

# EIR

Executive Intelligence Review

October 29, 1999 Vol. 26 No. 43

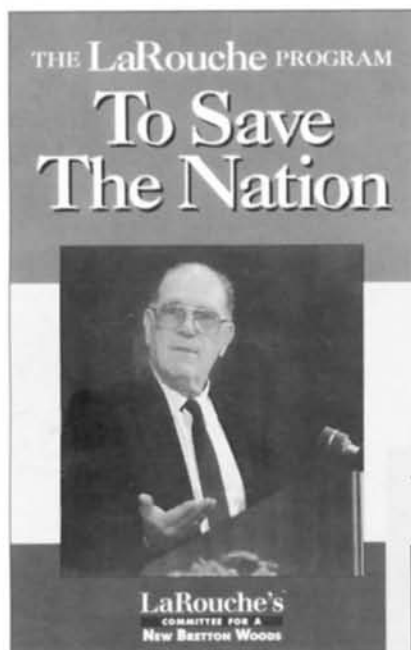
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*EIR (ISSN 0273-6314) is published weekly (50 issues)  
except for the second week of July, and the last week of  
December by EIR News Service Inc., 317 Pennsylvania  
Ave., S.E., 2nd Floor, Washington, DC 20003. (202)  
544-7010. For subscriptions: (703) 777-9451, or toll-  
free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouchepub.com>  
e-mail: [eirns@larouchepub.com](mailto:eirns@larouchepub.com)*

**European Headquarters:** Executive Intelligence Review  
Nachrichtenagentur GmbH, Postfach 2308,  
D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205,  
Wiesbaden, Federal Republic of Germany  
Tel: 49-611-73650. Homepage: <http://www.eirna.com>  
E-mail: [eirna@eirna.com](mailto:eirna@eirna.com) Executive Directors: Anno  
Hellenbroich, Michael Liebig

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**In Mexico:** EIR, Río Tiber No. 87, 5o piso, Colonia  
Cuauhtémoc, México, DF, CP 06500. Tel: 208-3016 y 533-  
26-43.

**Japan subscription sales:** O.T.O. Research Corporation,  
Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo  
160. Tel: (03) 3208-7821.

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prohibited. Periodicals postage paid at Washington D.C.,  
and at an additional mailing offices.  
Domestic subscriptions: 3 months—\$125, 6 months—\$225,  
1 year—\$396, Single issue—\$10

**Postmaster:** Send all address changes to *EIR*, P.O. Box  
17390, Washington, D.C. 20041-0390.

## From the Associate Editor

**R**eaders of *EIR* have undoubtedly noticed a paradox: Lyndon H. LaRouche, Jr. is looked to all around the world as the only hope for ensuring a sane American foreign and economic policy in the 21st century. Yet, in the United States itself, a media blackout prevails against him, or, when the press chooses to cover him, it is usually with calumny and slander. For a few examples of how he is viewed abroad, see the article by Dr. Stanislav Menshikov in the Russian weekly *Slovo*, titled “Plato Among the Bulls in the China Shop” (p. 33); the endorsement of LaRouche’s Presidential campaign by Armenian parliamentarians (p. 42); and the interview with LaRouche on Philippines radio (p. 22), in which he is described thus: “The recent fresh demonstration of his exceptional qualifications as a long-range economic forecaster has placed him at the center of the presently erupting global systemic crisis of the world’s economy.”

Why don’t you hear *that* on your nightly news program?

The reason is clear, and it dates back to a debate on economic policy at New York’s Queens College in 1971, between LaRouche and Prof. Abba Lerner. As LaRouche describes it in his autobiography, he forced Lerner, a Keynesian social democrat, to admit that his own economic philosophy would lead to the kind of austerity that Hjalmar Schacht had imposed on pre-Hitler and Hitler Germany. Cornered, Lerner snarled that if Weimar Germany had only adopted the measures which Schacht introduced under the Nazi regime, Hitler might have been avoided. After that debate, Lerner’s crony Prof. Sidney Hook declared: “LaRouche defeated Lerner in the debate, but he lost the war.” He prophesied, accurately, that no faculty member would ever debate LaRouche again on the issues.

As LaRouche sums it up, “I had committed the unforgivable sin of speaking out of turn.”

Well, he has continued to do so—thank goodness—for the intervening 28 years. And, as a result, he is trusted worldwide as a man of truth and wisdom, who can be turned to in a time of crisis.

Compare that to the portrait of Fed Chairman Alan Greenspan presented in our *Economics Feature*. Greenspan now concedes that the financial bubble cannot be sustained; but affirms that if we let a little of the air out of it, in controlled fashion, everything will be fine in two years or so. Looking at the Greenspan record as we present it here, whom do you believe: Greenspan, or LaRouche?

*Susan Welsh*

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The *Post's* bizarre and lying attack on Gen. George Keegan — as a stand-in for the name of Lyndon LaRouche — reflects only one thing: the hysteria which the skyrocketing of LaRouche's Presidential pre-candidacy had stirred up among the circles of Vice-President Al Gore, Bush circles, and some others.

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## The Greenspan bubble is wrecking the world economy

by Jeffrey Steinberg

Every few months, Federal Reserve Chairman Alan Greenspan travels up to Capitol Hill to deliver his latest pronouncements on the state of the world economy. And with hardly any exception, his appearances are treated by Democrats and Republicans, Representatives and Senators alike, as something akin to God delivering the Ten Commandments to Moses. Greenspan is alternately referred to as “the most powerful man in the world,” “the *real* Chief Executive of the United States,” and “the wizard.” Your elected officials hang on his every word—even when they are unintelligible or utter nonsense, as they most often are.

As the events of Oct. 14-15 demonstrated, Greenspan’s alleged capacity to drive the global stock markets through the floor, or through the ceiling, is also the stuff of Olympian legend. When Greenspan delivered a speech before a group of bankers on Oct. 14—featuring the sage observation that all financial bubbles eventually burst, often at the most untimely and unpredictable moments—the Dow Jones and every major asset market in the world interpreted Greenspan’s truism as a sell order from the Almighty Himself. The next day, the Dow fell 266 points, and the *Washington Post* commented the day after that, that “the Dow fell on Greenspan’s warnings.” If it is any consolation, your elected representatives are lesser fools than the majority of pundits and fund managers on Wall Street.

The ugly truth is that it is Alan Greenspan himself, along with his predecessor at the Federal Reserve, Paul Volcker, who has presided over the biggest financial bubble in history, and a hideous, premeditated take-down of the real economy. His policies have directly contributed to the death and impoverishment of millions of people worldwide. But what has

happened so far as a result of the Greenspan-Volcker policies, pales in insignificance, compared to the Dark Age that will fall upon the planet, if those policies are not reversed. As Lyndon LaRouche has warned, when Greenspan’s bubble pops—as pop, it inevitably will—we will undergo the largest financial collapse in history. Nobody can say on what day this will happen. But any sane person will work to ensure that the policies are put into place, *now*, which will save human be-

ings, and the physical economy, even as the speculative paper evaporates.

It is no surprise that Greenspan began his career as the toy-boy for the philosopher-queen of selfishness, Ayn Rand. Rand and her cult following dubbed Alan “the undertaker.” Now, hundreds of millions of Americans are on the verge of realizing why that label is more appropriate today than ever.

The 21-year combined tenures of Volcker and Greenspan as chairmen of the Federal Reserve Board, represent the execution of a planned disintegration of the world economy, spelled out, not by the resident monetarists at the Fed’s Washington headquarters, but by a gang of geopolitical madmen associated with the Trilateral Commission and the New York Council on Foreign Relations (CFR). The fact that Greenspan was a protégé of Ayn Rand and Milton Friedman merely assured the boys at the Trilateral Commission that Greenspan, like his cigar-chomping predecessor, would be a willing facilitator of their strategem.

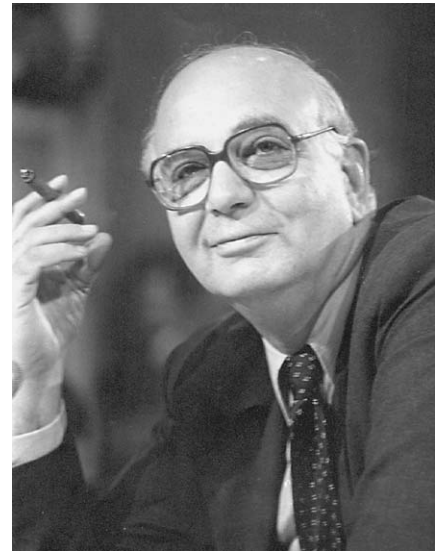
### A post-Bretton-Woods world

As LaRouche warned at the time, when President Richard Nixon dismantled the Bretton Woods system on Aug. 15, 1971, by decoupling the U.S. dollar from gold and ushering

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### Feature

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*Federal Reserve Chairman Alan Greenspan, along with his predecessor at the Federal Reserve, Paul Volcker, has presided over the biggest financial bubble in history. Co-conspirators in the crime of destroying the economy, left to right: the Trilateral Commission's David Rockefeller, Greenspan, Volcker.*

in a floating exchange rate system, he not only doomed his own Presidency. He also assured, barring a timely reversal of that insane move, that the world economy would, over a period of years, go through the worst collapse in modern history, through a succession of speculative and austerity maneuvers dictated from London and Wall Street. Forget the collapse of the Soviet Union and the end of the Cold War. The decisive event of the past three decades was the destruction of the Bretton Woods system, and the demeaning of the economic sovereignty of the United States and every other nation on this planet.

David Rockefeller, Zbigniew Brzezinski, Henry Kissinger, George Bush, and others, took the occasion of Nixon's Aug. 15, 1971 capitulation, to launch their Trilateral Commission, as the vehicle for implementing their globalization fantasies. Following the oil shocks of the mid-1970s, and the launching of the Euro-bond funny-money system, the Trilaterals vastly accelerated their plans with the imposition of the Jimmy Carter "All-Trilat" administration in January 1977.

When Volcker was installed as Fed chairman the following year, all hell broke loose. Carefully following the script that had been prepared by the CFR's "1980s Project," which included an explicit call for the "controlled disintegration" of the world economy and the elimination of "mercantilism," Volcker drove U.S. interest rates above 20%, thus assuring several things. First, hundreds of thousands of American family farmers, small and medium-size entrepreneurs, and even large-scale industrialists were driven into bankruptcy, unable to maintain their production under conditions of such usurious lending rates. Second, the high rates drew obscene amounts of foreign capital into the United States, seeking quick profits

in every imaginable speculative bubble scheme — from Texas real estate, to the junk bond hostile takeover frenzy associated with white-collar crooks such as Ivan Boesky and Michael Milken.

By the time that Volcker passed the wizard's baton to Greenspan in 1987, the disintegration process was racing ahead. Following the October 1987 Black Monday stock market crash, the globalizers resorted to new and even more exotic forms of speculation: derivatives. We have reached the point, today, where the total paper value of financial aggregates is more than \$300 trillion, while the actual worldwide GDP is approximately \$41 trillion. LaRouche has called characterized this as a *typical collapse function*, whereby the more speculative paper is generated, the more the physical economy disintegrates, until finally a blowout occurs. (If the U.S. economy is undergoing a typical collapse function, that makes Greenspan the typical collapse functionary.)

Indeed, under his tenure at the Fed, Greenspan has helped create the biggest bubble in history, fuelled by frequent infusions of Fed funny-money — as in the early 1990s Fed takeover/bailout of Citibank; the \$4 billion highly publicized bailout of Long Term Capital Management in October 1998; the secret bailout of the Tiger Fund in June of this year, at an estimated cost to Group of Eight nations' taxpayers of more than \$30 billion; and the ongoing bailout of J.P. Morgan, Chase Manhattan, and other "too big to crash" financial institutions, caught short in the "gold carry trade."

Despite his track record of murder and mayhem, a vast majority of your elected representatives are hankering for President Clinton to reappoint Greenspan to another term as Fed chairman. Before you buy into this insanity, read on, for a detailed account of the ugly truth about Alan Greenspan.

# How Volcker and Greenspan created the financial bubble

by Richard Freeman

During the 12 years since he became Federal Reserve Board chairman on Aug. 11, 1987, Alan Greenspan has created the biggest speculative financial bubble in history. Today, the “Greenspan bubble,” a cancerous, speculative mass of financial instruments, is at the point of implosion.

Greenspan built upon the work of his predecessor, Paul Volcker. Since August 1978, when Volcker took office, America has been ruled by only two Federal Reserve Board chairmen: Volcker and Greenspan. They used the Fed’s enormous power to inflate a bubble of approximately \$300 trillion in short-term financial obligations worldwide, and many tens of trillions of dollars in the United States.

That bubble has bankrupted the world’s monetary and financial system, sucking the life-blood out of the underlying physical economy—upon which human existence depends, and which keeps the bubble itself afloat. Greenspan has used the printing press, and fierce austerity, to support that bubble at the expense of human life.

During 1998, there were several incidents that threatened to bring down the derivatives-bloated world financial system. On Aug. 17, the Russian government declared a moratorium on its short-term Treasury securities (GKO’s), as well as certain categories of corporate debt. This caused billions of dollars of bank losses. On Sept. 23, in part because of the chain-reactions caused by the Russian decision, the Greenwich, Connecticut-based Long Term Capital Management hedge fund, which by then had only \$600 million of capital but \$1.25 trillion in derivatives positions, blew out. Greenspan’s actions were swift. He arranged a meeting at which the Fed muscled the banks to provide a private, \$3.6 billion bailout of LTCM. He also bailed out many other hedge funds, and the banks that financed them, which were in a similar predicament: Between Sept. 29 and Nov. 17, he opened the floodgates of money-printing, cutting the federal funds rate by a quarter of a percentage point three times. Greenspan was going for a bailout on a grand scale, heading the United States and the world down the path to a 1921-23 Weimar Germany-type hyperinflationary explosion. No action is too reckless for Greenspan, to preserve his bankrupt bubble.

Greenspan has used this arrangement several times. During 1991-92, he arranged for the bailout of the New York

commercial banks, which had incurred huge real estate losses. Some, such as Manufacturer’s Hanover, were at the point of going under. Greenspan rigged the markets to allow the banks to borrow at the Federal Reserve’s discount window at a very low interest rate, and then turn around and invest the funds in U.S. Treasury securities, which paid a much higher interest rate. The bankers made a windfall profit on the difference between what they paid for funds, and what they got on their investment of the funds. It was Greenspan’s “bankers’ welfare.”

By his own admission, Greenspan had also turned on the printing presses after the October 1987 stock market crash, to “save” the stock market and the financial system.

Greenspan has ruthlessly protected the wild growth of every area of speculation, especially derivatives: He intervened in 1998-99 to prevent the Financial Accounting Standards Board from having derivatives reported on the books of banks (they are currently reported off the books), and he forced the January 1999 resignation of Brooksley Borne as head of the Commodity Futures Trading Commission, after she proposed regulating over-the-counter derivatives.

## The root of the problem

The speculative bubble has been created and inflated by the 30-year policy of the post-industrial society. In the mid-to late-1960s, the British financier oligarchy and its satraps on Wall Street imposed this policy on the United States. As implemented, the concept has meant the shutdown of U.S. manufacturing, agriculture, and infrastructure, and the simultaneous buildup of services, especially of financial services. The policy was advanced by the Aug. 15, 1971 delinking of the dollar from the gold reserve standard, and by the 1981 Kemp-Roth Tax Act and the 1982 Garn-St Germain Act deregulating America’s banking system.

Volcker and Greenspan’s implementation of the post-industrial society policy fed the speculative bubble, while reducing the physical economy to ruins. It is that reality, covered over by the “economic recovery” hoax and the glorification of the stock and other speculative markets, which this report exposes.

The “orbit” of the post-industrial society policy, and the



“Greenspan bubble” built upon it, is like the trajectory of a comet, headed toward the Sun. No minor modifications will stop this collision, and resulting doom. Only a fundamental alteration of the policy, and the *thinking behind the policy*, can alter the trajectory. Any “reforms” of a monetary system dominated by that policy, are like changes on that comet headed toward the Sun. Only a sharp break, toward a higher order of thinking, such as Lyndon LaRouche’s proposal to put the current monetary system through bankruptcy reorganization, and erect a New Bretton Woods monetary system, pivoted around the development projects of the Eurasian Land-Bridge, can change the comet’s trajectory.

The collapse of the bubble opens up tremendous possibilities. It will expose the increasingly discredited Greenspan as a liar, destroyer of nations, and a fool. People will question how they could have been such fools to believe anything Greenspan says.

But, the bubble has also brought murderous consequences. This report looks at the process by which the British oligarchy imposed its policy of “post-industrial society” upon the United States, including the roles of Volcker and Greenspan. It documents the record surge in instruments fuelling the speculative bubble, such as derivatives, stocks, and so on, as well as the widespread destruction of the economy. And, it reveals Greenspan’s defense of derivatives and austerity.

## The post-industrial society

The British oligarchy and its Wall Street offshoot began imposing the “post-industrial society” policy in the mid- to late-1960s. This view assailed the American System of economics, and the fundamental principles of civilization. Instead of a world of economic development based on the mode of capital-intensive, energy-intensive manufacturing, agriculture, and infrastructure, and the development of the cognitive and productive powers of labor, it sought to substitute H.G. Wells and Bertrand Russell’s system of an anti-progress, feudalistic globalism, enforced by a world government. In the area of economics, it sought an information age of services, especially financial services (see Lyndon H. LaRouche, Jr., “The Wells of Doom,” *EIR*, Dec. 19, 1997). There are a few pivotal points in this 30-year process. The important thing to note, is the characteristic of change from one bad policy to another.

President Nixon’s August 1971 decision to take the U.S. dollar off the gold-reserve standard was made on advice from London-Wall Street oligarchical forces. Treasury Secretary John Connally knew little about international economic affairs, and took his advice from Assistant U.S. Treasury Secretary for International Monetary Affairs Paul A. Volcker.

This delinking of the dollar from the gold-reserve standard replaced the relatively successful (especially in the 1944-58 period) Bretton Woods monetary system, with the floating-exchange-rate system, which severed U.S. financial flows from physical goods flows. The dollar could be moved

anywhere on the globe without any connection to financing hard-commodity goods trade or industrial processes. The floating-exchange-rate system meant that speculation could take off.

During 1973-75 and 1977-79, the British Commonwealth’s oil cartel, then called the Seven Sisters (now Five Sisters), unleashed successive oil hoaxes which raised the price of a barrel of oil first from \$3, to \$12 per barrel, and then from \$13, to \$33 per barrel, an 11-fold increase in six years. Other energy prices moved up in tandem. The result for oil import-dependent industrial nations, such as Japan and the nations of Europe, was a catastrophe, and this had a severe impact on the economies of the United States and the Third World.

Speculators were happy: The recycling of petrodollars, generated by the oil crisis, increased the size of the offshore, unregulated Eurodollar market, from practically nothing to more than \$1 trillion by the early 1980s.

In 1977, the Trilateral Commission-dominated administration of Jimmy Carter came into office and proceeded to deregulate and rip up the U.S. transportation grid: On Oct. 24, 1978, Carter signed into law the deregulation of the airline industry; on July 1, 1980, Carter signed into law the deregulation of the trucking industry; on Oct. 11, 1980, he signed into law the deregulation of the rail industry. In each case, the effects were calamitous (see *EIR*, March 29, 1996, “The Battle for the Soul of the Democratic Party”).

Carter introduced other ruinous policies. In August 1978, he appointed Volcker as chairman of the Federal Reserve Board. Within a year, Volcker would be implementing the policy of “controlled disintegration of the economy,” which was developed by the oligarchy’s policy institute, the New York Council on Foreign Relations (CFR), in a program started in 1973-74 called “Project 1980s.”

(The Project 1980s team became key in the Carter administration. In addition to Volcker, others who were either directors or project leaders of “Project 1980s” were Cyrus Vance, Zbigniew Brzezinski, and W. Michael Blumenthal, who were, respectively, Secretary of State, National Security Adviser, and Secretary of the Treasury.)

The concept of controlled disintegration, which was outlined in the Project 1980s book *Alternatives to Monetary Disorder*, was based on the idea that through a series of administered shocks—oil cut-offs, interest rate hikes, interest rate cut-offs—the economy could be driven to zero growth, and then, negative growth. The oligarchy asserted that this would be a disintegration that it would control. This policy was the most extreme variant of the post-industrial society.

On Nov. 9, 1978, Volcker gave a speech at Warwick University in England, at which he stated, “Controlled disintegration is a legitimate object for the 1980s.” This was not an abstract observation. The Federal Reserve has immense powers to dictate U.S. monetary policy. It sets the level of the federal funds rate, the discount rate, reserve requirements for

commercial banks, the rate for margin buying in the stock market, and so on. Within days, it can either flood the markets with liquidity, or completely dry them up.

During the week of Oct. 6-12, 1979, Volcker, claiming to be fighting inflation, began sending interest rates into the stratosphere. By December 1980, the prime lending rate charged by commercial banks was 21.5%. He kept interest rates at double-digit levels for years. The entire world economy of manufacturing and agriculture buckled; the U.S. economy was devastated, and by 1982, Third World debt had increased 50-70%.

The Volcker high-interest-rate regime intersected the debilitating effect on the economy of the 11-fold increase in the price of oil: Manufacturing and agriculture withered, but speculation flowered. One could not invest in manufacturing and repay loans at a 21.5% rate of interest, but one could do so in quick-buck speculations, which paid 25-35% rates of return.

### **Kemp-Roth and Garn-St Germain**

Over the next several years, several bad financier policy decisions were adopted. However, two policies above all others were decisive in downgrading America into its present status of a post-industrial junk heap, and inflating the speculative bubble: the 1981 Kemp-Roth Tax Act and the 1982 Garn-St Germain Act.

Kemp-Roth, officially the Economic Recovery Tax Act of 1981 (ERTA), was sponsored by Rep. Jack Kemp (R-N.Y.) and Sen. William Roth (R-Del.). Its intellectual author was Robert Mundell, the Canadian-born creator of the “supply-side” economics variant of monetarism, who was awarded the 1999 Nobel Prize in Economics in October. Mundell and a gaggle of his protégés, including *Wall Street Journal* editor Robert Bartley, Jr., *Wall Street Journal* journalist Jude Wanniski, University of Southern California economist Art Laffer, and economist Paul Craig Roberts, drew up the ERTA, promoted it in the pages of the *Wall Street Journal*, and sold it to President Ronald Reagan. Roberts, a member of the Mundell group, served on Kemp’s staff, and drafted the final legislation. The act:

- reduced the top tax rate on capital gains from 28% to 20% (in 1979, the Steiger Act had reduced the top tax rate on capital gains from 49% to 28%);
- reduced the maximum tax rate on investment, or “un-earned” income (income for interest and dividends), from 70%, to 50%;
- increased gradually, from \$175,625 to \$600,000 (by 1987), the total amount of reported estate and gift earnings that would be exempt from estate and gift taxes; by 1987, less than 1% of all estates would be taxed;
- created a bonanza for “investment partnerships,” primarily in real estate. “Passive investment partnerships” were set up, whereby, one could invest \$1, and get back \$2-4 in tax losses to apply against one’s taxes;

- reduced taxes for leasing;
- reduced overall income taxes by 23% over three years.

With the exception of the income-tax cut, all tax cuts benefitted primarily rich speculators, and even the last cut helped the wealthy the most. The tax system was deregulated, so that speculative arrangements came out on top. As planned, the cut in the top tax rate on capital gains “goosed up” the stock market. The loss of tax revenues, due both to the ERTA and the Volcker-induced depression during the Reagan years, sent annual U.S. budget deficits into the range of \$250-350 billion, and increased U.S. government debt by a larger amount than any time in U.S. history.

The Garn-St Germain Depository Institutions Act, signed into law on Oct. 12, 1982, was sponsored by Sen. Jake Garn (R-Utah) and Rep. Fernand St Germain (D-R.I.). Vice President George Bush headed a task force which helped push through the legislation. It deregulated the entire banking system of commercial banks and savings and loan institutions (S&Ls). Its key provisions were:

- The usury ceiling on what banks could charge on loans, set in most states at 10%, was repealed.
- Regulation Q, which had allowed S&Ls to pay 0.25% higher interest on deposits than commercial banks, thus guaranteeing the S&Ls a steady stream of deposits but at a relatively fair, low rate of interest, was repealed. Regulation Q compensated S&Ls for other regulations that mandated them to make 85% of their loans to the housing industry.
- The lending limits for unsecured loans by banks to a single borrower were increased, thus increasing the amount of unsecured loans in the banking system.
- Commercial banks were de facto allowed (mostly because the Federal Reserve and other regulatory agencies turned a blind eye) to buy banks out of state, thus taking a step toward creation of super-banks, in violation of the Glass-Steagall Act of 1934.
- Commercial banks were permitted to create a category of loans and investments called “off-balance-sheet liabilities,” which allowed them to earn up-front, on-the-books fees for all sorts of activities that were conducted off the books, and against which no reserve requirements were set.
- The S&Ls, which previously by law had been restricted from lending or investing more than 15% of their assets into commercial real estate (although they usually never invested more than 5%), now could invest up to 40% of their assets in commercial real estate.

Deregulation, combined with Volcker’s high-interest-rate regime, bankrupted hundreds of S&Ls. The S&Ls had made 30-year home mortgage loans which paid 3-5% interest. However, with commercial banks paying 15-16% on bank deposits, S&Ls had to offer their customers the same return on deposits, or lose depositors. The S&Ls had a huge negative spread: If one earns only 3-5% on loans, but must pay depositors 15-16%, that is a formula for bankruptcy.

What the S&Ls did, was to look for something that would

pay them more than the 15-16% that they were paying depositors. Under Garn-St Germain, S&Ls could now invest up to 40% of their loans in commercial real estate, and that market was white hot. So, the S&Ls invested their money there, looking for 20-25% rate of returns. The deregulation of the banking system, combined with the Volcker interest rate policy, shoved many financially squeezed S&Ls into the commercial real estate market. The S&L crisis was created from the top.

Moreover, the Drexel Burnham Lambert-Michael Milken junk bond operation was unleashed, and leveraged buy-outs became the name of the game. The deregulated banks invested heavily in junk bonds and LBOs, inflating the stock market.

The colligation of policies, all driven by the ideology of the post-industrial society, was self-reinforcing. Under Volcker's high-interest-rate regime, as manufacturing and agriculture collapsed, money flowed out of the physical economy and into every form of speculation. America was becoming a casino.

### Greenspan becomes Fed chairman

On Aug. 11, 1987, Greenspan became Federal Reserve Board chairman. On Oct. 19, 1987, the Dow Jones Industrial Average tumbled a record 508 points. The Fed has released slightly edited transcripts of its meetings from that period. The transcript from Oct. 20 recorded Greenspan saying that the nation was closer to a monetary collapse "than we would like to believe."

Greenspan turned on the monetary spigots to keep the stock market liquid, a policy that he has become addicted to whenever it becomes necessary to protect the bubble.

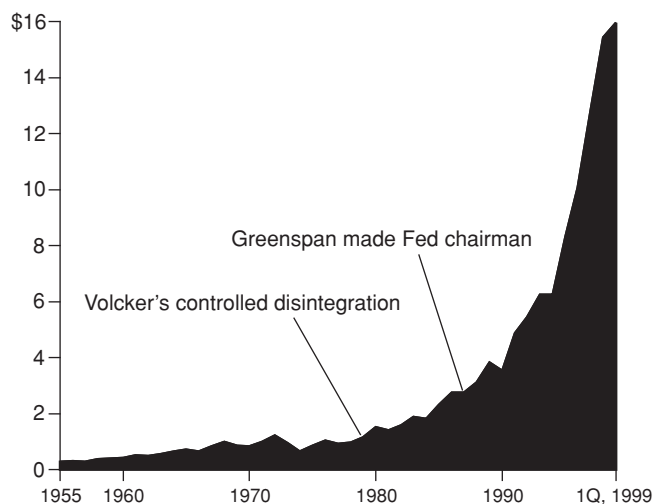
Over the years, Greenspan also fought ferociously to ensure that the speculative markets had free and unrestricted growth. In practice, Greenspan has ridden roughshod over anyone who would regulate derivatives. In the summer of 1997, the Financial Accounting Standards Board (FASB), an independent accounting board, proposed that derivatives contracts be reported on-balance-sheet, at current market value, which would simply tell investors how much derivatives liability a company held. This was a very minimal proposal for dealing with the derivatives problem; in actuality, the derivatives markets should be closed. Greenspan wrote three letters to the FASB and Congress attacking the FASB, saying that derivatives should be kept off-balance-sheet. In his third letter, on July 31, 1997, Greenspan stated, "The FASB proposal may discourage prudent risk management activities and in some cases could present misleading financial information!" The letter was signed, he claimed, by the heads of 22 "major companies in a number of industries that use derivatives [and] have expressed serious concerns about the FASB's proposed rules changes." The 22 corporate leaders were mostly the heads of banks, who are Greenspan's friends and keep him in office.

Greenspan has carried out the same policy toward the speculative stock market and other forms of speculation.

FIGURE 1

### U.S. stock market capitalization, the Volcker-Greenspan bubble

(trillions \$)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

### The speculative bubble

Let us now examine the speculative bubble created by Volcker and Greenspan, along with the London and Wall Street financier oligarchy. There is nothing comparable in history.

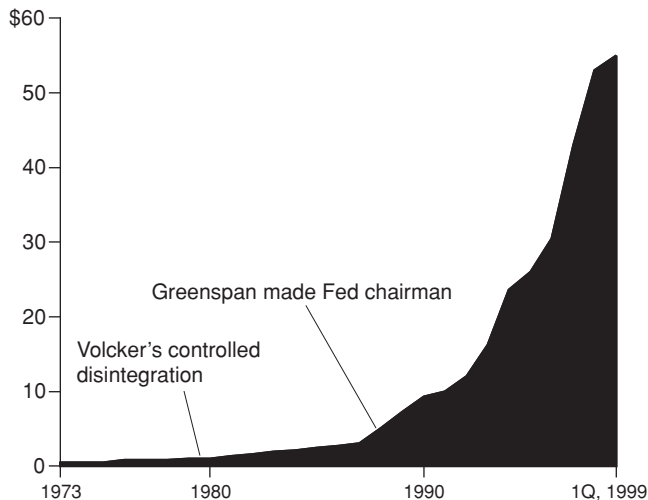
Figure 1 shows the capitalization of all stocks in the U.S. stock market. Two time periods are marked: 1979, when Volcker applied his policy of controlled disintegration, and 1987, when Greenspan became Federal Reserve Board chairman. The rate of growth of the stock market is stupendous. The capitalization value (the value of all stocks) in the U.S. stock market reached \$1 trillion in 1968. Between 1968 and 1975, it reached that level only one more time. In 1979, when Volcker began to apply his policy of controlled disintegration, the capitalization value of the stock market was \$1.16 trillion. By 1987, at the point that Volcker left office, that level had shot up to \$2.76 trillion, i.e., more than doubling during Volcker's tenure.

But under Greenspan's direction, between 1987 and the first quarter of 1999, the capitalization of the stock market jumped from \$2.76 trillion to \$15.97 trillion, more than a sevenfold increase.

Greenspan has never veered from implementing the policies that have created the bloated stock market, despite occasional comments such as his Dec. 5, 1996 statement about "irrational exuberance." (In fact, he has made a far larger number of statements during the past three years that the stock market is *not* overvalued.) Greenspan has maintained the poli-

**FIGURE 2**  
**U.S. derivatives outstanding, the Volcker-Greenspan bubble**

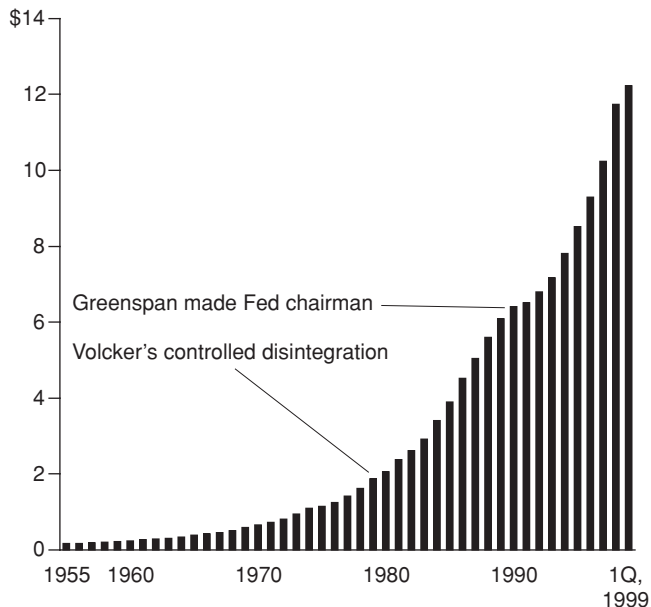
(trillions \$)



Sources: U.S. Federal Deposit Insurance Corp.; U.S. Comptroller of the Currency; Bank for International Settlements; *EIR*.

**FIGURE 3**  
**U.S. business debt, the Volcker-Greenspan bubble**

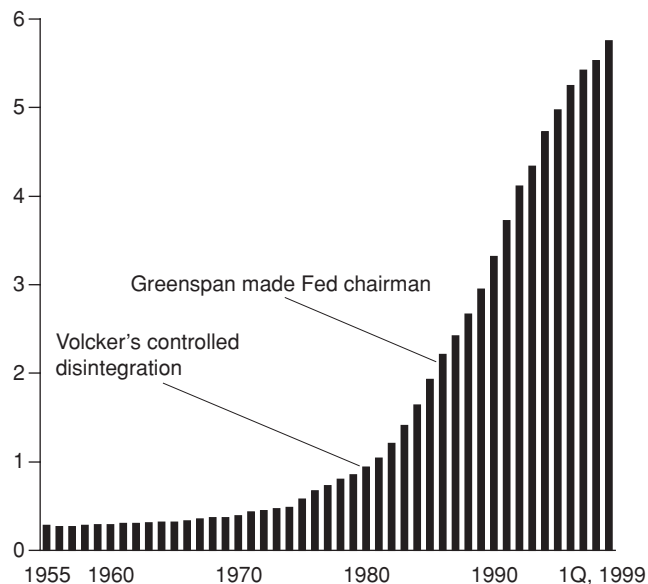
(trillions \$)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

**FIGURE 4**  
**U.S. government debt, the Volcker-Greenspan bubble**

(trillions \$)



Sources: Office of Management and Budget, "Budget of the United States, Fiscal Year 2000"; Federal Reserve Board of Governors, "Flow of Funds Accounts."

cies, on an economy-wide basis, that feed the market.

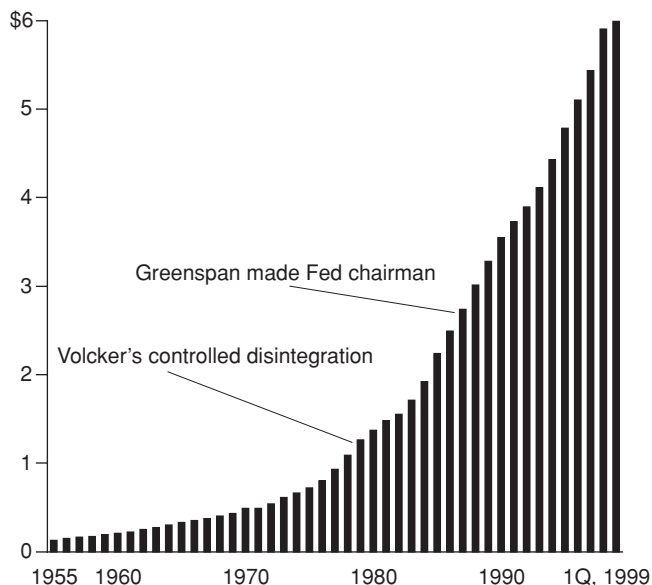
**Figure 2** shows the hyperbolic growth of the level of derivatives outstanding held by U.S. commercial banks, investment banks, and corporations. During 1979-87 (from the point that Volcker started the policy of controlled disintegration), the U.S. derivatives outstanding tripled, from \$1 trillion to \$3 trillion. But, under Greenspan, the level has risen to approximately \$55 trillion, by the end of the first quarter of 1999, a greater than 18-fold increase in only 12 years. Greenspan's defense of derivatives has built a pyramid of such paper.

**Figure 3** depicts the growth of U.S. business (including both financial and non-financial) debt. In 1979, when Volcker started applying the policy of controlled disintegration, U.S. business debt rested at \$1.87 trillion. It rose to \$5.04 trillion in 1987, and \$12.23 trillion in the first quarter of 1999.

**Figure 4** shows the level of U.S. government debt outstanding (including that held privately and that held by U.S. government institutions). What is notable is the sharp growth following the 1979 Volcker controlled disintegration measures and the application, starting in 1982, of the Kemp-Roth Tax Recovery Act, which had passed in 1981. Much of the increase occurred during the Robert Mundell-Robert Bartley-driven Reagan administration years, and the four years of the incompetence of George Bush. Between 1981, when Reagan took office, and 1993, when Bush left office, the U.S. govern-

FIGURE 5  
**U.S. household debt, the Volcker-Greenspan bubble**

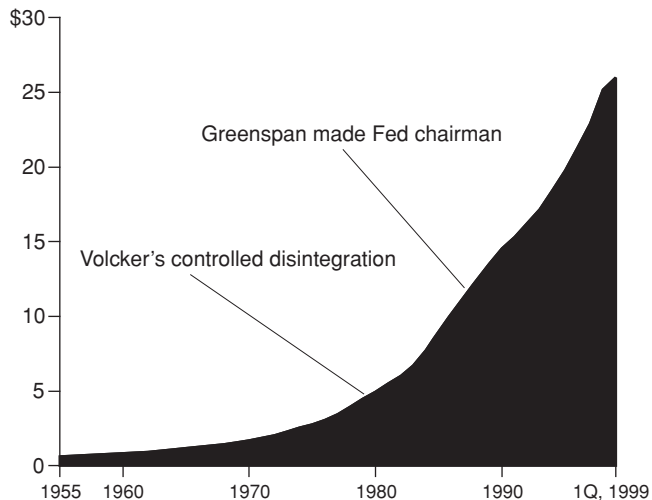
(trillions \$)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

FIGURE 6  
**Total U.S. debt, the Volcker-Greenspan bubble**

(trillions \$)



Sources: Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States, Fiscal Year 2000."

ment debt outstanding shot up from \$1.04 trillion to \$4.34 trillion (it is \$5.75 trillion today).

**Figure 5** shows the trajectory of U.S. household debt, which broadly follows the path of business debt. **Figure 6** depicts total U.S. indebtedness, including Federal, state, and local government debt, business debt, and household debt. Today, it is \$26 trillion.

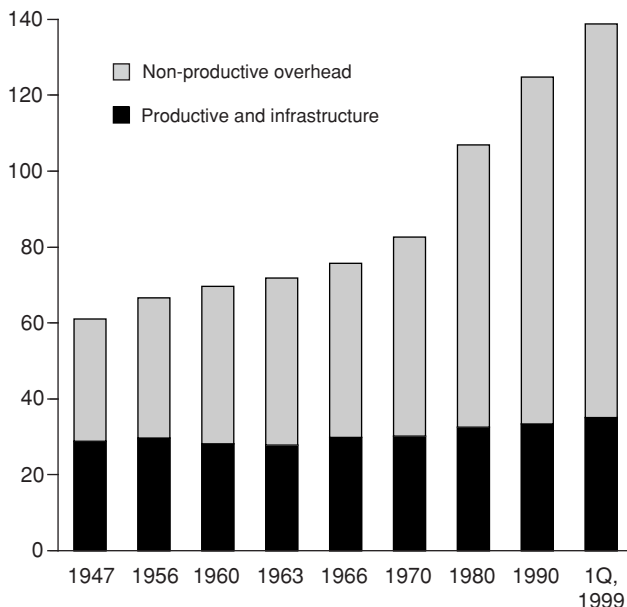
As a result principally of the Volcker-Greenspan measures, the total volume of U.S. financial instruments, which includes stock capitalization, derivatives, and indebtedness, has swelled to \$97 trillion. Consider that each financial instrument has some rate of return, in the form of a dividend, a yield, an expected rate of return. The total rates of return on these financial instruments could not possibly be met out of the profit of the physical economy, were that economy to also continue to produce to sustain human existence.

### The devastation of the economy

The growth of this financial bubble has sucked the life out of the physical economy. **Figure 7** shows the transformation of the U.S. labor force, where non-productive overhead, the result of the post-industrial society policy, has grown. Since 1947, the size of the labor force employed in productive and infrastructure has stayed relatively the same. But the portion of the labor force in non-productive employment has swelled

FIGURE 7  
**U.S. labor force, 1947-99: Non-productive overhead grows**

(millions of workers)

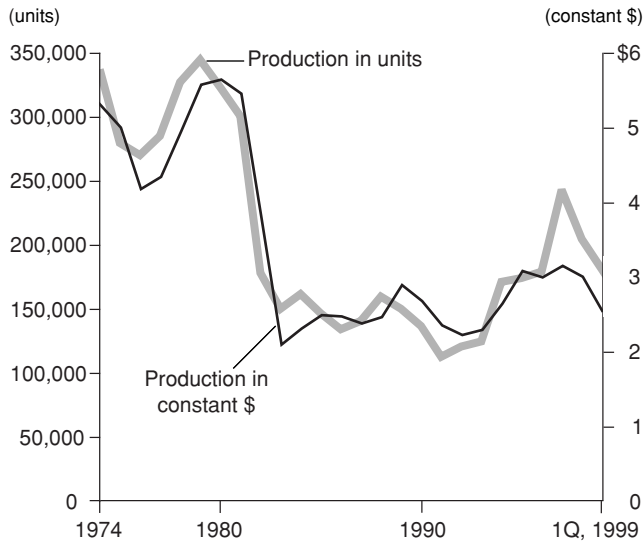


Sources: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of Education; American Medical Association; American Nurses Association.



FIGURE 8

**U.S. machine-tool production, in units and 1982 constant dollars**



Sources: Association for Manufacturing Technology; U.S. Department of Commerce, Bureau of the Census; *EIR*.

FIGURE 9

**Shipments of four-wheel drive tractors and combines, 1980-98**

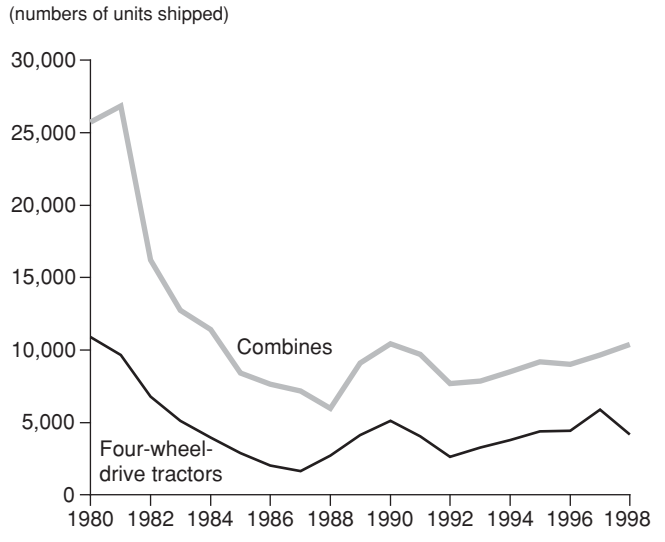
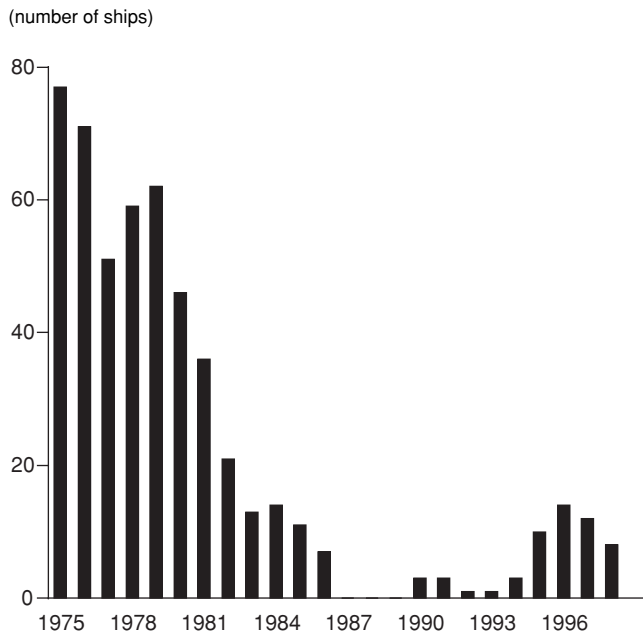


FIGURE 10

**U.S. commercial shipbuilding orderbook, 1975-98**



Sources: U.S. Department of Commerce and McGraw-Hill Companies, "U.S. Industry & Trade Outlook '99"; *EIR*.

from 32.2 million workers to 103.7 million workers, a growth of 71.5 million workers. This accounts for nearly the entirety of the U.S. labor force's growth since 1947. Basically, all that is growing in America, is non-productive activity.

**Figure 8** shows that once Volcker applied his policy of controlled disintegration in 1979, U.S. machine-tool output tumbled, with a lag of 18 months. Since 1979, the U.S. machine-tool industry's output has collapsed by more than 50%.

**Figures 9 and 10** demonstrate that since 1979-80, the critical sectors of farm equipment production and commercial shipbuilding also experienced collapses of more than 50%.

**Figure 11** shows that the per-household industrial consumption of energy sharply dropped. Some of that is due to energy conservation, but much of it is due to the fact that many U.S. manufacturing plants shut down, thus reducing industrial energy consumption.

Carter's deregulation of the rail system, and Volcker's measures destroying the physical economy, collapsed the U.S. rail system (**Figure 12**).

The Volcker-Greenspan speculative bubble pulverized the physical economy, and dropped American living standards 1-2% per annum (see *EIR*, May 21, 1999 "America's Economic Recovery Is a Myth").

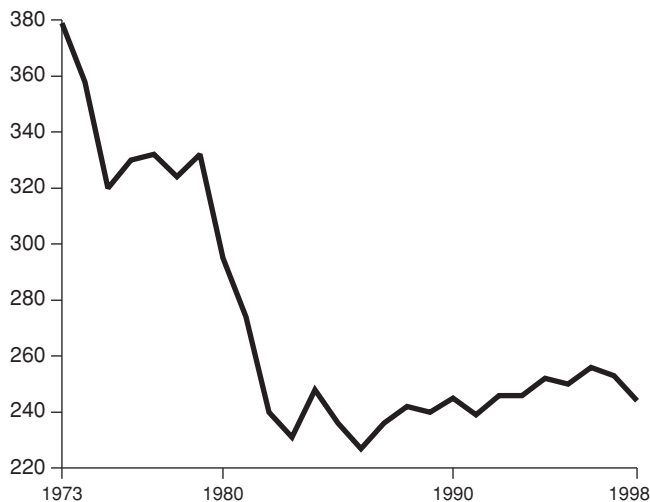
**Greenspan's austerity**

In Greenspan's drive to support the bubble, he has attacked the most vulnerable and least well-off members of the society. During his Jan. 25, 1999 testimony before the House Ways and Means Committee, Greenspan, who helped make people who do nothing into millionaires on Wall Street, sin-

FIGURE 11

### Industrial energy consumption per household

(millions of BTUs)

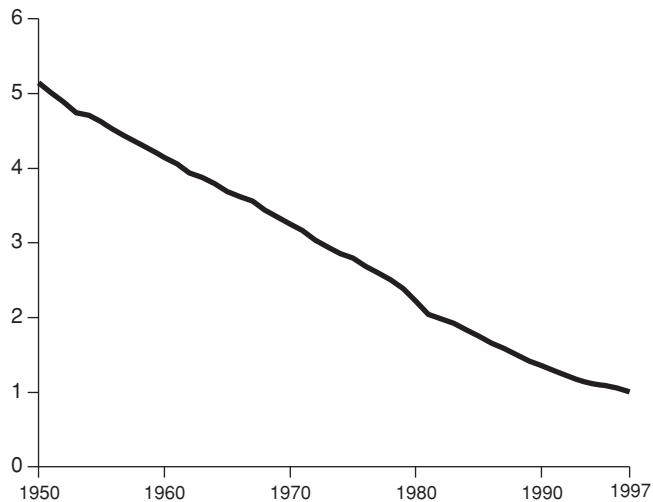


Sources: U.S. Department of Energy, *Monthly Energy Review*; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

FIGURE 12

### Railroad mileage

(miles per 1,000 households)



Sources: Association of American Railroads; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

gled out the lowest paid of America's workers, who cannot support a family on their income. "My major concern would be . . . that we be careful not to raise the minimum wage," he said.

In Oct. 8, 1997 testimony to the House Budget Committee, Greenspan sounded a long-standing theme, that the U.S. Social Security system should be privatized. This is a scam that would transfer funds out of the current system, to invest it in accounts in the stock market bubble, thus propping up the market's bloated values. This would threaten the loss of income of tens of millions of retired persons living on Social Security when the market crashes.

Finally, on moving the world out of the floating-exchange-rate geometry, and back to a fixed-exchange-rate system, Greenspan has said no. Lyndon LaRouche has proposed a New Bretton Woods fixed-exchange-rate system, vectored around the great development projects of the Eurasian Land-Bridge. While not addressing LaRouche directly, Greenspan spoke about currency target zones (and by extension, the fixed-exchange-rate system), via satellite at a banking conference in Frankfurt, Germany on Nov. 20, 1998. That "might have been feasible 30 years ago," he said, but now, "I think that the world has changed to the point at which it is quite unrealistic."

Greenspan's directed policy of the past 12 years has produced a bubble that is unsustainable and will burst. But Greenspan's insanity makes him constitutionally incapable of any real solution to this crisis.

## The Way Out of The Crisis



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**Lyndon LaRouche** was the keynote speaker, in a dialogue with distinguished international panelists: **Wilhelm Hankel**, professor of economics and a former banker from Germany; **Stanislav Menshikov**, a Russian economist and journalist; Schiller Institute founder **Helga Zepp-LaRouche** from Germany; **Devendra Kaushik**, professor of Central Asian Studies from India; **Qian Jing**, international affairs analyst from China; **Natalya Vitrenko**, economist and parliamentarian from Ukraine.



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# Greenspan and the cult of Ayn Rand: Don't reappoint 'the undertaker'

by Kathy Wolfe

The quiet and unassuming Federal Reserve Chairman enters the hearing in one of his two-dozen identical, 1950s-cut, navy blue suits, and leans his head on his hand, index finger up. "Alan Greenspan is the greatest central banker in the history of the United States and therefore, by definition, is the greatest central banker in the history of the world," a Senator such as Banking Committee Chairman Phil Gramm (R-Tex.) will say before Greenspan testifies, as Gramm did on July 28, adding: "Your utterances have become somewhat like the Bible."

Unless Greenspan is reappointed when his term as Fed chairman runs out in June 2000, Gramm, Rep. James Leach (R-Iowa), Rep. Paul Ryan (R-Wisc.), and others insist — indeed, unless President Clinton reappoints him early — the current U.S. stock market bubble will crash, destroying the Clinton legacy of eight years of "economic prosperity."

His few Democratic opponents worry that Greenspan is a Wall Street bankers' crony whose 19th-century brand of "robber baron capitalism" is "driven by the filthy rich," as Robert Reich, Clinton's friend and former Secretary of Labor wrote in his 1997 book, *Locked in the Cabinet*. Reich describes how he, Bill, and Hillary had come to Washington to reverse the cruelties of globalization, which have created what Reich called "the race to the bottom" of the American working class, but they were blackmailed to a halt by Greenspan.

"I can't do it," Clinton would sadly tell Reich, of some plan they had had to lift the living standards of the working population. "The Fed will complain it will bust the budget, and Wall Street will crash." After one luncheon with the Fed Chairman, Reich described an imaginary dialogue in which Greenspan declared himself the champion of "bond traders and [bank] lenders . . . the filthy rich," as opposed to Reich's constituents, who "are just plain filthy—they have to work for a living." Clinton, Greenspan said in the dialogue, will have to reappoint him Fed Chairman in perpetuity. "He needs me because he needs the confidence of Wall Street," Greenspan says. "That's why Bush reappointed me in 1992, even though he hated me for keeping interest rates high. I could do it to your man, too. I could do worse. Clinton will do whatever I want!"

Unfortunately, Greenspan is no mere bankers' boy. The inside story about Alan Greenspan is far worse. Behind the mild-mannered Wall Street suits and quiet tones lurks the deranged mind of an economic terrorist. For 47 years, Alan

Greenspan, by his testimony, the testimony of his friends and family, and by the results you can see out your window, has been slowly and methodically acting to rip down the heavy industrial economy of the United States. His spokespersonship for the "leaders of business and industry" has been a facade.

## When the lights of New York go out

Since 1952, Greenspan has been the leading disciple of the Russian-born Hollywood writer Ayn Rand, whose 1957 novel *Atlas Shrugged* presents a detailed blueprint for slowly and silently tearing down the industrial plant and infrastructure of the United States, in favor of a "post-industrial" society. The railroads must be ripped up, she wrote, and every machine made to fail. "Plane crashes, oil tank explosions, blast-furnace break-outs, high-tension wire electrocutions, subway cave-ins" were to be carefully engineered over a period of decades. Finally, "when we would see the lights of New York go out, we would know that our job was done."

So ready were Rand's disciples to tear everything down, that even Wall Street free-marketeers were alarmed. "It became evident to me that they were a cult," former *Barron's* editor Robert Bleiberg told *Worth* magazine in 1995. Of all of them, the most serious was Alan Greenspan, whom Rand herself called "The Undertaker" for the deadly earnest with which he embraced her plans.

Ayn Rand, born of an aristocratic family in St. Petersburg in 1905, fled Lenin's Russia in 1926 at age 21, and landed in Hollywood as a script reader for Cecil B. DeMille. For the next 25 years, she read, and then wrote, Hollywood and Broadway scripts for RKO, MGM, and Warner Brothers, all based on an infantile abreaction to communism, in which her heroes glorified their selfish desires as the triumph of the individual. Rand made of this what she called a philosophy, a straight plagiarism of Aristotle's *Nicomachean Ethics*, in which man is just another animal, a creature of pleasure or pain. Thus, his "moral" duty is to seek his personal pleasure without regard for society, leading Rand to write such tracts as *The Virtue of Selfishness*. St. Paul's credo of agapic love of humanity was the dirtiest of lies, she wrote.

"A is A. . . . Facts are facts," she repeated after Aristotle, "and the only task of man's consciousness is to *perceive* reality, not to *create* or invent it." Man merely receives sensory perceptions from the "objective" outside world, as do the

other animals. “Reason” Rand defined as merely “the faculty that identifies and integrates the material provided by man’s senses.” Man has no immortal soul and creates no abstract ideas, Rand taught, so her followers are ardent atheists. Man only learns to better process the incoming sensory data packets of sight, hearing, and smell, like some flesh and blood computer, which information is used to better satisfy his “self-interest”—his desire for food, sex, and power. This outlook Rand dubbed “Objectivism.”

Moving to New York in 1951, Rand gathered a group who sarcastically called themselves “The Collective,” because of their intense anti-government philosophy. Meeting every Saturday night for 10 years in Rand’s Manhattan apartment, as Michael Lewis reported in the May 1995 issue of *Worth* magazine, the group included Rand and her Hollywood husband Frank O’Conner; their friends Nathaniel and Barbara Branden; Barbara’s childhood friend, artist Joan Mitchell, who married and brought in Greenspan in 1952; Leonard Peikoff, who later ran the Ayn Rand Institute; Harry Kalberman, who is still Greenspan’s stock broker, and his wife Elaine; and Allan Blumenthal, a psychiatrist who would marry Mitchell after she and Greenspan had their marriage annulled in 1953.

With the aid of the emotional appeal of her semi-erotic novels and scripts, which she had the group read aloud as each was being written, Rand produced a brainwashing environment to rival the later San Francisco Hippies of the 1960s. “After a few months,” Lewis reports, “it seemed logical for Rand and Branden to announce to their spouses that they planned to have an affair, just because it served their self interest.”

### **Anatomy of an undertaker**

It was an unfortunate environment for the 20-something Alan Greenspan. Born in 1926, he was raised fatherless and poor in the Manhattan of the 1930s Great Depression, and, Lewis reports, after a stint on the saxophone at the Juilliard School of Music, he discovered his first hero, John Maynard Keynes, at New York University. Greenspan became an ardent advocate of Keynes’s theory of the Depression, which had so scarred his youth. He received both his BS and MA in Keynesian economics at New York University by 1950, promoting Keynes’s theory that government spending, even if it meant paying men to dig holes in the ground and fill them up again, was the cure for all ills.

But the Keynesian theories and his *summa cum laude* were only a superficial belief structure for Greenspan. When Joan Mitchell, who appears to have been his first date, brought Greenspan to Rand’s apartment, he announced: “I think I exist, but I can’t be certain,” Branden told Lewis. The only thing which Greenspan knew, was that he loved to manipulate numbers; numbers, at least, would obey him. “Saturday mornings he loved to wake up and study numbers,” Joan Mitchell reports. “He loved being in control of all these numbers.” Soon after, their marriage was annulled.

In the brainwashing environment of Rand’s salon, Greenspan made a sudden 180-degree switch of belief structures to radical free-market nihilism. In his memoirs, Nathaniel Branden recalls Greenspan’s thrill at reading aloud *Atlas Shrugged* as it was being written. “He came alive with excitement no one had ever seen in him before. Shyly and reluctantly he began to yield to the romantic side of his nature. . . . He rarely voiced his feelings about anything of a personal nature, and his language tended to be detached and passive. He might say, ‘On reading this . . . one tends to feel . . . exhilarated.’ But occasionally he would break down and exclaim, ‘Ayn, this is incredible. No one has ever dramatized what industrial achievement actually means as you have. What you’ve written is a hymn to human intelligence. This is fantastic.’ ”

Greenspan, since that day, has been consistent in his actions, all of which have been a long-term investment in Rand’s project to trash the industrial economy of the United States. To Rand and Greenspan, the post-Depression organization of the U.S. economy represented the tyranny of mediocrity: stupid government officials, trade union bosses, academic hacks, and corporate bureaucrats, who created the society they hate. It is their sacred task, as a small elite of individual geniuses, to tear this Behemoth down and build a new world in their self-image, which they can control, as Greenspan controls his pages of numbers.

For his whole professional life, Greenspan has worked for Wall Street. For much of the period from 1954 through 1987, Greenspan was a partner, and then the head, of Townsend-Greenspan, a consulting firm to New York City’s financial community. During 1977-87, he was a member of the board of directors of both Morgan Guaranty Trust and its parent company, J.P. Morgan Bank. Morgan is the top British intelligence operation in the banking community.

### **Long-term perspective**

Greenspan has positioned himself carefully into a position of power, while appearing to play along with the system. But is he, perhaps, preparing to pull the plug?

In *Atlas Shrugged*, Rand chronicles in more than 800 pages, the secret life of Francisco D’Anconia, heir to the D’Anconia Copper fortune, which in the novel controls the world’s copper mines, ships, and foundries—without which no electrical wire can be produced. D’Anconia early in the book joins John Galt, a physicist who won’t have his work stolen by mediocrities, in a plan to shut down the U.S. economy in order to take it over.

As a copper producer, “I saw the government regulations passed to cripple me, because I was successful, to help my competitors because they were failures. . . . I saw my energy was being poured down a sewer,” D’Anconia says. “And then I saw the whole industrial establishment of the world, with all of its magnificent machinery, its thousand-ton furnaces, its transatlantic cables, its blazing electric signs, its wealth—

all of it run by any unshaved humanitarian in any basement beer joint. . . .

“John found the way,” D’Anconia said of Galt. “He stepped to the window and pointed at the skyscrapers of the city. He said that we had to extinguish the lights of the world, and when we would see the lights of New York go out, we would know that our job was done.” Galt told D’Anconia that he would have to destroy his father’s company. Without copper for wire, the world economy would fall apart. “Just think of the railroads,” said another of their conspirators. “They’ll reach the stage where no day will pass without a major wreck, and the same will be happening in every other industry, where ever machines are used—the machines which they thought could replace our minds. Plane crashes, oil tank

explosions, blast-furnace break-outs, high-tension wire electrocutions, subway cave-ins. . . . When the rails are cut, the city of New York will starve in two days. . . . Their factories will stop, then their furnaces and their radios.”

Galt simply quits and sets up a secret alternate economy in a Colorado valley, but D’Anconia explains, years later, why he had to stay at the helm of his Chilean corporation and pretend to be a leader of industry. “The Taggart Transcontinental railroad system was a precision machine, which could not function without you or the presence of a few like you,” he told his former fiancée Dagny Taggart. “If you quit, the looters would not be able to run it. But D’Anconia Copper was a simple extraction process which they could have run and looted for many years without me.” D’Anconia explained

## Famous financial bubbles of the past

Speculative financial bubbles are not sociological or economic phenomena, as their history shows. They have been created by powerful financial shysters, who often themselves reap the profits, while the suckers who have bought into the speculative orgy for the sake of “an easy, quick buck” have often lost everything they had, and often so have nations as a whole.

We shall deal here with three of the most (in)famous: the Tulip Bubble, the South Sea Bubble, and the Mississippi Bubble.

### The Tulip Bubble

The first famous bubble of this sort dates from the early 17th century in Holland, and was called the Tulip Bubble. Tulips, which arrived in the Netherlands from Turkey in 1593, became a craze among aristocrats within a few years, and soon an object of speculation. Individuals kept bidding up the price of the bulbs, which, in fact, were never even seen by their purchasers. Buying and selling contracts for tulip bulbs in itself became a major business.

The rate of increase in the price dwarfs that of today’s stocks for companies that have never made a profit, or even a product. In 1623, a single Semper August bulb (the most valued variety) sold for \$525; by 1625, the price was up to \$1,575; by 1633, it hit \$2,900; in 1637, three such bulbs sold for \$16,000. These prices compared to the average annual Dutch income of \$79.

By February 1637, the collapse was on. Thousands of

investors were bankrupted, many of them members of the middle class, who lost their life savings.

### The Mississippi Bubble

Less than a century later, a similar process took place in both England and France, this time linking the finances of the governments into the speculative bubble, and leading to the devastating collapse of the finances of the entire nation.

The infamous John Law, a Scottish gambler with strong Venetian connections, was the author of the Mississippi Bubble, which succeeded in ruining France in 1720. Law established his Mississippi Company in 1717, after having gained permission to establish a French state bank. The Mississippi Company sold shares to the public on the strength of its representation that the Louisiana territories (along the Mississippi) were on the verge of bringing great wealth to the French nation. A massive publicity campaign painted a picture of Louisiana as a land full of mountains of pure gold, silver, copper, and other riches, and peopled by Indians who were willing to hand over these riches to the French at minimal cost.

No wealth ever appeared in France to validate this publicity, of course, because such riches did not exist. However, the Mississippi Company generated a brisk sale of shares, and kept expanding both their number, and the promises for profit. In order to meet the demand for trade in shares alone, Law sought to, and succeeded in, expanding his access to French revenue flows, including a monopoly over the entire foreign trade of France. The price of shares continued to zoom.

In December 1719, the original share price, which had been 500 livres, had skyrocketed up to 40 times that value, or 20,000 livres. Foreigners streamed into Paris to buy and trade shares, and the wealthy nobility, especially Law’s patrons, made millions. Many of them, however, realized



that he left Dagny and became a drunken playboy, gambling away millions on every continent, in order to systematically destroy the copper company's global operations in person. Being a playboy "was a part that I had to play, in order not to let them suspect me—while I was destroying D'Anconia Copper in plain sight of the whole world." His final act, after bankrupting the company with his jet-set antics, is to dynamite every copper mine on the planet.

### **Rand and the British gold standard**

The parallel between the 1950s world industry's dependence upon copper wire, and its dependence today upon the money-market operations of the Federal Reserve Bank of the United States, should not go unnoticed. While Greenspan had

that the game would have to come to an end, and they began to cash in their shares for gold. A massive contraction began, and Law, then the Comptroller of France, had to devalue the currency. By the spring of 1720, Law had been forced to flee the country, and the majority of the speculators and the country were bankrupt.

### **The South Sea Bubble**

A very similar process took place in England, at almost the same time. There, a South Sea Company had been formed in 1711 by Tory party chief Robert Harley, as a means of relieving the government of unsecured public debt, through the profits that would be gained via control of England's trade with Spanish colonies in the West Indies and South America. But, by the end of the decade, the company had been transformed into a center of enormous speculation, and had actually taken over £50 million of debt, the nation's debt, a fivefold increase from the time of the company's founding.

Run by John Blunt, the chief director, the South Sea Company just kept issuing stock in order to increase the flow of funds. Rumors of expanded trade in slaves, as a means of getting wealth for the company, brought in new speculators, and the price of shares skyrocketed in the early 1720s. From £128 apiece in January 1720, to £1,100 apiece in August 1720, the shares continued to rise. The phenomenal profits being made in the trade led to the creation of additional companies which had absolutely no basis for creating wealth, but which shared in the speculative mania.

On Aug. 18, 1720, the bubble burst, and by the end of September, it hit bottom. Not only were major fortunes lost, but Britain itself was plunged into economic ruin, as well as its colonies, while the perpetrators of the bubble itself were given control of the nation's finances.

—Nancy Spannaus

met Richard Nixon in 1968, as a Randian, he refused to enter government service until 1974, when his former economics professor, then-Fed Chairman Arthur Burns, demanded that Greenspan come to Washington. After Nixon removed the dollar from gold in 1971, inflation was raging out of control, and "in Rand's Saturday evening sessions, inflation was as great a threat to freedom as alcohol was to virginity," as Lewis neatly summarized it. Inflation, as Robert Reich had Greenspan explain in their imaginary dialogue, "hurts bond traders and bank lenders" and is therefore to be expunged even if this creates "high unemployment . . . slow growth and stagnant wages . . . and drastic cuts in federal programs that help working and poor people."

Every dollar in Rand's new world must be backed by gold, as it was in the 19th-century British gold standard, because no man or government is to be trusted to create any paper credit whatsoever. Gold, the Objectivists believe, as a real object ("A is A") in the physical world, is the only true store of value—not the creative mental powers of a human being. Since no Randian does anything except for his own self-interest, every action by an individual must be paid for, if not in gold, then in a currency backed one-to-one by gold. That way, there can be no inflation, and the few geniuses who have really earned their money, will never see the value of their money, with which they equate the value of their selves, reduced by inflation. In the last sentence of *Atlas Shrugged*, the hero Galt, instead of the sign of the cross, traces in the air the sign of a gold-backed dollar.

In Ayn Rand's *Capitalism: The Unknown Ideal* (New York: Signet Paperback Books, 1967), Greenspan was the author of Chapter 6, "Gold and Economic Freedom." "An almost hysterical antagonism toward the gold standard is one issue which unites statists of all persuasions," he wrote, in a detailed praise of the 19th-century British gold standard. "They seem to sense that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other. . . . The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit.

"In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value," Greenspan concluded. "This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the 'hidden' confiscation of wealth. Gold stands in the way of this insidious process, as a protector of property rights." Greenspan agreed to Burns's plea to begin a long journey back to the gold standard. "Arthur not only asked him to go," Judy Mackey, one of the four to whom Greenspan entrusted his economic consulting business, told Lewis. "He told him that it was his duty to go—that it was their last chance to fight inflation." On the morning of Nixon's resignation, Greenspan became Chairman of President Ford's new Council of Economic Advisers. Subse-

quently, he was appointed a member of Ronald Reagan's Economic Policy Advisory Board and Foreign Intelligence Advisory Board, and then appointed Fed Chairman on Aug. 11, 1987 by circles close to Vice-President George Bush.

### Method in the madness

Since that time, as Richard Freeman documents in his article in this *Economics Feature*, Greenspan, as if reverting to Keynesianism or throwing Ayn Rand out the window, has presided over the biggest money-printing, not-backed-by-anything, entirely paper-credit expansion in the history of civilization. During the 1987 stock market crash, which directly followed his appointment, Greenspan flooded the banking system and the markets with paper money, and stopped what seemed to be a bottomless slide. Since his appointment, the U.S. national debt has skyrocketed from \$1.7 trillion to almost \$6 trillion. Since his complaint that too much paper credit was creating "irrational exuberance" on the markets, when the Dow Jones index was at 6,000, it has now risen to the 10-11,000 range, based on cheap Fed dollar printing.

Has Greenspan gone "Washington," or, like Rand's Francisco D'Anconia, is there a method in his madness?

Look at the policies for the physical economy of the United States which Greenspan, by his own testimony, has relentlessly promoted. Again and again, his speeches praise the "improved productivity" of the "post-industrial information society" based on "technological innovation" in computers, telecommunications, derivatives, and other speculative "financial products" of the global financial markets. "Increased productivity" in rational economics means that one man can, using technological innovation to produce new machines of increasing energy-intensity, increase his output of physical goods, and his power over nature. The end objective of productivity and technological innovation is an advancement in living standards so as to advance knowledge and civilization, as Classically defined by the founder of the school of physical economy, Gottfried Wilhelm Leibniz.

In Greenspan-speak, however, increased productivity means how much *money* an individual in the computer or financial sector can make, in terms of paper dollars of GNP, using technological innovation such as faster computer chips. Food, clothing, and other physical goods—including the computer chips themselves—we now buy, rather than produce, using these paper dollars, from Mexico, China, and other nations where workers work for \$10 a week. Ergo, we can now shut down those smoky old American railroads, steel mills, power plants, and other industrial relics, and leave them to the Third World.

"In testimony before this committee several years ago, I raised the possibility that we were entering a period of technological innovation that occurs perhaps once every 50 or 100 years," as Greenspan summarized his last five years of Congressional briefings at the House Banking Committee on July 22, 1999. "Data becoming available this year confirm that

productivity growth has stepped up, . . . tremendous advances in computing and telecommunications" have now made "their translation into improved overall economic efficiency. . . . The acceleration in productivity owes importantly to the new information technologies. Prior to this IT revolution, most of 20th-century business decision-making had been hampered by limited information."

The more we shut down factories and increase post-industrial services in computers and financial speculation, the better the economy will do, he went on. "It is this acceleration of productivity over recent years that has explained much of the surprising combination of a slowing in inflation and sustained rapid real growth. . . . The remarkable surge in capital investment after 1993, especially in high-tech goods . . . suggested a marked increase in the perceived prospective rates of return on the newer technologies. . . . That American productivity growth has picked up over the past five years or so has become increasingly evident. Non-farm business productivity grew at an average rate of a bit over 1% per year in the 1980s. In recent years, productivity growth has picked up to more than 2%."

Put aside the obviously faked statistics. Greenspan is claiming this, as the country loses more than 200,000 industrial jobs a year, transportation in urban centers slows to a crawl, storms bring blackouts to major U.S. cities with alarming regularity, and epidemic diseases are on the resurgence.

Indeed, Greenspan went on, downsizing and mass firing of employees in the "century-old" heavy industries has been quite good for the economy. "Business restructuring and the synergies of the new technologies have enhanced productive efficiencies. American industry generally has shared an improved level of efficiency and cost containment through high-tech capital investment. Our century-old motor vehicle industry, for example, has raised output per hour by a dramatic 4.5% annually on average in the past two years, compared with a lackluster 1.25% on average earlier this decade. Much the same is true of many other mature industries, such as steel, textiles, and other stalwarts of an earlier age."

Globalization, Greenspan gloats, has also helped by cheapening wages and increasing layoffs around the world. "In addition, a breaking down of barriers to cross-border trade, owing both to the new technologies and to the reduction of government restrictions on trade, has intensified the pressures of competition, helping to contain prices," he concludes. "While business people must still operate in an uncertain world, the recent years remarkable surge in the availability of real-time information has enabled them to *remove* large swaths of inventory safety stocks, redundant capital equipment, and layers of workers" (emphasis added).

### Going for the British gold

While his policies turn the U.S. dollar into toilet paper and shut down the industrial economy, very much as did, unnoticed, Rand's D'Anconia, Greenspan's closest friends

also report that he in fact remains true to Rand's goal of returning the United States to a 19th-century-style gold standard. In "Greenspan: Still Going for the Gold," a May 1997 article, and in continuing speeches such as her House Banking testimony this spring, Greenspan's disciple Judy Shelton has repeatedly stated that "for more than three decades Alan Greenspan has endeavored to guide the nation toward sound money. His critics on the right simply cannot appreciate the long-term perspective of Greenspan, who argued powerfully in the 1960s that 'gold and economic freedom are inseparable' and who has steadfastly, albeit slowly, continued to pursue the realization of his intellectual ideals." After quoting Greenspan's 1981 op-ed article entitled "Can the U.S. Return to a Gold Standard?" published in the *Wall Street Journal*, Shelton concluded, "Sound money advocates should take heart these days and realize that Greenspan is following a gameplan laid out long ago."

Addressing the House Banking Committee on May 21, 1999, Shelton stated that Greenspan is in fact aiming to reestablish the "classical international gold standard," in which any individual "can convert paper money into . . . gold as under the old gold standard." She also cited Greenspan's September 1998 Congressional testimony in direct praise of the British gold standard, quoting Greenspan as follows: "Be-

tween our Civil War and World War I, when international capital flows were largely uninhibited, discipline was more or less automatic. Where gold standard rules were tight and liquidity constrained . . . this tended to delimit the misuse of capital and its consequences. Imbalances were generally aborted before they got out of hand."

Given the \$300 trillion international dollar bubble which Greenspan has created, there is at this point only one way in which we could return to the 1918 situation, in which every dollar created has to be backed by a sum of gold extracted from the earth. It would require an enormous uncontrolled sudden crash of the paper value of all those dollars—the financial equivalent of putting out "all the lights in New York," after which Greenspan and his friends are given the power to reorganize.

Those closest to Greenspan believe that he is just in a "transition period" waiting for that day. "Alan believes that there needs to be a transition period," his former wife, Joan Mitchell, told Michael Lewis in May 1995. "He thinks we will get to where he wants to go—but that it will take time." She added that she had asked Greenspan earlier that year whether he weren't getting a little soft in Washington. "I haven't changed my mind," Greenspan replied. "About anything."

## The gold-reserve system vs. British monetarism

What is the difference between a gold-reserve system and the British gold standard? The former is designed to *increase* the availability of credit for productive investment; the latter looks to a deliberate contraction of credit.

On Sept. 22, 1981, as the world was being devastated by Federal Reserve Chairman Paul Volcker's "controlled disintegration," the National Democratic Policy Committee, the LaRouche wing of the Democratic Party, issued a policy statement, drafted under the direction of NDPC Advisory Board Chairman LaRouche, which stated, in part:

"Even at this late hour, the re-introduction of gold into the world monetary system can prevent a major financial crisis and economic depression. The Federal Reserve's incompetent, destructive monetary policy has already pushed the U.S. economy into the second stage of a depression that began immediately after Chairman Volcker's 'Saturday Night Massacre' of Oct. 4, 1979. . . .

"This is a war for the survival of the United States, not—as the Fed has argued—payment for the past sins of

largesse committed by previous administrations. America's banking system is already under the dictatorial control of the 'offshore' money markets, which the Fed has transformed into the only source of liquidity available to American borrowers. Remonetization of gold is the step required to win the war on behalf of American productivity and living standards.

"Step one is to remove the gold issue from monetarist incantation over 'market perceptions,' 'inflationary expectations,' and 'monetary control.' Those disciplines which the American financial system requires may be reduced practicably to a single overriding constraint: We must restrict the expansion of credit to those uses which will improve productivity, output, and exports. . . .

"The flaw in the various monetarist proposals for gold restoration is elementary. The United States must conduct a form of economic warfare against an international financial cartel whose principal objective is to have the carcass of the U.S. economy to pick over. Their ally is the Federal Reserve, and their chief operator is Federal Reserve Chairman Paul Volcker. Without the two fundamental safeguards, i.e., *transparency of sources of credit*, and *priority for productive credits*, the United States monetary authorities will have little to say in the management of the monetary system relative to the London and Cayman Islands offshore centers."

# BAC interests prepare to seize Russian assets

by Mark Burdman

Under conditions of the ever-worsening global financial crisis and Russian internal crisis, a Russian default and Western seizure of Russian assets are fast moving onto the international agenda. There are concerted moves by financial and political power groups centered in the British-American-Commonwealth (BAC) bloc, to force the issue on a possible Russian default on its "London Club" (Soviet-era commercial) and other debt, and to seize Russian assets through legal maneuvers that would accompany a default.

This is part of a strategy by leading British establishment planners and their counterparts in the George Bush milieu in the United States, typified by chief George W. Bush foreign policy spokeswoman Condoleezza Rice, to move into a new phase of confrontation with Russia, and to expedite the disintegration of the Russian Federation.

The campaign for default is based on massive blackmail and fraud from relevant BAC forces. Russia is in severe financial-economic crisis, and the looting of that country over the past years has been carried out by the British-Bush forces, who have imposed a policy of organized criminality and looting upon Russia under the code names of "privatization," "reform," and "free trade." *EIR* founder and U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche has advised, that if people are interested in "recovering" money from Russia, they should commandeer it from George Bush, since he stole it.

## 'There will be efforts toward asset seizures'

In an Oct. 18 discussion with *EIR*, a leading Russian strategist stressed that the possibility of a Russian default and ensuing seizure of Russian assets in the West, is very much moving onto the agenda. He noted: "Effectively, we are already in default. An agreement has been reached on the Paris Club [Soviet-era state-to-state] debt, for a postponement of payments. But on the London Club, there is no agreement, and there is not one pending. There is also a possibility of imminent default on the IMF [International Monetary Fund] debt. . . . Personally, I believe the seizure of Russian assets in the West is possible. People here believe they have their money securely put away in safe havens, but this is an illusion. The U.S. has had a lot of experience in hunting down cocaine money, and this can be used against money from Russia." This individual warned that the growing financial pressure, combined with the escalating war in the Caucasus, could precipitate a political-social explosion in Russia.

On Oct. 19, an academic specialist on Russia who has links to British Intelligence, told *EIR* that there is a big fight inside the London Club over how to deal with Russia, and that those pushing the default/asset-seizure perspective have the upper hand. He stressed: "There is growing frustration with Russia, and I think the hard-liners will win. It is known, that the Russians have more assets abroad than the totality of their Gross Domestic Product. There's plenty of Russian money abroad, but the Russians are good at playing the game of how 'bankrupt' they are. Sooner or later, the frustration will reach a boiling point, and there will be efforts toward asset seizures. The hard-liners will employ all legal mechanisms, with the argument that if this is not done, they will be seen as weak."

Leading the "hard-liners" is an entity named Gramercy Advisers, which was set up on the eve of the mid-August 1998 collapse of the GKO "pyramid scheme," which collapse nearly caused a meltdown of the international monetary system. Gramercy co-founder Robert Koenigsberger had been a senior vice president at the Lehman Brothers investment bank. Lehman Brothers, in September 1998, had successfully sued two Russian banks in a London court, in a case cited favorably by the Oct. 21, 1999 *London Times*, as a possible precedent for asset-seizure actions in the months to come.

Gramercy Advisers has a fund-management entity called Gramercy Emerging Markets Fund, which recently played the leading role in demanding a hard line toward Ecuador, when that country defaulted on its so-called "Brady Bond" debt.

The Gramercy enterprise is effectively controlled by a small Wall Street intelligence operation called BPI Capital Partners Inc., which made big investments in Gramercy beginning in April of this year. The leading partner in BPI is John Irwin III, a scion of a BAC family, whose father, John Irwin II, was a protégé of Henry Kissinger, appointed by Kissinger in the mid-1970s as U.S. Ambassador to France. Irwin III has been involved in dirty operations against Lyndon LaRouche and associates, through his role in the misnamed "anti-cult" American Family Foundation.

With support from such journals as the *London Economist*, Gramercy has been pressing for months within the London Club, for London court action for "reclamation of assets" against Russia. Gramercy is at the center of something called the Russian London Club Portfolio Managers Inc., which are hedge fund (rather than commercial bank) members of the London Club, and which account for about 15% of the \$26 billion total Russian London Club obligations.

In an Oct. 7 interview on Russia's NTV station, Russian Central Bank head Viktor Gerashchenko made an obvious allusion to Gramercy's role, referring to "some new members of the [London] Club" which were making draconian new demands on Russia.

## BONY and the case of Richard L. Palmer

One crucial factor is how BAC forces are using the ongoing Bank of New York (BONY) money-laundering scandal,

as a “public relations” preparation for seizures of Russian assets. While the scandal has unearthed much skulduggery on the part of leading Russians linked to the Al Gore and George Bush crowds in the United States and the “Thatcherite” mob in Britain, the scandal is being exploited to create a perception that it is impossible to differentiate between public, legitimate private, and illegal Russian monies abroad.

Exemplary of the “line” by leading BAC operatives in the BONY affair, is the Sept. 21, 1999 testimony before the U.S. House of Representatives Banking Committee by Richard L. Palmer, formerly a senior figure in the Operations Directorate of the U.S. Central Intelligence Agency, who was CIA “Chief of Station in the Former Soviet Union” in 1992-94. Today, he heads a Virginia-based investigative firm called Cachet International, Inc. and, as he boasted to the Committee, presumes to be an expert on organized crime in Russia.

Palmer’s paper to the Committee is filled with the wildest fallacies of composition and deliberate omissions. In short, he argues that Russia, from top to bottom, is a criminal enterprise, controlled by what he calls “ROC,” for “Russian Organized Crime.” Combining obvious facts with various exaggerations and overblown conclusions, he goes through how, since the mid-1970s in the Soviet Union, the Soviet, and, later, Russian, leadership has specialized in financial fraud, money-laundering, capital flight, and so on. Never once does he refer to the Western wheeler-dealers, typified by the late British figure Robert Maxwell, who massively expedited such enterprises, nor the Anglo-American policy mob, typified by the Mont Pelerin Society, which built up “organized crime” in Russia through their “free market” operations. Essentially, for Palmer, “ROC” is an expression of the “corruption in Russia” that is somehow endemic to Russian history.

From this construct, Palmer promotes the idea of aggressively pursuing seizures of Russian assets. He boasts that, in October 1998, “I organized and directed a seminar in Washington, D.C. on ‘Recovering Assets In and From Russia.’” Furthermore, after the mid-August 1998 financial crisis in Russia, when “both Inkombank and Menatep Bank were declared bankrupt and their assets were supposed to have been frozen, I represented a few of the more than two dozen Western firms that sought to trace the transfer of funds by the supposedly insolvent Inkombank and Menatep Bank to Western accounts where they could be legally attached.” He presented more “arguments” along similar lines.

On Oct. 21, the London *Times* published a puff piece for Palmer, entitled, “From Russia With Cash Is Possible.” Noting his advice that Western firms stop investing in Russia, and his disagreement with the view that Western firms cannot “recover their money” from failed Russian enterprises, the British paper noted that Palmer “has spent the last 12 months promoting the view that money in Russia can, in fact, be recovered.” He told the *Times*: “What people don’t understand, is that you don’t have to collect your money in Russia. If you owe me £500, I don’t necessarily have to collect that money from the U.K. I can do that anywhere that has the

money, and any place where I can get a court decision that is acceptable internationally.” Palmer also refuted the idea that, because much Russian money is squirreled in offshore accounts, it cannot be recovered. “That is not true,” he said. “It is done every day, it just takes a little time and money.”

It is known that leading British and American private security firms, such as Argen (British) and Kroll Associates (U.S.), are involved in extensive international activity to discover which Russian assets abroad can be seized under conditions of a declared default.

A top Russian official involved in negotiations with the London Club, has warned how the BONY matter and related factors are being used to whip up anti-Russian sentiments. Returning from his negotiations on the Russian debt, Andrei Kostin told the *Kommersant* daily on Oct. 7 that the BONY scandal has “negatively influenced the whole atmosphere of the negotiations. I regard everything that is taking place in the West now, including the United States, as hysteria, as some kind of McCarthyism.” Unless Russia adopts a “harsh position” on relevant matters, “the country may be very seriously damaged,” he warned.

### **Russian retaliation?**

Indeed, under conditions of a default and asset-seizure, it is not inconceivable that the Russians might retaliate—in previously “unthinkable” ways. One possibility being mooted in certain quarters, is that Russia might cut off energy supplies to western Europe. How might this come about?

BAC interests, under condition of default and asset seizure, might try to prevent Western customers of Russian energy firms from making payments to Russia for natural gas or oil deliveries to western Europe. In retaliation for seizing such payments, Russia might stop its energy exports. A “signal” in this direction, is that the CIA and other sources have been warning that there could be a Y2K “millennium bug” breakdown of Gazprom computer chips, and that this would impede Russian energy supplies to western Europe.

On Oct. 20, a leading western Europe energy expert with highest-level connections in Russia, stressed that something very ominous is afoot on the Russia-Europe natural gas front. This source stressed that the energy situation in western Europe is “very risky,” particularly in Germany. There is a concerted attack in Germany against nuclear energy, and Germany is 60% dependent on imports of primary energy (oil and gas) from abroad. He said that he knows about Western circles that would “just love to have a natural gas crisis.” He reported that two weeks ago, he attended a conference at which a high-level U.S. Department of Energy official suddenly said that he is expecting a “dramatic rise in natural gas prices this winter.”

In this context, the expert said that he is “very concerned” about the situation in Russia, and that the hypothesis that Russia might very well decide to turn off gas supplies following a Western seizure of assets in raw materials and energy, is absolutely conceivable.



# A community of nation-states must put together a new financial system

*Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. was interviewed by the Philippines radio station DZXL-AM, which broadcasts from Manila, on Oct. 6. The host of the program was Herman "Mentong" Laurel. He was joined in the interview by Antonio "Butch" Valdes and a studio audience. Laurel contributed an assessment of "The Philippines at 100" to EIR, which appeared on July 31, 1998. The transcript of his interview with LaRouche follows.*

**Laurel:** Mr. Lyndon LaRouche is running for the nomination of the Democratic Party.

**Valdes:** Lyndon LaRouche, Jr. is a very extraordinary man. He emerged over the course of the 1970s and 1980s as one of the most controversial political figures of his time. This controversy also features such related issues as his efforts to destroy the international drug traffic, and his initiating role, in formulating what President Ronald Reagan announced as the Strategic Defense Initiative, the SDI.

He is basically rooted in not only domestic U.S., but also the global political economic issues. The recent fresh demonstration of his exceptional qualifications as a long-range economic forecaster has placed him at the center of the presently erupting global systemic crisis of the world's economy.

Mr. LaRouche's work is best known through his success in two long-range forecasts, which made him well known globally. The first of these was developed during 1959-60, forecasting that if the axiomatic policymaking assumptions of the Truman and the Eisenhower presidencies persisted, the second half of the 1960s would experience a series of international financial-monetary crises, leading toward a breakdown of the existing Bretton Woods agreements. And we all know that this occurred during that interval, with the British sterling devaluation of November 1967, through the breakdown of the Bretton Woods agreements in August 1971.

**Laurel:** Now, without much ado, we will call on our guest this evening, a most distinguished honor for our program, and our radio station. Mr. Lyndon LaRouche is with us on Line 3, and we'd like to welcome him on the air.

Mr. Lyndon LaRouche, good evening. It's probably good morning over there?

**LaRouche:** Yes, well, it's evening.

**Laurel:** Mr. LaRouche, we are ready, and we have Mr. Butch Valdes on our Line 2, ready to listen to your opening statements. We also have a panel with us of young people, whom we will introduce to you later. We think that the best thing to do is to give you around five minutes for an opening statement. In the meantime also, I would like to say that we are thousands of miles away from you, and from the United States of America, and we are very happy we have a leader of that country that has tremendous impact on our lives here in the Philippines, whom we can listen to tonight, and speak to later, after your opening statement.

So, Mr. LaRouche, we're all ears now, and please give us a few opening words.

**LaRouche:** Fine. As you probably know, I am the third of three present candidates for the Year 2000 Presidential nomination of the Democratic Party of the United States.

The situation is, that while the current Vice President of the United States, Mr. Al Gore, is nominally a frontrunner, he's actually a frontrunner *backwards*, that is, despite the fight that's going on this coming week, in his effort to secure endorsement by the labor movement, the AFL-CIO, if that were to occur, that would be what is called a "Pyrrhic victory." He might get the endorsement, but there wouldn't be any enthusiasm behind it.

Generally, it's understood in the United States and elsewhere, as in Europe, that Mr. Gore is finished, that is, as a candidate. This goes together with a collapse of another Blair-associated candidate—that is, associated with Tony Blair of Great Britain—with Schröder in Germany, who is also collapsing very rapidly. So we can say, the Third Way candidacies of Tony Blair, the Prime Minister of Great Britain, of Gerhard Schröder, the Chancellor of Germany, and of the Vice President of the United States for his Presidential nomination—this movement is on collapse, internationally.

So, that leaves Bradley and me.

Now, on the Republican side, we have the son, who I've referred to actually, descriptively, as the "Clown Prince," son of former President George Bush. The situation is, that we're now in the onset of the collapse-phase of the worst financial crisis in world history. There's no possibility that the present so-called IMF system, in its present form, will continue much longer. We don't know *exactly* when it will



*Herman Laurel, a columnist and talk-show host in Manila, is shown here at the Schiller Institute Labor Day conference in 1997.*

go through the certifiable collapse phase, but it will be soon, sometime soon, weeks, or maybe a few months. But it's finished.

The primary question therefore, facing the world today, is how do we put together a new alternative, a new financial and monetary system, to ensure that the collapse of the present financial and monetary system, the present world system, does not usher in a dark age, a dark age effect, like those we've seen in Indonesia, for example, under IMF pressures, the collapse of that economy.

Presently, there's no candidate, except myself, running for the Presidency, or who looks as if he might be running for President of the United States, who is qualified to deal with the responsibilities of the United States in the situation, except myself. I'm the only qualified candidate.

That's a difficult situation for my country, and for some other countries, but that's the way it is. My objective, is, first of all, to have President Clinton, the present President of the United States, take certain initiatives, together with other countries — and I have proposed China, India, Russia, among others, as other countries to be involved — in setting up a new international monetary system, somewhat like the Bretton Woods system, but more consistent with what had been Roosevelt's intentions before his death in 1945. That is, to include leading countries of Asia, and other countries, in a new monetary system, as controlling forces. That is what I would pro-

pose that Clinton do; bring in possibly Germany, other countries, countries like Malaysia, for example — Dr. Mahathir is a very commendable figure for this purpose — and it would be necessary to have people from Japan and China and other countries involved.

Under those conditions, we could have an emergency policy to prevent the crisis, and then the question would be, come within a year, to get under way with a general rebuilding program, and the rebuilding program essentially that I would follow, with some changes — time has passed, as we say — the program I would follow, would be to do what Roosevelt had intended at the end of the war, to set up a global system, free of the relics of imperialism and colonialism, which would provide protection for the general economic development of the modern nation-state, and to create a community of nation-states of that type, as the postwar system. I would say that is the objective. That's my general objective now.

**Laurel:** Mr. LaRouche, the past week we have been reading in the briefings that you have obtained what you call in the States, the right to matching funds from the government. I think our audience here does not completely understand this political system. Can you help us a little, with some explanation?

**LaRouche:** Yes, some years ago, in the 1970s, there was a so-called electoral reform in the United States, under which candidates who would meet certain standards of support, would be certified as serious candidates, eligible for a certain amount of matching funds from the government for the funds they raised for the campaign. This is significant in the sense that it represents a distinction of what would be called "major candidates."

On the Democratic Party side, what this means — we waited on our filing until we had an overwhelming amount of qualification for that designation — this means that I'm one of the three listed, official, major candidates of the Democratic Party for the Year 2000. That's what the significance is; there are certain other things that go along with that, presumably, but what it really means, is that there are three major candidates, currently, for the U.S. Democratic Party Presidential nomination for the Year 2000, and *I am one of the three*.

**Valdes:** Good evening Lyn, and welcome to the Philippines.

**LaRouche:** Yes. It's always good to be there. I'd like to be there physically, actually. . . .

**Valdes:** Yes, one day we hope we can have you here, Lyn. My question, Lyn, is this: Recently, the Foreign Minister of China delivered a very stirring speech addressing the United Nations. His speech was laden with a lot of ideas which are very similar to yours, Mr. LaRouche. I was wondering if you had, one way or another, influenced the writing of this speech.

**LaRouche:** I don't think directly. You would find in the official China press — that is, the government and Party press,

as well as other press in China—you would find frequent references to me, personally, in connections of this type, that is, in policy matters of this type. And certainly what China has proposed in that address is not inconsistent with what I've been proposing. I would say that there is, to a certain degree at least, a meeting of minds between my view on this matter, and the view of China.

I would qualify this, and say that China is a regional power, and a very important nation, but does not undertake, and probably would not undertake, at least at the present time, to play a leading, determining position in shaping world policy. They would rather prefer, at this point, to find agreement with others who would take leading responsibility. I think it has been the hope of China, particularly under Deng Xiaoping, and under the leadership of the present President and Prime Minister—it's been the hope that the United States would take the role in cooperating with China, to set up that kind of leadership among nations, or leadership group, with consultation with other nations, with the United States taking the initiative.

Unfortunately, the attacks on Clinton at the close of last year, continuing with the impeachment effort, and subsequent very violent attacks on China, as well as Russia, and other countries, from the right wing in the United States, the Bush people, and others, has weakened the credibility of the President of the United States—the bombing of the Chinese Embassy in Belgrade, which was deliberate, done by an agency within NATO, quite intentionally. The President of the United States is not yet willing to *say* what that is, but I believe he knows it. This has complicated matters.

So, we have a complicated situation as far as U.S. cooperation in China, at present, but I think the *intent* by President Jiang Zemin is in accord with what my intent would be, were I President of the United States.

**Laurel:** We have a question now from a government employee with our Department of Labor.

**Q:** Good evening, sir. I would just like to ask this question: First, the U.S. government has always had an invisible hand in running the political and economic affairs of the Philippines, which of course, greatly influences the government's policies and programs, and this affects the Filipino people. If you were to have it your way, what would be your foreign policy towards the Philippines, and other Third World nations which have also incurred huge amounts of debt from the IMF and World Bank?

**LaRouche:** First of all, my policy on the role of the Philippines, and policy toward the Philippines, is, in a sense, traditional, for some people in the United States, that is, prior to certain changes that occurred later. My policy is that the Philippines is an area of special cultural significance in Southeast Asia as a whole. The role of the Philippines, in cooperation, in partnership, with countries of Asia—which I

would not call emerging markets, but nations which are emerging to, shall we say, full sovereignty, in economic and other development—is that first of all, the United States should have a policy of an American System policy for the Philippines, that is, what we should encourage in the Philippines is to protect, and assist in protecting, the Philippines' right to adopt what I call, and what others have called, the American System, as a protectionist system. That we would also hope, because of the long-standing, close relationship, for certain advantages in relations with the Philippines and the United States.

The Philippines could play a very significant role in assisting cooperation with the United States and other countries throughout Southeast Asia. And that would be my general policy. I think it's a policy that most Philippine patriots would agree with, and I hope that would be the case.

**Laurel:** I think that is very enlightening and very reassuring to many of us here in this radio booth. We have another question from a volunteer worker in a children's fund and justice movement. Your question?

**Q:** Mr. LaRouche, early last year, here also at DZXL, where you were first hosted—that was before our Presidential elections—you said that a leader should acknowledge its country's greatest fear or problem, and help its citizens to face it, and find solutions to solve it. And now your own Presidential elections are coming. If you make it to this election, what will be the greatest fear or problem that you are going to address, and help your country and the world in finding solutions for it? . . .

**LaRouche:** What I'm concerned about, I will be dealing with in a TV report, which I will be putting out soon—it's actually going into preparation this week, it'll probably be out within several weeks.

In the history of European civilization, the policy has been, partly under the influence of Classical Greek culture, but most notably under the influence of Christianity, to understand that people are not cattle, and people can not be treated as cattle. That what we must have is a system under which government is accountable for what we call in English, the general welfare. That is, the general welfare of human beings, as human beings, as made each in the image of the Creator, hmm? And not only for existing generations, but for the coming generations.

And in our view, which was the Christian view, which became the European *republican* view, the authority of the United States lies *solely* in its responsibility to protect and enhance the general welfare of *all of the existing population and its posterity*, with the view that every man and woman is made equally in the image of the Creator of the universe.

Now, there's been a long struggle in Europe to bring that into being. In the 15th century, finally we began to get some

success in that direction. The first durable success, which has been challenged and corrupted many times, of course, is the United States, which was created by Europeans, with the idea of creating that kind of nation-state.

Now, my policy, and the policy of all patriots of the United States, such as John Quincy Adams, who was once Secretary of State and President, for example, has been, we have no interest, as the United States, except our interest in promoting the emergence of a community of principle among perfectly sovereign nation-state republics.

Now, those of us who have had affection for the cause of Philippines independence, have always taken the view, that because of our closeness to the Philippines, we should especially desire that the Philippines should be a perfectly sovereign republic, and meeting your standard of a state which meets the challenge of the general welfare of existing and future generations. And we would hope that from our standpoint, this relationship to the Philippines, by the United States, would help to win Asians in Southeast Asia, and elsewhere, to a better understanding of what the United States has, as a part of European civilization, to contribute to the well-being of the nations which are now emerging as dominant, or future dominant nations of the world, in Asia.

**Laurel:** Well, I think that responds to the question quite directly. By the way, Mr. LaRouche, we have your books spread out in front of us, and one of the things that Mr. N. here, wants to address, is the book on *Christian Economy*. Mr. N. is a very, shall I say, earnest church worker and lay worker. So, your question please?

**Q:** Good evening, Mr. LaRouche. I'm just wondering if you have any word or Bible verse, a verse from the Bible that maybe inspired you to propagate [*The Science of*] *Christian Economy*, if you can share with us some word that will also inspire us, and guide us in propagating the Christian economy here in our country?

**LaRouche:** Remember, the Christian Apostles, especially the best educated ones, such as the Apostle John and the Apostle Paul, after him — actually, John long outlived Paul — was this notion which was expressed in Greek — and they were well-educated people, who used their knowledge of Classical Greek, as Augustinus did later, in defining the framework in which the ideas of Christianity were most efficiently expressed. The term which is used there, in the Greek, as by Plato, and then, also, again by John and Paul, repeatedly, is the term *agapē*, which is often translated into Latin as *caritas*. This message of *agapē* is most clearly stated, set forth, repeatedly, throughout the Gospel of John, and in the Epistles of Paul, most famously, of course in I Corinthians: 13.

This, essentially, is, to me, *the essence of the intersection of Christianity, with constitutional conceptions of republican government.*

**Laurel:** Any followthrough?

**Q:** Yes, thank you Mr. LaRouche. Have you ever tried to read the book of the Acts of the Apostles?

**LaRouche:** Oh, yes, yes.

**Q:** Wherein, the Apostles, after receiving the Holy Spirit, they sold their properties, their land, etc., and they shared it, and then they gave it to the Apostles and distributed it, and being Christian, is it still possible for us, as Christians, to do the same? In the Year 2000, do you think we can translate those actions made by the first Christian community?

**LaRouche:** I think we can do something which echoes that. We have two things going on: We have, first of all, His Holiness, the present Pope, a sponsorship run through, particularly, *Justitia et Pax* — which is now led by an Asian, which is not unimportant — for a Jubilee year. The idea of the Jubilee is widespread and important.

Secondly, we have come to a time, when the existing world financial system, and monetary system with it, are doomed. *Nothing can save these systems.* The only way we can survive under that condition, is for the governments, sovereign governments, to use their power as government, to defend those values which have to be defended, economic values, and to use the power of creating credit, to bring about a rebirth of economies. In that sense, the question of justice, and the distribution of justice, in the interests of the present and future populations, future generations, is an idea which can be applied to the present circumstances. Perhaps not in the literal sense of the distribution among the Apostles, but in the sense of, we realize that the power over the universe, including the power of wealth, hmm?, is something which is entrusted to man, by man's nature — that is, as each man and woman made in the image of God. It is the responsibility of governments to ensure that that power of man, the physical power of man in the universe, the power to produce food, to grow food, to develop land areas, and all these things, that that power be used *justly* in consistency with the principle of *agapē*.

And so, in that sense, yes, maybe not in a simple, literal interpretation from the Acts of the Apostles, but in that sense, yes. We could and should fight and move in that direction.

**Laurel:** Before we go back to Mr. Valdes, I would like to ask Mr. M. if he has a question.

**Q:** Good evening sir. My question is, each candidate has his own platform of government. In your case, what is your platform of government that makes it different from the others?

**LaRouche:** My platform?

**Laurel:** Yes, your platform: its main difference from the other candidates.

**LaRouche:** Well, first of all, I think I've just, in a sense,

expressed it. Fundamentally, my concern is this: What is the meaning of man being made in the image of God? What is the difference between man and the animal? And what is the nature of this quality, which man expresses, which gives him the power to exert dominion in the universe, increasing dominion? Now, this power is the power of the discovery of ideas. Not discovery of just opinions, but the discovery of Truth, the discovery of uncovering new principles, which actually exist in the universe, as we do when we make a fundamental discovery of universal physical principle. Man's progress has always been based on this power of cognition, which is unique to the individual human mind, through which we are able to make discoveries, which increase man's power in the universe, and through which we are able to cause others to come to make the same discoveries. And by sharing these discoveries and their applications, we're able to solve problems that face man, to meet challenges that animals couldn't meet.

So, to my view, the essence of government is inseparable from the concept of education, an education which develops, causes the child to find happiness in these qualities within the individual mind, which assists the child to develop those qualities, which organizes society on the basis of *sharing* those educated qualities of the individual mind for the benefit of society as a whole, including future generations. For me,

that's the issue.

What we have today—take the case of strategic policy. Nations are trying to find excuses for making wars against each other. You have in Europe, people saying, "Who is the enemy?" "Which enemy can we find in the world?" "Who's our hidden enemy, that we must go out and prepare to destroy?" Well, that's not our way. Our way is not to kill people, is not to destroy nations, is not to make enemies. Our way is to uplift people, to solve the problems, to eliminate the enmities, to find forgiveness among those who've had old quarrels. How do we do that? We do that by showing that we can work together, different nations, different people, to create a system of *justice*, which is beneficial to all, and by winning people to *prefer*, not winning conflict, but overcoming conflict, by finding mutual benefits in just solutions to problems. This is the issue.

If you look at the candidates in the United States, their platforms, *they all have the element of hatred in them!* "Who are we going to kill?" "Who are we going to destroy?" "Who are we going to cheat?" This kind of thing.

That's not right. The question is, how can we solve these problems of conflict by finding solutions which bring nations and peoples together?

**Laurel:** So, it's a harmony of civilizations, instead of a clash of civilizations.

We're going to Mr. Valdes now. . . .

**Valdes:** Yes, Lyn, if the American people are awakened early enough, I don't have any doubts that they will vote you as the next President of the United States. If, on the other hand, you had mentioned that nothing can stop the collapse of the financial system right now, the global financial system, and the basic economic order, is there a way to stop World War III?

**LaRouche:** I think there *should be* a way. That's what I've been working on, to try to prevent right now. I'm doing everything I can, and I can say this much: I don't know how successful I shall be. I can say that what we're doing, is, to a certain degree, successful. We're influencing more and more people, in more and more high places, and other places in various parts of the world. Ears are open in governments, in the United States government, and elsewhere—not as many as there should be, but, open.

Under the conditions of a crash, a financial crash, a *shock*, like the Pearl Harbor shock that hit the United States on Dec. 7, 1941—that kind of a shock coming in the form of a financial crash, I believe, will give us the last *practicable* opportunity to recognize the need to reform the international financial system. In that context, I believe, with the defeat of the financial interests which are the problem, that, under those circumstances, *we can actually succeed*. And we must certainly do everything possible to make sure we do succeed. . . .

## DO YOU KNOW

- that the American Revolution was fought *against* British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?



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## When will the maglev finally run?

*Some people are getting fed up with the government's failure to push forward construction of the maglev rail line.*

On Oct. 18, something quite unusual happened in the city of Kassel: 560 workers from the Thyssen Transrapid System plant took to the streets, calling on the German government to put an end to the protracted uncertainty over the project to build a magnetically levitated train line from Hamburg to Berlin. Construction on the first operational maglev line, connecting Germany's two biggest cities, still has not begun—15 months after the beginning was originally scheduled in the spring of 1998. No progress has been made in the one year that Social Democratic Chancellor Gerhard Schröder has been in office, because of his government's obsession with budget-balancing.

The protesters in Kassel, who were joined by Hesse State Gov. Roland Koch and State Economics Minister Dieter Posch (both are Christian Democrats) reminded Schröder of a promise he had made personally in Kassel, at an election campaign event on Sept. 1, 1998. Schröder had said: "The maglev train which has been developed here, will go into operation. We will build this train. . . . Nobody in Kassel should be worried about his job."

But people, and not only those in Kassel, are worried. The Schröder government has put the entire project into question, with its refusal to cover the funding gap of 3 billion deutsche-marks (roughly \$1.9 billion) for the construction of the line. The government has created additional obstacles with its "compromise" proposal to build a single-track line only, instead

of the dual-track one that is in the original plan. This would mean that the same track would have to be used for traffic in both directions, reducing the frequency of traffic. Such a system would never have the number of passengers required to be profitable.

Learning about this latest idiotic plan, Adtranz, one of the three main producers of the Transrapid maglev system, threatened to pull out from the project, in a statement on Oct. 13. Thyssen, in turn, declared that it was committed to the project, but if the funding of the Hamburg-Berlin line were not secured in Germany, it would search for another investor abroad. Siemens, the third producer, is also still committed to going ahead.

The role of Thyssen is crucial, because it produces the revolutionary maglev-based system of traction and levitation, while the other two contractors in the Transrapid Group manufacture parts of the system that are also produced for conventional trains. Thyssen Transrapid System presently has about 1,000 skilled workers employed in Kassel, and secures the jobs of 5,000 more people in feeder industrial firms elsewhere. An estimated 18,000 would be employed, additionally, in construction work on the Hamburg-Berlin line. The construction would take five years, and the line would be fully operational a year after the completion of the project.

There are plans, at Thyssen, for expanding the maglev workforce to 20,000, and the jobs in the supplying firms to more than 100,000, during the first decade of the next century.

This assumes that the completion of the pilot project between Hamburg and Berlin will provide the impetus for further projects from Berlin to Europe's east and southeast, and from Hamburg to Europe's west and north. The implementation of the Hamburg-Berlin line is also the necessary precondition for Germany's ability to sell the maglev system abroad: A memorandum presented by the Chamber of Commerce of Hamburg in August mentions the United States prominently, with options for maglev lines being built in Florida, California, and Pennsylvania.

But the battle over funding is still not decided. There are more people inside Schröder's Social Democratic Party (SPD) now, than in past years, who support maglev technology. And, unlike the Christian Democrats, who prefer that the maglev be funded by "the free market" (which has failed), SPD politicians have called for an intervention by the state, either as a credit guarantor, or a direct funder, of the maglev technology.

During a debate in the state Parliament of Lower Saxony on Oct. 10, Sigmar Gabriel, chairman of the SPD parliamentary group, made the proposal to look for additional state guarantees for maglev loans, but he also said that the Transrapid system would become more attractive for investors if there were the perspective of a larger maglev grid, beyond the Hamburg-Berlin project. Gabriel endorsed a "European perspective for maglev grids, for example Netherlands-Lower Saxony-Bremen-Hamburg-Mecklenburg/Prepomerania-Berlin-Warsaw-Moscow." This proposal opens the door for a much broader discussion on trans-continental maglev grids: for example, the proposal for a Eurasian maglev grid, from Rotterdam to Beijing, as has been proposed by the LaRouche movement.

# Business Briefs

## Pakistan

### Economic situation is disastrous; default looms

Pakistan's foreign exchange cash reserves were reported at only \$1.46 billion as of Oct. 9, and "bankers said a halt in inflows could lead to an imminent default," *China Daily* reported on Oct. 15. Pakistan, with a feudal agricultural economy, imports almost all basics of life, such as cooking oil, for its close to 120 million people.

Sanctions imposed on Pakistan after its nuclear test last May devastated what remained of the economy. The International Monetary Fund (IMF), which has already withheld a tranche from a \$1.56 billion loan program, has been demanding that Pakistan broaden its tax base, privatize key government institutions, and resolve a two-year dispute with independent power producers that has killed foreign investment. Pakistan has a foreign debt of \$32 billion.

On Oct. 13, Central Bank Governor Muhammad Yaqub said that all of Pakistan's debt payments would be made and that Pakistan was still on the IMF program. On the same day, a senior Finance Ministry official said, "It is the state bank which has assumed a central role of economic decision-making."

## Trade

### Iran invites Malaysian role in five-year plan

First Vice Speaker of Iran's Consultative Assembly Dr. Hassan Rouhani reported that he had conveyed an invitation to Malaysian Prime Minister Dr. Mahathir bin Mohamad for his nation to take an active role in Iran's third five-year economic plan, which will be ratified soon by the Assembly, at a press conference on Oct. 15 at the conclusion of a week-long visit to Kuala Lumpur, Malaysia's capital. Dr. Hassan said that both countries had agreed to increase cooperation in the gas and oil industries, not only in their respective countries, but in other countries in the region as well. Malaysia's Petronas is currently involved in a joint venture with

France's Total and Russia's Gazprom in Iran's South Pars gas field.

Dr. Hassan said that he also discussed increased cooperation in the areas of education, culture, and architecture, and in enhancing discussions in the Islamic world. The crises in the Balkans and in East Timor were also discussed. Dr. Hassan said that he was impressed by the architecture of Malaysia's new administrative capital, Putrajaya, which, he said, had been inspired by the Iranian city Isfahan, the sister city of Kuala Lumpur.

Dr. Hassan also met with Speaker of the upper house of Parliament Tun Mohamed Zahir Ismail, Deputy Prime Minister Abdullah Ahmad Badawi, and Foreign Minister Syed Hamid Albar, and visited the Economic Planning Unit and the Multimedia Super Corridor. Dr. Hassan said that he was impressed by Malaysia's success in overcoming the economic crisis without International Monetary Fund assistance.

## Biological Holocaust

### WHO has made a radical change of approach

A World Health Organization representative told *EIR* on Oct. 16 that the global health situation is so alarming, that the objective presentation of facts and "pure science" no longer works, and therefore, the WHO's approach is now to ring the alarm as loud as possible to alert the public and to mobilize governments to spend the money needed to fight and prevent epidemics.

An example of this new approach is the recent WHO study on infectious diseases, "Removing Obstacles To Healthy Development." WHO dramatically insisted in this paper that increased drug resistance and the emergence of new bacteria and viruses could make the control of infectious diseases both scientifically and economically unlikely in the future, that whatever progress can be made today "might not be possible a decade from now," and "that the cost of failure will be high."

When asked if WHO had any particular danger in mind, the spokesman said that no one can foresee what exactly will happen,

but the overall tendency is clear and foreseeable. Reemerging old diseases, new diseases, the drug resistance problem, increasing virus transfers from animals to humans (a poorly understood mechanism)—all contribute to the danger. If we don't control the diseases we know about and are able to control, then we might very soon run into trouble, she said. Smallpox provides a very striking example: If this disease had not been eradicated in 1977, the world might be paying a heavy price today, because of the unexpected emergence of HIV-AIDS. Smallpox immunization—the vaccine is made from a live, weakened virus—would now be fatal for many people whose immune system is impaired by HIV.

## China

### Exports, capital inflow face mounting pressures

While Chinese exports grew 20.2% in September compared to September a year ago, "China's exports and overseas capital inflow . . . still face mounting pressures," according to a commentary by an official of China's trade ministry, MOFTEC, in *China Daily* on Oct. 14.

Since the second quarter of 1998, China's exports and overseas investment have been stagnating, or even declining, in the wake of the lingering Asian financial crisis, the official said. The crisis in China's Asian export markets—Japan, South Korea, and the Association of Southeast Asian Nations (ASEAN)—caused a slide in exports, and overall export volume rose only 0.5%. "The situation this year seemed to be less optimistic. . . . China's total export volume and used overseas investment fell in the first half of the year."

Export volume totalled \$83 billion in the first half of this year, down 4.6% from the same period last year. Exports to Hong Kong experienced the biggest decline, 27.1%. Exports to the United States and the European Union saw an increase of 8.4% and 0.6%, respectively. Although trade with East Asia is starting to return to its former level, sales to Ibero-America and Africa have slid by a considerable margin.

**ECUADOR'S** President Jamil Mahuad threatened on Oct. 9, that unless Congress passed a balanced budget for next year, including a 50% increase in the value added tax and other austerity measures, there would be no money forthcoming from the International Monetary Fund.

**RUSSIAN** officials warned that tuberculosis is spreading so fast in the Primorye region, which includes the port city of Vladivostok, that it could soon become epidemic. The number of TB cases has risen 8-10% each year since 1992, the regional administration press center said, ITAR-Tass reported. TB incidence among teenagers has increased 47% in the last two years.

**SYDNEY,** Australia's business district was blacked out for 2.5 hours on Oct. 13. The Electrical Trades Union blamed the government's cost-cutting policies for the failure.

**U.S. FARM STATE** Senators, including Tom Harkin (D-Iowa) and Byron Dorgan (D-N.D.), have proposed an 18-month moratorium on agro-business mergers. Specifically targeted is the takeover by Virginia-based Smithfield Foods Inc., the number-one U.S. hog producer and processor (now bigger than IBP), of number-two hog producer Murphy Family Farms of Rose Hill, North Carolina.

**WORLD POPULATION** reached 6 billion on Oct. 12, according to United Nations estimates. UN Secretary General Kofi Annan welcomed the first baby born after midnight in Sarajevo, Bosnia, as symbolically the 6 billionth person.

**THE RAINY SEASON** is contributing to deteriorating health conditions in East Timor for an estimated 271,000 refugees (mostly pro-integration people). So far, 115 refugees have died, 90% of them children, from respiratory and intestinal problems. West Timor Gov. Piet Tallo has urged faster repatriation. Only 2,000 have been repatriated.

Except for exports of electro-mechanical products, which grew 9.9%, other exports decreased. Exports of textile products and clothes suffered a loss of more than \$4 billion. The increase of exports by South Korea, Taiwan, and ASEAN "posed a grave challenge to China," the official said. Some 40% of Chinese exports target the same market as these countries, which have devalued their currencies.

Overseas investment also fell. During the first half of this year, contracted overseas investment was down 19.9%, to \$19.39 billion, compared to the same period last year. Growth of investment flowing to developing nations is slowing down, and the focus is being shifted to Ibero-America and central and eastern Europe.

## Banking

### Future brighter for Thai banks?

So say a bunch of foreign analysts. A study by Capital Nomura, in collaboration with Agence France Press, came up with the following rosy picture: The Bank of Thailand reported at the end of June that non-performing loans had "peaked" at 47.47% of loans, or 2.65 trillion baht (\$66 billion), down from 2.73 trillion baht the month before. The study estimates that non-performing loans will fall to a mere 39.1% by the end of the year (1.86 trillion baht).

Hongkong and Shanghai Bank's senior Asian securities representative, David Gambill, said that Thai banks would emerge strongly—in three years. He bragged that by the end of 1999, "six of the 13 banks will be foreign-owned, [but] this does not mean the banking sector is going to be foreign dominated, as they represent about 19% of total branches and 13% of total assets." However, these foreign-owned banks will outpace the locals with services and products.

Gambill said that the top three Thai banks (Bangkok Bank, Thai Farmers, and Siam Commercial) account for 40% of bank assets, while the six foreign-owned banks account for another 20%. In the next three years, these nine banks will control 70-80% of bank assets.

Meanwhile, privatization of Thai banks is continuing. In August, Standard Chartered signed an agreement to take a 75% stake in the 12th-largest bank (and second-oldest Thai family bank), Nakornthon Bank. On Oct. 6, Singapore's United Overseas Bank signed a deal for a 75% stake in the private Radanasin Bank. And, Hongkong and Shanghai Banking Corp. still has its eye on some acquisitions, perhaps Bangkok Metropolitan, the eighth-largest bank in terms of assets. The analysis estimates that another \$13.4 billion is needed to recapitalize the bank sector, adding up to a total cost of nearly \$33 billion.

## Debt

### Mexico's Senate backs call for forgiveness

On Oct. 12, Senators from all of Mexico's political parties (PRI, PAN, PRD) unanimously voted up a resolution which states that debt service cannot be paid "at the cost of asphyxiating a country's economy, nor can the Mexican people be asked to suffer privation incompatible with national dignity." The Senate action explicitly supports the Mexican Bishops Conference which, a day earlier, had called on all international financial agencies to forgive Mexico's foreign debt, as part of the Vatican's Jubilee 2000 debt forgiveness initiative, because "broad zones of extreme poverty" exist in the country. Although Mexico isn't considered to be a poor country, Bishop Jacinto Guerrero Torres said, nonetheless, the burden of its foreign debt "overwhelms" millions of Mexicans.

In motivating the vote in the Senate, PAN Senator Francisco Xavier Salazar Saenz argued that the sum of money paid to service Mexico's domestic and foreign debt between December 1994 and March 1999 is larger than the public funds allocated to combat poverty or modernize the oil industry, and is five times as large as funds allocated for investment in the electricity sector. The resolution passed by the Senators underscores that Pope John Paul II's Jubilee 2000 is a unique opportunity to "restore fairness and justice" throughout the world.

## New hoax to conceal British role in China Embassy bombing

by Jeffrey Steinberg

The Danish newspaper *Politiken* has published a Big Lie story in its Oct. 17 issue, charging that President Bill Clinton personally ordered the bombing of the Chinese Embassy in Belgrade, Yugoslavia on May 7, 1999. An abbreviated version of the story was published the same day in the London *Observer*, to, in the words of a *Politiken* editor interviewed by *EIR*, “give more weight” to the story, which is a transparent hoax.

It is not surprising that the *Politiken* and *Observer* stories would appear on the eve of Chinese President Jiang Zemin’s state visit to Britain and other European countries, and in the midst of high-level closed-door talks between the Clinton administration and the Chinese, aimed at restoring the Washington-Beijing “strategic partnership,” a relationship that was severely battered by the 78-day NATO air war against Yugoslavia. In a recent interview with MI6’s resident fool, Lord William Rees-Mogg, published in the London *Times*, China’s President reported that his recent meeting with President Clinton in Auckland, New Zealand, during the Asia-Pacific Economic Cooperation summit, had been very positive, and represented a move back toward an American-Chinese cooperative partnership. Sources close to the Clinton administration have told *EIR* that a concerted effort is now under way to repair the damage and set Washington-Beijing relations back on track; these sources were optimistic that progress is being made.

### The cat is out of the bag

The British Foreign Office is on record—despite the pomp and circumstance afforded President Jiang during his London visit—in favor of the breakup of China, at the earliest possible date (see Mark Burdman, “British Pyromaniacs Light War Fires in Eurasia,” *EIR*, Oct. 1, 1999). And the

British establishment has gone collectively insane every time President Clinton attempted to advance American-Chinese collaboration.

In spite of the pathetic efforts of various American intelligence officials to claim that the May 7 bombing of the Chinese Embassy in Belgrade was a horrible accident, brought about by a “mapping error,” the facts, as presented within hours of the B-2 precision-guided bombing, made it clear that this was a premeditated attack.

NATO Supreme Allied Commander in Europe Gen. Wesley Clark issued an insanely provocative statement within hours of the bombing, asserting that he had full confidence in the target selection procedures adopted by NATO for the Kosovo war. In postwar interviews, General Clark admitted that he had personally revamped the target verification procedures to assure that the NATO air units were provided with sufficient targets to conduct round-the-clock bombing missions.

On May 10, Lyndon LaRouche issued a pair of statements, discussing the levels of culpability of key officials in the NATO chain of command, and identifying the geostrategic motives behind the attack, which was a hideous violation of every precept of international law.

LaRouche wrote: “The targetting of China’s Belgrade Embassy was not only culpable per se, but clearly intentional. . . . The NATO bombing of China’s Belgrade Embassy is consistent, in imputable intent and consequences, with the efforts of the British government and the U.S. anti-China lobby, to enrage China to such a degree as to undermine the present government of China and its efforts to maintain constructive engagement with the U.S.A. . . . It is urgent that we recognize, that the purpose of Her Majesty’s Blair government, in the NATO bombing of China’s Belgrade Embassy,

was to break up the China-Russia-India cooperation, by aid of using the bombing incident to tilt the situation in China against the existing government's policies of cooperation with President Clinton. . . . For this reason, anyone supporting Blair's NATO policies against the policies of President Clinton must be regarded as virtually a traitor, not only to the U.S.A., but the human race as a whole."

### **The Politiken hoax**

*Politiken* senior correspondent Jens Holsoe began his fractured fairy tale account of the embassy bombing with the assertion: "When the Chinese Embassy in Belgrade was bombed on May 7 during the NATO air campaign against Yugoslavia, it was on direct orders from the U.S. President, a high-level source told *Politiken* and the British newspaper *The Observer*." In the course of his article, Holsoe cited several anonymous NATO and British Ministry of Defense officials as his primary sources for putting the blame on President Clinton for the intentional bombing. Those sources conveniently claimed that there were two distinct structures responsible for determining bombing targets in Yugoslavia and Kosovo. One system was run through the NATO command, and required target approval from British Prime Minister Tony Blair, German Chancellor Gerhard Schröder, and French President Jacques Chirac. The second command was purely American, and President Clinton held the sole veto authority. It was, naturally, through the latter track that the NATO and British anonymous sources claimed the China Embassy bombing was approved, through a Presidential decision directive to the U.S. Air Force command.

Holsoe claimed that the Chinese government had allowed the Yugoslav military to use their embassy as a radio transmission center, after the Presidential palace was bombed on April 24, and that Chinese military observers were using the embassy to monitor the new precision-guided "wonder-weapons" being used by NATO for the first time. Whether or not there is an ounce of truth to these allegations, certain vital facts must be kept in mind.

First, under no circumstances can anyone countenance an attack against an embassy compound, regardless of whether electronic surveillance or similar activities were known to be going on. This is a violation of the most fundamental precepts of international law. Under such a renegade system, what American Embassy overseas would be immune from attack, for carrying out espionage or other hostile acts? What would be the difference, under such a breakdown in international law, between the clearly terrorist attack against the American Embassy compounds in Kenya and Tanzania in August 1998, and the Belgrade bombing?

Second, the three key figures who, according to the facts known about the Belgrade bombing, are most likely responsible for the premeditated attack, are: British Foreign Secretary Robin Cook, whose portfolio includes charge of the GCHQ at Cheltenham, England, the facility directly involved in elec-

tronic surveillance of the Balkans, and the leading proponent of a full-scale ground invasion of Yugoslavia and Kosovo; General Clark, who publicly defended the "targetting system" within hours of the embassy bombing, and who, likewise, was a proponent of a Balkan ground invasion; and U.S. Secretary of State Madeleine Albright, whose role, from beginning to end, was to help trigger the Kosovo war, and, at every turn, to undermine President Clinton's efforts to seek a viable exit strategy from the strategically disastrous conflict.

Third, the attempt to put the blame on the President of the United States does not correspond, in any way, to the facts. The fault of the U.S. President was his failure to identify that he was double-crossed by elements of his own government, and his failure to fire Albright. The authorship of the bombing was from Great Britain and NATO, with the complicity of the Principals' Committee, the cabinet-level national security advisory body that frequently operated at cross-purposes with President Clinton's explicit policies toward the Balkans, the Middle East, Russia, and China.

### **Britain's historic enemy**

No competent assessment of the recent Kosovo fiasco, including the Chinese Embassy bombing, is possible without a comprehension of the deeper issues involved. As stated by several senior British policymakers in recent interviews with *EIR*, the British Foreign Office and the British Crown are aggressively pursuing their 150-year "divide and conquer" strategy of breaking up all rival "empires." In today's world, this means that the British are fully committed to the breakup of Russia, China, Indonesia, and India. And active British operations are now under way, pushing secessionist and other insurgent movements, all vectored at breaking up these great nations into a string of defenseless micro-states. In effect, British policy is to "Balkanize" much of the Eurasian landmass.

But, ultimately, the number-one target of British perfidy is the United States. Only the United States, including the United States of President Clinton, is capable of assembling the combination of power—with Russia, China, India, and others—to defeat the British drive for a new series of global conflagrations. The ultimate "enemy image" for the British oligarchy is the United States of Benjamin Franklin, Abraham Lincoln, and Franklin D. Roosevelt. Hence, the effort by London to break up any potential alliances between the United States and the leading "Survivors' Club" nations of Eurasia, starting with Russia, China, and India. Hence, the drive, led by the Hollinger Corp. and Sir Rupert Murdoch's Crown media cartels, to destroy the Clinton Presidency. Hence, the bombing of the Chinese Embassy in Belgrade, perhaps with the complicity of American military and national security assets, operating against the President, and on behalf of London.

When that reality is grasped, and when that set of crucial axioms is arrayed, the hoax behind the *Politiken* and *Observer* stories becomes transparently clear.

# Russian 'doctrine': the posture of a big military power, under attack

by Rachel Douglas

On Saturday, Oct. 16, the Russian military newspaper *Krasnaya Zvezda* (Red Star) published a long-awaited draft "Military Doctrine of the Russian Federation." The document was long-awaited, because the most recent prior such enunciation of the military principles of the state was adopted at the end of 1993—at the very moment that President Boris Yeltsin tore up the Constitution, upon which the Military Doctrine was supposed to be based. Composition of the new draft has continued, off and on, throughout the tenure of six governments and three ministers of defense, through the drastic shrinkage of the former Soviet military machine, and the expansion of NATO, with its admission of new members from eastern Europe, and its first adventures into out-of-area deployments.

The published draft quickly attracted attention for its changed formulation about the conditions for the use of nuclear weapons. Some commentaries, abroad and especially inside Russia, reduced this issue to the question of whether Moscow were preparing to "nuke Chechnya" at any moment. The nuclear first-use question is important, as is the related matter of disputes within the Russian military over the allocation of pitifully small resources among conventional forces, strategic nuclear forces, and non-nuclear new technologies, including those based on "new physical principles." But, both are subsumed under the strategic posture of the Russian state, as it is conceptualized in the minds of people within those national institutions that have survived nearly a decade of imported, devastating so-called reforms.

The new policy document has yet to be signed by President Yeltsin, but the defense newspaper broke with the precedent of 1993, when the Military Doctrine text was not released in full, by publishing it beforehand.

## What is 'military doctrine'?

In Russian military terminology, the Military Doctrine of a state is superior to the domains of Military Science and Military Art (strategy, operational art, and tactics). Military Doctrine, according to the late Marshal Grechko, is "an officially accepted system of views in a given state and in its armed forces, on the nature of war and methods of conducting it, and on preparations of the country and the army for war." It deals with the identity of potential adversaries, the likely

nature of wars, and the material and methodological preparations to fight such wars.

Accordingly, the Oct. 16 draft contained a "military-political" section and a "military-economic" section, in addition to the central discussion of "strategic military" principles.

At the outset, the section on the "military-political" foundations of the doctrine motivates defenders of Russian statehood to look for allies or partners among the other great nations of Eurasia. It calls the desirable order a "multipolar world," the term most prominently employed in Russian-Chinese diplomacy during recent years. "The current status and prospects for the development of today's military-political situation are defined by the opposition of two tendencies," says the draft. "On the one side, a unipolar world, based on domination by a single superpower and the solution of key world political questions by military force; and, on the other, the tendency toward a multipolar world, based on equality among peoples and nations, . . . a balance among the national interests of states, and adherence to fundamental standards of international law."

Among the key tendencies of the recent period, the Russian military writers single out the weakening of the United Nations and the Organization for Security and Cooperation in Europe, as institutional venues for international security. The draft lists as other new and typical features of the world situation: "the growth of ethnic and religious extremism," "separatism," the increasingly "transnational character of organized crime, terrorism, and illegal weapons and narcotics trade," and the use of "informational and other (including non-traditional) means and technologies for destructive military political-purposes."

The Russian draft Military Doctrine defines as the main external threats to the Russian Federation: territorial claims against the country, interference in its internal affairs, countermeasures against Russia's becoming a center of influence in a multipolar world, hot spots close to the borders of Russia, deployment of troops close to Russia's borders, the buildup (without UN approval) of forces near Russia that could be deployed into Russia, attacks on Russian military facilities in other countries, psychological warfare and propaganda against Russia abroad, and hindrances created to the functioning of Russian state security systems, including the strategic

nuclear forces, warnings systems, anti-missiles defenses, satellites, weapons stockpiles, and key industrial facilities. Among the internal dangers, are the activation of extremist and separatist groups, the planning and preparation of actions to disrupt the infrastructure for the functioning of the state, organized crime, unregulated trade in explosives and weapons, and so forth.

In recent weeks, top military officers like Gen. Leonid Ivashov, head of the Russian Defense Ministry's international department, have voiced their acute sensitivity to the strategic articulation of such threats. General Ivashov spoke on Qatari television in early October, about Zbigniew Brzezinski's designation of Central Asia as "the Eurasian Balkans," and suggested that it was "the old dream of the West," at least since Henry Kissinger's time, "to pit Russia against the Islamic world."

The Military Doctrine draft mandates a traditional Russian, elaborate check-list for the timely identification, classification, and response to military threats to the country.

### The use of nuclear weapons

It was under the late Soviet President and Communist Party General Secretary Leonid Brezhnev, that Moscow publicly renounced the first use of nuclear weapons, although Soviet military planners never stopped their study and development of "first strike" options in modern warfare. In 1993, the passages made public from the Russian Federation's Military Doctrine allowed that nuclear weapons could be used first, "in the event of a full-scale aggression by a nuclear power against Russia," or, if Russia were attacked "by an ally of a nuclear power," even if the attacking country lacked a nuclear arsenal of its own.

Gen. Valeri Manilov, First Deputy Chief of the General Staff, said back then (November 1993), "The Russian Armed Forces will use all means at their disposal, to repulse an attack on Russia or its allies, and defeat the aggressor."

The new draft Military Doctrine broadens this language in several respects. The main relevant paragraph is: "The Russian Federation reserves the right to use nuclear weapons in response to the use, against itself and its allies, of nuclear and other weapons of mass attack, as well as in response to large-scale aggression employing conventional weapons, in situations that are critical for the national security of the Russian Federation and its allies."

With the release of the new draft, General Colonel Manilov was much in evidence, once again, as one of its lead authors. He told *Krasnaya Zvezda*, that "recent events, including in the Balkans and the North Caucasus, meant that we had to complete the work on the draft started more than two years ago."

### Advanced technologies

Under the "military-economic" heading, the draft Military Doctrine outlines a number of requirements, which allude

to the Russian push for "energy-dense," new weapons development, under conditions of very austere financing. These are the development areas, discussed in *EIR* several times this year: July 16, R. Douglas, "Russians Seek 'Asymmetric' Advantages in Military Technology"; Oct. 15, Lyndon H. LaRouche, Jr., "Science Versus 'New Math' Witchcraft"; and L. Hecht, "Nuclear Nightmare of the Information Age."

In the new Russian draft, the identified priority tasks include:

- development of the scientific, technological, and production base of the state's military organization and military infrastructure;
- creation and development of weapons systems and special military equipment;
- initial scientific and design work "for the creation of a highly effective new-generation weapons system," and preparations to supply it to the Armed Forces;
- "development and production of highly effective command systems for troops and weapons, communications, intelligence, strategic warning, radioelectronic warfare, and highly accurate, mobile non-nuclear means of attack, as well as their informational support systems."

"The Russians are doing very significant work on EMP-based [electromagnetic pulse] weapons and directed energy weapons, LaRouche is definitely pointing in the right direction," a knowledgeable European expert on the Russian military told *EIR* in early October. "These area-destruction weapons immobilize the communications and information of an entire area. At the same time, watch the newest series of Russian ground-to-air missiles, the S-400 series, they have directed-energy weapons components as well, I understand. . . . The General Staff is very committed to developing new weapons, new technologies, new types of weapons systems. The General Staff wants to upgrade Russian tactical nuclear weapons capabilities, as well as develop EMP and directed-energy weapons."

If war-avoidance policies were to be adopted at the political and economic strategic level, by U.S. and other national leaderships turned competent, then these types of energy-dense military R&D endeavors in Russia have a different sort of potential for the future — as the means for the reengagement of Russia in its own economic development, and the world's.

## Russians briefed on LaRouche Webcast

*Prof. Stanislav Menshikov, who took part in Lyndon LaRouche's Oct. 13 press conference over the Internet, published an article, headlined "Plato Among the Bulls in the China Shop," in the Oct. 20-21 issue of the Russian weekly*



Slovo. A translation by EIR follows. (Bracketed passages are translation of quotations, where the Russian slightly diverged from the transcript.)

## The Russian question in U.S. electoral battles

Although the U.S. Presidential elections are more than a year away, the candidates are beginning to define their positions on the main domestic and foreign policy issues. The “Russian question” occupies a prominent place in these preliminary battles. A growing number of analysts have come to the conclusion, that the Clinton-Gore administration has failed, with respect to Russia. On the one hand, attempts to weaken Russia as much as possible, economically and militarily, have provoked a reaction—an intensification of anti-American and anti-Western attitudes in general, which bodes nothing good for America under Yeltsin’s successors. On the other hand, the so-called market reforms, carried out by pro-American figures inside Russia, promoted the growth of crime and scared away foreign capital from investing in this newly opened domain of neo-colonial exploitation. The disintegration of the Soviet Union and the overthrow of Communism are considered the only achievement of U.S. foreign policy, but it took place before Clinton and Gore took office, so they cannot even boast about that.

Russia can look forward to nothing good, in the event Gore is elected. His constant references to Communism’s being responsible for all of Russia’s ills, demonstrate his extremely primitive notions about our country. His close ties with corrupt circles of the Russian elite also define the current Vice-President’s personal interest in the continuation of the failed policy.

The chief contender from the Republic Party is Gov. George W. Bush of Texas, son of Clinton’s predecessor in the White House. He has not yet said anything intelligible about Russia and its relations with the United States. His chief adviser on Russian affairs, however, Ms. Condoleezza Rice—who is said to be destined for a prominent role in Washington—speaks out actively and, to put it bluntly, with considerable ill will. She is convinced that Russia will continue to disintegrate. Therefore, she thinks, the United States should prepare to bring order to that part of Eurasia. The other possibility, which is less welcome from her point of view, is that a strong leader will appear in Russia and save the country from collapse, but this leader’s policy would likely run counter to U.S. global interests.

It is well known, that Ms. Rice studied Russian affairs from the father of the current U.S. Secretary of State, who, after emigration from Czechoslovakia, turned into a fervent opponent of Russia and instilled his hatred for Russia into his daughter, as well as some of his students. Thus, exchanging Madeleine Albright for Condoleezza Rice will hardly bring any change in American foreign policy.

Against this gloomy backdrop, Lyndon LaRouche, one of the candidates for the Democratic nomination, stands out for the better. This original politician is known for his out-of-the-ordinary analysis of the current geopolitical situation and the state of the world economy. He is convinced that the Western world will experience a financial crash in the near future, which Western leaders of the Gore and Blair type are attempting to avert, aiding and abetting wars against Yugoslavia, Iraq, and other countries that have refused to submit to NATO dictates. Last year’s world financial crisis and the recent panic on Wall Street, show that LaRouche’s forecasts are not without some basis. As for the NATO military threat, LaRouche believes that it may confront Russia, India, and China. The Western bloc’s subjugation of these countries, one at a time, he calls “creeping Third World War.” It will lead to the latest catastrophe for all mankind. In order to prevent this, LaRouche thinks that U.S. global policy must be fundamentally changed, returning to the traditions of a “great President,” Franklin Roosevelt.

A few days ago, LaRouche gave a press conference over the Internet, in which I took part. Answering my question about his position with respect to Russia, LaRouche said the following: “What Roosevelt *intended* to do, [but was unable to do] . . . as the postwar reconstruction, is the model of reference. I wouldn’t necessarily copy it in detail, but the model of reference. . . . What I’m specifically for, is to use the crisis, with the United States President taking the lead, bringing together people from western Europe, with Russia, with China, with India, with other relevant countries, . . . and set into motion a ‘New Bretton Woods,’ . . . a new monetary system, [to replace the current, bankrupt one]. Under those conditions, then, Russia would have to revive and play a more significant role, . . . together with western Europe, Japan, and the United States, in particular, [in] the development of the countries of Asia, which have a [scientific and industrial] technology shortage.” The economic cooperation among our countries will create a firm foundation for the improvement of international relations, and for peace.

LaRouche recalled that, back in 1988-89, he had publicly proposed creation of “a new form of cooperation, under which the [scientific and] technological capabilities of the Soviet Union and eastern Europe will be mobilized, [together with the capabilities of reunified Germany], in order to build cooperation in great infrastructure projects, throughout Eurasia.” This idea was supported by a number of leading German bankers at that time. Its implementation was resisted, however, by the United States and Great Britain, which, together with the IMF [International Monetary Fund], “imposed . . . on Russia [conditions of aid], which almost destroyed the economy of Russia, and has had genocidal effects on some parts of its population. . . . The only way we’re going to stop the problem that now exists, is by recognizing, this policy has been a terrible mistake. And getting into cooperation,



*Dr. Stanislav Menshikov (right) with Lyndon H. LaRouche, Jr., during a seminar in Bonn, April 21, 1999.*

cooperative relations, to reverse it, and go on to the kind of policy I proposed [ten years ago].”

During the press conference (a lively exchange, conducted by telephone from two-dozen locations simultaneously), I said quite frankly to LaRouche that his views were little known in the U.S. and abroad, and that it would be desirable for him to have direct discussions with other candidates, in order for those views to be more widely circulated. He responded with his regret, that most of the mass media ignore his campaign. He does not give up, however, and is holding press conferences with the participation of local political leaders from American states, trade union officials, etc. As for the other candidates, they refuse to enter into direct confrontation. “We were told directly: Your candidate (i.e., LaRouche) is so effective, that nobody wants to get into a direct discussion with him. That’s how things are in the U.S. today.”

LaRouche’s well-wishers acknowledge that he is on too high a level for the political standards of America today. He does not want to resemble the other candidates, who emphasize memorized formulas or advertising gimmicks, for purposes of attracting the public or winning financial support from big-money contributors, and so forth. LaRouche, by contrast, relies on the minimal government financing, extended to all candidates who have collected at least 1 million petition signatures [sic]. “The function of a President is [to put forward new ideas], to inspire people. And the President

should be, at least a President of the United States, should be in the model of what Plato referred to as the philosopher-king. An old man, who’s concerned with wisdom and knowledge, with what’s needed by the nation, [faced with a crisis].” Day-to-day questions can be delegated to aides.

Washington’s White House has not had a person on that level residing within its walls for a long time. The military and economically most powerful country in the world has been led, as a rule, by quite mediocre persons. While claiming “world leadership,” they sometimes behave dangerously, acting like bulls in a china shop. Such are the wonders of American democracy. Or, is it just American? Philosopher-kings are a great rarity in the world today. The power of money erases such lone figures down to the role of speechwriters for the representatives of big capital.

But that doesn’t stop LaRouche. He hopes that a deep financial crisis will wake up the American people, since an extraordinary level of leader is needed for salvation from the crisis. He compares this scenario with the Japanese surprise attack on Pearl Harbor, which made America finally enter the war against fascism.

According to this logic, Russia—if it hopes for changes for the better in Washington—should pin those hopes on either a stock market crash, or some other big jolt. But even that does not give a total guarantee. In short, don’t await favors from America. We must live by our own interests and our wits.

# Middle East: War, or peace, to be decided in Washington

by Dean Andromidas

While the Palestinians and Israelis inch their way along in the peace process, the biggest danger for the Middle East continues to be what does or does not happen in Washington. This was dramatically demonstrated when the Republican-controlled Congress cut out \$1.9 billion in aid promised by the Clinton administration for implementation of the 1998 Wye Accords between Israel and the Palestinians, to which the United States is a signator.

The failure to provide funding for the Wye Accords is reinforcing an image that President Clinton is a lame-duck President who lacks the power to bring about a Middle East agreement. Already, commentators throughout the region are speculating that Clinton's designated heir, Vice President Al Gore, if nominated, would lose the Presidential elections to George W. Bush, an assessment with implications far more dangerous than these commentators understand.

## Mobilization against Wye

The cut in funding for the Wye agreement followed a massive mobilization of the entire circus of right-wing pro-Israel lobby elements and "Christian right" groups, which are, by and large, aligned behind George W. Bush. This included Americans for a Secure Israel, Christian Action Campaign for Israel, the so-called Group of Three (Yoram Ettinger, Yossi Ben Aharon, and Yigal Carmon), and the Coalition of National Unity for Israel, an umbrella group comprising the American Zionist Organization, the Center for Security Policy, the Hebron Foundation, Christian Friends of Israel, the Christian International Embassy of Jerusalem, Bridges for Peace, and Pat Robertson's Christian Coalition.

In an effort to ensure that the Wye aid is approved, Israeli Prime Minister Ehud Barak tried for three weeks to have a telephone discussion with House Majority Whip Tom DeLay (R-Tex.), but has yet to speak with him.

According to a report in the Israeli daily *Ha'aretz* on Oct. 20, Barak sent Deputy Defense Minister Ephraim Sneh to Washington to help deal with the situation. Sneh spoke before the leadership of the American-Israeli Public Affairs Committee, the top Israel lobby group, saying, "They cannot do

this to someone like Ehud Barak, who is so serious in his intentions to further the peace process. Nobody here has given me any rational reasons why they failed to approve Wye. Everybody told me that this was part of something else, and had nothing to do with us." He fumed, "This goes beyond all bounds of stupidity. Wye is providing hundreds of millions of dollars to combat terrorism, plentiful funds for strategic armaments, and they are thinking of giving up. What do they want, to bring Bibi [Netanyahu] back? This propaganda will not scare anybody."

The Wye aid included \$1.2 billion for Israel to finance its redeployment out of the West Bank, \$400 million which is desperately needed by the Palestinian Authority, and \$300 million for Jordan. On Oct. 18, Clinton vetoed the appropriations bill in which the GOP had cut money for Wye, among other things. With the House of Representatives having approved the Foreign Operations Appropriations bill by a vote of 214-211, and the Senate by a vote of 51-49, it is unlikely that Congress will override Clinton's veto. Nonetheless, Clinton's use of the veto has been touted as a major defeat for him. It is not at all clear whether all the aid will be included in a compromise budget, which will now have to be negotiated between the White House and Congress.

This perceived defeat for Clinton comes at a time when a "secret channel" has been established in Washington, under the sponsorship of the Clinton administration, between the Israelis and Palestinians. According to a report in the Oct. 20 London *Financial Times*, these talks are aimed at bridging the most sensitive issues between them in preparation for the final status talks, which will determine the nature of the future Palestinian state and its relationship to Israel. This includes the questions of Jerusalem, the Jewish settlements on the West Bank, and the borders of Israel and the future Palestinian state. This is in line with the agreed strategy between Barak and Palestinian President Yasser Arafat, that the principal outlines of the agreement be agreed upon prior to formal negotiations. This is a strategy aimed at preventing long-drawn-out negotiations that could easily be politically sabotaged, but it requires the good offices of a strong American Presidency committed

to a just peace and able to apply pressure where and when needed.

## Inching toward peace

Mid-October saw the first modest steps toward implementation of the Wye agreement, including Israel's release of a second group of Palestinian prisoners—which, for the first time, included prisoners who had committed violence against Israelis. Also in recent weeks, the negotiation of a safe passage route between the Gaza Strip and West Bank has been finalized, to allow for easy passage by Palestinians through Israel, a situation that never existed prior to the Wye agreement.

But, when Israeli Prime Minister Barak began to close down illegal outpost settlements in the West Bank, it triggered a potentially dangerous response from the most extreme elements in the settlers' movement. Some 4,000 settlers organized by the "Dor Hamshech" (Next Generation) movement, demonstrated in front of Barak's house. The reaction seems overplayed, because Barak ordered the dismantling of only 12 of the 42 outpost settlements which were created in the last weeks of the government of Prime Minister Benjamin Netanyahu. Moreover, the order was given in cooperation with the senior leaders of the settlement councils. Furthermore, these settlements have nothing to do with the dozens of Jewish settlements throughout the West Bank which will have to be closed down if any meaningful Israeli-Palestinian final settlement is to be reached.

Nonetheless, the demonstrations prompted Leah Rabin, the widow of murdered Israeli Prime Minister Yitzhak Rabin,

to warn that a Jewish settler might carry out a suicide attack on Barak. Rabin told Israeli Army Radio, "There could indeed be one who will commit an act of suicide."

Rabin's assessment was shared by a senior Israeli military expert, who told *EIR*, "With fanatics, all means are justified and we are not immune from this virus." He also said that the settlers are split between the older and younger generations. The former are willing to accept what Barak gives them, because they know they do not have the support of the majority of Israelis, while the latter are far more extreme, as their parents had been 25 years ago.

The source said, "If people believed that working with the established leadership of the settlers would be enough, they were wrong. This is not going to be a one-shot crisis, but will continue to be ongoing."

Meanwhile, Barak's settlement policy is being seen as "a deceit" by leading Palestinians. Palestinian Parliamentary Speaker Ahmed Korei charged that "all settlements are illegal, and in particular, all of the 42 settlements. . . . They should be demolished."

## Preparing for the next war?

One Israeli observer from the peace camp told *EIR* that if President Clinton does not take leadership in the peace process, including putting pressure where necessary, then the situation can only degenerate into a major conflict.

Given this warning, it is important that, almost unreported in the international press, is the fact that the region's largest military exercises since the 1991 Persian Gulf War are taking place in Egypt. As if preparations are being made for a new

## More trouble for Netanyahu

Former Israeli Prime Minister Benjamin Netanyahu and his Australian multibillionaire financial backer, Joseph Gutnik, have been accused of defrauding the Jerusalem municipal government of \$25,000. The charges follow a complaint by municipal council member Roni Aloni.

The complaint involves a 100,000 shekel contribution which the Jerusalem Finance Committee made for a mass bar mitzvah ceremony held at the Jewish holy site, the Western Wall, last March, just before the election. The contribution had been made on the basis that the ceremony would not be political. But, in an obviously planned arrangement, Netanyahu, along with his infamous campaign spin-doctor, Arthur Finkelstein, showed up and took the opportunity to make a campaign speech.

There was also a complaint that Ethiopian Jewish immigrants—the Falasha—were denied permission to take part in the ceremony.

The complaints were brought before the Justice Minister, and the police are expected to decide within days whether to pursue a criminal investigation.

Gutnik owns diamond- and gold-mining companies in Australia. He is a major shareholder, with Rio Tinto (one of whose major shareholders is Queen Elizabeth), in a diamond-mining company called Striker Resources. As leader and major money-bags behind the ultra-Orthodox Lubavitcher movement, Gutnik has been a key financier of Netanyahu, and of the most radical elements of the settlers' movement.

Meanwhile, on Oct. 20, Israeli police searched Netanyahu's home, as part of an earlier investigation of corruption, abuse of trust, and fraud, centering on \$100,000 worth of renovations on his two Jerusalem homes (see *EIR*, Oct. 1).

war in the Middle East, 50-70,000 troops are participating in maneuvers dubbed Bright Star '99. Although these maneuvers, which began in 1981 as a U.S.-Egyptian training exercise, are held every two years, this year, Germany, Greece, Jordan, and the Netherlands joined for the first time. Others include Britain, France, Italy, Kuwait, and the United Arab Emirates. On the sidelines, 33 nations were observing the exercises, which last until Nov. 1.

Bright Star '99 involves 18,000 U.S. soldiers, the largest number gathered in a single place anywhere outside the United States. According to reports in the Arab press, the maneuvers are aimed at testing joint military operations under various wartime scenarios, such as during field combat or in amphibious landings.

U.S. Maj. Gen. Michael Gaw is quoted saying, "All of our forces have trained and prepared extensively to ensure the success of this exercise. This is the largest employment of forces to have ever occurred since the desert war."

An unnamed Arab diplomat in Dubai was quoted in the Arabic daily *Al-Quds Al-Arabi*, saying, "These are the biggest maneuvers of their kind in the world. They are being carried out in an ideal position for the United States, if it wanted to carry out a comprehensive invasion of an Arab country."

In addition, members of Gore's Principals' Committee, which includes Secretary of Defense William Cohen and Secretary of State Madeleine Albright, have deployed to the region.

Secretary of Defense Cohen started a visit to the countries of the Persian Gulf on Oct. 18, accompanied by Central Command Chairman Gen. Anthony Zinni. He will be followed by Albright, who is expected to start her Middle East tour later in October.

In statements to the press, Cohen ruled out any scaling-back of American forces in the Gulf, and attacked Iran as "a threat to the security of the Gulf" due to Iran's pursuit of "acquiring weapons of mass destruction."

Cohen's trip is viewed by Arab observers and Iraqi officials as a prelude to renewed military operations against Iraq. The pretext for these attacks would be Iraq's refusal to accept the British proposals for a UN Security Council resolution suspending the sanctions, in exchange for bringing UN weapons inspectors back to Baghdad and putting all of Iraq's future oil revenues under Anglo-American control. Diplomats in the Gulf told *Al-Quds Al-Arabi* that Cohen's main objective is to convince Gulf leaders to stand behind a British proposal calling for Iraq to allow UN weapons inspectors' monitoring of potentially strategic military industrial sites inside Iraq, in return for increased oil exports. This proposal does not call for lifting of the sanctions, and it is not acceptable to the Iraqis.

The fear of renewed hostilities against Iraq is justified, given the fact that U.S. air strikes against Iraqi anti-aircraft defenses continue unabated.

## Is Indonesia on the rebound?

by Gail G. Billington

Finally, more than four months after Indonesia's general elections on June 7, a new Executive team has been voted in to tackle the immense challenge of restoring stability to this, the third-largest democracy in the world, and the fourth most populous nation. On Oct. 20, in the first Presidential election conducted by secret ballot in the People's Consultative Assembly (MPR), Abdurrahman Wahid, 59, became the fourth President of the Republic of Indonesia, winning with 373 votes, to 313 votes for Megawati Sukarnoputri, 52, the eldest daughter of Indonesia's first President, Sukarno. Twenty-four hours later, Megawati was elected Vice President, defeating her only challenger, Hamzah Haz, by a vote of 396-284.

A senior Indonesian diplomat said that the vote should be seen as the triumph of pro-reform elements over the "status quo" associated with 30 years under President Suharto, and that it bolsters the hope that Indonesia will emerge on the road to recovery after two years of agony and strife, brought on by the worst economic and financial crisis since independence.

### An unanticipated result

The choice of Abdurrahman Wahid, popularly known as Gus Dur, and Megawati Sukarnoputri, was not the winning combination that most observers had anticipated, but emerged in the 72 hours before the Oct. 20 Presidential vote, as a consequence of factors that were already apparent at the time of the June 7 general election. At first blush, the end result suggests a move by the Indonesian elites to put the welfare of the country ahead of the particular interests of political factions.

Since the resignation of President Suharto in May 1998 in the full heat of the crisis, Indonesia has undergone nothing short of a political revolution, which is still unfolding, under the severe constraints of the \$43 billion International Monetary Fund agreement, first negotiated in October 1997. The administration of B.J. Habibie, a life-long associate of President Suharto who assumed the Presidency in May 1998, undertook an overhaul of how politics is conducted in the country in the run-up to the June 1999 general election, which was moved up from 2003 to satisfy public pressure. Simultaneously, Indonesia was under increasing foreign pressure, particularly from former colonial powers, which seized on Indonesia's hardships to press the United Nations to ram through a resolution on the status of East Timor.



Outgoing Indonesian President B.J. Habibie, shown here when he was Minister of Science and Technology.

With fits and starts, warts and all, the June 7 vote was universally seen as the most open and fair election since 1955. Five out of 48 parties swept the polls: 33.7% of the vote was captured by Megawati's PDI-P (a split-off from the Indonesian Democratic Party); 22% by Suharto and Habibie's Golkar; 12.6% by Gus Dur's National Awakening Party (PKB); 10.7% by the United Development Party (PPP); and 7.2% by Amien Rais's National Mandate Party (PAN). The contest was about, in part, who would claim the "reform" mantle.

In the months that followed, Megawati, the unquestionably popular chairman of PDI-P, was accused of adopting an uncompromising, arrogant, and aloof posture, which seemed to assume that 33.7% of the vote entitled her party to the Presidency. Mistakenly or not, in a country where 90% of the population is Muslim, the fact that 66% of PDI-P's legislative candidates were reportedly non-Muslim, was interpreted as insensitivity to the majority. To foreign interests, intent on pushing a "Project Democracy" agenda on Indonesia, Megawati's adherence to maintaining the "dual function" of the military, and her strong support for maintaining the "unitary" state—thus, her opposition to separation for East Timor, or other provinces—cast doubt on her "reform" credentials.

President Abdurrahman Wahid is a moderate Muslim cleric, the third generation of his family to head the largest Muslim social organization, the more than 30 million-member Nadlatul Ulama. This organization served as a relatively independent political base during Suharto's rule. Wahid is outspoken against sectarian politics, and has engaged in forums at home and abroad to foster dialogue across religions and cultural and ethnic differences. During the darkest hours

of the end of the Suharto government, Wahid attempted to bridge the gap among and between the President, the military, and the "reformers." But, up until the Presidential vote on Oct. 20, Wahid was not a leading contender, largely due to poor health. He has suffered two strokes and is almost totally blind.

Wahid's election as President became possible by a process of elimination, and compromise, egged on by demonstrations in Jakarta and around the country which demanded the Presidency—by mob rule, not constitutional vote—for Megawati. The unexpected opened up in the Presidential race, when President Habibie's Oct. 14 "accountability" speech was rejected by the People's Consultative Assembly by a margin of 33 votes. This was the first time since President Sukarno's speech was rejected, and he was forced to resign, in

the 1960s, that this has happened. That vote revealed a major split within the Golkar party itself, with reports of 30-35 Golkar "reformists" voting to reject the speech of the party's Presidential candidate, Habibie. Habibie dropped his candidacy; Golkar declined to name a substitute, leaving Gus Dur and Megawati as Presidential contenders. Gus Dur won the election thanks to support from Golkar, his own PKB (which had earlier pledged to back Megawati), and, according to the *Jakarta Post*, the votes of 27 of 38 military representatives in the MPR. Wahid expressed his profound thanks and support for "sister" Megawati.

### The interests of the nation come first

A second consensus among the elites ensured Megawati's election as Vice President. Shortly before the vote on Oct. 21, the Commander in Chief of the military, General Wiranto, and Golkar party Chairman Akbar Tandjung, withdrew from the race, leaving only Megawati and Hamzah Haz, Chairman of the United Development Party. In withdrawing, both men issued very similar statements, putting the interests of the nation ahead of their own, very much echoing the short, inaugural speech of the new President. Golkar executive Slamet Effendy Yusuf told the *Jakarta Post* that 70% of Golkar delegates had agreed to vote for Megawati.

The Indonesian elites have taken a step in the right direction, and the result has been widely and gladly received in capitals around the world. Early indications that the cabinet may reflect the same spirit are encouraging. President Gus Dur is well known for his love of telling jokes. He will need a good sense of humor. May it serve him and his Vice President well to bring Indonesia back to good health.

## Georgian candidate: 'We have no use for NATO'

*Parliamentary elections in the nation of Georgia will be held on Oct. 31. Member of Parliament Shalva Natelashvili heads one of the leading slates, that of the Labor Party of Georgia. He is a politician, jurist, and one of the authors of the current Constitution of Georgia. He was interviewed on Oct. 16 by Vladimir Kilasonia, who is also a member of the Labor Party.*

**Q:** The Labor Party's success in last year's municipal elections was rather unexpected, given its lack of financing. Please outline the situation on the eve of the Parliamentary elections.

**Natelashvili:** The psychological situation in Georgia is not particularly different from that in other countries. This is a time of high political passions, threatening to turn into a political show. But there is a difference, which is that the ruling power has prepared the soil for election fraud. The Central Election Commission was formed mainly out of members of the ruling Union of Citizens of Georgia. The ruling power has set the stage for all other forces and parties to be seen as enemies and destroyers of the state. The authorities have diverted huge funds from the state budget, for campaign purposes.

At present, the struggle is chiefly between two ruling forces within the state, namely the central (Tbilisi) Union of Citizens of Georgia and the regional (Adjara) Union for the Rebirth of Georgia. They are fighting with non-political methods, since they each have their "force" agencies—the military, police, security agencies, local administrative agencies, and financial levers. It is, in effect, a struggle between two parts of a single state power structure. In that setting, our party is growing in popularity.

Our slate has candidates for Parliament in almost every electoral district. Only we and the Union of Citizens of Georgia are running as independent party slates; all the others have joined various blocs and associations.

**Q:** How would you characterize your voters?

**Natelashvili:** There is no proper middle class in Georgia, naturally. Therefore, we can identify chiefly the professional layers of the population. We enjoy steady support from teachers (from kindergarten up to the level of higher education) and medical personnel (from orderlies, up to Doctor of Medical Sciences), transportation workers, jurists, many law enforcement officers, as well as peasants and the unemployed. We have the support of some 35% of the population.

The latest polls show our party in second place among the political parties in Georgia, but these are distorted data. In reality, we rank first, and we expect to win a majority in the Parliament.

**Q:** With the majority that you have in the Tbilisi magistrate's office, you have already taken some real steps to implement your electoral promises, such as providing free ambulance service. What about privatization, where instances such as the privatization of the Tbilisi electricity grid and other strategically important facilities were widely opposed? How will you treat these matters, when you have put together a majority in Parliament?

**Natelashvili:** We will proceed, according to the Constitution. The Basic Law of Georgia prohibits the sale of the power system, communications, and the customs service. These are areas of central state jurisdiction; therefore we shall restore to all these so-called privatized facilities a status that is constitutional. We do not oppose private property, and we advocate a market economy, but that market economy must work in the interests of the people, not for the enrichment of people close to the ruling elite, as is the case in Georgia today.

**Q:** Your party program expresses certain economic principles, and you have mentioned that you will not persecute the market economy.

**Natelashvili:** Of course not. We put all forms of ownership on an equal footing—state property, private property, mixed-ownership property, and cooperatives. All of these forms of property ought to be defended, with no special advantages being accorded to any of them. Thus, each will show its advantages.

What we have, however, is state capitalism, not people's capitalism. We need to turn our economy into a form of people's capitalism, where everybody can conduct business.

**Q:** Would you comment on the question of territorial integrity? There are various opinions, in the West and here, about the conflicts around Abkhazia and South Ossetia, and ways to resolve them.

**Natelashvili:** We look at this through the prism of Georgia's neutrality, which is a principled foreign policy position of our party. Russian troops should be withdrawn from Georgian territory, but NATO troops should not come there. Our salvation is absolute neutrality, the type that Austria, Switzerland, and Sweden have. Only then, will the lost territories be returned. These territories will be returned, when Georgia manages *not* to become the arena of a struggle between Russia and Turkey, or Russia and America, for spheres of influence.

**Q:** As a co-author of the Constitution of Georgia, do you think that the idea of a federal structure affects Georgia's territorial composition?

**Natelashvili:** We do not support a federal system. We advo-



cate a unitary state, preserving those areas of autonomy that already exist. These autonomous areas were, historically and politically, thrust upon us at a certain time, and they have no real basis for existing within Georgia, but we must deal with reality. The remainder of Georgia should be a unitary state, without any federation or confederation.

**Q:** What do you think about the conflict in the northern Caucasus?

**Natelashvili:** We respect the territorial integrity of Russia. Any games, in that respect, are unacceptable. In its time, Russia played around with the territorial integrity of Georgia, cultivating some guerrilla fighters in Abkhazia, and then those guerrillas launched a greater Caucasus war. Russia experienced a ricochet effect. Being a state with a de facto neutral status, we respect the territorial integrity of all our neighbors. At the same time, cultural relations with the peoples of the Caucasus should continue to develop, along with traditional fraternal and friendly relations. But, all of this takes place in the framework of a single Russian state.

**Q:** What is the basis for Russian-Georgian relations?

**Natelashvili:** Today, the ruling circles in Russia and Georgia are essentially co-thinkers, in that they are doing everything possible for these two countries *not* to collaborate. These forces are playing on our disunity, which is a bad and dangerous process. We need very good relations with Russia. First of all, economic relations, because Russia is a country with tremendous economic resources. Cultural relations, as well—these traditional ties should be restored. There are hundreds of thousands of our compatriots working in Russia, not as servants and slaves, second-class citizens, as happens in Turkey, Greece, and other European countries. In Russia, our compatriots are people with a respectable salary, businessmen, and so forth, as is worthy of a real Georgian. So, we should restore first-class relations with Russia, which does not require the reestablishment of the Soviet Union.

**Q:** What is your opinion of relations with NATO, and the West in general?

**Natelashvili:** We have no use for NATO or any other military-strategic organizations, neither with Russia nor with America. Our neutrality will be our strategy and our defense. NATO has its affairs, and we have ours.

It is a fact, that Georgia is a part of European civilization. We grew up with national and European values. Our party, the Labor Party, is a party with a European orientation, developed on the basis of European moral values, so it goes without saying that Europe should be our common home, and we should be a part of that home.

At the same time, it should not be forgotten that Georgia is an Asian country. We stand with one foot in Europe, and the other in Asia. Therefore, we have serious work to do with Asia. It is our historical neighbor (Turkey and Iran, first and

foremost, being peoples with great cultural traditions). Think of even just our relations with Iran, beginning with poetry and ending with politics. Our historical relations with Turkey, with China, with the states of Central Asia, India, Pakistan, and the Arab countries. We have a 300-year history of relations with the Arab East. Thus, it does not benefit us to choose to be exclusively a partner of Europe.

**Q:** You are familiar with the Schiller Institute.

**Natelashvili:** I think that the Schiller Institute is a serious organization, which approaches problems not in some one-sided way—say, only from the standpoint of Europe, or of America. It is an institute with a global scope, which will be very useful for both Europe and America, in defining new lines of policy.

After the destruction of the communist system, I think that Europe and America have been in a state of euphoria, as if they had no more problems. But, serious dangers are visible over the horizon, such as the danger of religious or political fundamentalism, and world hunger. Half a billion people, worldwide, go hungry every day, and that is a global danger. There is the danger of mass refugee flows. These dangers are greater than the communist threat. I think that the Schiller Institute sees all of these problems clearly, and that serious politicians should take its recommendations into account.

**Q:** The Schiller Institute strongly criticizes the International Monetary Fund and the World Bank.

**Natelashvili:** I tell you, these are not really financial organizations. In Georgia, the IMF became an instrument of political pressure, as our authorities virtually handed Georgian financial and economic sovereignty to the IMF. There used to be Gosplan and Gosnab in Moscow, but now the IMF plays the role that Moscow did. We don't need a second Moscow. If the IMF forbids the development of our production, then there is no sense in credits or debts, or in paying interest. It is better to go hungry today, than to destroy one's reserves for tomorrow.

**Q:** There are Presidential elections in Ukraine, coming up at the same time as our Presidential elections. One of the candidates is Mrs. Natalia Vitrenko, a good friend of the Schiller Institute. Then, next year in the United States there are Presidential elections, in which Lyndon LaRouche is running. One would like to believe in their success, and that perhaps your party's showing will be its harbinger.

**Natelashvili:** Allow me to thank you, and through you, the Schiller Institute. Permit me to assure you, that we highly value friendship with such an influential organization as the Schiller Institute, and its leadership, and its president, Mrs. Helga Zepp-LaRouche, personally. I ask you to convey to Mr. Lyndon LaRouche and his associates, our appreciation and support.

# IMF severely criticized in Armenia

Anno Hellenbroich, director of EIR Nachrichtenagentur in Wiesbaden, Germany, was invited by Armenia's Union of Constitutional Rights (UCR) to visit the Armenian capital of Yerevan. The UCR's 11th party convention took place on Oct. 10. More than 200 party members, representatives of other political parties, and radio, television, and print media, were in attendance.

The convention drew considerable public attention because two party representatives, the chairman, Hrant Khachatryan, and his deputy, Haik Babookhanian, publisher and former chief editor of the largest opposition newspaper in Armenia, *Iravunk*, were elected to the Parliament on May 30 as part of the "Iravunk ev Miabautiun" (Justice and Unity) coalition, which won a total of seven seats.

Khachatryan and Babookhanian have participated in numerous international conferences of the Schiller Institute, and have been interviewed by *EIR* frequently in the past. (See *EIR*, June 18, 1999; Jan. 9, 1998; March 22, 1996; Aug. 4, 1995; June 25, 1993.)

The convention speeches by Khachatryan and Baboo-

khanian, both reelected to their party posts by large majorities, underscored the mood of mobilization within the party. Khachatryan called on the party to assert "inalienable rights with power," which means, to protest the catastrophic economic situation, with all of its immense social problems. The party is actively asserting itself in public life.

In 1996, there was massive manipulation of the Presidential elections, and a number of members of the government have been involved in corruption. Khachatryan's party and its newspaper, *Iravunk*, have won great respect among the population for their incorruptibility, their firm position on constitutional and human rights, and their defense of Armenia's sovereignty, especially in respect to the contested issue of Nagorno-Karabakh, the Armenian enclave within Azerbaijan.

## 'What tasks lie ahead?'

In his speech, "The Present Global Crisis—What Tasks Lie Ahead?" Hellenbroich described the disastrous consequences of the conditionalities of the International Monetary Fund (IMF). He quoted from a greeting by Lyndon LaRouche

## Armenian political figures back LaRouche

October 21, 1999

Dear voters of the U.S.A.,

Among the candidates in the U.S. Presidential elections in 2000, American economist, philosopher, known public and political figure Lyndon LaRouche is expanding his political movement. Respected citizens of the U.S.A.: Obviously, you are aware of his activity better than we are, but, taking into consideration the significance of the Presidential elections of the U.S.A., not only for the internal life of the U.S.A., but for its implications worldwide, including the political processes in the Caucasus and Armenia, it is our responsibility to make you acquainted with our point of view, based on the experience of our last decade of observations.

We have no doubt, that all the scientific prognoses of

LaRouche—concerning the deepening of the world financial crisis, the reorganization of geopolitical blocs, the rising and deepening of political and military contradictions—are coming true. From our own experience, we can insist that most of the contradictions could be restricted, if LaRouche's proposed economic and political recipes were put into effect.

The theory advanced by LaRouche explains not only the sources of the worldwide crisis, but also proposes solutions, and ways to recover from it. It is obvious, that the ideas and proposals of Lyndon LaRouche are not under the control of the international oligarchy and financial organizations such as the International Monetary Fund.

We call on you to join your efforts to Mr. LaRouche's campaign, to step into the 21st century, as citizens of a peaceful and developing world.

In the name of the Union of Constitutional Rights of Armenia,

Hrant Khachatryan and Haik Babookhanian

Deputies of the National Assembly of the Republic of Armenia

to the Chinese people on the occasion of the 50th anniversary of the founding of the People's Republic of China, in which LaRouche, in view of the global financial and economic collapse, demanded that more intelligent people and political leaders participate in implementing a policy of reorganizing the financial system, and for economic reconstruction. Hellenbroich emphasized the importance of LaRouche's election campaign for President in America for overcoming the dramatic worldwide economic crisis, with which the Armenian population also has to struggle.

In view of the fighting in the Northern Caucasus, occurring only a few hundred kilometers from Armenia, and against the background of tensions with Azerbaijan, as well as the effects of the blockade against Armenia (initiated by Azerbaijan in 1993 and observed by Turkey), Hellenbroich severely criticized the reemergence of the 19th-century British geopolitical "Great Game" strategy, a concern shared by many in the audience in view of Armenia's geographic position. Hellenbroich's call for the establishment of a "New Bretton Woods" global financial system in the context of a Eurasian development strategy, originally a call to President Clinton which was initiated by the founder of the Schiller Institute, Helga Zepp-LaRouche, and a leading Ukrainian Presidential candidate, Natalia Vitrenko, was roundly applauded.

Most of the discussion concerned the social problems in the country, and many younger members of the party addressed the problem of the unbroken wave of emigration. In recent years, nearly 1 million people, out of what was once a population of 3.7 million, have left the country for, primarily, Russia, the United States, France, or Iran.

The final communiqué of the convention reflected these concerns, and criticized in particular the bad effects of the policy imposed by the IMF. Local elections will be held soon, and so the party issued a call for its members to work on expansion of the party base throughout the country.

Hellenbroich also had the opportunity to hold several other discussions with representatives of the government and Parliament.

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## Interview: Hrant Khachatryan

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# The oligarchy is trying to destroy our economy

*Hrant Khachatryan is president of the Union of Constitutional Rights (UCR) in Armenia. The UCR is the leading political party within the Iravunk ev Miabautiun (Justice and Unity)*

*electoral slate, which included Khachatryan and his colleague Haik Baboookhanian, who were elected to Parliament on May 30. Both are longtime friends of the LaRouche movement. Mr. Khachatryan was interviewed on Oct. 10 by Anno Hellenbroich, who visited Armenia to attend the UCR party convention.*

**EIR:** Mr. Khachatryan, I would like to congratulate you on your reelection as president of your party, and I would like to ask you, what are your thoughts now, after the May elections, being back in Parliament, and with the tenth anniversary of the formation of your party, today? What is foremost on your mind?

**Khachatryan:** These were party elections for the leadership, and the party itself is supported by 86,000 people, voters. We have two seats in the Armenian Parliament. The members of our party today confirmed their choice of leadership. This was an ordinary meeting of our party.

We now have 11 years of experience behind us, and we have a very concrete program, a very well-known style of activity. Our views on events and developments are based on the idea of self-determination of nations, the right of unification of separate nations, for peaceful solutions of different types of conflicts, for stability.

**EIR:** In the next weeks of your political campaign for local and regional elections, what role will the economic issue play? I understand that, in some speeches at the party convention, the conditionalities of the International Monetary Fund were strongly attacked. Will this be part of your campaign?

**Khachatryan:** The economic situation has a great influence on politics. There are some ideas, such as those coming from the oligarchy, to destroy the economic structures of sovereign countries, to have more control over these countries, and over the leadership of these countries. We have experienced this over the last seven or eight years.

We used to be a country with a potential to industrialize, but we have lost most of this potential. The electronics sector of our economy, which was quite powerful, has been destroyed, and this is also the case for chemicals and raw materials processing. The structure of our agricultural sector has also been destroyed. Armenia is now a net food importer. We also import tools.

And, this is so in all of the former Soviet countries, which are suffering the same problems.

According to our analyses, these are problems which come from the same geopolitical centers.

Now, unfortunately, the societies and populations of these countries cannot be organized to defend themselves, to win their rights to survive, to work. What Armenians need today is, first, to have the right to work, to gain some income.

**EIR:** Regarding the enormous crisis which has developed in Chechnya and Dagestan: What is your response to the voices

in Georgia, to the voices in Azerbaijan, who are asking for a NATO presence? Are you going to take this up in Parliament?

**Khachatrian:** This is the second stage of NATO expansion. In the beginning of the 1990s, these geopolitical centers were the ideological fetters of our countries. They brought extreme liberalism to our countries—they used the desires of people to be more liberal or free. And with these intentions, these countries accepted these ideas very readily, and there was no reevaluation of these ideas; the ideas themselves became too rigid.

During the 1990s, using the example of Armenia, until 1993, people could not understand that they were losing the institutions that had protected them, their capabilities; and when they woke up, they saw that everything had been destroyed. Following this ideological attack, people woke up and they began to organize themselves.

And then, when the politics of economic collapse and extortion had run its course, they [NATO] began to use military force, to limit people's possibilities to be organized. They built internal forces, they imported mechanisms they called democratic, but these are not mechanisms by which these countries themselves govern. All that is there is the image, the face of democracy. The methods are actually dictatorial. When, in 1995-96, people came together and decided to win their right to survive in their own countries, then NATO began the next stage of attack, to expand their [the oligarchy's] influence in our regions. The first move was in Kosovo, at the center of Europe; and they want to organize this military expansion into the Northern Caucasus.

We know that our region is also affected, in view of the Karabakh problem. . . . But [despite attempts to resolve this crisis], this question is being kept open, to have the chance to bring NATO forces into this region.

Now we see the situation in Chechnya and Dagestan. Russia was asleep during these years, so these [separatist] forces were able to grow in Chechnya, under the name of sovereignty. Now, they [the Russians] are moving with force against these people.

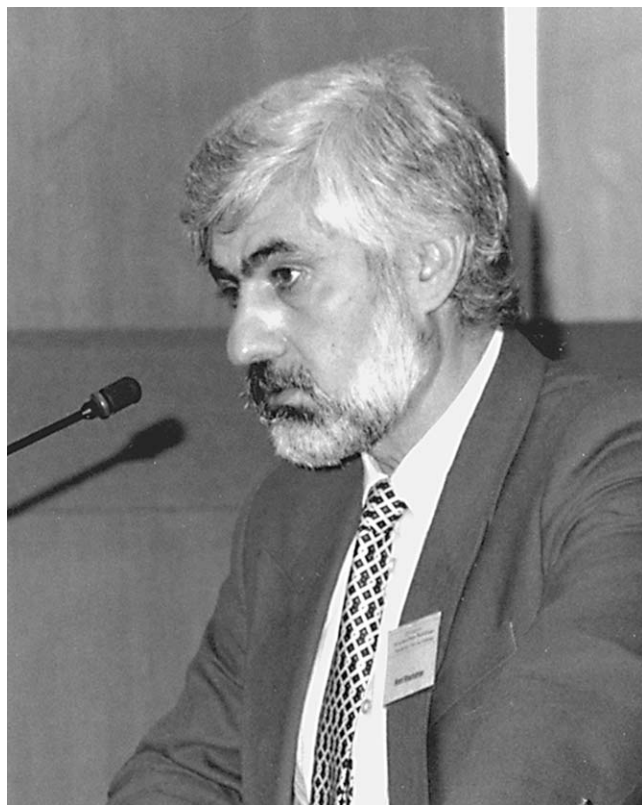
**EIR:** Do you intend to bring this issue up in a parliamentary discussion?

**Khachatrian:** Unfortunately, we cannot do that in the Armenian Parliament, but, we can address the issue that these situations are being used to prevent negotiations and cooperation among Asian countries; they want to prevent development in Central Asia.

This also involves cooperation among Russia, China, Iran, India, and other countries.

**EIR:** You just mentioned Iran. I understand that you have been invited to Iran to attend some celebrations.

**Khachatrian:** Yes, and there will be some interesting meetings. . . . I have been invited to the anniversary of the Islamic



*Hrant Khachatrian relates how Armenia “used to be a country with a potential to industrialize, but we have lost most of this potential.” The once-proud electronics sector has been destroyed, and agriculture has been restructured to the point that now Armenia has to import food.*

revolution. Iran wants to protect its population, and also protect the potentials for industrial development. For Iran, religion, Islam, is a consolidating factor, but it is not intended to be aggressive or dangerous. Iran has a very balanced policy concerning the Karabakh problem.

**EIR:** One final question. Do you know about the secret meeting that took place recently between the President of Azerbaijan and the President of Armenia?

**Khachatrian:** I know that there are no secrets in the world which anyone can expect to keep secret. Secrets are kept from the people, the simple citizens in these countries. I believe that those who want to know something about these discussions, are those who want to control the discussions. I mean the geopolitical centers, the governments of the superpowers; and I do not think that the people of Armenia or Azerbaijan have to be kept out of these discussions. No secret decisions are legitimate for the people of these countries. We are very optimistic. We do not know what they are discussing. If these discussions are not just, they will not be accepted by the Azerbaijani people, nor by the Armenian people.

# ‘It takes a little bit of courage to stand for ideas that are right’

On Sept. 29, Faris Nanic, Secretary General of the Party of Democratic Action (SDA) in Croatia, gave a press conference and seminar in Washington, sponsored by *EIR*, as a wrap-up to his two-week U.S. tour, where he urged Americans to adopt a Marshall Plan approach to reconstructing the war-torn Balkans, as the only means to secure peace. “After four years of peace, after the Dayton peace agreement was signed, reconstruction, especially in Bosnia, but also in the whole Balkan region, has essentially been a failure. We can illustrate this by giving just a few examples,” he said. Bosnia has no railway system; Bosnia and Albania share the dubious distinction of being the only countries in Europe with no highways; and, under the Dayton Agreement, Sarajevo has only token authority over foreign policy, trade, and monetary policy. “You know that the governor of the Bosnian central bank is appointed by the International Monetary Fund,” he said.

On April 28, amid the NATO bombing war against Yugoslavia, Nanic and Helga Zepp-LaRouche issued an international call through the Schiller Institute, for “Peace Through Development for the Balkans” (see *Documentation*). “My opinion is,” he explained, “that if Yugoslavia is isolated from the reconstruction process, it will be devastating not only for Yugoslavia, for the Yugoslav citizens, but it will also be devastating for the rest of the Balkans.” This controversial stance was his point of departure for a more detailed discussion of how the postwar Marshall Plan worked in Germany, which would be a template for reconstructing the Balkans. But, “this won’t be possible unless the initiative comes from the United States,” Nanic insisted, because “not a single country in Europe will be courageous enough to launch these necessary changes, these necessary shifts, in the overall financial and economic policy. Without structural changes in the world financial and monetary system, this thing wouldn’t be possible. And that’s why I’m here.”

For that, we need to change the world monetary system and financial system—the New Bretton Woods proposal of Lyndon H. LaRouche, Jr. “To change the world monetary system, to change the world financial system, and to launch the whole reconstruction program, is not a big deal. It just takes political courage and political leadership.”

Nanic is no stranger to fighting for reconstruction of the Balkans: At various times during the Serbian wars against

Croatia and Bosnia, he acted as Chief of Cabinet to Bosnian President Alija Izetbegovic, as spokesman for the Bosnian Defense Ministry, as editor-in-chief of the Bosnia weekly *Ljiljan*, and as head of the Zagreb, Croatian branch of the Bosnian news agency, TWRA.

The full text of his opening remarks appeared in our Oct. 8 issue. Below is some of the interchange between Nanic and the participants at the Sept. 29 seminar.

## The truth about the NATO bombing

**Q:** I think many of us here read that, during the genocidal targetting of Croatia and Bosnia, you called for military intervention, including when you were associated with the defense department of Bosnia. And then, when the NATO targetting came [in Kosovo], you spoke out against it. Could you discuss your strategic assessment, and why this has become also so controversial?

**Nanic:** Well, it’s controversial because, when I called for military intervention, I was appealing to the United Nations Charter, that is, to provide the sovereign nations that are the member-states of the United Nations, the right for either self- or collective defense. That is the United Nations Charter, which is, I think, Paragraph 51, if I remember well. And that was completely different, and that’s what they failed to do! They failed to intervene after, in some of the major cities in Croatia, or some of the cities in Bosnia, a recorded genocide happened. They failed to intervene.

But then, *before* the largest atrocities occurred in Kosovo, they decided to intervene, bypassing the United Nations, and not respecting the United Nations Charter. Thus, introducing a very dangerous precedent, of which consequences I don’t think we are all quite aware. So that’s why I stood *against* this kind of NATO [action].

It’s not the question of Milosevic. It was not the question of Albanian rights, which were violated, definitely. These issues all were manipulated, as well as things were manipulated in Iraq, in 1991, in order to achieve something else, something of much more strategic importance, than the political leadership in those countries was able to grasp. And that’s the source of controversy. Because then, the political establishment, especially in Bosnia—not so in Croatia, which is very interesting—but in Bosnia, stood against me, and said: It’s not our policy; we supported and praised the action of



*Faris Nanic at the press conference and seminar sponsored by EIR, on Sept. 29.*

NATO against Yugoslavia.

And then I said: Okay. But will you then be praising NATO action against Bosnia, once NATO attacks Bosnia for not respecting the human rights of tigers, or homosexuals? Because this is also a possibility. Not today, not tomorrow, but very soon.

NATO became a world policeman. Not only informally, but now formally. Because the United Nations stood there, and let it happen.

Still, what *we* then proposed, or demanded, in this appeal, was very close to what actually happened, but a month later. We, then, proposed the diplomatic solution reached through the United Nations Security Council, and the appropriate resolution, and the multinational divisions in Kosovo. That is exactly what happened! But a month later. Two months, sorry—it took 78 days. And that is exactly what is my sin.

I dared to propose something prematurely.

**Q:** What you have said about including Serbia in the reconstruction—I suspect there’s a number of people in the area that disagree with that, not only within Bosnia, but also other countries of Southeast Europe. Could you describe somewhat what the lineup or division on that is, and what the consequences of that are?

**Nanic:** Well, you see, the problem is that the people—they do not really argue about this. When you talk to them privately, they would agree: That’s very interesting. They would agree. They would say: You are quite right. What LaRouche is proposing is completely sane, but, you see, how difficult it is. You see that the times are crazy. You see that everybody will be against us. Can you imagine what the Americans

would say? Can you imagine?

I say: Yes, I can. So what? They would be angry for three days, and then what?

And I give them the idea of what Mahathir did in Malaysia, Dr. Mahathir Mohamad, who is the Prime Minister of Malaysia.

Actually, he was one of those to be blamed for the burst of the bubble. He was one of those to be blamed for the speculation wave in Malaysia, because he was tolerating it for years and years. And I was one of those who were disagreeing with him. I knew him. I met him. And I even knew this Anwar Ibrahim, his Finance Minister, who was ousted afterwards. But when he finally realized, in 1997, that it takes only a couple of well-informed speculators, to *destroy everything*, or almost everything, that the Malaysian nation was building

in 40 years of independence, then he said, “Aha, something has to be done.”

And he had the courage to do it. And he did it.

And what happened? The Americans were—they were opposing, they were suggesting, they were angry, they were very angry; they were very, very, very angry. And now, even the IMF has to admit that he achieved a 6.5% rate of growth, real economic growth—contrary to all their predictions.

And what happened? Nothing. But Malaysia now has a healthy economy. So, it’s not a big deal.

Yeah, but then they say: Malaysia is big, you know—we are small.

I say: Malaysia is not *that* big, and you are not *that* small.

So, it takes just a little bit of courage, nothing else. It’s not even courage. It’s just a readiness to speak out, I would say, to stand for the ideas that you think are right, to stand for proposals—like the two crucial LaRouche proposals [for a New Bretton Woods monetary system and the Eurasian Land-Bridge], that I supported from the very beginning. And everybody knows that.

And what happened to me? Nothing.

Except that I’m not very welcome in some parts of the political establishment. So what? So what? I’m still a happy man, I have two children, I can make my ends meet. And that’s the whole idea. But the problem is, that once you are intimidated—and the first time you really take this seriously, then they have you in their hand. They can do with you whatever they want. The idea is to stand for principles from the very beginning, and then they respect you. If you stand for your principles, they respect you. They can harm you—they can try to harm you, but they essentially respect you.

But if you bend, then they will never respect you.



*Schiller Institute visitors documented the wartime destruction of railroads in Bosnia in 1996. As Faris Nanic explains, five years after the Dayton Agreements, nothing has been rebuilt: There are no railroads, no highways, and no sovereign control over monetary and credit policy. If there is no reconstruction in the Balkans, including Yugoslavia, there can be no peace.*

This is why the Bosnians were so respected. I saw it. You know, we are such a tiny nation; it's nothing, it's 4 million people. But we are so respected by larger nations than ourselves, because we had resisted genocide! We have resisted the whole world, actually, that was ready to sacrifice us for the benefit of the New World Order.

And then we spoiled it, in the peace. Superficially, it's contradictory, it doesn't sound logical. But in the war, we didn't have anything to lose, you know. We had just one option, and that is to fight for your life, to defend your life, to defend your honor, to defend your faith, your religion, to defend your children, and to defend your property.

That is what we stood for. But that was the only option. And we managed. We did it somehow, with the help of God.

But, but—. When the peace agreement was signed, I clearly remember the words of President Izetbegovic when he came back to Bosnia. He said, "I hope that the challenge of war will not be less than the challenge of peace." Very deep words. Unfortunately, his hope was not fulfilled. The challenge of war really was a much greater challenge for us, and we responded to it. But the challenge of peace, unfortunately, was not.

**Q:** I'd just like to ask you to comment a little bit on the situation in Kosovo, now in the post-bombing situation. In this ostensible attempt to maintain a multi-ethnic unity there, you've got Serbs in an enclave protected by these NATO forces—or now the Russians are included, so it's kind of a multinational force—and the Kosovars, and it seems as if that situation will not change, and that you will have to maintain some kind of an international force there, unless you have an emigration of the Serbs back to Serbia, and you set up an

independent entity there. How do you see a solution to this Kosovo situation? And could you do an evaluation of the KLA [Kosovo Liberation Army]—there were a lot of machinations going on on the part of the State Department's [spokesman] Jamie Rubin prior to the peace resolution, or to the resolution of the bombing, with the KLA, and I was just wondering if you have any views on this.

**Nanic:** First of all, you see, the problem is that, by recognizing KLA, the Kosovo Liberation Army, as the political and military representative of the Kosovo Albanians, you somehow have supported these retaliation activities by the former militiamen, against the Serbs. So, in order to prevent that, you actually form these enclaves, these safe havens, or some parts of land that are excluded, or exclusively for the Serbs—by which action you repeat actually the same mistakes.

The KLA is nothing but a drug-trafficking mob. *The KLA is a drug-trafficking mob!* These are the people who are financed by drug-trafficking, these are the people who are led by drug-traffickers, and these are the people who actually have popped out of nowhere!

We had Rugova, Dr. Ibrahim Rugova, who has been the leader of the Kosovo Albanians since 1989, who is a university professor and a writer. He was elected president of Kosovo. Of course, these elections were never recognized by the Greater Serbian regime, but still, he had support from all Kosovo Albanians. And he has *de facto*, if not *de jure*, been recognized by the rest of the world.

And what's more interesting, what's more significant, is that Dr. Rugova had a very well-organized political, cultural, educational, and tax-collecting system; you wouldn't believe it. It was a completely underground operation! They even had universities. (You know that the Serbian government, the



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*It was the Secretary of State, Madeleine Albright, who actually recognized, who told the KLA representative—“You are the next government of Kosovo.” Now, you have a bunch of criminals running the country—running the region. Who are you going to blame for the failure of the Kosovo reconstruction? Milosevic? No, not this time.*

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Serbian regime, ousted all Albanian professors from Pristina University. And they gathered and organized, under Rugova's leadership, to maintain the university activity, and people were actually passing exams. And there have been lectures, in houses, in private houses.) They collected taxes. And they were supported by the Berisha government in Albania.

And then, in 1997, there was one small series of attacks on the Serb police positions in Kosovo, done by the phantom Kosovo Liberation Army.

But in the same 1997, what happened was the so-called collapse of the pyramid structure of investments in Albania, which was some kind of a terrible gambling system, that collapsed. People who were really terribly poor, gave everything they had, including their small apartments—they simply gave it as collateral to this pyramid scheme, that would have given them, I don't know, 200% profit for such an investment. And, of course, apparently everything collapsed in 1997, which led to the ousting of the Berisha government, which led to total disintegration of the Albanian army, and which led to a huge smuggling chain of arms into Kosovo.

Dr. Rugova wanted to prevent this by establishing a military wing. And then, in January, or it was February or March 1998, the guy who was in charge of establishing the military wing of the Democratic League of Kosovo, which was the political party led by Dr. Rugova, was killed, assassinated, in Tirana, in Albania. And everything was changed.

And then, all of a sudden, you had the socialist government of Albania supporting KLA, supporting the Kosovo Liberation Army, and you had the West negotiating with the Kosovo Liberation Army.

But the story is not over there. Then it comes to the Rambouillet peace talks, and it was the Secretary of State, Madeleine Albright, who actually recognized, who told the KLA representative—“You are the next government of Kosovo.” When they almost had a consensus with the Russians there, Madeleine Albright came out with two papers, so-called annexes, A and B, which were totally unacceptable to the Serbian side. And that was the green light for launching the war.

Because it was the war they were for, not the peace settlement. It was NATO unilateral action they were for, not stopping the human rights violations of Albanians. And exactly when they started the war, the bombing of Yugoslav positions,

retaliation by the Serbian army became horrible. Then most of the atrocities happened.

So, now you have a situation where one of Dr. Rugova's main collaborators, Dr. Fermi Aghani, was killed, assassinated, apparently by the KLA. Why? Because he was the member of the delegation in Rambouillet who must have heard what Madeleine Albright really told the representatives of the KLA. And that's the problem.

You have a totally manipulated, drug-trafficking-run operation inside Kosovo.

Can you imagine what would have happened, if they had let the Kosovo Democratic League of Dr. Rugova take power? What would have happened?

You would have had a completely organized political democratic system. You would have had a completely organized education and tax-collecting system. You would have had sane and educated people in certain places. You would have had somebody to deal with, in terms of reconstruction.

Now, you have a bunch of criminals running the country—running the region. And what have you done now? Who are you going to blame for the failure of the Kosovo reconstruction? Milosevic? No, not this time. Kosovo has been practically extracted out of Yugoslavia, and even the international representative who is running the province now, introduced the deutschemark as the currency in Kosovo, as the legal tender of payment in Kosovo. So, Milosevic—he is a criminal, he should be tried for his crimes—it's not a question of Milosevic. But he can't be blamed in the future for the failure of reconstruction of Kosovo, because he doesn't have *any* authority over Kosovo any more, except that it's still formally a part of Yugoslavia. And that's the situation right now.

And how the KLA will act, what are their next assignments, is very hard to tell. But the idea of Greater Albania is being pushed also, through the KLA. Because it was a spokesman of KLA at the very beginning of the war in April, who said quite openly to all the television and media that were present at his first press conference, when it was finally revealed who he is, apparently; he said, that the aim, the military aim, and the political aim of KLA, was to establish Greater Albania.

So, now you have retaliation against Serbs, the remaining Serbs. You have drug-running by a certain military establishment and political establishment. You have safe havens, and you have a completely unstable political situation that can *again* be manipulated for spilling over the war into Macedonia, or Albania proper, or Montenegro. So, this whole affair solved nothing. Except that it has actually complicated more a very shaky situation.

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## Documentation

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# 'Peace through development in the Balkans'

*This international appeal was issued on April 28, and circulated for signatures internationally by the Schiller Institute.*

The obvious fallacy in current NATO policy respecting the Balkans is, that the mere fact, that one professes to be acting on behalf of a moral concern, does not mean that the action may not produce results directly contrary to that professed motive.

Such were the considerations in definitions of justified and unjustified warfare. War is not morally justified, no matter what the professed moral pretext, unless that war is necessary as the only alternative, and unless the means applied are likely to succeed in removing the cause for which a war is fought.

The present situation in the Balkans affirms the wisdom of the aforementioned considerations, because so far the military campaign has not been successful, but rather has caused a deterioration of the global security situation, and led the Kosovo Albanians into catastrophe.

### **We, the signers state that:**

1. there is no durable or permanent and just solution of the crisis without reaching a strategic consensus among leading NATO states and leading nations like Russia and China;
2. no single regional crisis can be observed or treated separately from the global financial crisis and its consequences;
3. only by reaffirming the concept based on the development of the real economy, can we have a solution for Kosova, the Balkan region, and southeastern Europe;
4. we greet and support the initiative for the regional development plan presented by U.S. President Clinton.

### **Therefore, we demand:**

1. to reach an urgent diplomatic solution for Kosova, using UN Secretary General Kofi Annan's plan as a basis, to be conducted through the UN Security Council, and with the full

consent of Russia, China, India, and other key nations;

2. to work out a "Marshall Plan" for the region, using the already-existing materials on postwar reconstruction plans for Bosnia-Herzegovina and the region as an integral part of the overall Eurasian development program;

3. an approach to reform the world monetary and financial system by creating an architecture of the "New Bretton Woods" without delay (i.e., fixed exchange rates, protection of national economies, and sovereign credit generation for economic development);

4. an urgent and sharp break with the International Monetary Fund and World Bank practice of imposing austerity measures and unacceptable financial conditionalities on sovereign nations;

5. debt moratoria for the economies of the region, which have been ruined by war and enforced shock therapy;

6. use of the model of the Kreditanstalt für Wiederaufbau during the post-World War II period reconstruction of Germany;

7. joining the initiative for launching the project of the Eurasian Land-Bridge as a spine of Eurasian development in cooperation with all interested nations;

8. inclusion of all Balkan and southeastern European states into the Land-Bridge project.

This would include exemplary projects such as:

Full rehabilitation of the Danube waterway as the most important European waterway. Development and expansion of the rail line connecting Munich, Vienna, Budapest, Nis, Sofia, Plowdiw, and Istanbul as the southern corridor of the new Eurasian Continental Land-Bridge. Expansion of water systems (canals, etc.) of rivers such as Drava and Sava; linkage of the Danube to the Morava and Vardar rivers, thereby establishing navigable waterways through Serbia, Macedonia, and Greece to the Aegean Sea. These waterways would also serve as infrastructure corridors for the development of industry.

Development of four main regional corridors of rail/road and water connections, such as:

Salzburg to Villach, Ljubljana, Zagreb, Belgrade, Nis, Skopje, Thessaloniki, Athens;

Linz to Graz, Maribor, Zagreb, Karlovac, Split, Ploce, Dubrovnik, Durres, Athens;

Budapest to Pecs, Osijek, Tuzla, Sarajevo, Mostar, Ploce; Vienna, Győr, Szombathely, Nagykanizsa, Maribor, Ljubljana, Monfalcone, Mestre, Milan.

The development of modern agriculture in the whole region as another major priority.

Signed:

Faris Nanic, Secretary General of the Party of Democratic Action (SDA) of Bosnia in Croatia; Chief of Staff of President Alija Izetbegovic of Bosnia-Herzegovina in 1996

Helga Zepp-LaRouche, President of the Schiller Institute

# The Golden Age of Chinese archaeology

by Bonnie James

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## **“The Golden Age of Chinese Archaeology: Celebrated Discoveries from the People’s Republic of China,”**

sponsored by Eastman Kodak Company. An exhibit at the National Gallery of Art, Sept. 19, 1999-Jan. 2, 2000.

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I fear that we may soon become inferior to the Chinese in all branches of knowledge. I do not say this because I grudge them new light; rather I rejoice. But it is desirable that they in turn teach us those things which are especially in our interest: the greatest use of practical philosophy and a more perfect manner of living, to say nothing now of their other arts. Certainly, the condition of our affairs, slipping as we are into every greater corruption, seems to be such that we need missionaries from the Chinese who might teach us the use and practice of natural religion, just as we have sent them teachers of revealed theology. And so, I believe that if someone expert, not in the beauty of goddesses, but in the excellence of peoples, were selected as judge, the golden apple would be awarded to the Chinese unless we should win by virtue of one great but superhuman thing, namely, the divine gift of the Christian religion.

—Gottfried Wilhelm Leibniz (1646-1716), *Novissima Sinica (Recent News from China)*, 1697.

As human civilization embarks on a new millennium—at least by Western reckoning—what better time to step back and begin to appreciate humanity’s longest-existing continuous civilization on the planet, that of China, as Leibniz proposed 300 years ago.

While the People’s Republic of China recently celebrated its 50th anniversary, China has made contributions to world civilization for five millennia. On Sept. 25, Helga Zepp-LaRouche asked:

“Who can doubt the magnificent contributions of Chinese culture to universal history over the last 5,000 years? Again



**Figure 1.** A jade tortoise, c. 1200 B.C., from the tomb of Fu Hao, at Anyang.

and again, Chinese creative genius has produced treasures in painting, in poetry, in sculpture, and many other areas, which instantly instill love in all to whom they are known.”

“The Golden Age of Chinese Archaeology: Celebrated Discoveries from the People’s Republic of China,” sponsored by Eastman Kodak Company, opened at the National Gallery of Art in Washington, D.C. on Sept. 24. The exhibition encompasses a wide range of ancient Chinese cultures, with more than 200 works presented, most of which were excavated between the late 1970s and the present, a period considered by many scholars to be the “golden age of Chinese archaeology.” These discoveries, which date from c. 4500 B.C. through the 10th century A.D., show that Chinese civilization and art, unlike what was previously thought, did not originate at a specific time or place, but rather, were the result of many strands that were woven together in a tapestry of varied cultures that flourished all over China.

## **Evidence of Western influence**

China was able to extend a vast cultural outreach, beginning some 4,000 years ago, with the domestication of the horse, which carried the Chinese to the furthest reaches of the empire. At the same time, traces of imported Western culture date as far back as the time of the Xia Dynasty (c. 21st-16th centuries B.C.). These interwoven cultural threads are evident throughout its long history, and can be seen in numerous examples in the National Gallery exhibit.

Now, let’s have a look at the excavations, and what they unearthed. For purposes of this report, we are going to skip over the Neolithic, the earliest period represented in the exhibit, and move right into the Bronze Age, c. 2000-771 B.C.

The two leading achievements of the Bronze Age in China were the development of writing, and the discovery of methods of bronze-casting for weaponry and ritual vessels. The



**Figure 2a.** A Shi Qiang bronze vessel, late 10th century B.C., from Zhuangbao, Fufeng, Shaanxi province.



**Figure 2b.** A detail showing the inscription, believed to be the first historical writing in China.

earliest known bronze vessels date to c. 2100-1600 B.C., the first of the Three Dynasties (Xia, Shang, and Zhou), but bronze-casting reached a high point during the Shang Dynasty (c. 1600-1050 B.C.).

In the 1970s, two discoveries were made at Anyang in Henan Province: One of oracle bones in 1975, and then, in 1976, the richest royal tomb ever found was unearthed at a site known as the tomb of Fu Hao (c. 1200 B.C.), believed to have been a royal consort of the Shang king, Wu Ding.

In addition to many decorative cast bronze vessels, some in animal shapes, are objects apparently enjoyed simply for their beauty or charm. Among them are small hardstone carvings of animals; especially noteworthy, are those of a tortoise (Figure 1) and a turquoise dove, both carved in the round. The tortoise shows the ability of jade artists to utilize features of the natural stone. Here, a dark layer within the stone suggests the tortoise's darker shell, while the body, head, and limbs are carved from a lighter stone.

A Shi Qiang bronze vessel, or *pan* (Figures 2a, 2b), dating from the Middle Western Zhou period, at the end of 10th century B.C., from Shaanxi province, is considered to be the most important find of all Western Zhou (c. 11th century-771 B.C.), because of its inscription, which may be the first historical writing in China: It is a genealogy of the first seven Western Zhou kings and four generations of the Wei family. The inscription also provides evidence for the emergence of poetry in China—at about the same time that Homer was composing the *Iliad* and the *Odyssey*, in Greece—as it is stylistically identical to the four-character rhyming line structure of the *Shi jing* (Classic poetry).

A sample:

Accordant with antiquity was the Cultured King!  
 He first brought harmony to government.  
 Di on High sent down fine virtue and great security.

Extending it above and below,  
 he joined the ten thousand countries. . . .  
 Vast and substantial was the Radiant King!  
 He broadly tamed Chu and Jing;  
 it was to connect the southern route. . . .  
 Clear-eyed and bright was Grandfather Xin of the  
 branch lineage!  
 Transferring and nurturing sons and grandsons,  
 he had abundant good fortune and many blessings.  
 Even horned and redly gleaming,  
 appropriate were his sacrifices.

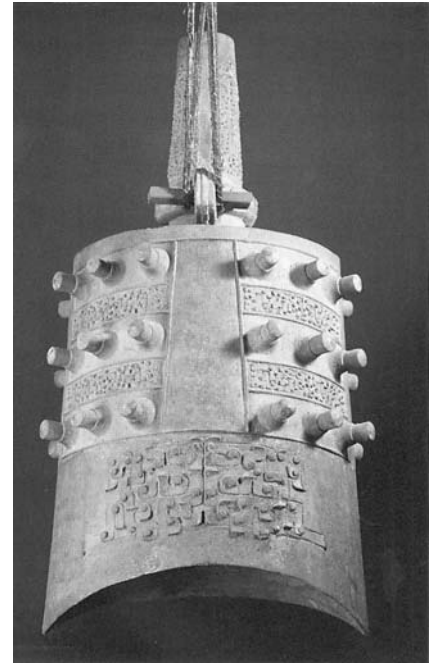
### 2,500-year-old bell-chimes

A bell-chime of 26 bronze bells (Figures 3a, 3b) from the Middle Spring and Autumn Period (c. 550 B.C.) Xichuan, Henan Province, would be contemporaneous with the Greek Classical period in the West, and with Confucius in China.

The 26 bells (*yongzhong*) found in the tomb of Marquis Yi at Leigudun, were arranged on a two-tiered wooden rack; each bell was suspended from two ropes (made of lead, to minimize acoustic interference) connected by a bronze pin through the bell's suspension loop. The bells are tilted toward the player, permitting greater accuracy in striking than in vertically suspended bells; each *yongzhong* can produce two notes, depending on where it is struck. The interval between the two notes usually approximates either a minor or a major third, a phenomenon which results from the bell's pointed oval cross-section (a round cross section would produce a



**Figure 3a.** A bell-chime of 26 bronze bells, c. 550 B.C., Xichuan, Henan Province; each plays two notes.



**Figure 3b.** Detail of 3a; the rows of bosses (knobs) on each bell served to dampen the non-harmonic overtones.

single note).

The inscriptions identifying the tones on the bells indicate that the bellcasters were able to determine the pitch in advance. The range extends over five octaves, with up to ten different notes per octave. It is thought that the rows of bosses (knobs) on each bell served to dampen the non-harmonic overtones emitted by the upper part, thus emphasizing the two basic notes.

Text appears on each bell, identifying the individual for whom the bells were made, as Wangsun Gao, the grandson of the Chu king.

The artist's inscription says, in part: "My . . . harmonizing bells . . . are long-vibrating and sonorous, and their fine sound is very loud. With them, sternly, and in a very dignified manner, I reverently serve the king of Chu. . . ."

"Glistening are the harmonizing bells. . . . How blissful and brightly joyous! For ten thousand years without end, forever preserve and strike them."

### Early imperial China

The First Emperor united numerous disparate kingdoms in 221 B.C. to create China's first centralized government. The period of the First Emperor, and that of the Han dynasty which followed, created a unified cultural and artistic point of view which often surmounted great distances. Numerous trading routes, including the Silk Road, opened China to the world beyond, and these contacts are manifested in the art and artifacts of the era, which extended until 924 A.D.

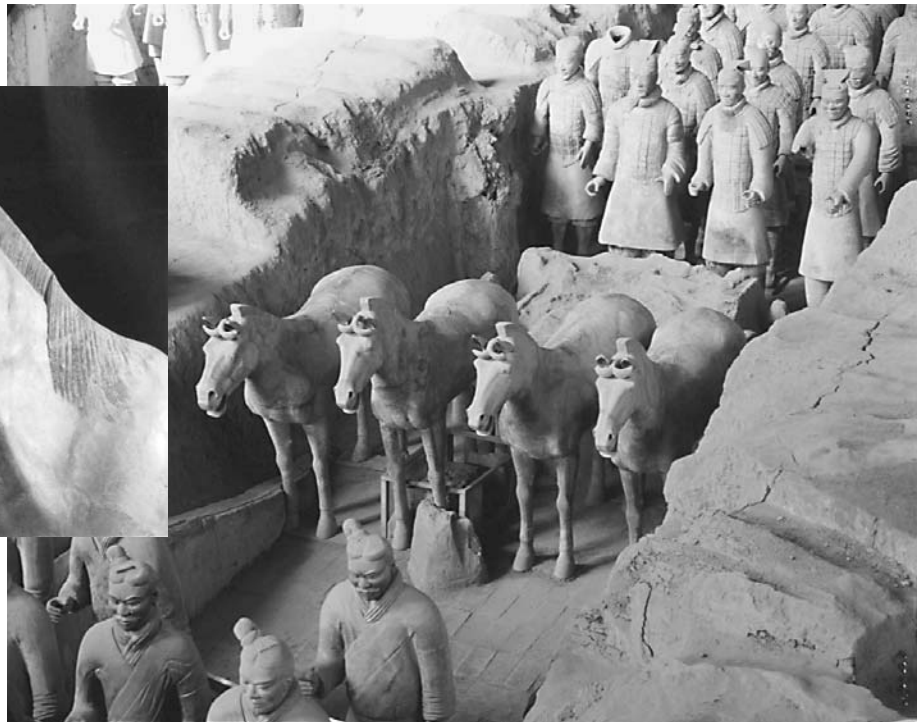
According to a famous passage in Sima Qian's (c. 145-86 B.C.) *Shi ji* ("Records of the Historian"), the tomb chamber where the celebrated Terra Cotta Army was found in Lington, Shaanxi Province, was built as a microcosm of the universe, with waterways made of mercury and depictions of celestial constellations and terrestrial topography. This universe extended beyond the tomb of the first Chinese Emperor, Shihuangdi (reign 246-210 B.C.), the construction of which began with his accession to the throne, into an enormous necropolis. Nearly 100 pits were uncovered, containing hundreds of horse skeletons and kneeling terra cotta figures of grooms, where an inscription was found identifying this as the "imperial stables." Two half-size models of chariots, each pulled by a team of four horses and manned by a driver, all rendered in bronze, were most likely intended as transportation for the Emperor in the afterlife.

These sculptures rank with some of the greatest of Western art. They are not only "realistic," life-size portrayals of the human face and form, they represent, to a great extent, *individualized* figures, from their facial characteristics and expression, to the details of clothing and accessories such as belts, boots, armor, hairstyles, and so on, which differentiate each one's functions and rank, as well as personal attributes.

The production of these incredible figures is described in the exhibition catalogue (p. 371): "The production of the figures that compose the army was a large-scale workshop operation that involved standardized, prefabricated compo-



**Figure 4a.** (left) *Kneeling Archer, from the celebrated Terra Cotta Army of the tomb of the First Emperor, Shihuangdi (c. 220 B.C.); Xiyangcun, Lintong, Shaanxi Province.*  
**Figure 4b.** *Kneeling Archer, rear view.*



**Figure 4c.** (Above) *One of the chariot horses.*  
**Figure 4d.** (Right) *A group of four chariot horses, the remains of a chariot behind them, following by ranks of infantry.*



**Figure 5.** A painted marble relief of musicians, about 2.5 feet high and 4.5 feet long, from the Tomb of Wang Chuzhi at Xiyanchuan, Hebei Province, early 10th century A.D.

nents. The torsos were modeled from the bottom up, using coiled strips of coarse clay. Heads and hands were usually made in composite molds (as were individual elements such as ears) and assembled to form the figure, which was then covered with a fine clay slip; separately cast details (such as belt hooks) were then attached to the slip-coated figure. Armor and physiognomy were detailed by low-relief carving and incised lines. The figures were fired (at temperatures of around 1,000°C) and subsequently painted with pigments suspended in a lacquer base. Only faint traces of the original color remain, but it is clear that the craftsmen sought to reproduce the colors of the armor and garments worn by specific ranks of warriors.”

Among the most astonishingly Western-like sculpture, is the Kneeling Archer (**Figures 4a, 4b**), who poses dramatically on one knee, his torso slightly rotated, his head jauntily elevated and to one side, with a proud expression on his face. His left arm rests on his raised knee, while his right hand would hold the bow, as he waits for a command to shoot. This is sculpture in the round, that is, it can be viewed from any angle of a 360° circumference, like that of Greek sculpture of the 5th century B.C. The details of his coiffure, his attire, including the leather armor, the folds of his sleeve and collar, are presented in an amazingly realistic manner. The catalogue tells us that “there is no precedent in Chinese art for this massive deployment of verisimilitude.”

In another section of the great tomb are the Chariot Horses (**Figures 4c, 4d**): A team of four horses pulled one of the Qin army’s chariots. The horses’ ears point forward, nostrils dilated, mouths partially opened—all indicating animals in an excited state, as they enter into combat. They are figuratively “chomping at the bit” to get into the fray!

### The orchestra of Wang Chuzhi

An exquisite painted relief of the Later Liang Dynasty (903-923 A.D.), from the Tomb of Wang Chuahi at Xiyanchuan, Quyang, Hebei Province, shows ladies of the court performing on a variety of musical instruments in a small orchestra (**Figure 5**). According to the catalogue, “Complete orchestras such as this one in Wang Chuzhi’s tomb appear most commonly from the Late Tang to Early Song period, and present evidence of daily life among the aristocracy of the time.”

The orchestra features 12 female musicians, two small dancers, who may be children, dressed in Central Asian costumes, and a male conductor, holding a tasseled baton, who turns to face the viewer, as if to engage us in the performance, as the musicians, engrossed in their musical offering, play on.

The instruments depicted are two horizontal, and two vertical flutes, two drums—one larger than the other—a set of chimes, a pipe harmonica, a harp, a zither, a lute, and a set of clappers.

The Liang, one of the Five Dynasties (907-960 A.D.), which produced this extraordinary orchestra, leads, immediately afterwards, into the Chinese Renaissance under the Sung Dynasty (960-1279 A.D.)—the period of the great Cathedral building in Europe. Sung painting was China’s greatest contribution to universal culture, in the development of non-linear perspective (see *Fidelio*, Summer 1997, and Spring 1999).

After the exhibition leaves the National Gallery, it will be on view at the Museum of Fine Arts, Houston, Feb. 13-May 7, 2000, and the Asian Art Museum of San Francisco, June 17-Sept. 11, 2000. A fully illustrated catalogue, written by leading scholars of early Chinese art and archaeology, is available through the National Gallery of Art Shops.



## IMF puts Zimbabwe under the gun

*The IMF keeps upping the ante against Zimbabwe—all part of London's geopolitical strategems.*

Speaking at the Third Southern African International Dialogue held in Victoria Falls on Oct. 5, Zimbabwe President Robert Mugabe called for major reforms in the global financial system. "No economic empowerment initiatives can thrive under the threat of unregulated currency trading," he told assembled leaders from Africa and Asia. "This situation is made worse by the crippling foreign debt burden weighing down on most developing countries." Globalization, he warned, could result in global polarization. "It could mean getting swamped by the rich from the North, who appear to enjoy all the advantages at the expense of the South, whose condition continues to worsen."

But, as President Mugabe knows, not only is the global financial system, bankrupt as it is, functioning to the disadvantage of the developing countries. The International Monetary Fund (IMF) and like-minded agencies of the United Nations act at the service of the private interests of the British Commonwealth, particularly in Africa, where the British Crown's extraction companies are on an acquisition campaign for the continent's mineral wealth. Since Zimbabwe sent troops in August 1998 to defend the Democratic Republic of Congo (D.R.C.) against invading Uganda and Rwanda, Zimbabwe, although it had not fallen behind in debt payments, has been under the IMF gun.

The IMF has refused to release a \$193 million tranche in its Structural Adjustment Facility, citing new conditionalities. Privately, Zimbabwe officials were told that the demand was that Zimbabwe remove its troops from the Congo, and, it is implied, permit

Uganda and Rwanda to take over the country. Waiting behind the Ugandan and Rwandan militaries (which have effectively annexed three eastern Congolese provinces), are such mining companies as Canada's Banro Resources and Barrick Gold.

The same day that Mugabe was calling for reform of the unjust monetary system over which the IMF presides, the IMF and World Bank launched a new assault on Zimbabwe. The World Bank cancelled a meeting for Oct. 7 where it was to release \$140 million, charging that Zimbabwe had misled the Fund and lied about the size of its military expenditures. Zimbabwe officials had told the IMF that it was spending \$3 million a month on its deployment to the Congo, but the Bank claimed that an internal Finance Ministry memorandum showed the figure was \$27 million. Finance Minister Herbert Murerwa told the press that the memorandum was a request for \$27 million, not the actual disbursement. He said that the IMF had already appeared to accept this explanation.

Even so, the World Bank announced on Oct. 6 that aid to Zimbabwe was suspended until it met IMF conditionalities. The African Development Bank then withheld another \$130 million.

The IMF siege has put the economy into a tailspin. Without the Fund's approval, donor funds are cut. This, combined with the plummeting of the price of gold, Zimbabwe's major export, over the last year, has caused a budget crisis, a run on the country's currency, and inflation soaring to 70%. An IMF team, which has been in Harare, Zimbabwe's capital, since Oct. 6, is demanding a devaluation of the Zim-

babwean dollar, a cut in the budget deficit to only 2% of GDP, and withdrawal from the Congo. According to an unnamed source cited in the *Financial Gazette*, "There has been some agreement on the issue of the D.R.C. troop withdrawal, with the government saying that it is banking on the current cease-fire process and that it will pull its men and equipment out once the cease-fire takes hold." Given a new offensive being carried out by Uganda and Rwanda, this is unlikely to be soon.

The Zimbabwe government refuses to devalue its currency, and will commit itself only to reducing the budget deficit to 4-5% of GDP.

The crunch on the government budget is wreaking havoc. Doctors working for the national medical system have been on strike for the last month, demanding a doubling of wages. Although the government has promised the wage hike by January, the strike is still not over. The government is also stymied in carrying out its land reform program, by which uncultivated land of large private owners would be bought, and then distributed to Zimbabwe's many landless farmers, who were forced out of their homesteads during British rule. The IMF has demanded the government fully compensate the private land-owners—the first conditionality used to delay the disbursement of the \$193 million tranche. Then, the Fund turned around and put the squeeze on the Zimbabwe budget. Now, farmers are threatening land seizures, the kind of chaos the government sought to prevent.

Treatment meted out to Zimbabwe by the IMF, World Bank, and Paris Club of government donors, contrasts starkly with that given to Uganda, where a new debt relief package was announced last month. If there is any pressure from donor countries on Uganda to withdraw from the Congo, it is all bark but no bite.

## Free-market parasites are nation's top drug pushers

by Michele Steinberg

The United States has become a leading manufacturer and exporter of amphetamines, one of the drug culture's most effective mind-killers, according to well-informed sources in Washington, D.C. U.S.-produced "speed" and "meth" flood foreign lands, from Mexico to Russia, according to these veteran drug watchers. This news echoes the warning given by Gen. Barry McCaffrey (ret.), the head of President Clinton's Office of National Anti-Drug Policy, who told a news conference at the National Press Club on Aug. 30 that "the United States now is a major drug-producing nation, that we cannot say that our drug problem is Burma and Peru, Bolivia and Colombia." General McCaffrey elaborated further, in Congressional testimony on Oct. 6, that American youth are being drugged by domestically produced dope—both speed and THC, the active ingredient in marijuana.

According to the well-financed drug legalization lobby, these figures mean that the war on drugs has been lost, and that it's time for the United States to legalize drugs. Of course, the drug legalizers have been saying this for the past 25 years, going back to the 1976 election of Jimmy Carter, who gave us the first and only Presidential endorsement of marijuana decriminalization.

But in truth, the difficulties in eradicating the international drug traffic, prove that Lyndon LaRouche, *EIR* founder and now a candidate for the 2000 Democratic Presidential nomination, has been right all along, and his plan for a war on drugs that goes after the *banks*, and is fought in the same spirit as the war against Hitler, is the only strategy that could work. For decades, LaRouche has warned that unless the war on drugs is fought against the globalist banking establishment, in defense of the cognitive capability of every human being, and in defense of the sovereign nation-state, then there *is no war on drugs*, no matter how much military hardware is thrown into the fray. But, once these targets are effectively

defined, the elimination of dangerous drugs can become a reality.

As the following pages document, the drug legalization push is entering a new phase of escalation, and it is coming from the top echelons of the financier oligarchy: Wall Street's Richard Grasso, head of the New York Stock Exchange; Washington's neo-Conservative Gingrichite mafia in Congress and associated think-tanks; Britain's Lord Harris of Highcross; off-shore hedge fund billionaire George Soros (banker to Queen Elizabeth II); former Reagan Secretary of State George Shultz, who now advises GOP Presidential front-runner George "Dubya" Bush; New York's Sir Rupert Murdoch, owner of the News Corp., one of the world's biggest media monopolies which runs the *New York Post*; radical free-trade economist Milton Friedman; and the "new Republican" followers of free-trade neo-conservatism, like New Mexico's Gov. Gary Johnson.

### The legalizers' gameplan

On Oct. 5, an all-day conference at the Conservative Revolution's Cato Institute provided a rare glimpse into the Wall Street and conservative Republican drive for drug legalization. In a program that included more than 20 speakers, most of them from the Cato Institute itself, including some veterans of minor posts in the Bush and Reagan administrations, the steps for moving to full legalization were clearly laid out: Make sure that the on-the-ground war in Colombia—a strategic turning point in the legalization fight—goes in favor of the drug cartels; continue the step-by-step erosion of drug laws, represented by George Soros's campaign for "medical marijuana" referenda; and, most importantly, win a "war of attrition," by providing protection for the drug-money flows, under the rubric of "free trade."

The Cato Institute is only one of about a dozen well-fi-



# EIR

Executive Intelligence Review  
August 29, 1997 • Vol. 24 No. 35 • \$10.00

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George Soros: drug  
pusher for the Queen



*For 25 years, the LaRouche movement has been battling the drug legalization mafia, typified by High Times magazine and financier George Soros. With the United States now officially classed as a major drug-producing nation, the legalizers are pulling out all the stops to implement their program. Leading the fight are free-trade cultists such as the Cato Institute and Rep. Henry Hyde (above).*

nanced groups that are dedicated to the total legalization of drugs. And while most of the attendees at the conference were self-described conservatives, also there, if somewhat low-key, was every so-called “liberal” leader of the drug culture since Jimmy Carter brought dope legalization into the White House in 1976. Among them were Keith Stroup, head of the National Organization for the Reform of Marijuana Laws (NORML); Kevin Zeese, the head of NORML during the 1980s; Eric Sterling, a former Congressional aide who pushes drug legalization; Arnold Trebach, head of the first medical marijuana promotional group, and now a member of the board of directors of the Soros-funded Drug Policy Foundation; and reporters for *High Times*, the glossy, pornographic drug magazine.<sup>1</sup>

### Legalizers ‘come out’ at Cato

The Cato Institute — a watering hole for some of the most hypocritical pseudo-moralizers of the Conservative Revolution in Congress — in its Friedrich von Hayek Auditorium in Washington on Oct. 5, promoted the legalization of drugs — yes! marijuana, cocaine, heroin, LSD, methamphetamines; you name it, you should be able to buy it. If you didn’t understand the truth about the “free market” before, then this con-

ference makes it clear: If you are for the “free market,” you are philosophically for the legalization of drugs. Any other argument is arrant hypocrisy that should be exposed and politically destroyed.

The walls of the Cato Institute are adorned with portraits of Adam Smith and other gods of the free-trade cult, including von Hayek and Federal Reserve Chairman Alan Greenspan’s idol, Ayn Rand. One Cato favorite is Rep. Henry “Rule of Law” Hyde (R-Ill.), whose book, *Forfeiting our Property Rights*, was being pushed as the major sale item at the Institute’s literature table that day. Hyde insists that he is against drug use, but he is a big supporter of Cato, and he is moving legislation through Congress to repeal the drug assets forfeiture law. Hyde’s opposition to drugs is about as convincing as his loudly proclaimed opposition to adultery, when he led the impeachment drive against President Clinton in the House of Representatives last year.

What is the “free market,” really? It is the British Opium War, forced on China by the British Empire’s East India Company and the drug-addicted Queen Victoria in the mid-19th century. It is the doctrine of the British East India Company’s Adam Smith, author of *The Wealth of Nations*, the anti-human “free trade” manifesto against which every nation must fight to retain its sovereignty.

The speakers at the Cato Institute praised the “Netherlands model” for legalized drugs. It is no accident that the modern-day models for government-regulated legalized drugs are Britain and the Netherlands, where “registered”

1. The May 1981 issue of *High Times* featured an attack on Lyndon LaRouche by scribbler Chip Berlet, titled “War on Drugs: The Strange Story of Lyndon LaRouche—Sinister Mastermind of the Anti-Drug Coalition—They Want to Take Your Drugs Away.”

drug users can get their daily fix from government pushers. It was, after all, the British and Dutch East India Companies which pioneered the use of opium and hashish smoking as “social control” weapons in the 19th century, in their efforts to gain colonies for their empires in the Far East, making huge profits in the drug trade in the process. The very concept of “registered addicts,” who are free to use drugs, and free to destroy their minds or die of an overdose from government-supplied dope, is inimical to the idea of a republic. Rather, mind-dulling legalized dope fits perfectly with the international oligarchy’s plan for a “New Dark Age,” where human population is drastically reduced, and, in the words of London’s Lord William Rees-Mogg, only the top 5% of the population count.

The Cato program began with an explicit attack on the idea of a republic, specifically on the most crucial aspect of the U.S. Constitution, the “General Welfare” clause in the Preamble. Cato Vice President for Legal Affairs Roger Pilon spoke in the first panel, “The Constitution and the Drug War,” where he asserted that *all* drug laws are illegal under the Constitution, because they are not specifically mentioned. Pilon’s warped argument is that legislators who want to control citizens’ behavior, abuse the clause of the Constitution which says to “promote the General Welfare,” and turn that into an instrument of tyranny with which the government takes away individual liberties. The practice, said Pilon, began with President Franklin Delano Roosevelt and his “New Deal-packed” Supreme Court, which upheld laws, like those providing food, shelter, and aid to a population ground down by the Depression.

Pilon’s interpretation of history is ludicrous, but his approach is not new. From the outset, the Preamble to the 1787 United States Constitution was a blow against British free trade, particularly against Adam Smith’s “Theory of Moral Sentiments,” which said that all human behavior is based on the motivations of the “Seven Deadly Sins.” Smith and the British oligarchy would have much preferred the Americans to stick with the weak Articles of Confederation, which had no preamble or “General Welfare” clause, and which would have enabled the stronger British Empire to defeat the American republic quickly, and bring it back into the empire.

## Republicans for dope

The keynote speaker and star of the Cato conference was Gov. Gary Johnson of New Mexico, one of the “New Republicans” in the George “Dubya” Bush vein. Johnson, a smug Baby Boomer, got a standing ovation for “courage [in] . . . taking on the drug enforcement establishment,” and for advocating full legalization of drugs. Johnson has conducted a national campaign of “dumping on” General McCaffrey, who is in a pitched battle with Washington’s foreign policy and financial establishment, including Secretary of State Madeleine Albright, to prevent the sabotage of efforts to stop the

cocaine and heroin trade.

“I am talking about legalization, not decriminalization,” Johnson boasted. He said that the drug trade in America is worth about \$400 billion, and is “larger than the car industry,” so, obviously, it must be made legal. Inventing figures that completely contradict what is known by health professionals and emergency room and law enforcement personnel, Johnson said that “only two or three thousand” people a year die from heroin and cocaine use, but once dope is legal, there “won’t be any overdoses,” because, he explains, these “overdoses” will become “suicides” under legalization. Johnson completely ignores the addictive nature of drugs.

Johnson ridiculed the “war on drugs” as a waste of \$50 billion, which he wants to redirect into new laws that will “control” drugs in government-directed manufacturing and distribution companies. Johnson is proud of telling everyone that he didn’t just “experiment” with drugs—“No! I used marijuana. I smoked marijuana. . . . We enjoyed what we did!” (a statement greeted with laughter and sustained applause). He explained that 75% of the people using illegal drugs today are employed, which he apparently assumed backed his argument that using dope does *not* harm society.

Get the entire drug economy “above the line,” i.e., into the official economy, says Johnson, whose promoters boast that he is the only governor in the history of New Mexico to have been elected to a second term. He says that to protect children, he would spend some of the \$50 billion spent on the “war on drugs,” on education, to keep kids away from the “lure” of drugs. Because, he says, even though he gave up drinking and illegal drugs, “it’s kind of nice.” Johnson claims that support for drug use in the United States is 97%.

Johnson’s “statistics” are pulled out of thin air, and then repeated from Johnson’s speeches and newspaper articles, over and over, by drug legalization advocates until, in the style of Goebbels’ Nazi propaganda, they gain widespread “popular belief.”

Despite the hype of Johnson’s popularity at the Cato conference, reports from New Mexico indicate that toleration for his drug-pushing rhetoric and activities is wearing thin. Last May, Johnson’s plan to replace public schools with a voucher plan was soundly defeated by a mobilization of labor and Democratic Party forces who have been aggressively fighting his Conservative Revolution agenda. Even more important, members of his own party—five GOP state senators and 10 GOP House members—broke with Johnson to vote against his voucher bill. New Mexico labor leader Michael Shea, of the AFL-CIO, celebrated the defeat of Johnson’s plan with a statement to the press: “Failed dictatorships throughout history have included Adolf Hitler, Benito Mussolini, and now the Dictatorship of Governor Gary Johnson and his Propaganda Minister John Dendahl, with the *bipartisan* defeat of their much-cherished school voucher program.”

Cato’s in-house defense expert, Ted Galen Carpenter, who fashions himself an advocate of strong defense for the

United States, weighed in with support for the murderous cocaine and heroin cartels of Colombia. Carpenter blasted Clinton administration efforts, through McCaffrey, to *refuse to accept* the de facto legalization being set up by the International Monetary Fund and New York Stock Exchange president Richard Grasso, who advocates that Colombia include revenues from drug trafficking in its Gross Domestic Product. Carpenter said that for the United States to tell Colombia to destroy the coca and opium crops “would be like telling Japan” to bomb the production facilities of Toyota and SONY. Carpenter also condemned Colombian drug fighters for carrying out “distressing human rights violations.”

No drug legalization conference is complete without the input of billionaire derivatives trader George Soros, who was represented by Ethan Nadelmann, the London School of Economics veteran who heads up Soros’s Lindesmith Center and manages Soros’s medical marijuana campaign referenda. Nadelmann’s line is that *only* by disguising the campaign for

legalization as a campaign for “medical treatment” will the legalization effort continue to make progress. Nadelmann pointed out that prior to the 1996 medical marijuana referenda (financed by Soros) in Arizona and California, the drug lobby had had nothing but defeats, as they tried to push “decriminalization” and legal dope. Stick with the “small steps,” Nadelmann urged, which are, for now, medical marijuana and the “clean needle exchange,” a program which provides hypodermic needles for those who shoot heroin and other drugs. By linking legalization to the fight against AIDS, for example, the dope lobby has made progress. Giddy with reports of the dope lobby’s recent success, the audience snickered in agreement that the real objective of these campaigns is full legalization.

Despite the pep rally atmosphere, the assembled “true believers” confess that they have not been able to shake the political assertion that drug abuse is still seen as a threat to the national security of nations.

## Behind Cato’s Brave New World

The Cato Institute had been a somewhat obscure “second tier” member of the Washington think-tank establishment, focussed especially on “free-trade” issues. Economist Milton Friedman and former Secretary of State George Shultz (under President Ronald Reagan), both long-winded advocates of the British legal-drug, free-trade model, occasionally appeared at Cato events. But, in September 1997, Cato got a major boost in money and “prestige,” when Sir Rupert Murdoch joined its board of directors. A brief Who’s Who of Cato’s operation is provided here.

**Sir Rupert Murdoch**, owner of the Fox-TV empire, the *New York Post*, the *London Times*, and the News International media cartel, and who originates from Australia, is one of the leading voices in the United States of the traitorous British-American-Commonwealth (BAC) faction that is attempting to control U.S. foreign policy and make the United States a pawn of the new British Empire. Murdoch has been a major supporter of the “New NATO” project run through the New Atlantic Institute, among other institutions.

Before Sir Rupert joined Cato’s board of directors, its best-known backers were the brothers **Charles and David Koch**, from the Koch Industries empire of Wichita, Kansas. Charles Koch was one of Cato’s founders, pouring millions into it, as a bastion of Libertarian ideas. In 1980, David Koch became the Vice Presidential candidate of the

Libertarian Party. Koch Industries is presently asking the press to disregard the third brother in the family, William, as “not reliable,” for his lawsuits accusing his brothers of stealing millions of dollars in oil rights from Native Americans and other poor people in Kansas.

Also on the board are some of Wall Street’s most notorious figures: **Peter Ackerman**, managing director of Rockport Financial Ltd., had been with Michael Milken’s (now defunct) Drexel Burnham Lambert until 1990, when Milken, the junk bond bandit who called his inner circle of investors the “Predators,” was shut down and convicted of six counts of securities violations. After things with Milken went sour, Ackerman went to the London International Institute for Strategic Studies as a visiting scholar in 1990. Ackerman was named as a co-defendant (with dozens of other Drexel operatives) in a class-action suit brought against Milken and others for fraud. Today, Ackerman heads Cato’s project on Social Security Privatization.

Cato Director **Richard Dennis** is another well-known financier in the speculative commodities markets. Dennis stepped in to bail out the nearly bankrupt, demoralized drug-legalization lobby in the mid-1980s. He bankrolled the Drug Policy Foundation, the umbrella for all of Washington’s professional Carter-era drug lobbyists. Dennis brags of building a successful money empire from a training pyramid that he calls “the Turtles.” The original recruits, according to an April 1997 story in *Business Week*, about two-dozen novice investors, were culled from 1,000 people who applied for a trading job. Among the inner circle were “two professional gamblers and a fantasy-game designer.”

# British Crown's minions promote legalization of drugs

by Mark Burdman

"In the golden age of Empire, Britain was awash with drugs of every description — all legal. The Queen herself was a user of opium and cannabis; and opium, morphine, cocaine and cannabis were easily available from pharmacists."

This quote is the kernel of the argument put forward, under the title "Drugs Are Here to Stay — So Make Them Legal," by James Delingpole, in a Sept. 4 commentary in the Hollinger Corporation's London *Daily Telegraph*. Invoking Queen and Empire, the perverse Mr. Delingpole insists that "the only way of dealing with the problem" of massive drug use currently throughout the United Kingdom, "is to accept a solution that we have rejected for far too long: We need to make *all drugs* totally legal" (emphasis added).

Were the author a lone lunatic, he could be dismissed. But his article was only the most blatant, in a full-fledged campaign by elements of the British oligarchy linked to the British Crown, to re-enact the British Empire's earlier policy of open drug legalization and massive trafficking in drugs. As Delingpole surmises, the adoption of his recommendation

would make Britain "the drugs capital of Europe."

On Sept. 24, Delingpole's line was endorsed by the City of London's *Financial Times*. In an editorial entitled "Colombian Drugs," the paper demanded a "fundamental re-think" of the policy of a "war against drugs," in a country, Colombia, which "produces roughly 80% of the world's cocaine." What should be brought to bear, instead, are "market and price mechanisms. . . . For many, decriminalization, let alone legalization, is impossible to contemplate. But eventually this may be the only way to limit the damage." This echoed those in the British House of Lords who had earlier argued in favor of a legalization perspective for the Colombian drug problem, as they jumped to the defense of the Cali Cartel's own state President, Ernesto Samper Pizano. (See *EIR*, April 26, 1996 and Aug. 29, 1997.)

In recent weeks, the *Financial Times* has also glowingly heralded drug legalization "experiments" in the Canadian city of Vancouver. The *Financial Times* line matches that, over the past months and years, of its fellow City of London mouthpiece, the London *Economist*. Both publications are obviously intent on legitimizing drug-related monies, as a way of keeping the collapsing global financial bubble inflated.

## 'We're all going to pot'

The current London pro-drugs offensive began in earnest, in mid-August, when the new head of the British Liberal Democratic Party, Charles Kennedy, called for a drastic reassessment of British laws on cannabis (e.g., marijuana), and for the creation of a Royal Commission on drugs, which, as he told the London *Observer* of Aug. 15, "should be about not just directed at the legislation of cannabis, but the whole drugs issue."

The *Observer* on that day ran nearly a half-dozen articles devoted to drugs, all of them pro-legalization. One favorably cited the precedent of those six American states that have now backed legalization of medical marijuana, "in the teeth of White House opposition" — without mentioning the funding of this campaign by financial speculator George Soros. Another article was entitled, "The Economic Case for Drugs," written by Jeffrey Miron, chairman of the Department of Economics at Boston University, who argued that drug legalization would have "beneficial tax and expenditure effects," by increasing taxable revenues available for state budgetary expenditures.



Queen Victoria was a user of opium and cannabis, and the British monarchy has been "high and mighty" ever since.

# Drug legalization, by any name, still stinks

by Valerie Rush

If you think the issue in the ongoing debate in Washington over Colombia policy is about how much money to give that country for the war on drugs, or whether it should be channelled to its police or its military, or whether it needs Huey or Black Hawk helicopters, then you have been sadly misled. What is, in fact, at stake now, is the de facto legalization of drugs in Colombia, and the establishment of the hemisphere's first full-fledged narco-republic, violently carved out of that nation. And, curiously, the "liberal" international human rights lobby is in bed with "conservative" Congressional Republicans in this project, whether they choose to admit it or not.

Take the case of an Oct. 15 conference, held at the Rayburn Congressional office building in Washington, and organized by a vast array of human rights non-governmental organizations (NGOs), under the aegis of the U.S./Colombia Coordinating Office and Colombia Human Rights Committee. Addressing the meeting alongside such top human rights mouthpieces as Amnesty International's Carlos Salinas, the former President of Mexico, and a gaggle of Colombian human rights NGOs, were U.S. Reps. William Delahunt (D-Mass.) and Assistant Secretary of State Harold Koh.

Delahunt, who has gone to Colombia twice to meet with the leaders of the drug-running FARC narco-terrorists in the "demilitarized zone"—handed over to the guerrillas by Colombia President Andrés Pastrana—began by insisting that the solution to Colombia's problems is "neither helicopters nor bullets," i.e., don't try to win a war against drugs—precisely what the FARC loves to hear. Delahunt then introduced Assistant Secretary of State for Human Rights Koh, who had stunned Colombians on April 9 of this year, when he visited their country to publicly pronounce that the Colombian Armed Forces, institutionally, are the behind-the-scenes sponsors of narco-linked death squads, known as "paramilitaries." Koh's Oct. 15 speech in Washington repeated these accusations, setting the tone for continued "Army bashing" throughout the conference.

Most strident was Carlos Salinas of Amnesty International (AI), who attacked U.S. anti-drug chief (ret.) Gen. Barry McCaffrey's insistence on U.S. support for the Colombian military, saying that it amounts to "the final push to a human rights catastrophe." Salinas lied that the evidence of

The drug legalization propaganda occurs amidst a plague of drug abuse in Tony Blair's Britain. The *Observer* ran one shrill news feature, entitled "We're All Going to Pot," and the lead editorial began by noting that 10 million Britons, out of a total population of 57 million, have used drugs. Delingpole began his commentary: "Cocaine use is up, says the latest Home Office survey. No fewer than a quarter of British children have tried drugs by the age of 14, and more than half have done so by 15, claims a government-backed study of schools in northern England."

A similar account was published in the Aug. 19 *Guardian*, which reported that "thousands of British ravers have helped to turn [the Spanish island of] Ibiza into the narcotics capital of Europe." Further accounts abound, for example profiling the massive use by British youth of the dangerous stimulant Ecstasy.

Of course, with the demoralization and collapse of British society leading to a vast drug plague, what better solution than to make this degeneracy legal, the Crown's minions argue.

## Lords Harris and Mancroft

One interesting feature of the legalization push, is that a major force behind it, is the same group of high-level British figures, who have been involved in the looting and pillaging of Russia, under such rubrics as "privatization" and "the free market."

*EIR* has it on good authority, that a leading drug legalizer is one Lord Harris of High Cross, founder and director of London's Institute of Economics Affairs, and one of the international stars of the Mont Pelerin Society, the association of radical free-market ideologues founded by the late Austrian Anglophile Friedrich von Hayek in 1947. Lord Harris's role in the destruction of Russia has been documented by *EIR* (see Rachel Douglas, "Criminality Was the *Policy* in Russian 'Reform,'" *EIR*, Sept. 3, 1999).

One of Harris's lordly cronies in drug legalization efforts is Lord Mancroft, a "reformed" heroin addict. On Aug. 15, 1997, the *Guardian* reported that Mancroft had been a director of a "cyberspace bank" in Antigua, the which was a haven for Russian organized-crime dirty money. According to the article, "thousands of investors across the globe are nursing heavy losses, after the collapse of the world's first offshore Internet bank. The European Union Bank, located in the former British colony of Antigua, has gone into receivership, the Bank of England said yesterday. Its two Russian-born owners are believed to have fled with depositors' money. EUB, which has share capital of \$10 million, is said to have links with Russian mobsters, who allegedly used it to launder money." The article was accompanied by a photo of Lord Mancroft, staring into space, with the caption, quoting him, "We could have been very rich."

In recent weeks, the European Union Bank story has resurfaced, in the context of investigations into Russian mafia figures involved in money-laundering and other illicit schemes.



*New York Stock Exchange President Richard Grasso embraces FARC narco-terrorist leader Raúl Reyes, during a June 1999 visit to Colombia.*

Army-death squad collusion in Colombia was “overwhelming,” and demanded an outcry from the U.S. population “against involvement in this dirty war.”

It is notable that the London-based, and British intelligence-controlled AI has played a central role inside Colombia for years in coordinating NGO attacks on the Army. Such is its influence, that AI has virtually taken over the operations of the Colombian Prosecutor General’s office, which has pulled thousands of counterinsurgency troops and officers out of the field, on the basis of Amnesty-endorsed “evidence” of human rights abuses, evidence often supplied by FARC members and supporters, often anonymously.

Speaker after speaker declared that U.S. aid would only “strengthen the machine of human rights violations” and make Washington “an accomplice” to the conflict. Spokesmen for various Colombian human rights NGOs were trotted out to echo the FARC’s claims that the problem in Colombia is not narco-terrorism, but “social injustice.” Colombia’s Ambassador to Washington Luis Alberto Moreno declared that eradicating drugs is not the solution to Colombia’s problems, and in a nauseating defense of the FARC narco-terrorists, claimed that the FARC had resorted to weapons only because they were not allowed political “space.” He concluded, “Colombia’s problems can’t be resolved in a military way.”

One of the moderators of the conference was Georgetown Professor Marc Chernick, who had tried to sell a fairy tale to the U.S. Congress during hearings last year, that the FARC—known as “The Third Cartel” in Colombia, for its extensive involvement in all aspects of the drug trade—would be willing to collaborate with the Colombian and U.S. governments against the drug trade, given the right conditions. “I am convinced,” he said, “that if the FARC ordered the eradication of coca production . . . perhaps as much as 90% of coca cultivation would be eliminated tomorrow. This cannot happen with-

out the provision of alternatives, and it cannot happen without a peace agreement.”

The conclusion of the conference? Hand power over to the FARC (the drug-runners, themselves!), and ask them to please stop the drug trade. And don’t give any aid to the Colombian military (who otherwise might be inclined to fight the FARC), because all they do is violate human rights; in fact, the military should be pretty much dismantled. In other words, legalize drugs and the drug-runners.

### **Strange bedfellows**

There is also a curious alliance on Capitol Hill between this gaggle of liberal NGOs and drug legalizers, and Republican Party “neo-conservatives.” That alliance is centered around their common hatred of the Colombian military. Their strategy is to promote Colombia’s national police force as a “clean” institution deserving of support, versus the army as a “corrupt” and “dirty” institution, to be purged, shackled, even dismantled. As one “liberal” human rights militant told the *Washington Times* on Oct. 6, “I can’t believe I am saying this, but we are more in line with the Republican plan [to fund the police] than McCaffrey’s idea to fund the army.”

The argument that U.S. aid to Colombia should be restricted to that country’s police force, because of the military’s “corruption” and “human rights record,” has been the constant refrain of Republican “hard-liners” Dan Burton (Ind.) and Benjamin Gilman (N.Y.), for example. And yet, it is patently obvious that the national police, however efficient they may be, are incapable of handling a nationwide insurgency of drug-trafficking terrorists, who control nearly half the national territory, have bought or blackmailed a large percentage of the country’s political and business elite, maintain a well-equipped army to protect their laboratories, coca and poppy plantations, and smuggling networks, and, most of all, are



bent on seizing state power.

Former Colombian Armed Forces Commander Gen. Harold Bedoya (ret.) was clear on this in an interview he granted to the U.S. Information Agency during a visit he made last month to the United States. He stated: “The reality is clear. Colombia’s problem is one of terrorist organizations which are very well armed, well equipped, and very well trained in guerrilla warfare, with all that money, and combat ability. So, they have to be confronted militarily. The police can be involved in police, but not military, work.”

*EIR* has repeatedly documented the way the international human rights lobby and NGOs are financed and deployed by international oligarchical forces committed to legalizing the drug trade. Mega-speculator George Soros is one of the more visible points of overlap of these networks, which have been active for years, not only in Colombia, but throughout Ibero-America.

### The drug legalizers’ strategy

For example, in June 1998, at George Washington University, a discussion was held under Soros’s auspices, on how to get the flagging drug-legalization drive back on track. A star speaker at the event was from the Andean Council of Coca Producers. The conclusion of the attendees, presented by Coletta Younger of the Washington Office on Latin America, was to concentrate on using human rights conditionalities against anti-drug programs. Younger praised the Leahy amendment—which requires all U.S. security assistance to meet human rights criteria—for keeping U.S. aid funds out of the hands of Colombia’s military. Others urged the human rights NGOs to play a more active role in demanding “accountability” for all government anti-drug programs, and to identify vulnerable points in those programs.

One focus of the conference was on how to sell the Andean coca-producers as “oppressed peasants” who are being mistakenly treated as allies of the drug traffickers. Omayra Morales, an international propagandist for the Andean coca-growers council, insisted that the growers have been producing coca for hundreds of years, and as “civil society,” must not be treated as the enemy. If you want us to stop growing drugs, she insisted, give us money for “alternative development.”

This is, of course, the argument of the FARC, which claims that, as defenders of the oppressed coca-growers, it should be given money to help bring about “alternative development.” While the U.S. State Department has not, up till now, come forward with any such gifts to the terrorists, the Pastrana government has announced that, with the help of the United Nations, it will channel \$10 million into “alternative development” programs in four of the five municipalities in the FARC’s demilitarized zone, in a program jointly sponsored by the UN. Since there is no government apparatus to administer the funds, it is to the FARC that this \$10 million will evidently be delivered.

## Mexican ‘human rights’ activist goes to bat for narco-politician

by Hugo López Ochoa

When it comes to human rights in Mexico, no one yells louder than the country’s would-be “Madame Human Rights,” Teresa Jardí. A perennial leader of one or another human rights non-governmental organization, she gained international prominence as the Attorney General’s top representative in the state of Chihuahua under former President Carlos Salinas de Gortari. Tirelessly, she attacks Mexico’s military as congenital human rights violators, and her charges are repeated by her foreign fans. Repeatedly, she has denounced Lyndon LaRouche as a *Pinochetista*, and demanded that the Mexican government drive his associates in the Ibero-American Solidarity Movement (MSIA) out of Mexico.

Unlike her close buddy, David Fernández, S.J., who openly accepts the money of drug-legalizer George Soros to finance his “human rights” work, Jardí’s financial angels remained obscure. Until this October.

On Oct. 7, Jardí appeared as one of four speakers at the presentation of a new book authored by Raúl Salinas, the brother of former President Carlos Salinas de Gortari (1988-94). Raúl could not attend (he sent his son to represent him), because he is in jail, serving a 27-year sentence for ordering the September 1994 murder of José Francisco Ruiz Massieu, Secretary General of the ruling Revolutionary Institutional Party (PRI). Known as “Mr. Ten Percent,” Raúl faces further charges from the Mexican and Swiss governments, that he headed the protection racket for the drug cartels that flourished during his brother’s Presidency, and that he laundered a good bit of money from that “work.”

In his book, *Everything That the Judge Ignored to Sentence Me*, the “uncomfortable brother” of the former President proclaims his innocence. So, too, argued Jardí at the presentation of the book. Jardí declared that Raúl “is innocent,” denounced the proceedings against Raúl as “judicial delirium” and a foretaste of “authoritarianism,” and charged that Raúl’s problems stemmed from the “clear personal vengeance” of current President Ernesto Zedillo.

Jardí thereby proudly proclaimed herself a wholly-owned asset of the drug-running Salinas family—something long suspected in Mexican law enforcement circles. Her association with the machine of these most hated of Mexican brothers

is not new, but the degree of ownership might, perhaps, have been debatable—until now.

Jardí worked closely, for example, with her former boss, Jorge Carpizo MacGregor, who as Carlos Salinas's Attorney General ran the cover-up for the May 1993 assassination of the Cardinal of Guadalajara, Juan Jesús Posadas Ocampo, inventing the story that the Cardinal's assassination was an accident, the result of "confusion" between two bands of drug-traffickers who were shooting at each other. This past May, Cardinal Posadas Ocampo's successor, Jesús Sandoval Iñiguez, accused Carpizo of having destroyed evidence which would have proven that the assassination of his predecessor was deliberate. Carpizo responded with unusual virulence, threatening to sue Cardinal Sandoval.

### Salinas's legacy

The assassinations of Francisco Ruiz Massieu and Cardinal Posadas Ocampo were two of the three great murders which occurred in the last few years of Carlos Salinas's regime. The third was the assassination of Luis Donaldo Colosio, PRI candidate for President, on March 23, 1994. These three unsolved murders are among Carlos Salinas's legacy, which, along with his inhuman free-market economic policies and his handing over of the country to the drug cartels, make him the most hated former President in the recent history of Mexico.

Despite all that, in her defense of Raúl, Jardí could not pass up the opportunity to extol not only Carpizo, but former President Salinas himself, as great defenders of human rights!

Likewise, it is notable that some of Jardí's wildest ravings against LaRouche and his associates in the MSIA have been published in the newspaper *La Crónica de Hoy*, owned by former President Salinas.

One of the things which makes Jardí most hysterical, is the credibility which LaRouche's *EIR* and the MSIA have gained in the Mexican military officer corps, including, in particular, the credibility of *EIR*'s 1993 book, *The Plot to Annihilate the Nations and the Armed Forces of Ibero-America*. This hysteria was displayed most vehemently in Jardí's Jan. 12, 1998 column in *La Crónica de Hoy*, in which she wrote:

"*EIR*, LaRouche's magazine, enjoys particular support among Mexican military circles. I know this because I saw it in a general's office, and in my work, in 1994 I had first-hand information on this. By then it had become something like the 'Bible' for the Army. . . . Is it not time that the Army and the Mexican government come to their senses and understand that alliances with such a group do it no good?"

Four days later, Jardí wrote another column in the same newspaper, in which she promoted the idea of "autonomous regimes" for the Indians of Mexico. This is precisely the British neo-colonial fraud being promoted globally—for example, in the case of East Timor—as a cover for the dismantling of sovereign nation-states.

Is this what London means by "human rights"?

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## Profile: George Soros

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# Is drug legalization's moneybags hurting?

by Scott Thompson

British asset George Soros makes a peculiar Robin Hood. With his right hand, through his business empire, he robs from the poor to give to the rich, after destroying the currencies and economies of whole nations. With his left hand, disguised as a "philanthropist," largely through the Open Society Institute and its offshoots, he uses some of his booty to promote programs that further undermine sovereign nations. One favorite trick—highly successful, but increasingly vulnerable—is his multimillion-dollar "philanthropic" campaign to stop anti-drug efforts by branding them as "human rights" violations.

From Bogotá, Colombia, to Washington, D.C., to New York City, Soros's hired hands, like economist Jeffrey Sachs and propagandist Ethan Nadelman, are pushing the economics of drug legalization. "Take morality out of business," is the Soros line: It interferes with the profit margins in free trade.

If it seems that the British-trained philosophy student George Soros is trying to "out-Goebbels Goebbels," with this pro-drug propaganda campaign, it should come as no surprise that on more than one occasion, Soros has attributed his "secret of success" for making money to his youth, when he, a Hungarian Jew, was hidden by his father with forged papers, and survived by being an accomplice in the Nazi killing machine's looting of wealthy Jewish estates.

On Dec. 20, 1998, CBS-TV's "60 Minutes" interviewed Soros, who had this to say about his role in confiscating Jewish property on behalf of the Nazis: "If I weren't there, . . . somebody would be taking it away anyhow." He said that his experience of working under the Nazis guides his market investment philosophy.

### How Soros operates

From a base in Manhattan, Soros runs both Soros Fund Management and the Open Society Institute "philanthropy." However, to avoid even a modicum of regulation, his hedge funds, which are using leveraged money from banks in Wall Street and the City of London to loot other nations, are registered and located in the city of Curaçao in the tax haven of the Netherlands Antilles, which is run by the ruling House of Orange, in the Kingdom of the Netherlands.

Soros does not pay a penny from his "business enterprise" in taxes, because he does not permit U.S. citizens to invest in his offshore funds.

Soros's investors come from European "old money," and

one big investor is Queen Elizabeth II. The board of Soros's flagship Quantum Fund N.V. has on it more than one connection with the British-centered Rothschild family.

Soros was helped to launch his business enterprise by a Rothschild family operative, George Karlweiss, who at the same time was helping launch the career of the "Detroit Kid," Robert Vesco. After Vesco looted the money-laundering firm Investors Overseas Services (IOS), law enforcement sources report that the fugitive set up shop in Havana, Cuba (until recently), laundering funds for the Colombian drug-trafficking cartels.

(For more on the Rothschild and affiliated networks who are senior partners in Soros's business enterprise, see *EIR's* Special Report, *The True Story of Soros the Golem: A Profile of Megaspesulator George Soros*, published in April 1997.)

### The hedge funds

Soros has been able to leverage the funds based in the Netherlands Antilles as much as 100 times to make killer blows, as he did against the British pound sterling and the Italian lira in 1992, and the Thai baht in 1997. He has been killing off the nations that he parasitizes, but destroying himself in the process.

For example, when the GKO Russian bond pyramid collapsed in August 1998, taking with it the stock market, and putting Russia on the verge of default, Soros lost \$2 billion

and had to reorganize several of his hedge funds, shuffling personnel.

Investors in his Quantum Emerging Growth Fund were offered cash after it lost 31% of its value in 1998, reducing its net assets to \$1.5 billion. Quantum Industrial Holdings, another Russian casualty whose value has fallen 19%, was to be combined with Quasar International, one of the hedge funds run by Nick Roditi.

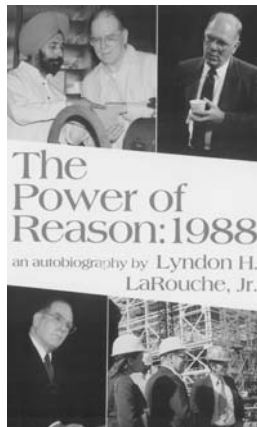
No sooner had Soros merged his Quantum Industrial Holdings with Quasar International, than Nick Roditi, who runs Quasar, announced that he "needs to take a temporary medical leave of absence after six tiring years." Roditi's own Quota Fund had lost about a third of its value in 1998 before Roditi's mental collapse.

According to *Barron's* of Nov. 2, 1998, the following is a listing of Soros's hedge funds, with the losses that they sustained in the last quarter of 1998: Quantum Fund NV, which once had \$14 billion, now has \$5.4 billion; Quantum Industrial Fund, which lost 12.4%, now has \$2.3 billion; Quota fund NV, which had \$1.4 billion, lost 23.6%; Quasar International Fund NV, which had \$1.1 billion, lost 21.3%; Quantum Emerging Growth Fund, as noted, had \$1.2 billion, but folded after losing 13%; Realty Trust, which had \$678 million, lost 4.7%; Quantum Dolphin Fund, which had \$280 million, lost 21%; and, Asian Infrastructure Development, which had \$82 million, lost 10%.

## Books by Lyndon H. LaRouche, Jr.

The LaRouche case "represented a broader range of deliberate cunning and systematic misconduct over a longer period of time utilizing the power of the federal government than any other prosecution by the U.S. Government in my time or to my knowledge."

—Former U.S. Attorney General  
Ramsey Clark

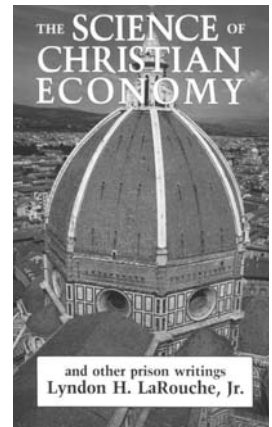


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## The Washington Post 'Death Beam' hoax

by Lyndon H. LaRouche, Jr.

October 18, 1999

In an editorial column, entitled "NCLC: 'A Domestic Political Menace,'" in the *Washington Post* of Sept. 24, 1976, Katharine Graham's *Post* stated, for the record, that it would never report on anything U.S. Presidential candidate Lyndon H. LaRouche actually did or said; but, that LaRouche's name would appear in its publication only at such times as the *Post* elected to defame him.<sup>1</sup> In the Sunday, October 17, 1999 edition of the *Post*, that 1976-1999 tradition of defamatory hoaxes was upheld, this time using the name of Air Force Major-General (ret.) George Keegan as the *Post*'s choice of stand-in for the name of the *Post*'s most hated Nemesis, today's U.S. Democratic Presidential pre-candidate LaRouche.

The latter item is a mish-mash published under the by-line of *Post* staff writer Michael Dobbs, published under the title "Deconstructing the Death Ray." It appears from reading that article, that Dobbs is wearing scrambled eggs for brains. The article has no intrinsic, redeeming merits, not even obscure and tiny ones; but, like the ravings of British Foreign Office head, Jeremy Bentham's agent, French terrorist and madman Marat, Dobbs' incoherent ranting does shed light on the pro-George W. Bush state of mind of the *Post* itself.

The historical facts bearing on the *Post*'s Oct. 17th hoax, are, in chief, the following. I begin by identifying the issue motivating Dobbs' literary hoax.

In 1913, British novelist H.G. Wells concocted the pro-

posal, that nuclear weapons should be developed and used as weapons so awful, that nations would give up their sovereignties to world government, rather than risk future general wars.<sup>2</sup> Science-fiction writer, and leading Fabian Society ideologue Wells was dead serious; and his proposal, morally perverted as it was, had a scientific basis in the reports of British-Canadian chemist, and Rutherford associate, Frederick Soddy. Wells, after a thorough briefing in the topics of the Soddy lecture-series, was thinking of a radium or radium-like fission bomb. The idea of a uranium-based fission weapon came more than a decade later.<sup>3</sup>

Circa 1928, Bertrand Russell publicly declared his reconciliation with H.G. Wells, and with Wells' current book, *The Open Conspiracy*, Wells' world-government plot.<sup>4</sup> From that time on, Russell became the leading spokesman for Wells' policy of world-government through terror of nuclear weapons. Russell, aided by his assets N. Bohr, Leo Szilard, and Eugene Wigner, became the principal organizer of the actual development of nuclear-fission weapons by the U.S.A., Canada, and the U.K. Russell became also the designer of the doctrine of world-government through arms-control. Russell's doctrine, as presented by Russell's lackey Leo Szilard, became the doctrine of the U.S. government, as pushed by the Pugwash Conference organization, and by John J. McCloy, McGeorge Bundy, Henry A. Kissinger, et al.

The core of the doctrine of Russell and Szilard, as pushed

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1. Stephen S. Rosenfeld wrote: "We of the press should be chary of offering them print or air time. There is no reason to be too delicate about it: Every day we decide whose voices to relay. A duplicitous violence-prone group with fascistic proclivities should not be presented to the public unless there is reason to present it in those terms. . . ."

2. H.G. Wells, *The World Set Free* (London: Macmillan, 1914).

3. Jonathan Tennenbaum, *Kernenergie: Die weibliche Technik* (Wiesbaden, Germany: Dr. Böttiger Verlags-GmbH, 1994); see also, Jonathan Tennenbaum, "The Women Who Founded Nuclear Science," *21st Century Science & Technology*, Spring 1991.

4. H.G. Wells, *The Open Conspiracy* (London: Victor Gollancz, 1928).

by McCloy, Bundy, Kissinger, et al., has been that there shall be no effective defense ever developed against a general (“strategic”) bombardment by nuclear ballistic weapons. The policy was, and is: by this means, the gradual elimination of the sovereign nation-state shall be accomplished. This, according to John J. McCloy’s perverted notion of “the rule of law”—that of Prime Minister Tony Blair and President Clinton-hating U.S. Representative Henry Hyde today—shall make way for true world government. That form of world government should be recognized as a new Pax Romana-style world empire, a concept which has no essential difference from the Emperor Napoleon Bonaparte’s Romantic notions of the model of Roman law (e.g., Code Napoleon), and his notion of himself as Pontifex Maximus of a future new Rome-modelled empire, perhaps under his son, a Habsburg heir and putative “King of Rome.”

To understand today’s world-government-oriented dogmas of nuclear weapons, arms-control, and globalization generally, we must look back to such would-be imitators of ancient pagan Rome as the sponsor of Gibbon, Britain’s Lord Shelburne, Napoleon Bonaparte, and on to Benito Mussolini’s concept of fascism, and, also, the ideas of a post-war SS imperial state ruling Eurasia and beyond, a conception which Hitler initially premised upon Mussolini’s fascist model. The defense of “universal fascism” by Kissinger associate Michael Ledeen, for example, is fully congruent, in content of practice, with the current, “globalization” and “free trade” dogmas of “Third Way” ideologues such as Prime Minister Tony Blair and Vice-President Al Gore.

Although “globalization” achieved a global victory with U.S. National Security Advisor Henry Kissinger’s SALT I and ABM treaties, this was not yet solid victory for the utopian ideologies of Wells and Russell. A patriotic reflex from among many nations recognized something of the danger these utopian policies represented to civilization in general. Among those patriotic reactions, this produced an understandable reaction from among military and other traditionalists. Among these traditionalists was physics-trained R.A.F. veteran (a U.S. volunteer) and mid-1970s head of U.S. Air Force Intelligence, Major-General George Keegan. The utopians’ reaction against Keegan was savage, but appears relatively mild when compared with the reaction—then, and now—from bastions of utopianism such as the *Washington Post*.

### **The attack on Keegan, LaRouche, and Teller**

Keegan was persuaded that the 1972 ABM treaty was a hoax against both science and military competence. The same hoax which *Post* writer Dobbs defended, so passionately, if with utter incompetence, in the Oct. 17 piece.

From my knowledge of Keegan during the late 1970s, and a bit later, I would concede that his motives were, in part, those of a political right-winger, and not particularly astute politically. However, although not a West Point product, he

had elements of a Classical educational background, and basic competence in physical science and its military applications. However, as I knew him and his concerns, his interest in strategic and other forms of ballistic missile defense was Classical military concerns, rather than “right-wing.” He was a capable, well qualified flag-rank military officer, and, by the evidence of his work as head of Air Force Intelligence, an exceptionally qualified intelligence officer in science-related military matters.

Keegan was far better qualified, more honest than Lt.-Gen. Daniel Graham, former author of the discredited pre-Tet Offensive intelligence assessments in Vietnam, and then, during the late 1970s, chief of the Defense Intelligence Agency (DIA). Graham was Keegan’s leading opponent within the military-intelligence community during the middle 1970s. Later, during the period from Summer 1982 through the close of 1983, Graham, then a resident kook deployed by the Mont Pelerin Society’s Heritage Foundation, appointed himself my chief public political adversary and Dr. Edward Teller’s, on military and science issues. By the early 1980s, Keegan was no longer the issue; Teller and I were. I had become the principal target of my old enemy, Friedrich von Hayek’s Mont Pelerin Society.<sup>5</sup>

Look at Dobbs’ ranting Oct. 17th piece. Where, contrary to Dobbs’ hoax, did Keegan learn about Soviet scientific feasibility for developing particle-beam applications? According to Dobbs, his own chief source is John Pike of the Federation of American Scientists, an institution not unknown to me from relevant former times. I do not doubt that misinformation from that source might be blamed in large part for creating the fraudulent character of the *Post*’s piece. Prostitutes, literal and pen varieties, tend to pick up infections that way. Dobbs traces the source of the “particle beam” capability story to a study of the patterns seen in work around a Soviet experimental facility in Kazakstan. Keegan’s reference to particle-beam applications did not come from Air Force Intelligence studies of that facility. The reference to Soviet particle-beam applications came from an earlier lecture and physical demonstration, delivered at Lawrence Livermore Laboratories, by a Soviet physicist, L. Rudakov, who brought his demonstration apparatus with him for that demonstration!

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5. According to Michael Deaver, then heading prospective Republican Presidential candidate Ronald Reagan’s *Citizens for the Republic*, the libel of me which appeared in *Citizens for the Republic*, originated with a Hong Kong meeting of the Mont Pelerin Society. These attacks were launched chiefly, jointly, by Mont Pelerin’s Heritage Foundation front, and by the Anti-Defamation League, in Spring 1978. In 1979, these same attacks were escalated by a cabal featuring the *New York Times* and former Senator Joseph McCarthy counsel Roy M. Cohn, the latter the sponsor of the career of one Dennis King. The *Times*’ 1979 attacks were a continuation of the *Times*’ attempted cover-up, in January-February 1974, for what was later officially documented to have been an FBI plot to arrange my “elimination” by the Communist Party U.S.A. The *Washington Post* attacks on me in a 1976 editorial statement, were a reflection of the continuing *Times-Post* arrangements overlapping the *International Herald Tribune*.

## The Post's 'death ray'

*The following are excerpts from Michael Dobbs, "Deconstructing the Death Ray: We Were So Scared of the Secret Soviet Weapon, We Spent Billions. Oops," published in the Washington Post on Dec. 17.*

At the height of the Cold War, blurry satellite photos of an obscure nuclear complex in the deserts of Kazakstan served as a kind of giant Rorschach blot onto which American intelligence analysts projected their worst nightmares.

Some passionately believed that the facility was the center of Soviet efforts to build a particle-beam weapon that could zap American missiles out of the sky. . . .

It took the collapse of communism for Soviet scientists to reveal the secret. . . . There are few more striking examples of the twisted consequences of faulty intelligence than the controversy surrounding the Kazakstan facility, which was given the acronym P-NUTS for Possible Nuclear Underground Test Site. Paranoia about P-NUTS . . . [led to] President Reagan's decision to launch the multibillion-dollar "Star Wars" program in 1983.

Despite the dire warnings of a Soviet breakthrough in exotic space weapons and the subsequent investment of billions of dollars for research, directed-energy weapons

remained only a glint in the eyes of Cold Warriors. Two decades later, the United States has largely abandoned its efforts to develop a functioning beam weapon. . . .

"This is probably the most significant instance during the Cold War of a policy that derived from an incorrect intelligence estimate," says John Pike, a defense analyst at the Federation of American Scientists. ". . . [A] textbook case of satellite imagery being misinterpreted, leading to a huge increase in funding. . . ."

. . . U.S. scientists had tried to develop particle beam weapons in the early '70s, under a project code-named Seesaw, but ran into overwhelming technical problems at virtually all stages of the research effort. The political climate changed in 1977 when Maj. Gen. George Keegan, a former head of Air Force Intelligence, went public with his concerns about a particle beam gap with the Soviet Union.

"This was clearly the genesis of Star Wars," said Pike, referring to the Strategic Defense Initiative championed by Ronald Reagan, which has cost the United States a total of around \$50 billion over the past 15 years. "Keegan's assertions were controversial and far from universally accepted. Nonetheless, they were a significant force in generating the political environment that led the Carter administration to say we needed a larger directed-energy weapons program."

What actually happened, opposite to Dobbs' hoax, is the following.

During mid-1977, Keegan met with associates of mine from the Fusion Energy Foundation (FEF). He outlined his study, and identified the difficulties he had had with colleagues and opponents such as Graham. He asked FEF to provide him an assessment of some of the crucial evidence which Graham et al. had ridiculed. An FEF team, headed by one Dr. Steven Bardwell, a plasma physicist, pulled together a study of instances in which known Soviet technology might provide Moscow the scientific capability for deploying an operational ballistic missile defense system of a type based upon "new physical principles," as distinct from so-called "kinetic energy" intercept systems.

The Kazakstan site was included among the numerous topics in Soviet industrial technology which would be relevant to a U.S.A., or Soviet design of such a strategic ballistic defense capability. These studies included studies of such capabilities as phased-array radar systems for monitoring nearby space, in Earth orbit, or beyond. It included studies of special techniques for relevant sorts of rail systems, and so on, and so on. The report which Bardwell et al. gave to Keegan focussed on the following proposition. We knew, beforehand, that Soviet science recognized and was capable of defining an

effective panoply of strategic ballistic missile defense based upon what are termed "new physical principles." The question was: could the Soviet economy actually deploy such technologies — outside the realm of laboratory and related tests? The further question, on which I focussed my personal attention, during late 1977 and beyond, was, could both the U.S.A. and Soviet Union jointly develop such systems, that as a way of getting out from under the common threat of general ballistic missile assault?

FEF's work to that effect had been developed as a by-product of both my general specialization in the matter of Riemannian manifolds for purposes of long-range studies in technological attrition, and my rejection of the mechanistic delusion, that so-called "Coulomb Forces" operate as law within the range of the sub-atomic and nuclear "infinitesimally small." My views in such matters coincided with my own emphasis on a modern view of Platonic "hylozoic monism," a view of Riemannian physics, and of the work of Vernadsky et al., which I had set forth as the science policy of our publishing effort, in memoranda of March-April 1973. It was those memoranda which had pushed the importance of controlled nuclear fusion, and which had been the sparkplug for the founding of the Fusion Energy Foundation.

The Rudakov lectures at Livermore had served us associ-

ated with FEF as a point of reference, a demonstration of the point at which both “super-lasers” and “particle-beam” technologies were emerging from confinement to laboratory experiments and related pioneering tests. What had been set forth as Soviet Military Doctrine, in the original edition of Sokolovsky’s famous work, was now at the point of going over from laboratory frontiers into preliminary phases of large-scale applications. Our estimate was, that under the conditions of crash-program development missions, such as the impetus President Kennedy had given to the Moon Landing Mission, the laboratory work now in progress on a limited scale, could effect a technological revolution within a period as short as a decade.

In my view, Keegan did put his own political spin on the results of the report he received, but he did not fake results. If one reads the Bardwell report today, and reads it for what it says, it is John Pike and Dobbs, who have perpetrated the fraud. More to the point, is the dirty politics behind the *Post*’s publication of Dobbs’ hoax: Why are they lying about that, in this way, at this particular time? The article has no relevance, but the *Post*’s share in the hysteria which the skyrocketing of my Presidential pre-candidacy had stirred up among the circles of Vice-President Al Gore, Bush circles, and some others. Pay attention: you shall soon discover that I am right on this latter point.

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## Documentation

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*Publications associated with Lyndon LaRouche and the Fusion Energy Foundation (FEF) produced a voluminous literature on antiballistic-missile defense between 1976 and 1983, when President Reagan adopted the Strategic Defense Initiative. We select here just two examples, which give the lie to the scribblings of the Washington Post’s Michael Dobbs.*

### The Rudakov revelations

*The report excerpted here, titled “Soviets Propose to Close Fusion Gap, Offer Cooperation to U.S.,” was issued by the Fusion Energy Foundation on July 20, 1976, and was printed in the weekly New Solidarity.*

During his whirlwind tour of the U.S. research labs in July, leading Soviet fusion researcher Dr. Leonid Rudakov proposed to close the “fusion gap” and combine U.S. technology with Soviet science by having key components for a prototype fusion reactor built in the United States.

Rudakov, in talks with groups of U.S. scientists, had detailed how his research team at the Kurchatov Institute in Moscow achieved the release of controlled thermonuclear fusion energy via electron beam-induced fusion for the first time anywhere in the world. The Soviets plan to construct a

prototype fusion reactor based on this approach by 1980.

The Soviet daily *Pravda* had reported in March 1976 that Kurchatov researchers had “opened the road for development of an all fusion energy system” with their successful experiments on electron beam pellet fusion systems. This approach to the release of controlled thermonuclear fusion energy is similar to that of laser beam pellet fusion: an intense beam of high-energy electrons is used to compress and heat a small pellet of fusion fuel. Just as in the case of the internal combustion engine, the resulting microexplosion would provide energy for generating electricity or other industrial applications.

Electron beams have several advantages over laser beams since high-energy, efficient systems can be constructed with existing technology. But in the past the electron beam has had a disadvantage in that the high-energy electrons (electrons of several million volts) tended to penetrate the outer shell of the pellet, preheating the fusion fuel and therefore making it thermodynamically impossible to obtain the necessary high compressions of the fusion fuel.

Work by Soviet scientists, such as that of V.N. Tsytovich on high energy plasma turbulence (see *FEF Newsletter*, June 1976), may provide the means to achieve “anomalous” absorption of high-energy electrons in a properly prepared plasma—and the details given by Dr. Rudakov tend to confirm that this is how he succeeded.

Rudakov identified the critical question which must be answered in any theoretical understanding of how the electrons interact with the pellet: what kind of behavior exists in the plasma which causes it to react with the formation of extremely high, self-generated magnetic fields, so that it can then absorb many times more energy than would otherwise be predicted. . . .

Rudakov reported that the construction of an electron beam pellet fusion power reactor had already been put into the next Soviet five-year plan and will be completed by 1980. . . .

### ‘Sputnik of the Seventies’

*A pamphlet with the above title, subtitled “The Science Behind the Soviets’ ‘Superweapon,’ ” was issued by the U.S. Labor Party on May 31, 1977. The following excerpts were written by Dr. Steven Bardwell.*

. . . The real story of the Soviet Union’s weapons development is not a military one at all, but, rather, a scientific and industrial one. The key to understanding why the U.S. did not develop such a weapon and why the Soviets were able to, lies in the policies of scientific research, energy development, and industrial progress that each country pursued. Each of the technological ingredients which went into making such a “death ray” possible were the result of the Soviet Union’s crash program for fusion development, a commitment to basic science research many times larger than that of the U.S., and a continuing, aggressive policy of industrial development. It is the welding together of these three areas of basic science, energy policy and industrial expansion that is crucial.

Based on that general method, the Soviets, as an adjunct of their overall industrial policy, have succeeded in perfecting the following chain of technologies:

1. A welding method which has allowed the construction of a huge steel chamber capable of containing an atomic blast. . . .

2. The chamber is equipped so that it can turn the blast from the atomic weapon exploding inside it into a pulse of electricity. Using a technology called pulsed magnetohydrodynamics (MHD), a burst of electrical energy containing the energy equivalent of millions of pounds of TNT can be released in a fraction of a second. This machine, if it were to fire one bomb a second, would generate twice as much electricity as the whole of the United States! The initial work on MHD generation came from plasma research in the Soviet fusion and fossil fuel energy generation experiments. The U.S. abandoned all work on MHD about a decade and a half ago, until Soviet successes with their experimental U-25 plant resulted in a small, currently running U.S. program. The Soviet U-25 plant is now supplying power for the Moscow subway system. . . .

3. Once the electrical pulse has been stored in the capacitor, the capacitor is discharged in a controlled way and the electrical energy is used to generate a high-intensity electron beam. As was reported in *New Solidarity* in April 1977, the Soviets have made fundamental breakthroughs in their beam-induced fusion research program under the direction of Leonid Rudakov and have perfected a means for generating electron beams at least twice as intense as any in the United States. These beams are used in their fusion program. The diode construction and propagation methods of the electron beams can also be used in the first stage of the generation of a beam for weapon use.

4. Using the intense beam of electrons, plasma processes can be used to generate a beam of atomic nuclei. There are a number of approaches to this process, but the most interesting technology (which the Soviets have perfected and is still several years from success in the West) is a method for generating almost monoenergetic, "cooled proton" beams. This plasma technology makes it possible to generate a beam of protons which fires a burst of energy equivalent to a million pounds of TNT up to 10 times a second!

This technology was proposed by G. Budker in the United States in 1967 and met with uniform ridicule in U.S. labs. It is now opening up the possibility of studying matter/anti-matter collisions in scientific experiments and is being tested for use in medical applications, water purification and military applications.

5. Once the beam is generated, it must be guided to its target. (In military applications, this would be an intercontinental ballistic missile.) This involves a radar capable of siting the beam and a sufficient knowledge of beam-gas-plasma interactions so that the beam can propagate through the atmosphere to reach the missile. The Soviets have had a long pro-

gram of study of beam-plasma interactions and have pioneered most of the conceptions involved in the application of propagating beams. This technology is also being applied to plasma electronics—using beams to generate intense microwaves, for example—and to the study and use of the astrophysical plasmas, the ionosphere and magnetosphere. Relevant in this regard are the recent experiments the Soviets have conducted with high intensity, broad-band radio transmission, which disrupted Atlantic communication channels repeatedly last fall.

If all these technologies have been integrated by the Soviets, as all available information indicates is the case, the Soviet Union is near to perfecting a weapon which is capable of being deployed to destroy any offensive capability of U.S. ICBMs. . . .

There are three areas especially where Soviet basic science has excelled, and, interestingly enough, each of these areas has a direct relation to the applications cited above.

The first of these areas is hydrodynamics, the study of the motion of continuous media, classically, fluids, but under certain circumstances including gases and solids. . . .

Research in this field is especially difficult and has lagged in the West, because the field of hydrodynamics, and especially that of shock waves in fluids, is characterized by "non-linearity"—the property of a system whereby its evolution occurs through the generation of complex structures. Even classical hydrodynamics is famous for its difficulty. The description of explosive phenomena is even more difficult because these self-ordered, highly structured phenomena proceed contrary to the common-sense notion of evolution in the direction of decay and disorder.

It is not that the Soviets have developed any new scientific techniques, but they have unquestionably been bolder and more imaginative in their application of the difficult mathematics required. Thus, they have tried to solve the problems, in a causal, analytic, and rigorous way. When similar problems have been dealt with in the West (which has not been as often), the tendency is to solve the equations with a computer, and ignore the conceptual challenge of the nonlinear behavior of the fluid.

The second field in which the Soviets have excelled is in a theoretical branch of physics called "analytical mechanics." Again, this is a discipline within physics requiring mathematical skill and a willingness to develop new conceptions of the "natural" direction of evolution. There has developed a large school of U.S.S.R. mathematicians who have perfected the mathematical techniques of Riemann especially and have pursued a theoretical study of the conditions under which a system will evolve in a self-ordering, or disordering, direction. . . .

Third, and most importantly, the Soviets are years ahead in their theoretical understanding of plasma physics—the science of the ionized gases which are required for fusion development and for beam weapons. . . .



# Al's pal: kleptomaniac Tony Coelho

by Scott Thompson

It seems that between kleptocrats like former Russian Prime Minister Viktor Chernomyrdin, and kleptomaniacs like Al Gore's campaign chairman Tony Coelho, the Vice President has built a stable of crooks around himself that would keep an ardent prosecutor occupied for years.



On May 11, 1999, Gore, in a news release announcing Coelho's appointment as general chairman of his Presidential campaign, praised the man for "his leadership skills and strategic vision." "Tony has been a great leader in every endeavor he has undertaken—government, business, and as an advocate for the disabled," Gore said. He identified Coelho as, among other things, "a successful businessman."

A successful businessman?

As *EIR* documented in its Aug. 13 issue ("Campaign Manager Tony Coelho: Al Gore's Kindred Spirit in Avarice"), it seems that the only way former House Majority Whip Tony Coelho (D-Calif.) escaped indictment the last time he held an official post in Washington, D.C., was to resign in mid-term in 1989, because he was about to be hit with a series of criminal and ethics violations.

Now, a further dimension of Coelho's corrupt personality emerges, including in an audit conducted by the State Department's Office of the Inspector General. No sooner had Coelho been reappointed to a position of trust in 1998, as U.S. Commissioner General of last year's World Exposition in Lisbon, Portugal (with the rank of Ambassador), than he dove straight for the pig trough once again.

The Center for the Study of Public Integrity, a non-profit, non-partisan organization, broke the latest scandal, in an article by its director of investigative projects Bill Hogan, who wrote: "In just the past week, Coelho has emerged as the point man in the wholesale makeover of Gore's foundering Presidential campaign—beginning with the 'lock, stock, and barrel' relocation of the campaign headquarters to the Vice President's home state of Tennessee. 'I'm packing my bags and learning country music,' Coelho told reporters as the changes were announced.

"Gore's smartest move, however, might be to leave Coelho—and his baggage—behind. A soon-to-be-released

audit by the State Department's Office of the Inspector General, obtained by the Center for Public Integrity, points to mammoth cost overruns, gross mismanagement, and potential illegal activity under Coelho's watch as U.S. commissioner to last year's World Exposition in Lisbon, Portugal—a political appointment that eventually made him 'Ambassador Coelho.' "

## Let the record speak

The "successful businessman" label is an apparent reference to the period after Coelho resigned from the House, skipping town ahead of an indictment for, among other matters, kiting more than three times his income in bad checks (\$319,000) on the House Bank in 1989. The charges did not end there, but Coelho's fast-and-loose treatment of the public trust—as documented by former *Wall Street Journal* investigative writer Brooks Jackson, who wrote a biography of Coelho, *Honest Graft*—brought him to the attention of the owner of an old-line Wall Street firm, Wertheim Schroeder Investment Services, Inc. Coelho loaded the firm up with U.S. pension funds from former political cronies, before, as Hogan reports, the firm was sold off to a British financial services firm.

However, according to the most recent financial disclosure form that Coelho signed on Aug. 5, 1998, he was still receiving \$104,686 a year for consulting services to this firm.

Only in Al Gore's world of virtual reality would a hardcore gambler be described as a "successful businessman." And that is precisely what Coelho's financial disclosure form reveals. Coelho is a board member of a Las Vegas casino giant, Circus Circus, which had been bought by Bill Bennet in 1974. Bennet had gotten into the casino gambling business in 1965 through Del Webb, the developer who built the Flamingo for Benjamin J. "Bugsy" Siegel of "Murder, Inc." Coelho is also a director of a gaming concern known as Autolend. He has a co-investment in a firm called International Thoroughbred Breeders, Inc. (IBT), which engages in horse racing and other gaming.

According to *Newsweek* magazine of May 31, 1999, in an article titled "Another Campaign Headache?" Coelho has been under investigation by the Securities and Exchange Commission, because the SEC was investigating the foundering IBT. Coelho had earlier been board chairman of IBT, with a \$120,000 "consultant's fee," at the time when questions arose over the possible misuse of IBT assets and insider trad-

ing. One of the allegations was that, beginning in January 1977, after Coelho and his then-business partner, Nunzio DeSantsis, took over, Coelho presided over transactions in which large compensation packages for use of a leased jet from DeSantsis's son had been paid.

"We're comfortable that Tony is fine on these issues," said a spokesman for the Gore campaign, who reiterated that Coelho is "a successful businessman."

Next, consider how Coelho used his honorary position as chairman of the President's Council on Employment of People with Disabilities, to earn some more "honest graft." Accompanying his financial disclosure form, he wrote a letter promising to avoid any activities which might give even "the possible appearance of impropriety." Yet he received speaker's fees to address the American Epilepsy Foundation (he has suffered from epilepsy since youth); he received a \$150,000 consulting fee from Dreyfus Charitable Foundation for medical research; and he owns stock in United Medic Corporation, which handles medical billings, and in a health maintenance organization called Value Health.

## Lisbon meets Coelho

Coelho, who is of Portuguese-American descent, had always wanted to be Ambassador to Lisbon. When appointed as U.S. Commissioner General of the 1998 World Exposition in Lisbon, he promptly moved into an \$18,000-per-month luxury apartment on the waterfront, paid for by the U.S. Information Agency (USIA)—i.e., the U.S. taxpayer.

Next, Coelho hired a 30-person staff, which included: Fred Hatfield, who had been Coelho's chief of staff on Capitol Hill from 1984 to 1989, and later his business partner; Mark Johnson, the former communications director of the Democratic Congressional Campaign Committee under Coelho, where the "Ambassador" had first practiced his method of "honest graft"; two sons of the U.S. Ambassador to Lisbon, who were paid lucrative amounts; and, his niece Debra Coelho, who was brought in, as the Inspector General's (IG) report puts it, "in violation of USIA regulations," as Hatfield's "special assistant," at \$2,500 a month. (The office manager's monthly compensation was \$1,600 a month.)

All Coelho's buddies, including his niece, received a large *per diem*, and first-class tickets and upgrades were handed out like lollipops. Coelho and his wife typically travelled to and from Lisbon on first-class flights; once, he spent more than \$850 of taxpayers' money to have her picked up in a chauffeured Mercedes, even though the pavilion had a fleet of six vans; Coelho's longtime aides, Johnson and Hatfield, lived in \$5,000-a-month luxury apartments; and, Coelho arranged for Johnson to be paid \$20,000 a month.

When Coelho accepted the job of U.S. Commissioner General, he understood that, since there had been complaints over spending \$2 million for the Expo '92 pavilion in Seville, the U.S. Congress had ruled that world's fair expositions were to be paid for by donations from U.S. corporations. However, almost the only firms from which Coelho could raise money

were those with which he had direct business dealings (see below). So, Coelho lobbied his friends in Congress for emergency contributions from the U.S. Navy and the National Institute of Environmental Health Services (NIEHS), which, combined, provided some \$6.5 million, or, according to the IG's report, "82% of the total funding." Under the agreements that Coelho had made with his cronies on the Hill, bills from his Expo '98 shenanigans went to the U.S. Navy and NIEHS. And, Coelho had staff destroy weekly reports on their expenditures, rendering the IG audit an incomplete document.

Of the firms that did contribute, three stand out:

**ICF Kaiser International, Inc.** This major Department of Energy contractor, where Coelho had been a board member and to which he returned as chairman after Expo '98, also had contracts with other government agencies dragooned into financing Expo '98. Though ICF Kaiser may have contributed to Expo '98, it received \$10.2 million in business from the government agencies that also contributed to Expo '98 during FY 1998. And, last June 14, while Coelho was still its chairman, ICF Kaiser announced a joint venture which was awarded a \$19 million contract for work on the \$1 billion Portuguese Oporto Light Rail Transit System. "We have more projects concentrated in Portugal than in any other European country," James Maiwurm, the number-two executive to Coelho at ICF Kaiser, said in announcing the award. Coelho has subsequently resigned all his corporate ties with ICF Kaiser.

**EuroAmer Sociedade Imobiliaria, S.A.** According to his 1998 financial disclosure form, Coelho held a stake of \$500,000 to \$1 million in this real estate firm, ESI, which was then involved in a \$30 million residential apartment project in Lisbon. Among those involved in ESI were former Defense Secretary Frank Carlucci, who has been a Coelho business partner in other matters, and Frederick Malek, the president of Thayer Capital Partners and 1992 campaign manager for President George Bush.

**Service Corporation International.** SCI runs funeral homes, cemeteries, and crematoria worldwide. According to his 1998 financial disclosure form, Coelho received more than \$283,000 in director's fees and other compensation in the previous year, and Portugal was one of SCI's prime targets for expansion.

## The wave that flopped

On his own initiative, Coelho founded the Luso-American Wave Foundation, which built a sculpture of a wave 8.5 high and 64 feet long on which the names of prominent Portuguese-Americans were to be inscribed—for \$100 to \$5,000 contributions. To build the wave, Coelho took out a \$300,000 personal loan from a Portuguese bank. In his financial disclosure form, not only did Coelho fail to report the \$300,000 personal liability, which is a possible ethics violation, but also the Luso-American Wave Foundation had its certificate and articles of incorporation revoked on Sept. 7, 1999, by the District of Columbia, "for having failed and/or refused to file" any of

the reports required by law. And, not a single name had been inscribed on the wave.

According to the Inspector General's audit, Coelho may have been prepared to renege on this personal loan, and let the U.S. government pay: "A Portuguese bank made a 'personal' loan, of \$300,000, to the commissioner general to support a project of a private organization. This amount was recorded on the U.S. pavilion's 'cuff records' as a liability. The U.S. Information Agency may be responsible for the repay of this loan if the organization does not raise sufficient funds to pay it back. We did not include other expenses (salaries, operations, etc.) of the organization that were shown on the U.S. pavilion's forecast summary." However, after the Center for Public Integrity raised the issue of the personal loan, which received widespread media attention, Coelho, while serving as campaign chairman for Gore, stated that he had repaid all but \$109,000 of the loan.

Does this mean that Coelho will, for once, not stiff American taxpayers? Or, does he plan to let the matter rest with partial payment of his personal obligation? Unfortunately, he has refused to talk with the Center for Public Integrity, or to make the loan papers available. He has also turned down requests for interviews with journalists associated with *EIR*. However, there may be fertile grounds in the IG audit report to institute a criminal referral on these and other matters to the U.S. Department of Justice.

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# GOP budget strategy runs into reality

by Carl Osgood

On Oct. 18, President Clinton invited the top Congressional leaders of both parties to the White House for a meeting to discuss ways of solving the budget impasse that has been developing over the last few months. Clinton issued the invitation after he vetoed the Foreign Operations Appropriations bill, because it was almost \$2 billion below his budget request and it failed to include any funds for implementing the Wye River Middle East peace agreement, an agreement he played a strong personal role in forging. The foreign aid bill is the second of the 13 annual spending bills that Clinton has vetoed.

Until recently, GOP leaders have shown little interest in negotiating with Clinton on the spending bills. However, as of Oct. 20, only five of those bills have been signed into law; besides the two already vetoed, several others also face veto threats. Another source of pressure on Republicans is the fact that most of the government has been operating since Oct. 1, the beginning of fiscal year 2000, on a continuing resolution. The original continuing resolution, which was to expire on Oct. 21, has already been extended to Oct. 29, which is also the GOP's targeted adjournment date. With these pressures facing them, GOP leaders decided to accept Clinton's invitation, and a meeting took place late on Oct. 19.

Leaders of both parties emerged from the 90-minute meeting in an upbeat mood. House Speaker Dennis Hastert (R-Ill.) told reporters, "I think we made good progress today. It was a very positive meeting, and we look forward to working through this process." House Majority Leader Dick Armey (R-Tex.) characterized the meeting as "energetic." And Senate Majority Leader Trent Lott (R-Miss.) declared, "I think we are pretty close to achieving the goal that we have set out."

Congressional Democrats and the White House echoed those sentiments. House Minority Leader Richard Gephardt (D-Mo.) said, "I think there's a sense of urgency about getting this done." White House Chief of Staff John Podesta said that the administration shares the GOP's goal of not touching funds earmarked for Social Security. "We're willing to sit down in good faith and see where all these pieces add up," he said. Podesta was set to begin negotiations on Capitol Hill on Oct. 20.

However, the road to this point has not been an easy one, nor does it promise to get easier, especially with the GOP caucus deeply split between those who just want to finish the appropriations process and those who refuse to let go of their ideological agenda.

## The GOP backs itself into a corner

This year, the GOP put itself in the position of trying to avoid both a repeat of the government shutdowns of 1995-96, and negotiating an omnibus spending bill with the White House in which the President would end up getting \$20-30 billion more in spending than the Republicans wished to give him. So, the Republicans pledged early on to complete all 13 spending bills individually — something they have not yet accomplished since they took over the Congress in 1995 — and to do it without spending the Social Security surplus. In the process, they not only continued to impose their Conservative Revolution agenda on government spending, but they began to run into a monster of their own creation, the 1997 balanced budget agreement and the caps it imposed on spending for fiscal year 2000.

To get around the problem imposed by the caps, the Republicans began resorting to all kinds of gimmicks, including moving some spending into fiscal year 2001, designating certain routine items, such as the year 2000 census, as “emergency” spending, to exempt the items from the caps. They even considered an across-the-board sequester in order to bring total discretionary spending under the mandated limit of \$592 billion.

At the same time, some of the top GOP leadership, such as Arney, have repeatedly proclaimed their commitment to “saving” the Social Security surplus, and accuse President

Clinton and the Democrats of wanting only to “tax and spend.” This, in spite of the fact that the Congressional Budget Office has reported a number of times over the last two months that the GOP’s spending plans have already gone anywhere from \$12 billion to \$24 billion into the Social Security surplus, on top of having already spent the \$14 billion projected surplus in the non-Social Security budget. The willingness of the GOP leadership to meet with President Clinton was taken as a signal that they have decided that their strategy has failed, and that they need to negotiate.

However, this new-found cordiality was not in evidence during debate on the House floor the day of the White House meeting. The House leadership allowed a bill sponsored by freshman Republicans, designed to do nothing but embarrass the President, to come to the floor. The bill consisted of all of the tax and revenue measures proposed by President Clinton to offset the spending increases that he has been supporting. This included increased fees for poultry and meat inspections, animal and plant health inspection, grain inspection and stockyard administration licensing, forest services, an increase in the cigarette tax of 55¢ per pack, and increases in numerous other fees. Lee Terry (R-Neb.) said that the purpose of the bill was “so members would have the formal opportunity to express their views on the President’s new taxes and fees and so instruct our leadership.”

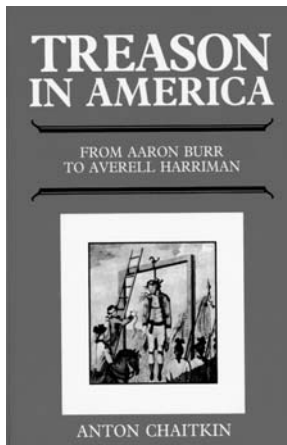
Democrats were livid, and did not confine their responses to the particulars at hand. John Spratt (D-S.C.), the ranking member on the Budget Committee, said that the bill “is nothing but a distraction from Congress’s real work.” Instead of doing its work enacting appropriations bills, he said, “The House is wasting its time taking up this pointless bill which has no opportunity of passage.” He pointed out that the President has offered the offsets for the purpose of doing certain things, such as hiring more teachers to reduce class sizes, and putting more cops on the streets, neither of which has been supported by the GOP. Minority Leader Gephardt told the House that a serious bill would have gone through the committee process and have been part of a larger budget plan.

Republicans are not just refusing to deal with President Clinton’s agenda, however. There are other issues to be addressed, such as disaster relief for the U.S. agricultural sector, which Democrats have attempted to take up (with some success), and the global financial crisis, which both parties refuse to face. As Democratic Presidential pre-candidate Lyndon LaRouche commented recently, with the economy collapsing and the global financial system disintegrating, how can anyone be discussing a “balanced budget” on Capitol Hill? Where is the tax-revenue base? They should be talking about going back to a Kennedy-type tax policy — and taxing the hell out of capital gains, he said.

This refusal to address the global financial crisis has often given the debate on the budget, which is based on certain economic assumptions, an air of unreality for which there is, so far, no end in sight.

## Treason in America

From Aaron Burr To Averell Harriman



By Anton Chaitkin

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# Chinese legislators visit U.S. Congress

by William Jones

In mid-October, delegates from the Chinese National People's Congress (NPC) had their first real opportunity to address their concerns, with counterparts on Capitol Hill, about pending legislation in the U.S. Congress which could seriously disrupt U.S.-China relations. The U.S.-China Inter-Parliamentary Exchange Group, the ad hoc group which extended the invitation to the Chinese legislators, was established to promote a dialogue between the two law-making bodies. While in the United States, the Chinese delegation also aired their concerns to the U.S. media, holding press conferences on a variety of issues—religious freedom, human rights, satellite launches—on which China has been attacked by the Republican China-bashers and some of their Democratic cohorts in the human rights mafia. While the cacophony of “scandals” being orchestrated by Congressional Republican warlords and the Taiwan lobby has received banner-headline treatment, the visit of the Chinese delegation received scant attention from the U.S. media.

At a press conference at the Chinese Embassy in Washington on Oct. 14, delegation leader Zeng Jianhui, the chairman of the NPC Foreign Affairs panel, reiterated Beijing's opposition to any anti-missile system in Southeast Asia that would include Taiwan. “Including Taiwan under any anti-missile system in Southeast Asia would be regarded by Beijing as interference in Chinese domestic affairs,” he warned.

The sudden interest in Tactical Missile Defense sparked by the launch of a North Korean Taepaedong I missile over Japan last year, has been used by some legislators to propose bringing Taiwan under a “protective umbrella”—a signal to certain Taiwan elements that they might want to move toward independence. The Taiwan Defense Enhancement Act, introduced by Jesse Helms (R-N.C.) in the Senate, is a step in that direction. That breaking Taiwan from mainland China is the ultimate goal of these machinations, is blatantly evident in a bill proposed in July by Rep. Sherrod Brown (D-Ohio), in which he calls for a new “One China, One Taiwan” policy, effectively abandoning the U.S. “One-China” policy of the last 20 years. Such a move by the United States could well trigger a military conflict in the Taiwan Straits.

The Brown bill prompted an outcry by Chinese legislators in Beijing. Zeng Jianhui underlined the serious implications of this measure, if enacted. “This has severely infringed

upon China's sovereignty and territorial integrity, and openly tramples the norms of international relations,” he said. Furthermore, the bill “goes against the ‘One China’ policy adopted by previous U.S. administrations. . . . To resolve the Taiwan issue, the basic guideline is that the two sides across the Taiwan Straits should officially end the state of hostility and achieve peaceful reunification through negotiations in line with the ‘one country, two systems’ policy and in conformity with the principle that there is only one China.” Zeng warned that Brown's legislation would “definitely raise the tension across the Taiwan Straits, and gravely damage peace and stability in the Asia-Pacific region, as well as the relations between China and the United States.”

The Brown bill has gathered only 10 co-sponsors so far. Although the bill may not get too far, the anti-China drumbeat being orchestrated by Helms and his cohorts in the House, and the attempt to shift policy on this sensitive issue, could easily set the world on the road to conflagration. Brown has also introduced a bill calling on the World Health Organization to bring Taiwan in as a member, a clear red flag for China because Taiwan has no independent status for such membership. As an aide to Brown blithely told a journalist, “This move will cause a furor in Beijing.” He added in a more serious tone, “Of course, we don't want to start World War III!” But, the road to hell is paved with good intentions.

While Clinton administration policy has followed that of previous administrations—that relations between China and Taiwan should be resolved peacefully and that there is only “one China”—GOP Congressional leaders and the human rights mafia in the Democratic Party are working for a change in that policy, one which would lead to a military confrontation between Taiwan and the mainland—with the United States caught in the middle.

## **‘It's more important that we talk’**

The delegation met with about 30 Congressmen for private discussions, which were characterized by Zeng as “friendly, cooperative, serious, and frank.” As one staffer put it, “Although they have their differences, it's more important that we talk rather than not talk.” The invitation extended to the NPC delegation was, in fact, the first official invitation by the U.S. Congress to any Chinese NPC delegation in a decade, perhaps indicating that there are some interested in reversing the insanity that has been raging on Capitol Hill, especially on the subject of China. Despite their very real concerns about some of the pending legislation, the Chinese delegation seemed generally upbeat about the meetings. “Such talks have enhanced our mutual understanding and increased our common ground,” Zeng told reporters. He said he felt that the meetings had helped establish “channels of communication,” and had laid a good foundation for future exchanges.

Indeed, such contact is needed now more than ever, if the voice of reason is again to be heard in Congress.

## Trade deficit debated by House

On Oct. 13, the House reauthorized the Overseas Private Investment Corp. (OPIC), the Trade Development Agency, and the International Trade Administration, each for another four years. While the bill passed by a wide margin of 357-71, the debate occurred under the shadow of the rapidly rising U.S. foreign trade deficit, and both supporters and opponents of the bill raised the issue.

Supporters of the bill demanded the opening of overseas markets to U.S.-made products. International Relations Committee Chairman Benjamin Gilman (R-N.Y.) said that recent trade figures, showing declining U.S. exports, "underscores the urgency of promptly enacting this kind of measure." Robert Menendez (D-N.J.) said that record monthly trade deficits mean that "America needs to take immediate steps to reverse the deficit by helping American companies to export American products."

Opponents, led by the unlikely combination of conservative Dana Rohrabacher (R-Calif.) and Socialist Bernie Sanders (I-Vt.), attacked U.S. trade policy as a failure. Sanders said that the record-breaking trade deficits "should suggest to every Member . . . that it is high time to make fundamental changes in our trade policy with regard to NAFTA [North American Free Trade Agreement], GATT [General Agreement on Tariffs and Trade], and most favored nation status." He said that in this supposedly "booming" economy, Americans work 160 hours more per year than they did 20 years ago and are making less in real wages than 25 years ago.

Rohrabacher argued that OPIC actually serves to export American jobs overseas, by facilitating the transfer of manufacturing plants from the United States to other countries. He suc-

ceeded in attaching an amendment to the bill that prohibits OPIC from supporting investment in "any manufacturing enterprises in a foreign country."

## Campaign finance reform dies in Senate, again

For the fourth time in four years, campaign finance reform died a painful death on the Senate floor on Oct. 19, when two procedural votes fell short of the 60 needed to break a GOP filibuster. The bill, sponsored by John McCain (R-Ariz.) and Russell Feingold (D-Wisc.), came to the floor on Oct. 13 as the result of a promise made to McCain earlier this year by Majority Leader Trent Lott (R-Miss.).

This year's McCain-Feingold bill was a narrower version of what they have sponsored in the past. It would have banned so-called "soft money" contributions to political parties, but, in a bid to win enough GOP votes to overcome the expected filibuster, it dropped provisions strictly regulating issue advocacy ads during election campaigns.

McCain began the debate with a speech on the corrupting influence of large soft-money contributions on the political and legislative process, declaring that the debate is "about putting the little guy back in charge, and freeing our system from the corrupting power of the special interests' bottomless wallet."

Mitch McConnell (R-Ky.) took umbrage at McCain's suggestion that Senators are corrupted by soft money, and demanded that McCain produce a list of corrupted Senators. "You cannot have corruption," McConnell said, "unless somebody is corrupt." McCain responded that the problem is that the system "makes good people bad."

The killer blow came, however, not from Republicans, but from Democrats. Minority Leader Tom Daschle (D-S.D.) and Robert Torricelli (D-N.J.) sponsored an amendment that would have substituted the House-passed Shays-Meehan legislation for the narrower McCain-Feingold bill, and immediately filed a cloture motion on it. Democrats wanted to make sure that the provision regulating issue advocacy advertising, which was contained in the House bill, was included in the measure, despite McCain's warning that that would kill any reform bill this year.

In the end, the cloture vote on the Democratic amendment failed by a vote of 52-48, and the cloture vote on McCain and Feingold's original bill was 53-47, seven short of the 60 needed to break the filibuster. After the cloture votes, Lott declared that reform "is dead for the year."

## North Korea hearing erupts in partisanship

Former Defense Secretary William Perry appeared before the House International Relations Committee on Oct. 13, to present his report on U.S. policy toward North Korea. Before he could speak, however, a partisan brawl broke out between Republicans and Democrats on the panel over who should control U.S. policy.

The brawl began when committee chairman Benjamin Gilman (R-N.Y.) announced that Speaker Dennis Hastert (R-Ill.) had asked him to form a GOP advisory group on North Korea. Committee ranking member Sam Gejdenson (D-Conn.) attacked the GOP for trying to make "a foreign policy not philosophically different, but different on a partisan basis." Gary Ackerman (D-N.Y.) added that the

creation of the GOP task force “feeds into the theory that seems to be growing that the Republicans have a partisan plan and that plan is just to discredit the President and this administration on every foreign policy issue that it can.”

Gilman defensively said that the purpose of the advisory group is to give advice to the Speaker, something Democrats are not precluded from doing. Ackerman, unmollified, said that he found it “fascinating” that the Speaker has appointed a Republican task force to advise him on a Republican foreign policy, rather than an American policy.

As if to confirm the Democrats’ allegations, Gilman’s first two witnesses, who preceded Perry to the witness table, were members of the GOP task force, Republican Policy Committee Chairman Chris Cox (Calif.) and Joe Knollenberg (Mich.). Cox implied during his testimony that U.S. policy, especially with regard to the heavy fuel oil deliveries to North Korea, was driven by business interests rather than security interests. Ackerman took offense that Cox “would besmirch the reputation of a Secretary and imply that he is in this to make a buck, and therefore, our foreign policy is being tainted because of his business interests.”

## **GOP minimum wage bill runs into trouble**

A Republican attempt to minimize an almost certain increase in the minimum wage ran into trouble after a closed-door meeting of the House Ways and Means Committee on Oct. 19. The subject of the meeting was a bill introduced by Rick Lazio (R-N.Y.) on Oct. 14 that combines a \$1 per hour increase in the minimum

wage, to be phased in over three years, with about \$35 billion in tax cuts targeted to small businesses. The tax cuts are intended to offset the costs of increased wages resulting from a hike in the minimum wage.

Ways and Means Committee Chairman Bill Archer (R-Tex.) is intent on controlling the process, and a spokesman told reporters after the meeting that the tax cuts in the bill “don’t fit the chairman’s parameters.” On the other hand, the GOP has accepted the inevitability of a minimum wage hike and is concerned with limiting the damage. Ray LaHood (R-Ill.), who participated in a meeting among House GOP leaders and a group of GOP moderates, told reporters, “I told them they ought to be realistic about this. One dollar over three years is chintzy and it makes us look chintzy.”

Several Democrats are among the bill’s co-sponsors, but the Democratic leadership is not keen on the bill. They prefer a bill introduced earlier this year by Minority Whip David Bonior (D-Mich.) that phases in the \$1 increase over two years. That bill does not have tax cuts, but it could eventually include a package of cuts now being crafted by Charles Rangel (D-N.Y.). Democrats contend that any package of tax cuts “must be fully paid for” with new revenue or spending offsets, and they argue that the GOP package, like the tax cut bill vetoed by President Clinton in September, does not do that.

## **Senators express doubt about Kosovo operation**

Doubts about what the U.S. accomplished during Operation Allied Force, the bombing campaign against Yugoslavia last spring, were the dominant questions raised during a hearing of the Senate Armed Services Com-

mittee on Oct. 14. Secretary of Defense William Cohen and Chairman of the Joint Chiefs of Staff Gen. Henry Shelton appeared before the committee to present the initial results of the Pentagon’s after-action report, the final version of which is to be completed early next year.

Among the concerns cited by committee chairman John Warner (R-Va.) were the effects of announcing from the outset that there would be no ground component of the operation, and the fact that NATO sustained no combat casualties. On the second point, Warner said that “it leaves an impression, and a mistaken impression in my judgment, that future conflicts can be casualty-free.” James Inhofe (R-Okla.) declared that the bombing campaign “put us in an impaired position to be able to do what we should be able to do, if called upon, in the Persian Gulf or North Korea.” He said that the “ethnic cleansing” of Kosovo did not “really accelerate until we were actually involved with cruise missiles in this conflict.”

Throughout his remarks, Cohen maintained the British line that NATO was forced to respond to actions by Serbian President Slobodan Milosevic. “NATO’s credibility,” he said, “was, in fact, at stake, as Belgrade flagrantly violated agreements it had signed last fall.” Cohen contended that Milosevic was solely responsible for the refugee crisis that began with the NATO bombing.

On the ground war option, Cohen and Shelton both acknowledged that there was no political support, either in Europe or in the U.S. Congress, for such a measure. “I think the only option worse than not having an option at all,” Shelton said, “is to have an option that would be used in a threatening manner which did not have the political consensus to move forward with it.”

## CDC misidentified epidemic in New York

A serious illness not previously known in the United States, which was killing elderly people in New York, was misidentified as St. Louis encephalitis by scientists of the Centers for Disease Control, according to the *New York Times* on Oct. 11. When a local investigation pointed against this diagnosis, the CDC would not communicate with the scientist. Weeks later, alternative routes were taken to move authorities to a correct analysis of the problem.

Authorities were alerted on Aug. 23 to a possible epidemic involving neurological symptoms. In early September, after testing only for six insect-borne viruses already common in the United States, the CDC's Duane Gubler concluded that the disease was St. Louis encephalitis.

But as the epidemic continued, Bronx Zoo officials became aware that their exotic birds, and crows in the zoo's vicinity, were dying of a strange disease. Zoo scientist Tracey McNamara probed the symptoms and tried to report them to the CDC, as a possible clue to the human epidemic. When the CDC did not return her phone calls for a week, she contacted the U.S. Army Medical Research Institute of Infectious Diseases, which confirmed that a virus was killing the birds. She also sent bird tissue samples to a California laboratory, which identified the bird disease as West Nile virus. The Army and the California lab analysis both apparently helped the CDC change its story.

On Sept. 23, CDC's Dr. Gubler told a press conference that he had changed his mind, that the disease was a form of West Nile fever.

Allan P. Zelicoff, a scientist at the Center for National Security and Arms Control at Sandia National Laboratories in New Mexico, said, "The encephalitis outbreak in New York is a powerful lesson for public health authorities. It is a sobering, not so reassuring, demonstration of the inadequacies of the U.S. detection network for emerging diseases. . . . We're spending hundreds of mil-

lions on questionable stockpiles of vaccines and antibiotics. We should be improving the ability of local public health officials to recognize and report strange illnesses to a central authority that can quickly tell them what to do about it."

## Clinton hits anti-China bias of defense bill

On Oct. 5, in signing into law the National Defense Authorization Act for Fiscal Year 2000, President Clinton made a statement criticizing, and modifying, the law's anti-China bias, as well as its provisions for nuclear activity in the Department of Energy and its policies concerning Russia.

"I am concerned with the tone and language of a number of provisions of S. 1059 relating to China, which could be detrimental to our interests," Clinton said. "China is undergoing a profoundly important but uncertain process of change, and I believe we must work for the best possible outcome, even as we prepare for any outcome. The Act's provision requiring annual reports on Chinese military power, similar to those previously produced on Soviet military power, assumes an outcome that is far from foreordained—that China is bent on becoming a military threat to the United States. I believe we should not make it more likely that China will choose this path by acting as if the decision has already been made.

"The provision establishing the Center for Study of Chinese Military Affairs is troubling for the same reason. The Secretary of Defense will ensure that the Center is held to the highest standards of scholarship and impartiality and that it explores a wide range of perspectives on the Chinese military.

"Our long-term strategy must be to encourage China to grow into a more prosperous and open society; to integrate China into the institutions that promote global norms on proliferation, trade, the environment, and human rights; to cooperate where we agree, even as we defend our interests and values with realism and candor where we do not.

We cannot do that simply by confronting China or seeking to contain it. We can only do that if we maintain a policy of principled, purposeful engagement with China's government and China's people.

"I intend to implement the China provisions of the bill in a manner consistent with this policy, including, where appropriate, combining several of the reporting requirements."

## EIR's Spannaus counters Deutch panel cover-up

Former CIA Director John Deutch, the chairman of the Congressionally created Commission to Assess the Organization of the Federal Government to Combat the Proliferation of Weapons of Mass Destruction (known as the Deutch Commission), which issued its report in July, summarized its work at a meeting of the American Bar Association's Standing Committee on Law and National Security on Oct. 14. The Commission's primary recommendations had to do with efforts to coordinate counter-proliferation efforts in which at least 84 U.S. agencies are involved in one way or another.

The overall consensus in the meeting, about the need to counter weapons of mass destruction, was broken with the first question, in which *EIR*'s Ed Spannaus said:

"I wonder if there's not an element of the 'old generals fighting the last war' in this. Did you address the question of weapons based on new physical principles, such as EMP [electromagnetic pulse], directed-energy weapons, what a decade ago were referred to as radio-frequency weapons? Did you address those issues at all?"

"We did not," was Deutch's only answer.

In the course of his remarks, Deutch also referenced the case of Pakistan, to show how U.S. counter-proliferation policy may be inconsistent with U.S. foreign policy aims, in that Congress had imposed sanctions against Pakistan at the same time that the United States was relying so heavily on Pakistan



**GEN. ANTHONY ZINNI**, the commander of U.S. forces in the Persian Gulf, called on Oct. 19 for increasing U.S. troop strength in the area. Zinni was accompanying Defense Secretary William Cohen on a visit to Saudi Arabia. He recommended that equipment for a fourth American infantry brigade be positioned on ships in the Gulf.

**THE LOS ANGELES SENTINEL** on Oct. 14 covered Lyndon LaRouche's certification for Presidential primary matching funds. "Vice President Al Gore, Bill Bradley, and LaRouche have all qualified for use of public money," the paper reported, "and may receive up to \$16,750,000 maximum in public funds for agreeing to an overall spending limit, complying with state campaign spending regulations, permitting an extensive campaign audit, and other requirements."

**LAROCHE'S** Presidential campaign was endorsed by six Australian and New Zealand trade union officials. Their unions include the Construction, Forestry, Mining and Energy Union; Municipal Employees Union; Australian Workers Union; Australian Bank Employees Union; Musicians Union of Australia; and Australian Council of Trade Unions.

**THE UNITED** Autoworkers newspaper of local 5841 in Winnsboro, South Carolina, reported on Oct. 11 that "another candidate is beginning to appear who may prove to be a more formidable Democratic candidate than either of the other two: Lyndon H. LaRouche is an economist who has put together the only plan, so far, to save the world financial system from total self-destruction."

**JESSE JACKSON, JR.** (D-Ill.) responded to a caller on a C-Span broadcast, who said that he was 27 years old and didn't see why the United States needed a Social Security system. Jackson said that the caller was too young to remember the Great Depression, in which Americans lost everything, and that Social Security was designed to protect people in their old age.

with regard to U.S. support for the Afghan resistance.

## Book charges G.W. Bush with cocaine arrest

A new book by J.H. Hatfield, titled *Fortunate Son: George W. Bush and the Making of an American President*, "confirmed that Bush was arrested for cocaine possession in Houston in 1972," and that the record was expunged after Bush did "a little community service at a minority youth center instead of having to pick cotton on a Texas prison farm," according to the Internet magazine *Salon* on Oct. 19. The story has gone through several versions since July, when *Salon* was the first source to publish a "tip" about the expunged arrest records, and the head of one youth center (identified in an earlier version) said that the story wasn't true.

But author Hatfield, whose book is being published by St. Martin's Press, writes that several sources, including "a high-ranking advisor to Bush," and a "former Yale classmate" of George Dubya, confirmed the story to him. The classmate is quoted saying: "George W. was arrested for possession of cocaine in 1972, but due to his father's connections, the entire record was expunged by a state judge whom the older Bush helped get elected."

St. Martin's was reportedly not going to put the book out until January 2000, but moved the schedule up when Hatfield wrote an "Afterword" containing additional information. For example, *Salon's* August story had said that Bush's community service occurred at the Martin Luther King Center in Houston in 1972, but the head of that center, Magdalene Bush (no relation) had said, "No way," and complained that she wouldn't talk about anything because her programs depend on state funding. However, the *Washington Post* and a book called *First Son* both reported that the same year, 1972, Bush worked for Project PULL, a center for wayward poor youth; the Bush campaign confirmed that.

*EIR's* own investigation is under way.

Whether or not the Hatfield report is true, the really important story concerning Bush and drugs, is the role that Bush Senior played in the Iran-Contra drug trade, as documented by *EIR* in a September 1996 Special Report, *Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush? EIR* will have more to say on this subject in forthcoming issues.

## Forbes calls for Super-NAFTA with U.K.

Presidential pre-candidate Steve Forbes said in a speech in London on Oct. 13, that if elected President, he would intensify economic and political relations between the United States and Great Britain. His speech, delivered at the Eccles Centre for American Studies at the British Library, echoed the call by Hollinger Corporation Chairman Conrad Black for a "Super-NAFTA," on the model of the North American Free Trade Agreement.

"Strengthening the alliance between the United States and Great Britain and expanding the economic and political cooperation between our two countries must be a top priority of the next American President," Forbes said.

"Simply put: If Great Britain is strong, secure, and sovereign, America benefits. But if Great Britain is weakened economically or militarily then American interests suffer. Likewise, if the U.S. is strong, secure and sovereign in the 21st century, Great Britain and the rest of the world will benefit enormously. But if the U.S. is weakened or withdraws from the world stage, then Great Britain and the rest of the world are in serious trouble. It's just that simple. . . .

"So tonight, I announce that if I am elected the first American President of the 21st century, I will invite the people of Great Britain and the Republic of Ireland to join the United States in a North Atlantic Free Trade Agreement. Because the barrier that lies between us is not the Atlantic Ocean. It's big government."

### *Not just a magazine*

Since the end-phase of the collapse of the communist system in Europe in 1989-91, the world has been traversing an ever-faster spiral into World War III. By now, ten years later, the series of Iraq wars, Balkan wars, African wars, armed conflicts in the Subcontinent of Asia and in Central Asia, and Caucasus wars, among others—all still simmering, none ever resolved—are now converging to make World War III inevitable, at some point down the road.

The cause is not the fall of the Berlin Wall; rather, it is that precisely those processes which earlier led to the collapse of the Comecon bloc, are now bringing the whole post-1971 world financial system to immediate implosion and disintegration. Knowing this, City of London financiers, the British monarchy, and their allies and stooges on Wall Street and elsewhere, are triggering wars and conflicts, for the same general reason that they did so during the Great Depression of the 1930s: to prevent leading nations-states from joining together with the United States, for economic development. Such joining together into a “community of principle,” as John Quincy Adams and Lyndon LaRouche have termed it, would end the British oligarchical system forever. Rather than permit that, London is trying to fragment and destroy those nation-states, especially the U.S.A.

Although educated Africans, Asians, and Europeans are intensely concerned about these questions of war and war danger, Americans who are not *EIR* readers, with few exceptions, place more importance on their own next source of personal entertainment,

But those who *are* looking at these more important matters, ask how they should understand the phase-shift in the British destabilization of the North Caucasus and Central Asia, from the initial reports of insurgency in Dagestan, in late July to early August, which many leading Russians then blamed on (British assets) NATO, Kissinger, and Brzezinski, to the present situation of an apparent alliance of Russia and the NATO countries against “Islamic terrorism.”

From the beginning, this was the British “Great Game” (see *EIR*, Sept. 10, 1999), directed primarily, not just to breaking up Russia, but to breaking up the

Russia-China-India potential, and more especially the U.S. potential. This round of attempted breakup began straightforwardly with so-called “Islamic” mercenaries in Dagestan. More important than the subsequent shift of the scene of battle into Chechnya, were the simultaneous British “Islamist” destabilizations throughout Central Asia, including in Kyrgyzstan and Tajikistan.

What happened between July-August and today? It was that the British were forced to realize that LaRouche’s effective intervention in exposing the nature of the operation, found receptivity not only in Russia, but in the United States, India, and China as well. LaRouche created widespread recognition of the real nature of this operation. How did he do it? Much of this is known to readers of *EIR*, but other, less public channels had equal or greater effect.

The British were forced to realize that their first option now entailed a potential problem, with the possibility of a general counter-reaction. Reacting in anticipation of the impact of LaRouche’s exposure of their first option, the British counted on Washington’s hesitancy to take the problem on directly, as a British problem, and they regrouped around the idea of co-opting the Russians, via Washington, into a supposed united front against terrorist Osama bin Laden—this for the same, identical British strategic aim.

But, in being forced to adapt to LaRouche’s impact, the British have at the same time triggered processes which we are determined to intensify, which can disrupt this operation, using potentials in post-coup Pakistan, India, China (don’t be fooled by Jiang Zemin’s London visit: He has not sold out to the British), and potential effects in the United States.

Few readers understand the immediacy of our intervention: that we’re not just an abstract force in theory, with better policies, but we are seizing on opportunities which would not have existed but for LaRouche, and which depend, in turn, on his ability to come up with new flanking moves.

In fact, the question in the Caucasus and related areas is not so much a question of global political intelligence; it is first of all a question of pushing ahead with the LaRouche “Bretton Woods” Presidential campaign.

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Mondays—10 p.m.
- WORCESTER—WCCA Ch. 13  
Wednesdays—6 p.m.

## MICHIGAN

- CANTON TOWNSHIP  
MediaOne Ch. 18: Thu.—6 p.m.
- DEARBORN HEIGHTS  
MediaOne Ch. 18: Thu.—6 p.m.
- GRAND RAPIDS—GRTV Ch. 25  
Fridays—1:30 p.m.
- PLYMOUTH—MediaOne Ch. 18  
Thursdays—6 p.m.
- MINNESOTA  
• ANOKA—OCTV Ch. 15  
Thu.—11 a.m., 5 p.m.,  
12 Midnight
- COLUMBIA HEIGHTS  
Community TV—Ch. 15  
Wednesdays—8 p.m.
- DULUTH—PACT Ch. 24  
Thu.—10 p.m.; Sat.—12 Noon
- 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.
- ST. PAUL—Ch. 33  
Sundays—10 p.m.
- ST. PAUL (NE burbs)\*  
Suburban Community Ch. 15

## MISSOURI

- ST. LOUIS—TCl Ch. 22  
Wed.—5 p.m.; Thu.—Noon

## MONTANA

- MISSOULA—TCl 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 MEXICO

- ALBUQUERQUE—Ch. 27  
Wednesdays—10:30 p.m.

## NEW YORK

- AMSTERDAM—TCl 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.
- BUFFALO  
Adelphia Ch. 18  
Saturdays—2 p.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.
- ILION—T/W Ch. 10  
Saturdays—12:30 p.m.
- IRONDEQUOIT—Ch. 15  
Mon. & Thurs.—7 p.m.
- ITHACA—Pegsys Ch. 78  
Mon.—8 pm; Thu.—9:30 pm  
Saturdays—7 p.m.
- JOHNSTOWN—Ch. 7  
Tuesdays—4 p.m.
- MANHATTAN—MNN  
T/W Ch. 34; RCN Ch. 109  
Sun., Oct. 31: 9 a.m.  
Sun., Nov. 14 & 28: 9 a.m.
- N. CHAUTAUQUA COUNTY  
Gateway Access Ch. 12  
Fridays—7:30 p.m.
- ONEIDA—T/W 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.
- QUEENS—QPTV Ch. 35  
(starting Nov. 3)  
Wednesdays—6 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.—T/W Ch. 57  
Wed.—11 p.m.; Sat.—7 a.m.
- SUFFOLK, LI.—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—T/W Ch. 12  
Wednesdays—8:30 p.m.
- WESTFIELD—Ch. 21  
Mondays—12 Noon  
Wed. & Sat.—10 a.m.  
Sundays—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—7 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—T/W Ch. 10/16\*
- EL PASO—Paragon Ch. 15  
Wednesdays—5 p.m.
- HOUSTON—Access Houston\*

## UTAH

- GLENWOOD, Etc.—SCAT-TV  
Channels 26, 29, 37, 38, 98  
Sundays—about 9 p.m.

## VIRGINIA

- ARLINGTON—ACT Ch. 33  
Sun.—1 pm; Mon.—6:30 pm  
Wednesdays—12 Noon
- CHESTERFIELD—Ch. 6  
Tuesdays—5 p.m.
- FAIRFAX COUNTY  
Media General Ch. 10  
Tuesdays—12 Noon  
Thu.—7 p.m.; Sat.—10 a.m.
- LOUDOUN—Cablevision Ch. 59  
Thu.—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  
Thursdays—3 p.m.
- SPOKANE—Cox Ch. 25  
Wednesdays—6 p.m.
- TRI-CITIES—TCl Ch. 13  
Mon.—12 Noon; Wed.—6 p.m.  
Thursdays—8:30 p.m.
- WHATCOM COUNTY  
TCl Ch. 10  
Wednesdays—11 p.m.
- YAKIMA—Falcon Ch. 9  
Sundays—4 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—TCl Ch. 36  
Thursdays—5 p.m.

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