States is probably the only viable option and umbrella and certainly the only one we can count on today in the event of need."

Secretary of Norway's defense chief murdered

The private secretary of Norway's Defense Minister was assassinated on May 22, although the Oslo government is claiming that it was a burglary gone bad. Anne Orderud Paust and her parents were found murdered in their villa outside Oslo. The three were shot in the head from close range and the murder seems to have been carried out by professionals. There are no traces of robbery, and no suspects were arrested.

The Norwegian police and media tried to deny the possibility that the murder was political, saying that Paust did not have a significant government post. In fact, her husband, Peter Paust, was a career diplomat for 25 years, until his death of cancer on May 5, and two previous attempts had been made against the couple: In July 1998, a kilogram of dynamite was found beneath her car, in the Defense Ministry parking lot; in August, two cans of benzene and gasoline were placed in front of their apartment in Oslo. Police closed their investigations without any conclusion after a few months, although they had suggested the possibility that the attacks "were carried out by extremist groups."

The couple moved for security to New York, where Peter Paust was appointed in the Norwegian Consul, before returning home as his health deteriorated. After his death, despite the earlier threats, no security arrangements were made for Anne Paust.

She had been the private secretary for four of Norway's defense ministers and one ambassador to NATO.

Sikh separatists renew demand for 'Khalistan'

The separatist International Sikh Youth Federation (ISYF), which promotes turning India's Punjab into an independent "Khalistan," held its 15th anniversary gathering, to mark the day in 1984 when Indian Army troops stormed the Golden Temple in Amritsar, to dislodge terrorists who had seized the Sikh holy site. The British-based ISYF was then used to prepare the climate for the Oct. 31, 1984 murder of Prime Minister Indira Gandhi. The gathering was reported by the Pakistan daily *The Dawn* on June 6.

Sardar Gurjet Singh of London told the gathering that Sikhs throughout the world must now come together for a joint struggle to establish Khalistan, and also to help Kashmir separatists secure their so-called right of self-determination. He revealed his role in Britain's geostrategic gameplan, boasting, "Sooner or later, India's disintegration is inevitable." Non-Sikhs speaking to the crowd included Jamaat Islami leader Fareed Ahmed Pirachai and Muslim League leader Mehnaz Rafi.

Egypt places new curbs on NGOs

The Egyptian government and parliament recently passed a law placing restrictions on non-governmental organizations (NGOs). The law, ratified on May 27, bans NGOs from "political, union, or military activity that can threaten national unity," and also bans NGOs from receiving foreign funds without first getting government approval. The Egyptian law has been criticized by human rights mafias, and by Madeleine Albright's U.S. State Department.

When State Department spokesman James Rubin expressed displeasure over the law, Cairo's Social Affairs Minister Mervat al-Tellawi responded that "nobody will be closed down by this new law."

The U.S. political battle over Balkan reconstruction

by Nancy Spannaus

With the agreement to end hostilities in the Balkans for the moment, the debate has shifted to the question of postwar reconstruction. There is a proliferation of meetings in process in both Europe and the United States devoted to this topic, and all parties, even if they ignore the vital strategic aspect of this fight, are fully aware that the potential for returning the Kosovar refugees to a secure and livable existence in their homes before winter will require the utmost haste. Leading political forces in the United States are already staking out their positions.

A look at the recent statements by President Clinton, the State Department, and Senate Majority leader Trent Lott (R-Miss.) might lead you to think that the U.S. approach to this matter has been decided. All have consistently argued that Europe will have to pay the lion's share for reconstruction, because the United States paid for the bombing. And they have declared, more or less unequivocally, that they will not aid Serbia—outside of possible humanitarian aid—unless Slobodan Milosevic is removed from power.

But it would be a mistake to believe that U.S. policy on Balkan reconstruction has actually been decided. This is the major political question that is going to be fought out over the coming weeks. As the LaRouche movement and LaRouche's Presidential campaign have been emphasizing since late May, a Marshall Plan-style program for the Balkans must become the catalyst for shifting the world's political agenda away from the momentum toward World War III, which the Balkan war represented, and toward collaboration among the United States, China, Russia, and leading European nations in building a new world monetary system, based on crash programs of infrastructure development. The LaRouche movement is waging a major political campaign on this question, with the

aim of providing an overwhelming mandate for precisely this kind of reconstruction program—one that will save the world economy, as well as the Kosovars.

LaRouche's campaign for a new Marshall Plan

On May 25, LaRouche's Committee for a New Bretton Woods released the first of more than 1 million broadsheets on a Balkan reconstruction program within the United States. Under the title "Reconstruct the Balkans—and the World," the campaign document outlines the priorities for a crash program, and how a mobilization to meet those priorities can be paid for, and reverse the global slide into a New Dark Age which is already in process in much of the world.

LaRouche's program has been further elaborated in a series of press conferences held by the campaign around the country. LaRouche's campaign spokeswoman, Debra Hanania Freeman, appeared at the National Press Club on June 2, where she stressed the fact that adequate reconstruction is likely to cost in the range of \$1 trillion over the next decades, but that seed capital of about \$1 billion could easily generate what is needed, if the proper self-generating credit mechanism—like that of the German postwar Credit Institution for Reconstruction—were adopted.

Other press conferences on Balkan reconstruction have been held by the campaign in Detroit, Los Angeles, Houston, San Francisco, and New York City. Many more are expected in the next two weeks.

At the same time, LaRouche campaign supporters and others who have endorsed the Balkan reconstruction plan, have begun to bombard the offices of their Congressmen and Senators, in order to demand that the necessary policy be implemented. As of this writing, at least 109 Congressional



LaRouche Presidential campaign spokeswoman Debra Hanania Freeman calls for a Balkan reconstruction program, at the National Press Club on June 3.

offices have been visited or talked to, and have received the campaign broadsheet and supporting materials.

The response of these Congressional offices have been mixed, to say the least. So far, the necessary mandate for LaRouche's ambitious plan to be implemented has not yet been felt in Congress, or by the President.

How Capitol Hill stacks up

The President first defined the need for broad reconstruction plans in southeastern Europe in mid-April, and he has been echoed by some within Congress, such as Massachusetts Rep. William Delahunt (D) and California Rep. Henry Waxman (D), who have publicly pointed to the need for creating the conditions for lasting peace, through something like a Marshall Plan approach. President Clinton himself has frequently referred to the fact that the opportunity opened by the fall of the Berlin Wall was not seized in such a way as to create prosperity through all of the former East bloc.

There is a grouping centered in the Congressional Black Caucus, and the political networks which were associated with late Commerce Secretary Ron Brown, which is also looking toward an ambitious reconstruction plan for the Balkans. This group recognizes the need for rebuilding on a broad scale in the entire region, and the fact that the necessary mea-

asures cannot be taken through the world Bank or the International Monetary Fund. They are tending to look toward reviving the Export-Import Bank, a semi-independent institution with the capability of issuing loan guarantees for exports, as the mechanism for carrying out the necessary program. Brown himself had also chosen this instrument for his later-aborted program for Bosnian reconstruction.

It is likely that some members of the Black Caucus will travel to the Balkan region within the next week or two, to pursue and promote their approach.

Within the Clinton administration itself, there are groupings in the Commerce and Transportation Departments which look sympathetically on the same approach, and are studying it.

But, the dominant Republican power structure has a different idea. On June 7, the Republicans in the Senate introduced and passed by a large margin, a (non-binding) resolution which would bar any U.S. funds to rebuild Serbia, as long as Milosevic is in power, and a resolution which would prevent any part of the \$15 billion Congress approved for the bombing of Yugoslavia, from being diverted to reconstruction. These resolutions were virtual echoes of remarks made by British government officials in the previous week.

A direct confrontation is needed

It is in the context of these Senate resolutions that President Clinton's June 10 statement to the American people has to be read. Rather than elaborate on the need for broad reconstruction, and how it is in the interest of the American population, the President barely touched the issue and himself echoed the Senate's line: "As long as he [Milosevic] remains in power, as long as your nation is ruled by an indicted war criminal, we will provide no support for the reconstruction of Serbia." He also indicated that Europe would bear most of the burden of reconstruction.

What President Clinton is doing here is, unfortunately, typical of his style. He is seeking the "practical road" of non-confrontation, hoping to carry out an end-run around the opposition to the need for a massive reconstruction plan, which he still supports. One would have hoped that he would have learned better by now.

The African-American Congressmen who are pursuing the Ron Brown approach to reconstruction suffer from a similar problem. While acting on a laudable impulse, they are hoping, like Brown did himself, to avoid taking on the pro-British, pro-International Monetary Fund (IMF) forces in the Congress, and to choose a path which could be taken without having to pass controversial legislation.

The major problem with this approach, is that it won't work. Without a direct political battle which succeeds in defeating these pro-British, pro-IMF forces, those forces will find a way to sabotage the necessary programs, one way or another.

The only practical approach to achieving peace through

development is the fight for LaRouche's full program, and the necessary funding mechanisms, which ultimately would not cost the United States anything, but would generate wealth. It is the LaRouche campaign's mobilization that will be decisive in the short weeks ahead.

Opposition grows to Cox Committee hoax

by Jeffrey Steinberg

The Cato Institute, a Washington, D.C. flagship of the most rabid "free market" wing of the conservative revolution in America, was the unlikely host to a group of national security scholars, who violently trashed the Cox Committee report on alleged Chinese espionage at American weapons labs as a vicious hoax, and called for a shift in U.S. policy toward a deeper political, economic, and military collaboration with Beijing.

On June 7, Cato sponsored a forum with the provocative title, "People's Republic of China: Red Tiger or Pink Pussycat?" The featured speakers were notorious China-basher Ross H. Munro of the Foreign Policy Research Institute, the author of a book-length diatribe, *The Coming Conflict With China* (1997); Joseph Cirincione of the Carnegie Endowment for International Peace; and Alfred Wilhelm, the vice president of the Atlantic Council. Dr. Wilhelm served for several years as the U.S. Army attaché in Beijing.

Cox Report trashed

The Cox Report has been so thoroughly attacked—by former U.S. national weapons lab directors, by Rep. John Spratt (D-S.C.), a dissenting member of the Cox Committee, and others—that even the Cato Institute's defense policy studies director, Ivan Eland, who chaired the conference, admitted that the report bordered on McCarthyite "Red Scare" propaganda.

But it was Cirincione who launched into a no-holds-barred assault on the report, as unworthy of having been published by the U.S. Congress. "This has never been done before," Cirincione said, pointing to the report's glossy cover and its large-character, screaming headlines. "The report was full of dramatic statements—all untrue." Cirincione presented a systematic review of China's strategic nuclear weapons program, demonstrating that China poses no threat whatsoever to the United States or any U.S. ally.

He contrasted the Cox Report to the official Central Intelligence Agency damage assessment, conducted by a task force chaired by Adm. David Jeremiah (ret.), and including

Johnny Foster, the former director of Los Alamos National Laboratory, and former Bush administration National Security Adviser Brent Scowcroft. That assessment concluded that there was no compelling proof of Chinese espionage. Cirincione also cited testimony to the Senate Intelligence Committee by Gen. Patrick Hughes, the head of the Defense Intelligence Agency (DIA), in which Hughes stated that he had "high confidence" in the "unanimous" DIA assessment that China has no intention of increasing spending on its strategic nuclear weapons force.

Indeed, one of the high points of Cirincione's presentation was his observation that China's number-one strategic priority "for the next 20-30 years," is to achieve peace and security in the Asia-Pacific region, so that it can pursue the development of its internal economy, its infrastructure, and the eleva-

Chinese press covers LaRouche on Cox Report

China's official news agency, Xinhua, covered the LaRouche Presidential campaign's June 2 Washington news conference, in a June 3 wire, as follows (unofficial translation): "American economist and *EIR* founder Lyndon H. LaRouche, Jr., refuted the Cox Report with a statement on June 2.

"LaRouche said in his statement that the Cox Report is a fraud. The accusation of nuclear espionage against China is made up, and not based on facts. The content of the report proves that its authors are ignorant in scientific matters.

"LaRouche's spokesman, Debra Freeman, said to the National Press Club that the accusations are ridiculous, and are not accepted by intelligent people.

"Nuclear secrets can be found on the Internet, but the Cox Committee spent a lot of money to investigate this. The Cox Committee is trying to damage Sino-U.S. relations. Freeman said the latest developments damage Sino-U.S. relations. She hopes Clinton succeeds in repairing them. She appealed to the U.S. administration to respond to the demands that Clinton punish those responsible for bombing the Chinese Embassy in Belgrade."

China's leading radio station, the Central People's Broadcasting Company, twice cited LaRouche on its most popular program, *Xin Wen Lian Bo*. On the evening news on June 3, and again on the morning news on June 4, the station reported LaRouche's analysis of the Cox Committee Report.

tion of the standard of living of its population. For that period of time, at least, he emphasized, military expansion will be a secondary priority, at best.

Dr. Wilhelm went even further in his remarks, charging that the Cox report, and other efforts—such as those of Ross Munro—to foster a new military containment of China, represented the *only* serious threat to regional stability. “We can *create* a hostile relationship with China,” he warned, noting, in contrast, that China has been engaged in an impressive reform and modernization process for more than 150 years. “Modernization is essential for China. . . . China emulates the United States more than any other nation,” he said.

Dr. Wilhelm was also dismissive of every one of the Cox report’s apocalyptic lies about China’s threat to the world. “The Cox report was nonsense,” he stated bluntly. “It did a poor service to us, it was a poor evaluation.” Wilhelm joined Dr. Harold Agnew, the former head of the Los Alamos National Laboratory, Johnny Foster, Dr. Edward Teller, and other qualified figures, in lambasting the Cox report’s claim that “legacy codes” and other computer data, allegedly stolen by Chinese spies, provided the basis for the design and building of copy-cat nuclear weapons. “Nuclear weapons designs are the first phase of a very complex problem,” that include development of sophisticated specialty metals, control over thermonuclear materials, and so on, he stated.

Munro’s dissenting voice

In the face of this assault on the Cox report, Ross Munro told the audience that he was trashing his prepared remarks, in order to respond to the “conventional wisdom” and “lack of wariness” about China’s strategic intentions. Offering not a thread of evidence, Munro asserted, over and over again, that China’s “grand strategy” is to dominate all of Asia. “The new geopolitical reality, since the breakup of the Soviet bloc,” he blustered, “is that the P.R.C. is now the dominant, unchallenged power in the East Asia land mass.”

Munro’s solution? The United States must build a series of military alliances with the Pacific rim countries surrounding China, including South Korea, Japan, Taiwan, Singapore, and the Philippines, to prevent China from realizing its goal of regional hegemony. Munro went so far as to invoke the name of self-confessed British agent Henry Kissinger, whom he quoted, saying that there are only three kinds of world orders: hegemony by one global imperial power, balance of power, or chaos. “We can defeat China’s goal of dominating Asia by balance of power,” he railed. “If China achieves air and sea domination, the balance of power in Asia crumbles.”

“Kissinger only looks backward,” Dr. Wilhelm shot back, in reply to Munro’s paeon to Kissingerian balance of power. “Kissinger’s ideas have *nothing* to do with the future.” Wilhelm repeated that the kinds of geopolitical games peddled by Munro and Kissinger can create a self-fulfilling

confrontation with China, one that is otherwise thoroughly avoidable.

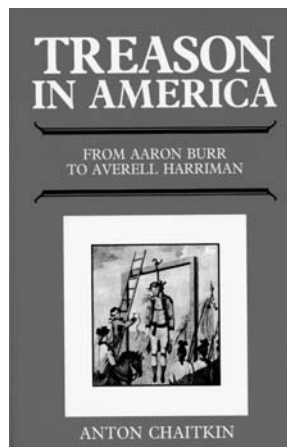
In response to a question from *EIR*, Wilhelm elaborated his idea for a series of confidence-building initiatives by the U.S. military toward China, to overcome the “justifiable paranoia” now rampant among Chinese military and political leaders as the result of the Cox report, the NATO bombing of China’s Embassy in Belgrade, and the persistent rantings of American neo-conservatives demanding an Asia-Pacific regional ballistic missile defense pact, targeted against China.

Wilhelm cited the numerous U.S. bilateral security agreements with the Soviet Union during the height of the Cold War, that provided an essential point of stability, as the Soviet Union began to break up. “Why don’t we have any such security pacts with China? I believe it is due to our own myopia,” he said.

Wilhelm called upon the Clinton administration to immediately create a series of bilateral security and scientific cooperative pacts with Beijing. “It costs us no money to build a positive relationship,” he observed, noting that the United States and China could both benefit tremendously from a joint commission to explore urgently needed breakthroughs in medical research.

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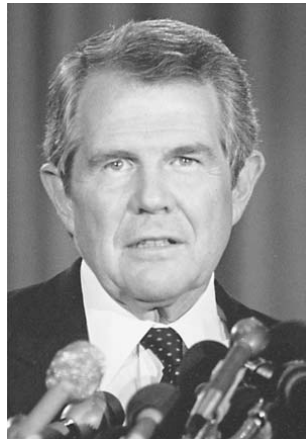
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Scotland tells Pat Robertson: 'No deal'

by Mark Calney

At an emergency meeting held at an undisclosed location in Boston late in the evening on June 4 with televangelist Pat Robertson, senior officials of the Bank of Scotland, led by its CEO Peter Burt, informed Robertson that their plan to establish a U.S. telephone-based bank was doomed. The bank issued a statement after the meeting saying, "Dr. Pat Robertson and Peter Burt . . . agreed that the changed external circumstances made the proposed joint venture between Robertson Financial Services and Bank of Scotland unfeasible."



Pat Robertson

Those changed circumstances began when the Edinburgh-based newspaper *The Scotsman* ran an article on May 31, revealing Robertson's televised attacks against Scotland as a "dark land." On May 18, Robertson's 700 Club televangelist broadcast aired a special on Scotland in which Robertson vented his spleen about the recent protests in Scotland against him and his business deal with the Bank of Scotland. He lamented that Scotland was no longer the land of heroes, such as Braveheart, saying, "In Europe, the big word is tolerance. You tolerate everything. Homosexuals are riding high in the media. . . . And in Scotland you can't believe how strong the homosexuals are." Europe is the hardest place in the world to evangelize, Robertson stated, "with the possible exception of a few Muslim countries." In particular, Robertson attacked the "cynical media" in Scotland for the opposition.

God and Mammon don't mix

EIR forecast in its April 23, 1999 issue that the more the Scottish people began to learn about Robertson's evil activity, the sooner the Bank of Scotland deal would be stopped. *EIR* articles documenting the history of cultist Robertson were circulated among Scotland's religious, labor, and political leaders. Scots were outraged by this modern-day Elmer Gantry's attacks on their nation. The response by institutional

leaders was sharp and swift, but it was the newly elected members to the Scottish Parliament who forced the deal to fold.

Members of the Scottish Parliament representing all the elected parties, made it clear that if the Bank of Scotland didn't cancel its deal with Robertson, the new Scottish Parliament, after it convenes in July, would reconsider its existing arrangement to retain the Bank of Scotland as the bank to the Scottish Parliament. Ironically, it was the former Scottish Parliament that created the Bank of Scotland in 1695. With this news, by June 2, the Bank of Scotland's shares in London nose-dived, wiping out £403 million from its market value. Two days later the deal was a dead duck.

The Bush connection

Many in Scotland lamented that the "good name of the Bank of Scotland" could have allowed itself to be tarnished by its association with the irreverent Reverend Robertson. However, the curious issue which has not been in the spotlight, is the role of the Bank in this seedy arrangement.

EIR researchers first began to examine the role of former Bank of Scotland director James Gammell (chairman 1977-85), and his intimate, long-term friendship with former President Sir George Bush. In 1953, with an investment of \$50,000 from his Edinburgh investment house of Ivory & Sime, Gammell became a key participant and director, along with George Bush, of the Texas company Zapata Petroleum.

Though James Gammell, Sr. died several weeks ago, the family relations continue. Texas Governor and Presidential candidate George W. Bush has been a partner with Gammell's two sons (William and James, Jr.) in the Scottish-based oil and gas company, Cairn Energy.

EIR has reported Robertson's own admissions of his relationship to Sir George Bush, which included a meeting with Bush in the White House where private mining ventures in Africa were discussed.

The Gammell legacy continues today at the Bank of Scotland. CEO Peter Burt, who cancelled the Robertson deal, was a protégé of Gammell. Two of the bank's current directors, Ian B. Inglis and Roger Young, have been associates of Ivory & Sime. These connections came to light in Great Britain, when the *Independent on Sunday* newspaper of London published a feature on June 6 entitled "The Banker, the Preacher and Mr. Bush."

Troubles for the Bank of Scotland continue. In addition to a payoff of about £3 million to Robertson, the bank has lost almost 500 customers since publicizing its Robertson partnership. On June 7, despite the bank having terminated the Robertson deal, the Manufacturing Science and Finance Union announced that it was cancelling its agreement to market Bank of Scotland credit cards to its 420,000 members. Other trade unions, local governments, and charities are also expected to cancel their accounts with the bank.

National News

Pope intervenes again against death penalty

Writing on behalf of Pope John Paul II, the Apostolic Nuncio to the United States has appealed for clemency for Scotty Moore, an Oklahoma man scheduled to be executed on June 3. The Nuncio, Archbishop Gabriel Montalvo, wrote to the members of the Oklahoma Pardon and Parole Board in Oklahoma City: "His Holiness counts on your right to spare a life by commuting Mr. Moore's sentence with a gesture of mercy that would hopefully contribute to the promotion of nonviolence in today's society. As you know, the Holy Father's appeals to end the death penalty have become more and more frequent and pressing, especially as the new Millennium draws near."

In January, Pope John Paul II appealed for an end to the death penalty in *Ecclesia in America* (The Church in America), an Apostolic Exhortation which he released in Mexico City following the synod of American bishops.

West Point graduates first Cambodian cadet

On May 29, the eldest son of Prime Minister Samdech Hun Sen of Cambodia became the first Cambodian to graduate from the U.S. Military Academy at West Point. Hun Manet will attend New York University in the fall to study economics, and, as required, has four years active duty to serve in the Cambodian military.

It is a miracle that Hun Manet is even alive. He is the second child born to Hun Sen and Bun Rany; the first-born, also a son, died during the Khmer Rouge period. Hun Manet was born in 1977, while his mother was being held in a Khmer Rouge prison, at a time when internal purges of the Khmer Rouge were focussing on the Eastern District Command, where Hun Sen was deployed. In order to escape the purge, and to avoid carrying out orders for his unit to massacre a Vietnamese village across the border, Hun Sen and fellow soldiers escaped into Vietnam.

They were held prisoner by the Vietnamese for some weeks, and, in 1979, returned to Cambodia, backed by the Vietnamese military, to overthrow the Khmer Rouge. Hun Sen saw Hun Manet for the first time in 1979.

In an interview with *EIR* ("Cambodian Prime Minister Seeks Reconciliation through Reconstruction," Feb. 12, 1999), Samdech Hun Sen agreed that Hun Manet would be a good candidate to become Cambodia's first astronaut, but said that he must first master the science of nation-building.

The only person annoyed that Hun Sen attended his son's graduation was U.S. Rep. Ben Gilman (R-N.Y.). The China-basher chairman of the House International Relations Committee growled something to the press about human rights violations, but agreed that, "As a father, I guess he's certainly entitled to be here."

Venezuela's Hugo Chávez snubbed by Clinton

Venezuela's Foreign Ministry reported on May 28 that President Bill Clinton sent a letter to Venezuela's President Hugo Chávez on June 1, informing the Jacobin head of state that he regretted that he could not find time in his schedule for a meeting with him, when he comes to the United States in early June. The letter suggests that their aides "explore the possibilities" that, maybe, they could meet in September during the UN General Assembly. Chávez was in New York on June 8-10, for meetings with the powers of Wall Street.

Chávez has been trying to get an official meeting with President Clinton since he was elected on Dec. 6, 1998. When he visited Washington in January, Chávez was received by National Security Adviser Sandy Berger, and Clinton "dropped in" to be introduced. Chávez later reported that Clinton had invited him back to Washington, but a National Security Council official clarified that it had been Vice President Al Gore who had invited Chávez to attend Gore's anti-corruption conference in January (see *EIR*, Feb. 5, "Gore Pushes Bureaucracies for a Fascist World Order").

There are presently two publicly contentious issues between the United States and

the Chávez regime: first, the issue of "democracy," and State Department concerns over Chávez's moves to style himself as a "democratic" dictator; and second, Chávez's announcement in mid-May, that his government will not grant U.S. military airplanes involved in anti-drug surveillance, overflight rights over Venezuelan airspace. The United States is basing regional anti-drug operations now out of the Netherlands Antilles and Ecuador, following the closure of the Howard U.S. Air Force base in Panama this spring. Planes flying out of the Netherlands Antilles need to pass through Venezuelan airspace, to cover Colombian drug routes.

School privatization and other looting schemes

The Florida National Association for the Advancement of Colored People (NAACP) has announced that it will file a lawsuit to block a Florida plan—already passed in the legislature—for a school voucher system, which uses public school budget funds for children to attend private schools. The plan, which is expected to be signed by Gov. Jeb Bush, will make Florida the first to have a statewide voucher program. The NAACP's argument, according to Florida conference President Leon Russell, is that the vouchers would siphon off money badly needed for public school education. This is, in fact, the point of school vouchers, and their evil twin "charter schools," which claim to make schools better by introducing competition—which ultimately ends in consolidation of the private schools, and shutting down neighborhood schools, especially in poor districts.

One of Jeb Bush's collaborators in the African-American political scene, T. Willard Fair, president of the Miami Urban League, has gotten money from the neo-conservative Institute for Justice to intervene in court on the side of the state to push through the voucher plan. In 1996, Fair and Bush founded the Liberty City Charter School in one of the poorest black neighborhoods in Miami. Fair is a fervent supporter of school privatization, with the argument that it forces public schools to perform better.

Despite the hot air in Florida that the quality of education in charter schools is better, because class sizes are smaller, the major selling point is purely monetary: In 1996-97, the school boards in the Florida charter experiment allocated only \$8,600 per student for school buildings, whereas the public education buildings allocated \$13,000 per student.

Another budget flim-flam is being pursued in California, playing off education against county budgets. New figures released by the state government show that most of the state's \$4.3 billion "budget surplus" has come largely from looting \$3.6 billion from counties. In 1997, voters approved a ballot initiative which would allocate a greater share of local property taxes to public education. Previously, this money was paid into county governments for local budget expenses. The state government took advantage of the new law to commensurately reduce its funding for public education. Thus, in 1999, the \$3.6 billion in funding for public education was shifted from the state budget to the counties.

Not surprisingly, the counties hardest hit have been the large urban areas, including Los Angeles, San Francisco, and Alameda. In Alameda County, this year, the fire department is \$1 million short of funds as a result of this looting. Many other county agencies and programs are facing cuts or budget crises.

Michigan to test welfare recipients for drugs

Michigan plans to be the first state, beginning Oct. 1, that will require drug tests for all adult public assistance recipients under 65 years old. Which method of testing will be used, whether samples will be of urine, sweat, or hair follicles, has not yet been decided, but the cost is \$40 per test.

The lame excuse proffered by Conservative Revolutionary Gov. John Engler, is that the state wants to make more welfare recipients employable, and therefore wants to identify those people who have a drug problem. Under Engler, Michigan pioneered throwing families off public assistance in 1992, dropping cases 60% from

225,359 to 89,866 families.

The plan will rob anyone receiving public assistance of their constitutional rights, and the law may face a court challenge by the American Civil Liberties Union, on the ground that it violates the Fourth Amendment protection against unreasonable search and seizure. Opponents also argue that the mandatory testing is demeaning, as well as extremely expensive, and takes money away from benefits needed to alleviate poverty.

Several other states that passed such laws have used questionnaires instead of universal drug screening, but the use of testing is widespread. Jeb Bush's Florida set up a pilot program last year, where all welfare applicants have to answer questionnaires; testing is then conducted on "those [the state] has reasonable cause to believe use drugs." Variations of these programs are under way in Louisiana, New York, Maryland, New Jersey, South Carolina, Minnesota, and Wisconsin.

Admiral favors military cooperation with China

Speaking to reporters in Singapore on May 22, Commander of the Pacific Command Adm. Dennis Blair said that China is "not a projection threat to anyone," even in the Asian region, and that the United States is ready to resume military cooperation. Blair was speaking in the aftermath of China's suspension of military exchanges with the United States, in response to the NATO bombing of its embassy in Belgrade.

According to Reuters, Blair said, "For my part as a Pacific commander, a number of the activities we had scheduled had been cancelled, and we are ready to resume when the Chinese are ready, so we are sort of ready and waiting." Blair told reporters that he favored consistent interaction with China: "I don't think that either in China or the U.S., we should be taking a cardboard cutout with the hole in the middle that says 'threat,' and poking a Chinese head through it on the one end and the U.S. head through the other." Admiral Blair added that he did not think that military interaction "should be turned on and off like a light switch when we have problems," by either side.

A NATIONAL DEMOCRATIC Institute for International Affairs delegation of 100 is living the high life in the ultra-chic Amandari Hotel in Bali, Indonesia, while slaving away to make sure the elections are truly democratic. Among those slogging away for democracy are former President Jimmy Carter and former U.S. Ambassador to Indonesia Paul Wolfowitz.

SCOTT RITTER, a U.S. member of the UNSCOM Iraqi inspection team, whom Baghdad accused of spying, has released a book calling for sanctions against Iraq to be lifted, according to a May 29 report in the *Times of India*. Ritter told a Minneapolis press conference: "If you want lasting peace, you have to think beyond disarming Iraq and think about rebuilding Iraq."

AL GORE was the butt of nearly a full page of jokes in the Style section of the *Washington Post* on June 7. Opening with a cartoon of Gore as a cigar store Indian, Katie Graham's *Post* describes the effect Gore has on people, as "MEGO": my eyes glaze over.

'ALEXANDER PUSHKIN DAY' was proclaimed on June 4 in Washington, D.C. at the groundbreaking for a statue of the great Russian poet. June 6 was the 200th anniversary of Puskin's birth. In Northern Virginia, *EIR* staff also celebrated, with poetry recitations and musical performances spanning Pushkin, Schiller, Shakespeare, Keats, Taras Shevchenko, Beethoven, and musical settings of Pushkin verses.

ALICE RIVLIN, like Robert Rubin an ally of President Clinton in the financial world, resigned from her post as vice chairman of the Federal Reserve on June 3. One dismayed European banker told *EIR* that she "was a major voice for the argument that the traditional Fed monetarism and preemptive interest rate hikes were not appropriate."

Even the BIS is worried

As *EIR* has long asserted, the question is not *whether* the speculative bubble, which is embodied in the U.S. financial markets and the world derivatives markets, is going to collapse, but *when*. It is a waste of time to wager as to the date and the hour; the only worthwhile enterprise is to build the lifeboat of a sound new financial system, built on the principles which have been laid out in Lyndon LaRouche's New Bretton Woods proposal.

That said, there are plenty of indications that the next phase of the financial storm is about to hit. The open discussion of the possible rise in U.S. interest rates at the end of June has triggered a dizzying volatility on the U.S. stock markets. And a series of statements by prominent financial gurus, as well as some definitive actions, have underscored the seriousness of the threatened storm.

Two remarks from leaders of the Bank for International Settlements are particularly noteworthy. The first came from Managing Director Andrew Crockett, in his report to the annual meeting in Basel, reported at the end of May. Crockett first claimed, "The sense of foreboding that pervaded the economic and financial scene in the period under review [June 1998-May 1999] proved unwarranted . . . [and] events did not unfold as badly as some had feared."

Yet, despite this self-reassuring rhetoric, the rest of the report spoke of such systemic risks as that "the U.S. economy will overheat and fears of a subsequent recession will undermine stock markets, reduce wealth and cut spending. Were the dollar to fall simultaneously, under the weight of capital outflows and a large trade deficit, a period of stagflation [read, global depression] would not be an impossibility. The world has benefitted materially from the continued strength of the U.S. economy. However, exit strategies should now be the preoccupation for all prudent policymakers, including those in the United States."

What kind of "exit strategy"? Put your money under the mattress? Stop the world, I want to get off?

The second telling remark from BIS circles came from the president of the BIS, Swedish Riksbank Gov-

ernor Urban Baekstroem. He told the BIS annual meeting on June 7, in reference to the fact that Brazil and other crises have been contained for the moment, "These favorable developments should not lead us to conclude that the danger has passed.

"Indeed, the principal risk at this point is that the sense of urgency in the need both to manage current problems and to prevent the emergence of new ones will be lost. This would be irresponsible since there remain some evident threats to international financial and economic stability, and, perhaps more importantly, there may well be vulnerabilities that are not so evident. . . . At this meeting last year, no one had anticipated the extent of the turmoil in financial markets that would be generated by the Russian devaluation and moratorium."

Baekstroem then went into the balance of payments vulnerability of the U.S. dollar and "concern that equity markets, particularly in the United States but also elsewhere in the industrial world, might fall back rapidly and in a disorderly manner." Referring to the easy-money central bank policy of recent months to try to contain the global crisis, he noted, "Such policies can themselves contribute to turbulence in financial markets. Easy and low-cost financing over an extended period may drive up the price of financial assets, even at times when the rates of return on the underlying real assets are declining. . . . The buildup of excessive leverage sets the stage for the type of market turbulence seen in the wake of the Russian moratorium."

"Excessive leverage" is an understatement when discussing the hyperinflationary bubble which has been created by the world's central bankers. They have been trying to gradually dry it out over some months, only to be driven to pump it up again when the inevitable wave of bankruptcies is threatened.

It is strongly suspected in the international community that the near-simultaneous exits of three leading financial policymakers in the Clinton administration—Robert Rubin, Alice Rivlin, and Janet Yellen—signals an awareness that the bubble is about to pop. It's not worth speculating; it is worth just getting prepared to put a New Bretton Woods in place.

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∞MINNEAPOLIS—MTN Ch. 32
Wednesdays—8:30 p.m.
∞NEW ULM—Paragon Ch. 12
Fridays—7 p.m.
∞PROCTOR/HERMAN—Ch. 12
Tue.: between 5 pm & 1 am
∞ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
Sundays—10 p.m.
∞ST. PAUL—Ch. 33
Sundays—10 p.m.
∞ST. PAUL (NE burbs)*
Suburban Community Ch. 15

MISSOURI

∞ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

MONTANA

∞MISSOULA—TCI Ch. 13/8
Sun.—9 pm; Tue.—4:30 pm

NEVADA

∞CARSON CITY—Ch. 10
Sun.—2:30 pm; Wed.—7 pm
Saturdays—3 p.m.

NEW JERSEY

∞MONTVALE/MAHWAH—Ch. 27
Wednesdays—5:30 p.m.

NEW YORK

∞AMSTERDAM—TCI Ch. 16
Fridays—7 p.m.
∞BROOKHAVEN (E. Suffolk)
Cablevision Ch. 1/99
Wednesdays—9:30 p.m.
∞BROOKLYN—BCAT
Time/Warner Ch. 35
Cablevision Ch. 68
Sundays—9 a.m.
∞CORTLANDT/PEEKSKILL
MediaOne Ch. 32/6
Wednesdays—3 p.m.
∞HORSEHEADS—T/W Ch. 1
Mon. & Fri.—4:30 p.m.
∞HUDSON VALLEY—Ch. 6
2nd & 3rd Sun.—1:30 p.m.
∞LILION—T/W Ch. 10
Saturdays—12:30 p.m.
∞RONDEQUOIT—Ch. 15
Mon. & Thurs.—7 p.m.
∞ITHACA—Pegasys Ch. 78
Mondays—4 p.m.
∞JOHNSTOWN—Ch. 7
Tuesdays—4 p.m.
∞MANHATTAN—MNN
T/W Ch. 34; RCN Ch. 109
Sun., Jun. 27: 9 a.m.
Sun., Jul. 11, 25: 9 a.m.
∞N. CHAUTAUQUA COUNTY
Gateway Access Ch. 12
Fridays—7:30 p.m.

NEW YORK (cont.)

∞ONEIDA—PAC Ch. 10
Thursdays—10 p.m.
∞OSSINING—Ch. 19/16
Wednesdays—3 p.m.
∞PENFIELD—Ch. 12
Penfield Community TV*
∞POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
∞QUEENSBURY
Harron Cable Ch. 71
Thursdays—7 p.m.
∞RIVERHEAD—Peconic Ch. 27
Thursdays—12 Midnight
∞ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
∞ROCKLAND—T/W Ch. 27
Wednesdays—5:30 p.m.
∞SCHENECTADY—SACC Ch. 16
Tuesdays—10 p.m.
∞STATEN ISL.—CTV Ch. 57
Wed.—11 p.m.; Sat.—7 a.m.
∞SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
∞SYRACUSE—T/W
City: Ch. 3; Burbs: Ch. 13
Fridays—8 p.m.
∞UTICA—Harron Ch. 3
Thursdays—6 p.m.
∞WATERTOWN—T/W Ch. 2
Tue: between Noon & 5 p.m.
∞WEBSTER—WCA-TV Ch. 12
Wednesdays—8:30 p.m.
∞WESTFIELD—Ch. 21
Mon.—12 Noon; Wed. &
Sat.—10 a.m.; Sun.—11 a.m.

WEST SENECA—Ch. 68

Thursdays—10:30 p.m.
∞YONKERS—Ch. 37
Saturdays—3:30 p.m.
∞YORKTOWN—Ch. 34
Thursdays—3 p.m.

NORTH DAKOTA

∞BISMARCK—Ch. 12
Thursdays—6 p.m.

OHIO

∞COLUMBUS—Ch. 21*
∞OBERLIN—Ch. 9
Tuesdays—9 p.m.

OREGON

∞CORVALLIS/ALBANY
Public Access Ch. 99
Tuesdays—1 p.m.
∞PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

RHODE ISLAND

∞E. PROVIDENCE—Cox Ch. 18
Sundays—12 Noon

Texas

∞AUSTIN—ACT Ch. 10/16*
∞EL PASO—Paragon Ch. 15
Wednesdays—5 p.m.
∞HOUSTON—Access Houston
Mon., June 21: 5-6 p.m.
Wed., June 23: 5-6 p.m.
Thu., June 24: 4-6 p.m.
Mon., June 28: 6-7 p.m.
Wed., June 30: 5-6 p.m.
Thu., July 1: 5-6 p.m.

UTAH

∞GLENWOOD, Etc.—SCAT-TV
Channels 26, 29, 37, 38, 98
Sundays—about 9 p.m.

VIRGINIA

∞ALEXANDRIA—Jones Ch. 10*
∞ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Wednesdays—12 Noon
∞CHESTERFIELD—Ch. 6
Thursdays—5 p.m.
∞FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thu.—7 p.m.; Sat.—10 a.m.
∞LOUDDON—Cablevision Ch. 59
Thursdays—7:30 p.m. & 10 p.m.
∞P.W. COUNTY—Jones Ch. 3
Mondays—6 p.m.
∞ROANOKE COUNTY—Cox Ch. 9
Thursdays—2 p.m.
∞SALEM—Adelphia Ch. 13
Thursdays—2 p.m.

WASHINGTON

∞KING COUNTY—Ch. 29
Mondays—11:30 a.m.
∞SPOKANE—Cox Ch. 25
Wednesdays—6 p.m.
∞TRI-CITIES—TCI Ch. 13
Mon.—12 Noon; Wed.—6 p.m.
Thursdays—8:30 p.m.

WISCONSIN

∞KENOSHA—T/W Ch. 21
Mondays—1:30 p.m.
∞MADISON—WYOU Ch. 4
Tue.—2 pm; Wed.—8 am
∞OSHKOSH—Ch. 10
Fridays—11:00 p.m.
∞WAUSAU—Marcus Ch. 10
Fri.—10 p.m.; Sat.—5:30 p.m.

WYOMING

∞GILLETTE—Ch. 36
Thursdays—5 p.m.

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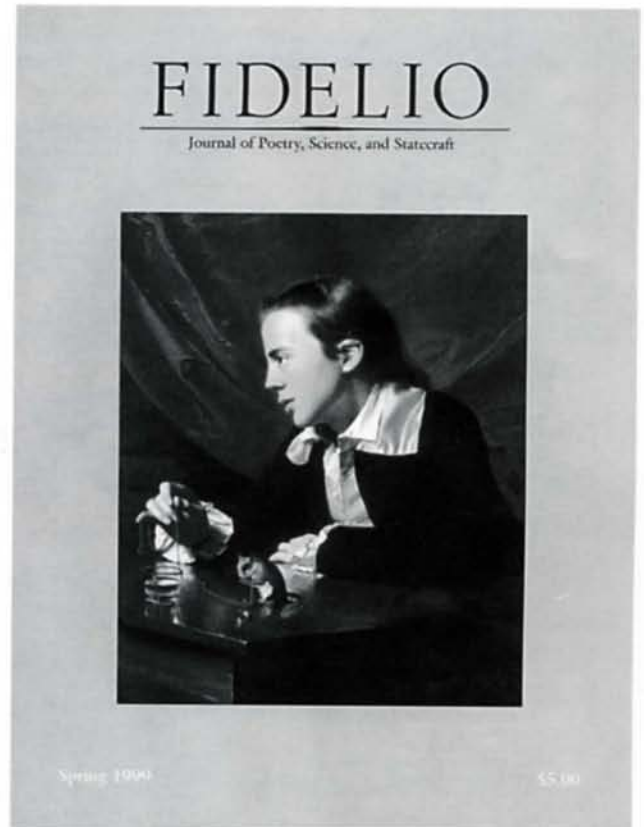
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