

EIR

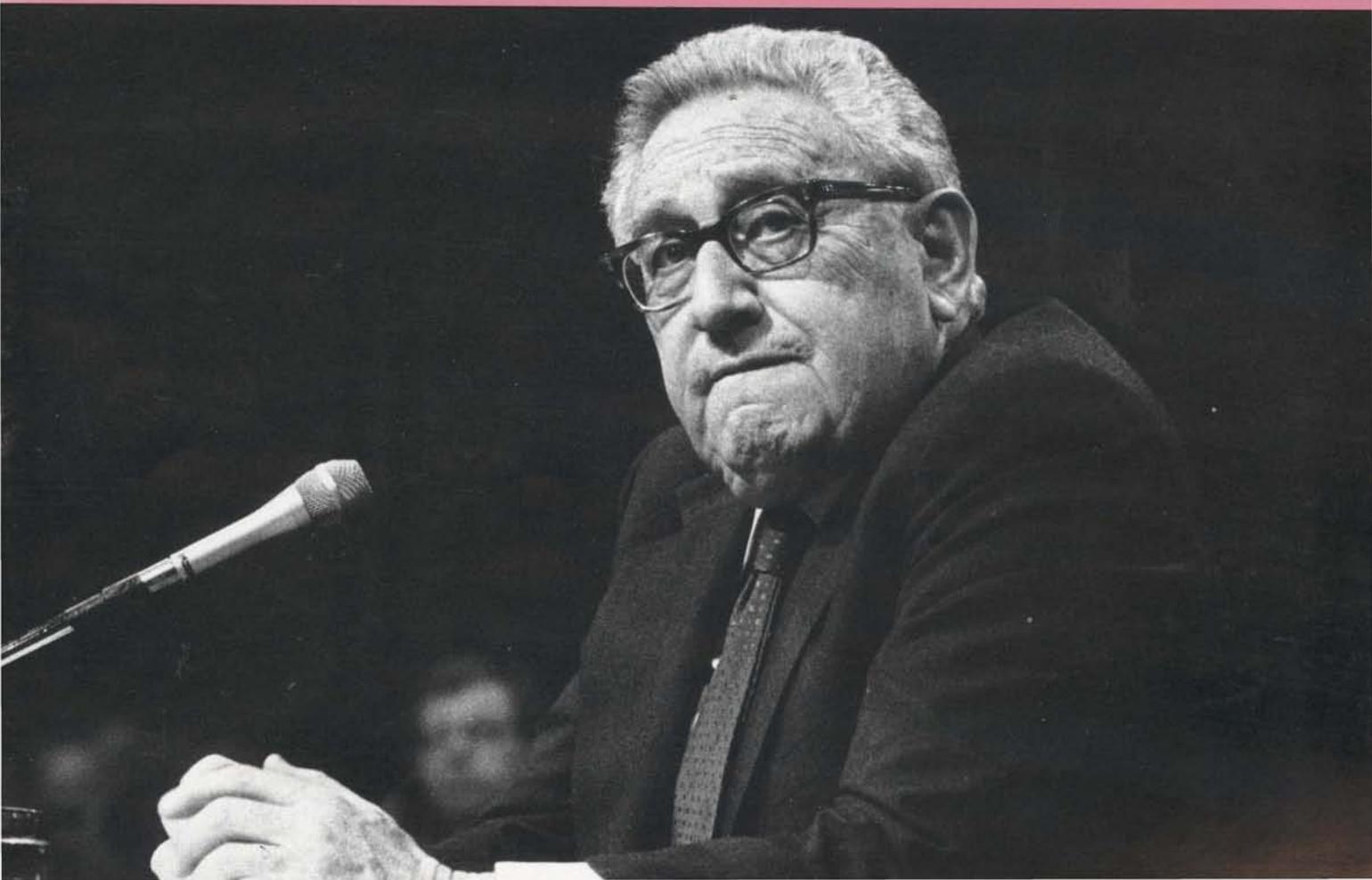
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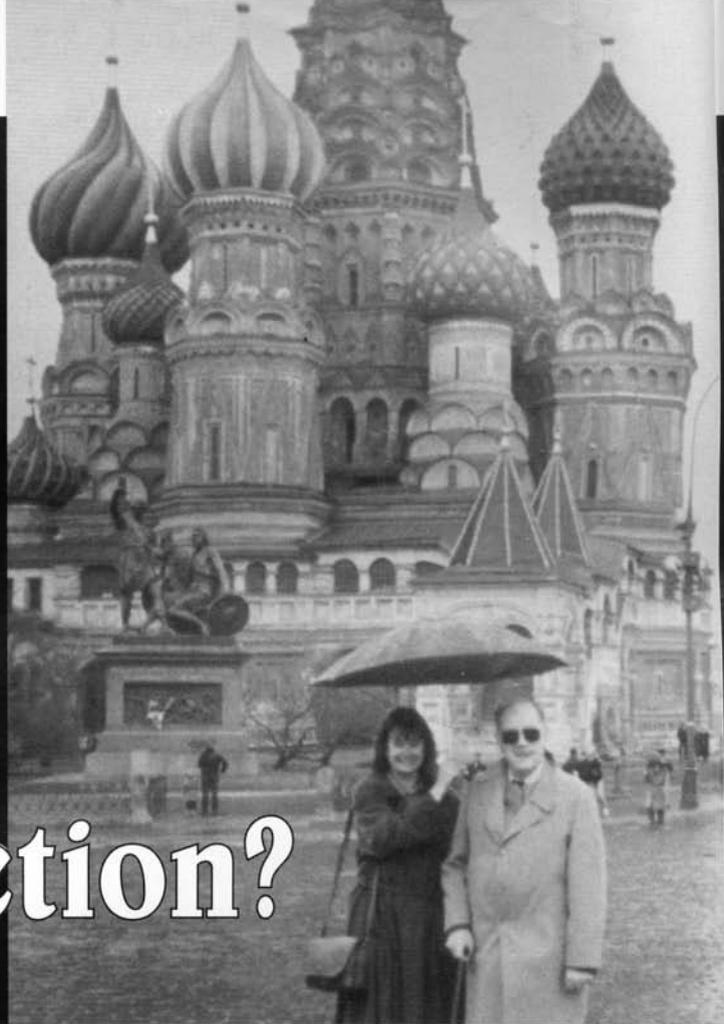
NAM's industrial renaissance never happened
A reverse Pearl Harbor is aimed against Asia
Bell curve sham: intelligence is no statistic

**The British are coming—
with a global racist plan**



**THERE IS GOING TO BE
A RUDE AWAKENING!**

Russia's future: dictatorship, chaos, or reconstruction?



- **DO YOU REMEMBER** when Boris Yeltsin aimed the Russian Army's tanks at the Parliament and started shooting?
- **DO YOU REMEMBER** last December's vote for Zhirinovskiy?

Were you shocked?

While you were shocked, *EIR* was acting. Informed by nearly two decades of analysis of the Soviet Union by such leading thinkers as American economist Lyndon LaRouche and Germany's Gen. Paul-Albert Scherer, *EIR*'s European staff put together this report to warn western policymakers that the countdown was on to what could be the century's biggest strategic disaster.

Then Lyndon LaRouche, released from confinement as a political prisoner in January 1994, traveled to Moscow with his wife, Schiller Institute Chairman Helga Zepp-LaRouche,

in April, for high-level talks and seminars at the invitation of the Universal Ecological Academy, of which he is a member. His briefing, on return from Russia, became the first chapter of this Special Report, and the warm reception he got shows that there is still time to reverse the criminality and descent into chaos in Russia, if we act now.

AND ACT WE MUST, for our own sake as well as Russia's. As LaRouche himself said: "Although we are focused upon the subject of Russia, only charlatans could speak of the future of Russia without taking into account explicitly the factors which are of immediately decisive importance for each and all nations of this planet. Indeed, the present crisis within Russia (as of all of eastern Europe) is a relatively mild form of the catastrophe which is soon to strike down every nation upon this planet. The way we treat the problems of Russia today is the mirror of the early- to medium-term future of China, of Japan, of North America, and of western Europe."

142 pages, \$250 EIR 94-004

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From the Editor

The *National Economy* report in this issue, presented by economics intelligence director Chris White, debunks the false optimism promulgated by the National Association of Manufacturers in a book-length report purporting to show that the U.S. manufacturing sector is on the upswing. But there are nonetheless grounds for real optimism in this spring of 1995.

That optimism is based on the penetration of reality into certain quarters of the planet.

• In Washington, D.C. the Democratic Party's staff members issued a statement on April 5 echoing the widely circulated views and even the specific imagery used by Lyndon LaRouche. They said that in the speculative game promoted by the Republican tax cut bill, "all investors in the economy can rearrange who owns which assets, like deck chairs on the Titanic, without a single dollar of new investment" (emphasis in original).

• As of April 6, the French presidential candidacy of LaRouche collaborator Jacques Cheminade has broken through the blackout of the Paris-based media (see article, p. 43, reflecting earlier reports) and is receiving international press attention, from Buenos Aires to London to Copenhagen. Cheminade ranks among only nine contenders to have surmounted the difficult hurdles for presidential ballot status—an achievement which the ecologist candidate was not able to match. Cheminade will be the only voice speaking on behalf of the nation of France, assuming the mantle of Charles de Gaulle. *EIR* will be putting the spotlight of truth on his campaign, which presents a historic opportunity to overturn the British spree of global destruction, as documented in this week's *Feature*.

• The recently issued new encyclical on life, *Evangelium Vitae*, settles the question definitively that no one can dare to claim to be a Christian and defend the murderous economic theories of Adam Smith. Among other points, Pope John Paul II calls for conscientious objection to laws legalizing abortion, euthanasia, and other assaults on the sanctity of life, and states that instances in which the death penalty may be justified in modern society are "rare if not practically nonexistent," in a wide-ranging document dealing with every threat to human life resulting from evil policies in today's world.

Nora Hamerman

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National Economy

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Chris White uses *EIR's* analysis of the physical economy to critique the book *Making It in America, Proven Paths to Success from 50 Top Companies*, by Jerry Jasinowski, president of the National Association of Manufacturers, and Dr. Roger Hamrin. The economic recovery "discovered" by the authors is based on the long-discredited economic theories of the 1960s-era New Left.

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Fully two years after Lyndon LaRouche proposed a 0.1% transaction tax on the notional principal amount of each derivatives transaction in the United States, people are finally beginning to pay attention.

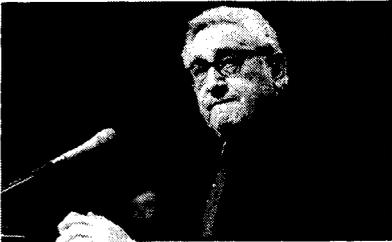
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Derivatives: the last gasp of the speculative bubble

by John Hoefle

Two years ago, on March 9, 1993, Lyndon LaRouche proposed a one-tenth of 1% transaction tax on the notional principal amount of each derivatives transaction in the United States. The proposed tax would serve two functions. First, it would work to bring the derivatives market under some semblance of control and begin to let some air out of the speculative bubble, and second, it would raise an estimated \$60-80 billion in federal tax revenue the first year, and lesser amounts in succeeding years as the bubble dried up.

“Derivatives are an investment in something for which there is really no security, which takes wealth—money in the form of wealth—out of the productive and trading process, and never puts anything back in,” LaRouche warned at the time. “What we have, is the prospect of a derivatives bubble which grows like a cancer at the expense of the host, and shrinks its host, at the same time that its appetite is growing, while the means of satisfying that appetite are collapsing. Not a very sound investment.”

EIR took that warning to Congress, to state and local officials across the country, and to government officials and relevant individuals around the world. Most of them had no idea what we were talking about.

They do now, and many of them are beginning to admit: “LaRouche was right. We should have listened to LaRouche.”

At the time of our warning, the notional principal amount—“face value”—of derivatives securities worldwide was about \$13 trillion. The face value of derivatives securities outstanding grew by \$4 trillion (33%) during 1993, to \$17 trillion at year’s end. In 1994, that figure rose \$29 trillion (181%) to \$45 trillion, more than 40 times the \$1.1 trillion at the end of 1986.

Had this bubble been choked off in 1993 as LaRouche

recommended, we could have saved the world a lot of pain.

Compare the growth of derivatives worldwide to the growth of U.S. Gross Domestic Product (GDP). U.S. GDP rose, in current dollars, from \$2.7 trillion in 1980 to \$6.6 trillion in 1994, an annual rate of 6.6% a year, for a total growth of 143%. During the eight years of the derivatives bubble, GDP rose by 5.6% a year, and 65% overall, while worldwide derivatives grew at a rate of 56% a year, or 4,055% overall.

Not even the drug trade, which we estimate is growing at a rate of 25% a year, is growing that fast, but it does give you a good idea where a lot of that drug money is being invested.

Saving a bubble with a bubble

The appearance of derivatives in 1986 was no coincidence: The derivatives market was created to bail out the global financial system, to keep the financial bubble going.

The 1980s has been called the decade of greed, which it was. But it was also a decade of debt. The Reagan-Bush economic miracle, so-called, was fueled by a massive growth in government, corporate, and individual debt. Total U.S. credit market debt grew from \$6 trillion at the beginning of the decade, to \$14 trillion at its end. Much of this debt was incurred for speculative purposes: to buy overvalued real estate, to buy companies through leveraged buyouts, to buy junk bonds, to buy anything from which to make a quick buck.

This process worked for a while, but things began to go wrong in 1986-87 when the drop in the price of oil punctured the Texas real estate market. Within a couple of years, the six major Texas banks had gone under, as had much of the savings and loan sector, a major financier of real estate and buyer of junk bonds. This, combined with the uncollectibility

of the banks' loans to the so-called developing sector, set off a chain-reaction collapse of the U.S. banking system. Things were beginning to fall apart, despite all those months of what Reagan and Bush called "uninterrupted economic recovery."

In mid-1989, the Federal Reserve began a series of actions to try to save the U.S. banking system. The Fed began lowering interest rates—a process which would continue for five years—to increase the banks' profits.

It was not enough.

Just before Thanksgiving Day, 1990, the Federal Reserve Bank of New York secretly took control of the bankrupt Citicorp, America's largest bank. Two weeks later, federal regulators held a secret meeting to discuss how to keep the insolvency of Citicorp, Chase Manhattan, Chemical, Manufacturers Hanover, Security Pacific, and the Bank of New England from blowing out the system.

The Bank of New England was closed in January 1991, after a year on life support. The reason the bank was kept open for a year after everyone knew it was gone, can be summed up in one word: derivatives. Even the *Wall Street Journal* admitted, almost two years after the fact, that it had taken regulators and the bank one year to unwind the Bank of New England's \$36 billion in derivatives. The world banking system nearly slid into "gridlock," the *Journal* admitted, citing a senior official at the Office of the Comptroller of the Currency as saying, "If we had a real problem with one of the larger banks, a meltdown scenario would be a real possibility."

Keep that statement in mind when, today, regulators insist that there is no crisis, even though some of the banks have derivatives exposures approaching one hundred times that of the Bank of New England.

Regulators then turned their attention to the big zombies. In a six-week period beginning in June 1991, shotgun marriages were announced between 6 of the 12 largest banks in the United States. Chemical and Manufacturers Hanover announced a merger, as did BankAmerica and Security Pacific. A merger between NCNB and C&S/Sovran was also announced, forming what is today known as NationsBank. The Fed's Citicorp, being too big for anyone to swallow, remained on federal life support, kept alive in part by billions of dollars from Saudi Arabia, part of the price for the U.S. war against Iraq.

In conjunction with its lowering of interest rates, the Fed encouraged the banks to jump whole hog into derivatives speculation. And they did. By the end of 1994, the U.S. banking system as a whole had some \$4 trillion in assets and liabilities on its balance sheet, and another \$16 trillion in what the Federal Deposit Insurance Corp. (FDIC) called "off-balance-sheet derivatives."

It's worth noting here that the FDIC didn't report any derivatives figures until December 1993, when a figure of \$12 trillion—more than three times the U.S. banking system's then \$3.6 trillion in assets—suddenly appeared in the

FDIC's *Quarterly Banking Profile* for the third quarter.

The FDIC probably would not have even published these figures, had it not been for hearings on derivatives held in October 1993 by House Banking Committee Chairman Henry B. Gonzalez (D-Tex.), at which the Comptroller of the Currency was compelled to present statistics on the size of the banks' derivatives holdings. With the cat out of the bag, the FDIC didn't have much choice.

EIR played a significant role in this process. Not only were we invited to submit written testimony for the derivatives hearings, but Gonzalez had in September cited the work of *EIR* in exposing the size of the banks' derivatives activities.

Without these interventions, it is likely that much of this data would not yet have seen the light of day.

The bulk of these derivatives are held by a handful of big banks, in particular the banks of the Fed's bailout list and their money-center associates. As of mid-1994, 80% of all U.S. bank derivatives were held by six banks—Citicorp, Chemical, J.P. Morgan, Bankers Trust, Chase Manhattan, and BankAmerica. Each of these banks held more than \$1 trillion in derivatives, and four of them held \$2 trillion or more. Chemical Bank alone, with just \$170 billion in assets, had derivatives of \$3.1 trillion, a figure equivalent to three-quarters of the assets of the entire U.S. banking system.

The rapid growth of derivatives has much to do with the record profits claimed by U.S. banks over the last three years (\$32.3 billion in 1992, \$43.1 billion in 1993, and \$44.7 billion in 1994). The growth curve of U.S. bank profits, taken as a whole, follows closely the growth of derivatives since 1989, but diverges ominously in 1994, when bank profits increased only slightly and derivatives zoomed, indicating that the game is nearing its end.

Blowout begins

In February 1994, the Federal Reserve reversed its five-year policy of lowering interest rates, and began to raise them again. Prompting the Fed to act, was a series of huge derivatives losses in 1993, including a \$1.6 billion loss by Showa Shell Sekiyu in March, a \$3 billion loss by Ferruzzi in August, and then a rash of losses in December, when Kashima Oil lost \$1.5 billion, Metallgesellschaft lost \$1.3 billion, and the central bank of Malaysia lost \$3 billion. All told, there were \$10.4 billion in derivatives losses reported in 1993.

In moving to bail out the banking system through the use of derivatives, the Fed had only made things worse. But its attempt to reverse course and bring the bubble under control by raising interest rates, merely triggered huge losses by those who had bet that rates would continue to drop.

The losses began almost immediately, starting with the highly leveraged hedge funds. George Soros's Quantum hedge funds lost \$600 million in one day in February on foreign exchange and interest rate derivatives, while Julian Robertson's funds lost \$875 million and Michael Steinhardt's lost \$1 billion.

In March, the Granite Partners hedge funds run by David Askin failed. Askin specialized in buying the “toxic waste” left over when mortgages are turned into collateralized mortgage obligations, or CMOs. The liquidation of the Askin holdings—whose value had been decimated by rising interest rates—threw the entire CMO market into a tailspin, causing hundreds of millions of dollars of losses to holders of mortgage derivatives, and some \$3 billion in losses at Kidder Peabody, which did not survive the year.

The losses continued to mount throughout 1994, culminating in the December bankruptcy of Orange County, California, whose \$2 billion loss signaled a phase change in the derivatives collapse. The crisis shifted to Mexico, where it was temporarily calmed by an emergency \$50 billion rescue package, then moved to Asia, where it brought down the British Empire flagship Barings Bank.

As of this writing, more than \$35 billion in derivatives losses have been reported, including \$13.8 billion in losses to financial institutions, \$12.1 billion in losses to corporations, and \$9.3 billion in losses to governments. These losses are just the tip of the iceberg; the worst is yet to come.

Criminal enterprise

The derivatives market is essentially a criminal enterprise designed to loot people and their governments in order to save the bankers, in much the same way that casinos loot the public for the benefit of the mob. It isn't a game, and the bankers wouldn't be doing it if it weren't profitable. But that profit is illusory. In the world of derivatives, the profits are “paper” profits, mere pieces of the bubble, while the losses are real.

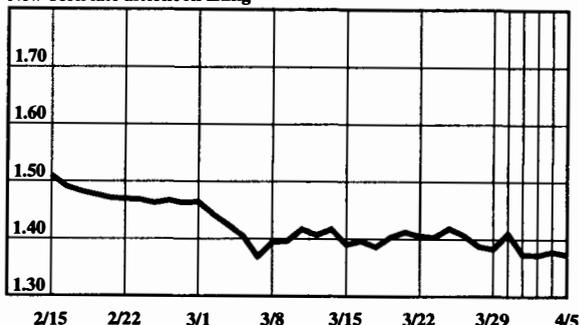
Take Orange County, California, where the county investment fund reported hefty profits over the past few years. These profits have evaporated, leaving 187 government entities and over 2 million residents to deal with the losses. The residents of Orange County face higher taxes and fees, reduced government services, and a lower standard of living, courtesy of their county's foolish gambling in the derivatives casino. Industrial companies have been looted, as have their employees, through derivatives; their employees pay the price through layoffs, salary cuts, longer working hours, and other forms of austerity. Our world has become a meaner place, as more and more people are sacrificed to the bubble.

The whole thing is a racket. First the international bankers induce the governments to abandon fixed exchange rates for currencies, then they manipulate the values of those currencies in order to profit from the fluctuations. Having caused the fluctuations, the bankers then create derivatives to sell to their customers, to help them protect themselves against losses due to the fluctuations. It's quite similar to the type of extortion racket favored by organized crime: Throw a rock through somebody's window, and then sell them “insurance” against vandals. This is a system which needs to be put into bankruptcy reorganization.

Currency Rates

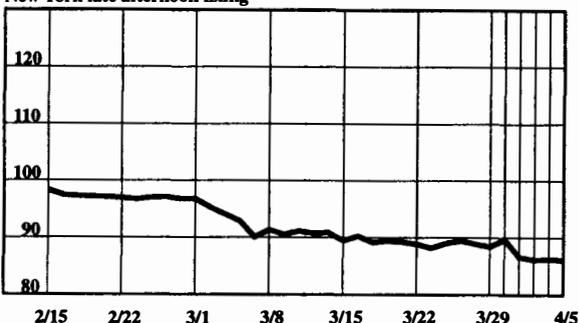
The dollar in deutschemarks

New York late afternoon fixing



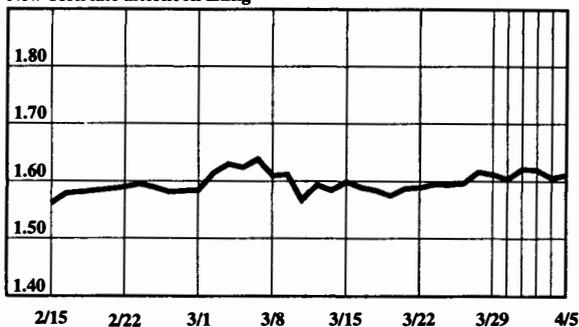
The dollar in yen

New York late afternoon fixing



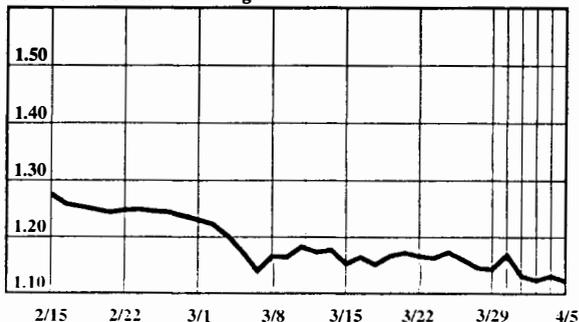
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



IMF reforms are destroying Ukraine

by Natalia Vitrenko

Natalia Vitrenko is a deputy of the Ukrainian Parliament and chairman of a subcommittee of the Ukrainian Parliament's Commission on Economic Policy. She is also a doctor of economic science and a professor. This speech was delivered on March 29 to a conference of the Schiller Institute in Washington, D.C.

First of all, I would like to thank the organizers of this conference for inviting us, a parliamentary delegation from Ukraine, to take part. This conference, on problems of the development of the world economy and the conduct of the International Monetary Fund and World Bank, not only characterizes the situation in Ukraine, but demonstrates to all mankind how, under the slogans of reform, it is possible to destroy a country.

I am one of those Ukrainian scientists who advocated economic reform even when we were still part of the Soviet Union. I have brought here, as a gift for Mr. Lyndon LaRouche, my book, in which, characterizing the problems of Ukraine, I show that the hypertrophy of the military complex had led to a deformation of the economy as a whole, the failure properly to develop the domestic market, and an inadequate development both of the productive forces and of consumption. When Mrs. Thatcher, together with Mr. Bush, advised our Mr. Gorbachov about what kind of economic reform policy to adopt, we scientists supported the adoption of this reform, thinking that our problems would be solved in the course of the reform. We knew that we had to change the structure of our economy; we knew that we needed to liquidate the state monopoly on production, to reduce the level of state control of production. But now, after four years of these reforms, we can see what a tragedy they have brought for Ukraine.

Figure 1 shows the decline of Ukraine's Gross Domestic Product, from the middle of 1992 to the end of 1994. **Figure 2** shows, in relationship to 1989 levels, what has happened with the national income of Ukraine, the total volume of industrial production, and the production of consumer goods, including food. You see a per capita threefold decline in the Gross Domestic Product, and a twofold decline in the national income produced.

This shows that there have been no progressive structural changes in the Ukrainian economy whatsoever. While there was an overall decline in economic production, production



Dr. Natalia M. Vitrenko speaks on April 1, 1995 in Leesburg, Virginia. To her right is fellow member of the Ukrainian Parliament Vladimir Marchenko.

for consumption declined at a surpassing rate. While the previous speaker [Christopher White; see his speech on p. 12] showed that value indicators can be put forward to demonstrate an alleged growth in American productivity, in Ukraine, even these monetary indicators show a steep decline. If we were to take physical indicators in Ukraine—and in this regard, we fully endorse LaRouche's theories—then we would see a decline which is nothing short of catastrophic.

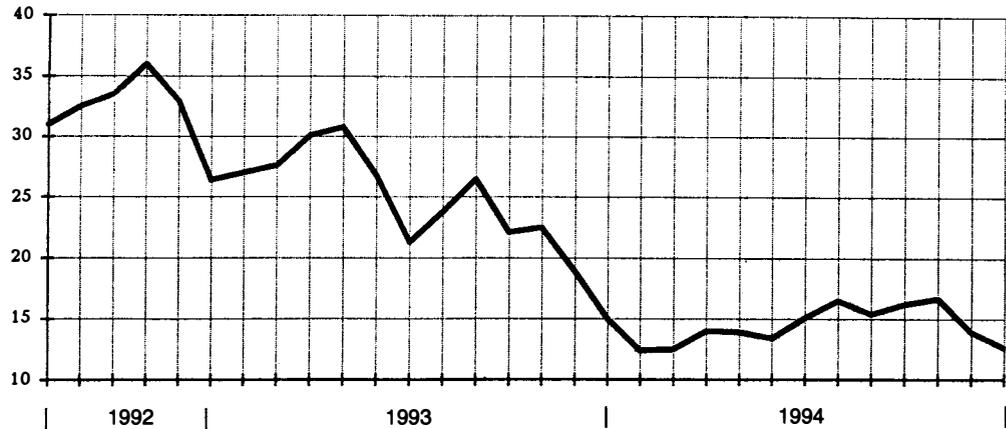
We have a four- and fivefold decline in production in the fundamental categories of goods. But if we look at certain products, such as railway engines, we have a 50-fold decline. Our agricultural production is being destroyed. The investment complex is being destroyed. The standard of living has declined 15 or 20 times over. Ninety-two percent of the population of Ukraine lives below the poverty line, while the parasitical part of society has in its hands 60% of the national income, and the gap between the rich and the poor is becoming greater and greater. However we might criticize the 70 years of Soviet power, we did not have beggars; people were employed; and any child could obtain an education, including a higher education. Today, in Ukraine, out of 23 million in the workforce, 7 million are unemployed.

The demographic consequences of this process are lawful. In four years, the average life expectancy has fallen by six years. Fertility has fallen from 15 births per thousand population to 10.5 per thousand.

From this we can take stock of the deindustrialization, the de-intellectualization, and, on the whole, the degradation of Ukraine. This all can be attributed to the recommendations

FIGURE 1
Real Gross Domestic Product of Ukraine, July 1992-December 1994

(billions of karbovanets, December 1991 prices)



Source: European Center of Macroeconomic Analysis of Ukraine

of the International Monetary Fund, since it is they who proposed to us, as the means of reform, to decontrol prices, to liberalize currency exchange, to deregulate foreign economic activity, and to have forced-march privatization. The IMF, together with the Soros Foundation, trained the personnel who came to carry out these policies.

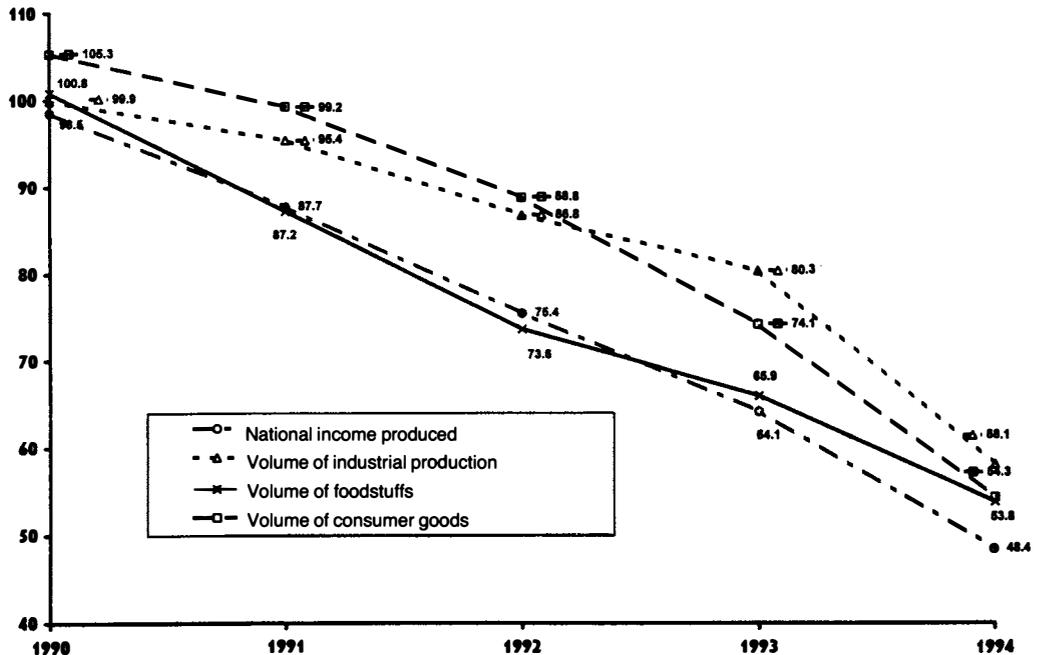
Growing opposition

Naturally, the entire population of Ukraine, which is over 50 million people, cannot go along with such a reform policy. Together with Vladimir Marchenko, also a deputy of our Parliament, who is here with me, I represent forces in the Parliament who have come out against and will continue to oppose the implementation of the IMF recommendations.

A group of us scientists is currently developing a program to avert national catastrophe. We believe it is still possible to

save Ukraine from total destruction, and for this it is necessary to defend the interests of our domestic production and to revive it. The state must regulate the relevant social and economic processes, which means that the state must conduct a well-conceptualized price policy, introduce protectionist measures for our import and export, introduce a fixed exchange rate, and reform wage policy enough to guarantee the physical survival of each working person. If we have a system of social defense of the population, this is not some kind of state populism, but rather this is a necessary condition to maintain stability, under conditions where the reforms could be launched which the population does need. Therefore, we are very closely studying international experience, and we will do everything possible for a rebirth of Ukraine, that Ukraine might occupy a worthy place in the circle of civilized countries in the world.

FIGURE 2
Movement of basic economic indicators in Ukraine, 1990-94
 (as a percentage of 1989)



Late, but not too late

German politicians are debating a derivatives tax, as the trade unions fear massive unemployment.

Under the pressure of increasing turbulence on the world financial markets, several political figures in Germany are finally calling for action against the speculators.

The Federation of Labor (DGB), one of the most important institutions of the nation, has issued a call for action. DGB executive member Michael Geuenich declared in Düsseldorf that, "utopian as it may sound for many, the call for a tax on international currency speculation is of utmost urgency," because speculation has turned "into the crucial point of vulnerability for the world economic system as a whole."

With daily turnovers of over \$1 trillion, currency speculators are "chasing the world economy from one crisis to the next," only to secure short-term gains, he said. Under such volatile circumstances, "rational and long-term investments are made impossible," and the damage caused to entire national economies is devastating. "If speculators today can use computer technology around the clock on a global scale, it should also be possible to use the same technology to tax such deals." This should be put on the agenda of international meetings, he recommended, endorsing a proposal made by U.S. economist James Tobin for a 0.5% tax on derivatives transactions. (The actual author of the derivatives tax proposal was Lyndon LaRouche, whose March 9, 1993 call for such a tax has circulated widely, including in Germany.)

The DGB initiative is spectacular because the 10 million-member labor federation does not usually comment on monetary affairs, but limits itself

to trade union issues. The political background to this DGB move is the fact that many industrial firms in Germany have become engaged in risky derivatives deals, and this fact is coming more and more into the public view. Against the background of several big defaults last year in connection with derivatives losses, these new revelations are raising concerns about corporate collapses leading to huge job losses.

Furthermore, of particular political interest are remarks made in Bonn on March 30 by Gregor Gysi, leading member of the parliamentary group of the PDS, the party of the former East German communists. Speaking during the parliamentary debate on the budget for FY 1995, Gysi said that if the government feels in need of increased tax revenues to secure its budget, it should take the revenue where it is to be found: in the derivatives trade, which has seen an annual growth of 53% since 1990 in Germany. Corporate revenues from capital gains, Gysi said, were once at 7% and have now reached a level of 50%: "This means that there is no longer production, but only speculation. This is the real problem."

Referring to the bankruptcy of Barings Bank, Gysi said that the "banking collapse in Great Britain signals where the shift from productive to monetary capital leads to. Already now, it is becoming apparent that we have an overhang of money which someday can lead to a disastrous Black Friday."

Gysi then endorsed the Tobin proposal for a tax on derivatives, saying

that if this were applied to Germany, with its giant volume of 6,000 billion deutschemarks in annual derivatives tradings, the state would gain DM 30 billion in annual tax revenues. A tax of 2% would yield DM 120 billion annually, which could be used to create new jobs.

It is true that with a voting base of less than 5% of the national electorate, the PDS is a small party, and under normal circumstances, the government would not pay much attention to it. But circumstances have changed significantly since the national elections in October 1994, and the Finance Ministry felt compelled to respond unusually quickly to a "small parliamentary motion" presented by the PDS in early March, concerning derivatives.

In its March 24 response, the ministry for the first time made it public that the government is also engaged in trading in derivatives, adding, in an effort to play the problem down, that it has a more "conservative approach" in its debt management than, for example, the states and the municipalities.

The government's exposure to risks in the derivatives markets has already sounded the alarm bells at the Federal Accounting Office, but the information which the office referred to in its recent announcement that it would look into the problem, was of a confidential nature. The Finance Ministry's response to the PDS motion has made the issue public, and that is very important, because the German Parliament will debate the issue of derivatives and monetary risks in a plenary session after Easter, and calls for a derivatives tax have gained support among many parliamentarians.

To push this debate ahead, the Civil Rights Movement-Solidarity party, headed by Helga Zepp-LaRouche, has mailed all members of parliament a petition on this issue.

Business Briefs

Russia

Marshall Plan, not IMF, is needed, says institute

If the West wants a stable Russia, it cannot rely on the International Monetary Fund (IMF), but, rather, Russia needs a new Marshall Plan, the Hamburg World Economic Archive (HWWA) stated in a survey of the Russian economy published in late March.

In academic but unmistakably critical language, the HWWA report charges the West with unsound policies, because it insisted on funneling all financial aid through the IMF, and at the same time making the granting of funds dependent on progress in Russia's reforms.

The transfer of IMF funds has been delayed because the reforms have not made progress, and at the same time Moscow has run into problems by counting on the money, and including it in its budget planning.

This creates an unsolvable problem, the HWWA said, and other alternatives are required. What Russia needs is a new Marshall Plan, without conditionalities, of the type that was launched after World War II to help rebuild the economies of western Europe.

Infrastructure

Berlin-Moscow corridor will boost economy

The development of the Berlin to Moscow infrastructure corridor will boost the economy broadly, Elmar Pieroth, minister of financial affairs in the Berlin municipal administration, said after returning from talks on March 27 in Warsaw. As far as the work on the high-speed rail corridor is concerned, Pieroth said that the financing of the Polish section, from Frankfurt an der Oder to Brest-Litovsk, has been secured, and that he is optimistic that work on the sections east of Poland will begin soon.

It should be recognized, Pieroth said, that where such a transport corridor exists, it will also serve as "a point of crystallization of industrial growth." This is especially important

for Russia, he said. Instead of spending western funds for all kinds of projects, the money should be concentrated on such infrastructure corridors which will lead to "more transport, more industrial activity."

When the Polish section of the Berlin-Warsaw-Moscow corridor is completed, which is expected before the end of this decade, travel by train (at speeds of 160 kilometers per hour) will take no longer than 3.5 hours between the capitals of Germany and Poland.

Banking

Japan tries to shore up endangered banks

The merger announced on March 28 by Mitsubishi Bank and the Bank of Tokyo was part of a national plan by the Japanese Ministry of Finance to try to strengthen Japan's banking system, a Finance Ministry source told *EIR* on March 30. "Barings was not the last" crisis, the source noted. Authorities fear more international incidents, and many Japanese banks have very high levels of bad debt. However, the source admitted, this strategy "would not work if, as you say, the entire global system is collapsing."

The merger creates the world's largest bank with assets of \$808 billion, surpassing the current largest bank in the world, the rival Mitsui group's Sakura Bank (assets \$595 billion).

The new Tokyo Mitsubishi Bank, however, has the lowest amount of bad debt in proportion to total loans (2.5%) of Japanese banks, most of which have a bad debt ratio in the range of 5-8%. The Finance Ministry plan is to have the new bank rapidly sell and get off its books its bad debt, and then act as a "white knight" to buy out other, weaker banks, whose bad debts it theoretically should be able to absorb and then sell off. Last October, Mitsubishi took over Nippon Trust Bank just before it failed, under such a Finance Ministry plan.

This is necessary, the source said, due to the watering of the Finance Ministry and Bank of Japan (central bank) for their bailout earlier this year of two failed credit unions—a scandal blown up by Kissinger-linked legis-

lators such as Ichiro Ozawa. "The scandal has made it too difficult for the government at present to mount further rescues of weak banks directly," he said, "so this is part of a public-private fallback option."

The Mitsubishi group historically was a key collaborator of American Hamiltonians such as E. Peshine Smith, in creating Meiji Japan's heavy industry. The Bank of Tokyo, founded by Okuma Shigenobu, Meiji Japan's Alexander Hamilton, was created to make Japan independent of Britain's Hongkong and Shanghai Bank, which controlled Asian money markets. It had the sole license to deal in foreign trade and foreign exchange in Japan, a license unsuccessfully sought by HongShang and its allies in the Mitsui group for years. During postwar reconstruction, the Bank of Tokyo was the only bank in Japan allowed to conduct foreign operations.

France

Real estate collapse costs banks dearly

The collapse of real estate markets has caused losses of 200 billion francs for French banks, the German daily *Frankfurter Allgemeine Zeitung* reported on March 30. The situation in the housing sector has turned into a highly controversial policy issue in the ongoing French presidential campaign.

The losses have been caused by a drop in real estate prices, mostly in the inner-city areas, by 40-50% over the past one or two years, with an accelerating tendency over the most recent weeks. So far, many banks have kept their property in reserve and have not sold it, in the hope that prices would recover and balance off the otherwise lost investments. Because many banks are in a difficult situation, however, it is generally expected that they will be forced to sell sooner or later, which will accelerate the crisis in the real estate market.

Rumors in Paris also have it that the full truth about the disaster at *Crédit Lyonnais* will not be made known before the presidential elections, and that the government has covered up the facts for reasons of campaign politics.

Germany

Payments on 'old debt' will cause job losses

Payments on the "old debt" of the former East Germany will cost 72,000 jobs, according to a study by the Munich-based economic research institute IFO, the German economic daily *Handelsblatt* reported on March 27. The study deals only with the "old debt" in the housing construction sector.

Beginning on July 1, east German housing companies will have to start payments on this "old debt." According to the IFO institute, this will lead to a shortfall of DM 4.4 billion (roughly \$3 billion) of investments in the construction sector and an annual decline of Germany's overall economic production of almost DM 8 billion. Roughly 72,200 full-time jobs will be eliminated in this process (57,500 in eastern Germany and 14,700 in western Germany). The debt service on the old housing debt will result in an additional cost of DM 1.16 on every square-meter of housing constructed by east German companies.

Meanwhile, east German municipalities estimate that the number of children between the ages of three and six will fall dramatically, from 600,000 in the year 1991 to only 215,000 in the year 1999.

Petroleum

Nigeria proposes South Africa as oil partner

Nigeria could supply 100,000 to 150,000 barrels of oil a day to South Africa, and it sees that nation as a strategic location for supplying Far Eastern markets, Nigerian National Petroleum Corp. crude oil marketing services general manager Taiwo Idemudia said in Johannesburg on March 30, Reuters reported. "In Nigeria, we see South Africa as a partner in progress."

"The total requirements of South Africa are about 600,000 barrels a day, with around 450,000 barrels being crude oil and 150,000 barrels coming from Sasol," he said, referring

to the local synthetic fuel producer. "With that type of market, certainly, Nigerian crude oil . . . could make an inroad into the market of 100,000 to 150,000 barrels a day."

He said South Africa could save around \$1 a barrel in freight costs compared to the cost of importing Brent crude from the North Sea. Idemudia said Nigeria could also benefit from selling crude to South Africa in terms of its strategic location. Asked if his country had sold oil to South Africa in the past, he replied, "Not Nigeria, as Nigeria." Nigeria recently removed restrictions on the sale of its oil to South Africa.

On the compatibility of Nigerian crude for local refiners, who recently spent considerable sums converting refineries to handle heavier crude, Idemudia said a change to blended crude would be to the eventual benefit of South Africa. "Our crude will be excellent for blended purposes here. Over the longer haul, you will maximize your yield if you begin to switch to Nigerian crude."

Nicaragua

High-speed rail proposed to link two coasts

A high-speed rail line across Nicaragua that would connect the two coasts has been outlined in a proposal presented by a group of European and Chinese firms to the government in Managua. The connection, which would run between Punto del Mono on the Atlantic coast and Asterillo on the Pacific coast, would be 400 kilometers long and would especially service the transport of freight containers, German media reported in late March.

The project, which is coordinated by the Interoceanic Canal Group, is seen as an alternative to a second Panama Canal, which has been under discussion for several years. Germany's Siemens Corp. offered to provide the high-speed locomotives and rolling stock, while the construction part of the project would be carried out by several British, Dutch, and Chinese companies. The estimated cost of the track is \$1.3 billion.

● **DEUTSCHE BANK** Chairman Hilmar Kopper said on March 29 that bank profits fell 73%, from DM 2 billion in 1993 to DM 500 million in 1994. Bond trading losses were DM 369 million, operating profits fell from DM 4 billion to DM 2.9 billion, and pre-tax profits of its subsidiary Morgan Grenfell in London declined 34%.

● **ZIMBABWE**, emerging from its worst drought this century, is facing another water crisis. "All our dams are virtually empty. . . . What we are worrying about is . . . drinking water, for people and animals," said James Khatso, general manager of the state regional water authority, Reuters reported on March 28.

● **SOUTH KOREA** said on March 29 that it had taken four Russian helicopters as partial payment on a \$1.47 billion loan owed by the former Soviet Union which has been holding up Korean investment and trade in Russia.

● **BELGIAN** scientists have developed an AIDS test which is able to detect the virus on the day of infection. Until now, one had to wait three months after infection in order to get a correct test result.

● **THE BULGARIAN** Black Sea port of Varna and the Georgian port of Poti agreed on April 1 to reopen a truck and ferry route between Europe and Asia on June 1. The route is part of the old "Silk Route," which linked Europe to Central Asia and thence to China. The Poti port manager said that the two ports intended to establish a triangular route with the Ukrainian port of Ilichovsk.

● **JORDANIAN** and Israeli officials met on April 2 to develop a joint strategy for developing the Jordan Rift Valley, in preparation for a regional economic conference in Jordan in October. Among the plans, is a \$3 billion canal to bring Red Sea water to the Dead Sea.

NAM's 'renaissance' of U.S. industry: It never happened

by Chris White

This speech was delivered to a conference of the Schiller Institute in Washington, D.C. on March 29.

The National Association of Manufacturers (NAM) has recently published a book-length report on the U.S. manufacturing sector. Entitled *Making It in America, Proven Paths to Success from 50 Top Companies* [Simon and Schuster, 1995], the report's authors—Jerry Jasinowski, the president of NAM; and a Northern Virginia-based economic consultant named Dr. Roger Hamrin—purport to present what they call “a surprising discovery,” namely, that “America is in the midst of a business renaissance and economic comeback that have profound and promising implications for businesses, consumers, workers, and the country's economic future.”

Their purpose bears as much relation to reality as a second-hand baloney sandwich does to a prime rib roast. However, what they put on display, between the red-white-and-blue hues of the book's jacket, typifies the delusions and ignorance which are leading the country head-long toward disaster. Out of these delusions are born the insistence that 1) an economic recovery is in progress; 2) there is no systemic crisis; and 3) that any problem that might come up can be dealt with by administrative means. The authors' 50 success stories provide the anecdotal evidence to buttress such assertions.

A subsumed, adopted purpose of the book, as the authors put it on page 21 of their Introduction, and again on page 30, was “to tackle head-on the pessimism about American manufacturing that had become so widespread in the mid-1980s.” Or again on page 30, “these figures explode the myth that had taken hold in the 1980s that manufacturing had

stagnant productivity growth and had seen its best days. Not only was this not true, but the reality was that American manufacturing was becoming a productive powerhouse, surpassing other parts of the economy, and our international competitors. It is highly ironic that at the height of the ‘death of manufacturing’ laments, in 1985, American manufacturing was right in the middle of six years (1983-88) when manufacturing productivity increases exceeded 4% every year.”

Indicative of the authors' honesty and truthfulness is the fact that the purveyors of what they identify as “the pessimism about American manufacturing” are never identified by name. Since the rigorous treatment of that subject has only come from Lyndon LaRouche and his co-thinkers (see LaRouche's Ninth Forecast, “The Coming Disintegration of World Financial Markets,” *EIR*, June 24, 1994), it can readily be asserted that the book's actual purpose is to put into circulation arguments and examples intended to provide the credulous and ignorant among the country's policymakers with means to rebut what LaRouche has had to say.

This presentation will put Jasinowski and Hamrin's arguments through the shredder, so to speak, the better to demonstrate to those who ought to know better the consequences of their ignorance and credulity, and to equip people like you with the necessary counter-arguments.

This will be done in three steps: firstly, showing why, even in their own terms, they are at best absurd, and at worst, outright liars; second, developing the case, on the basis of evidence from physical economy, of what the reality they purport to address is; and, third, demonstrating the relationship between that reality, and the ongoing, deepening, fi-



Workers carry out the demolition of U.S. Steel's National Tube Plant in McKeesport, Pennsylvania in 1985. The National Association of Manufacturers' Jerry Jasinowski denies the obvious fact that industry is being shut down.

financial bankruptcy crisis. The intended effect is to provide material to buttress the case that bankruptcy reorganization is the only way out of the mess. That there is no longer any room for the usual kind of "administrative measures" that have been employed to define a pathway from one so-called "isolated incident," like the Barings failure, to the next, bigger one.

The economics of the New Left

First, a word about method. It is ironical, given who they purport to be, that Jasinowski and Hamrin actually take up an economic method that LaRouche has been attacking, in the form they present it, since he authored a pamphlet in 1968 entitled "The New Left, Local Control, and Fascism," to counter the 1960s swamp of New Left, Trotskyite, and Comintern-type groups, which were then being funded by McGeorge Bundy's Ford Foundation as counterinsurgency projects. As then the radicals of the New Left's Students for a Democratic Society insisted, so now does National Association of Manufacturers President Jasinowski, that the sole source of profit for the economy is the direct labor of the individual worker employed in the local plant. That profit, and thus productivity, in his sense, i.e., the increase of such locally generated profit relative to labor, and other costs of the local production, are secreted at the local level, without reference to the functioning of society as a whole.

A strange sign of the times, isn't it, that the National

Association of Manufacturers would now allow its name to be associated with arguments which, less than 30 years ago, would have been identified as the hallmark of the lunatic fringe of the far left? Still stranger that such arguments could be accepted by apparently educated people, as having anything useful to say about anything.

You think perhaps this is an exaggeration? Well, turn to the case study presented on page 106, under the heading "Money Motivates People at Lincoln Electric." "Imagine a company like this. No paid holidays. No paid sick days. No paid health insurance. No coffee breaks. No air conditioning in the factory. And the workers' pay is based on piece-work. Sounds almost medieval, or at least early industrial era. You can almost hear the cries from the die-hard Marxists, 'There's the worker exploitation we've been talking about.' Just one problem, the workers love it." They, you see, have an incentive-based profit-sharing plan. Or, on page 114, from Lloyd Spoonholtz, president of Machinist Local 1918 at the Whirlpool plant in Benton Harbor, Michigan: "Productivity used to be a dirty word around here. People thought they would have to work harder without getting anything for it. Now, they're starting to understand productivity pays." Or, the case of Oregon Steel, on page 118: "Under the old ownership, employees just 'put in our time,' says crane operator Chet Russell. Now that employees are owners [the workers bought out the plant with their share option plan], Russell says they put in extra effort, trying hard to satisfy customers, 'because

it's money in our pockets.' ”

These are all schemes—profit sharing, employee ownership, co-participation—which would have been on the agenda of the far left 30 years ago. They are typical of the methods cited by Jasinowski and Hamrin which are producing what they call the “renaissance of American manufacturing.” They are also, as LaRouche wrote back in 1968, when he took up the cudgels against the NAM’s predecessors in the “New Left,” the methods of the Nazis.

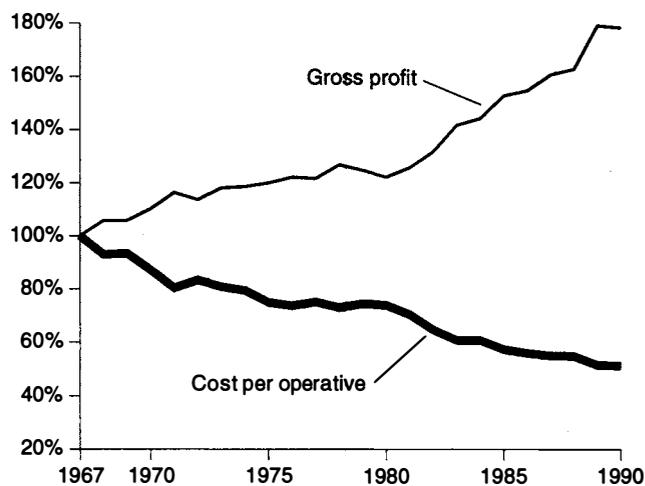
For example, page 166, the case of Microsoft: “A second ingredient is insecurity—this drives the desire to always want to do better.” Or, page 115, the case of Whirlpool again: “The challenge was plainly there for everyone to see in 1987. Employees at the small tooling and plating plant in Benton Harbor, Michigan, watched the wrecking balls take down their 750,000 square foot next door sister plant. One thousand jobs disappeared along with the walls of the factory. They knew that their plant could easily be next.”

If profit is locally generated, then the old Nazis, the New Left of the '60s, and Jasinowski and Hamrin of the NAM will also come together, in terms of policy, around the question of the 80% of the labor force who are not directly involved in locally producing profit, and the broader mass of society, namely, the young and the old. Since their existence does not directly contribute to locally produced profit, they become useless eaters, sub-humans, to be treated as sub-humans, and those who are employed, for the moment, kept just one step away from joining the ranks of that underclass themselves.

They let the cat out of the bag, didn't they? “Sounds almost medieval,” they wrote about work conditions at the Cleveland plant of Lincoln Electric, and “the workers love it.” Because this notion of profit generation is older than the current generation of leadership at the NAM, older than the baby boomers of the New Left, who for all their insistence on novelty, weren't original about anything, and older than the Nazis. It is the same ancient oligarchic cultism that we find otherwise among the cultist followers of Phil Gramm and Newt Gingrich's “Conservative Revolution.”

Let's first show why this notion of profit is off the wall. **Figure 1** shows a view of the progress of the U.S. economy since 1967. It is one which Jasinowski and Hamrin would no doubt accept as representing their views, if they had the concentration span to get above the anecdotal enumeration of their 50 case studies, to try to put together a picture of the economy as a whole. Assume that profit is generated at the local level of the particular plant, add up the total shipments of the local plants, and subtract from that the costs of producing the shipments, wages, costs of materials, costs of new capital expenditure, and costs of credit. Then compare the growth of gross profit with the growth of costs in per operative terms. The costs are estimated on the basis of physical parameters which Jasinowski and Hamrin would not accept, as we shall see shortly, but the results cohere with their expectations, in a way.

FIGURE 1
Gross profit compared to cost per operative
in the U.S. economy
(percent of 1967 level)



So here's the very picture of success: gross profits up by 80%, costs cut in half. This is where the garbage about the American manufacturing renaissance would come from. Look at what that says about per worker productivity! With that kind of improvement in competitiveness, there's no one on the face of the Earth who can beat us. We just have to have faith in ourselves, and our ability to succeed.

Well, fine. Except it is all bunk. What about those costs, society's costs, which are not covered by the operating budgets of these aggregated enterprises, for example, general education, health care, investment in transportation, provision of the investment for the power and water supply on which the particular factories might, and actually do, depend for their functioning, and, of course, the functioning of their workers? If such general costs to society, which make local profit possible, are ignored at the local point of production, what happens then? And, what about other kinds of costs, for example, the cost of credit, which are likewise not determined within the four walls of the plant, and not in ways which are susceptible to the control and management of teams of well-motivated workers, intent on improving the quality of their production, while keeping their jobs? And, of course, what about those who do not work? Where do they fit in the grand scheme of things?

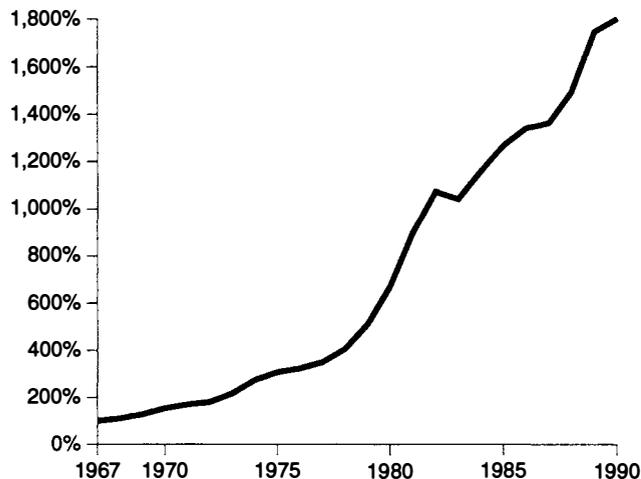
The burden of debt service

Let's add a parameter to represent all those social functions which are not covered by locally generated profit. Let's represent them by debt service, which indicates what we have to pay on what we have to borrow to cover some of what we can no longer produce, or pay for.

FIGURE 2

Debt service per operative

(percent of 1967 level)



Pursue the paths to success recommended by Jasinowski and Hamrin, and, if you've got brains left afterwards, you will find that you are actually standing on your head. The better you think you are doing, the worse everything is actually going to get. In fact, the results will be as suicidal in effect as jumping off the top of the Washington Monument, as **Figure 2** implies. It shows the growth of debt service, per operative, scaled to the same, common 1967 base, as the previous representation of gross profit and costs.

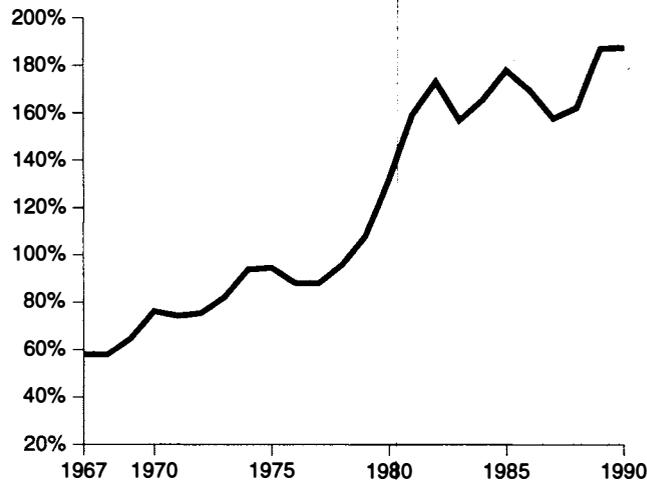
What we see makes a mockery of the Jasinowski-Hamrin "renaissance" thesis. And it ought to give pause to the credulous and deluded among their followers to think a bit about what it is that they are promoting. Costs are cut in half, approximately. Gross profit, per operative, is increasing by 80%. Society's total debt service, divided by the productive operatives who are the sole source of wealth available to service debt, is increasing 18-fold. If you focus on the local "success stories," it is indeed possible to leave out the big picture. But, don't then claim that your local "success stories" have anything to import to the "big picture" at all. Turning to the underlying numbers from which the indices are derived clarifies the point.

Back in 1967, debt service was less than half the profit accruing as the difference between the dollar value of manufacturers' shipments, and the dollar cost of producing those shipments, the sum of wages, costs of materials, net new investment, and the cost of credit taken together. **Figure 3** shows how that relationship has changed over time. An economy can function, with less than half its profit gobbled up by debt service, but you'd better do something about it, and quickly.

Let debt service grow above gross profits, and you're in

FIGURE 3

Debt service as a percent of gross profit in the U.S. economy



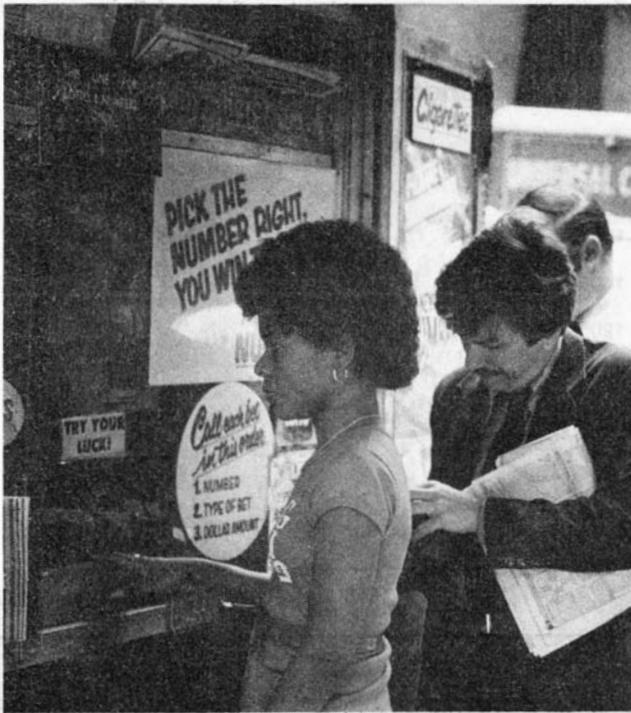
trouble. There aren't too many cases in history of countries whose populations allow that to happen, and then subsequently develop the moral fiber to reverse what they have previously tolerated. Yet that is what has to be done.

The profile of the growth in debt service outstripping the growth in gross profits by a factor of 10:1 (18:1.8), gross profits growing faster than costs by a factor of 3.5:1, and debt service growing faster than the costs of producing the profit by 36:1, is a profile of a society diving into bankruptcy, destroying the productive potentials on which all else depends, for the sake of accumulated debt. It ought to be obvious that no individual manufacturer, nor any combination of manufacturing industries, could make a dent in, or survive against that combination. Still less could they be capable of what the NAM president and his co-author call a "renaissance" of American manufacturing. An individual corporation with that profile would already be in Chapter 11 bankruptcy court trusteeship. Bankruptcy reorganization is the only way out, as it would be for an individual corporation in a similar situation.

This simply says that the authors are ridiculous on their own terms. They've adopted the intellectual standards and methods of the 1960s radicals, both in the way they include what they choose to include, and the way they overlook what they leave out. And they come up with the result you might expect. Just be sure to keep them off your living room carpet. Such productions belong outside, in the yard!

It has nothing to do with money

This much you could probably get out of a home study course, like Hume's "Successful Investment and Money Management," but it doesn't do the job. The whole basis has



A scene from the "post-industrial society" in New York City. Let them eat lottery tickets?

been money. So we've shown that conditions of financial bankruptcy apply. But, contrary to popular belief—and anything that's useful usually is contrary to popular belief—money doesn't make the world go 'round. Jasinowski and Hamrin might want to argue, in nicer words, that the reason we have manufacturing industries is to make money for shareholders in the form of dividend distributions, and for bond and debenture holders in the form of interest payments; but that's all bunk.

But there's something else involved. Would you go to an oncologist who told you he was a defender of the cancer's right to exist? Well, that's what you are going to get, if you choose to believe the fraudulent nonsense peddled by this pair of hucksters. Here we've seen two processes: the growth of the claims of debt, and the reduction in the costs of maintaining economic activity. The two are interrelated. Growth in the claims of debt is fed by the reduction in the costs of economic activity. That is why the crisis is systemic, and not susceptible of treatment by administrative measures. By promoting the so-called growth of locally generated profit, at the expense of the cost of maintaining labor, and so on, Jasinowski and Hamrin are promoting the growth and metastasis of the cancer at the expense of healthy tissue. And that is what they call the "renaissance of American manufacturing."

Let's now turn our attention to the derivation of the cost side of these paired parameters. Why on earth do we have manufacturing industries? For the reasons Jasinowski and Hamrin imply, to make money in the form of profit? We

have manufacturing industries because of something they overlook, because they don't know anything about it. If they did, they wouldn't overlook it. We happen to be human beings. We are superior to the other species of living creatures that we know about. We are not driven by giraffe-like, or other bestial, more predatory instincts, as Squeaker Gingrich is fond of instructing his students. We are superior because we reproduce ourselves in a different way than the lower animals do. We create and assimilate ideas, which God-given power enables us to transform the conditions of our existence, such that more people can exist at a higher standard of living, and a lower social cost, in labor terms of producing that standard of living. The development of manufacturing industries is the result of that process, not someone's crude money-making by way of primitive hordes of accumulated capital in the form of money.

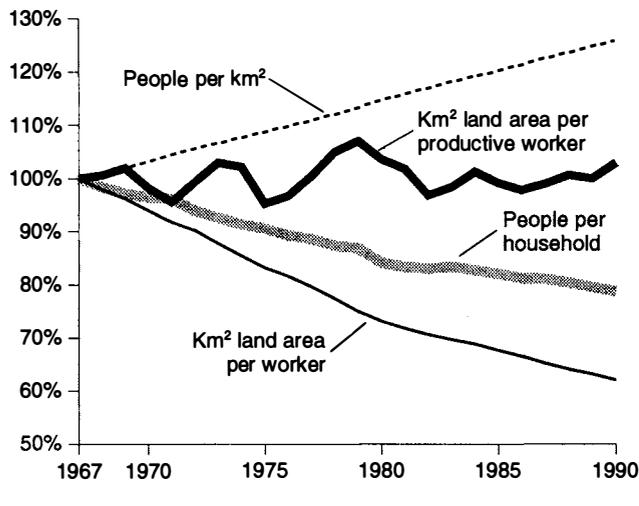
This can be proven, as a general case, as LaRouche has done, from mankind's history in its rise from the Pleistocene. It can be proven, more specifically, with equal universal import, from the history of the impact of the ideas which shaped Europe's 15th-century Renaissance, and subsequent transformation in mankind's existence. It can be proven, yet more specifically, but again with universal import, from the history of the development of agriculture in these United States over the past 200 years, through the cumulative productivity increases by which a lesser absolute number of farmers now feed about 80 times more people than did their forebears of 200 years ago.

We developed a manufacturing industry, and the economic and social infrastructure which supports it, as part of that historical transformation of the earth, and nearby space, through which we have reproduced ourselves as a species. Money didn't do that; human minds, images of God their Creator, did.

The market basket of consumption

So, put money aside. What is needed to ensure human reproduction? The output of useful goods and services, such as food, clothing, housing, education, health, and so on. Such useful goods and services are not optional. They are necessary requirements, defined by the standards set, e.g., educational qualifications of a productive worker who can usefully contribute to the existence of the generations that are to come. Through that approach, we can establish the costs of reproducing society, in terms, for example, of labor equivalents, or energy equivalents. But now you see, we're not talking about how these things might look on someone's abstract balance sheet. Taking up these matters from the standpoint of the reproduction of human existence is to take them up as matters of life-or-death importance for all of us. There, Jasinowski and Hamrin have chosen the side of death, because, like all practitioners of oligarchical cultism, what they recommend is antithetical to continued human existence.

FIGURE 4
Changes in U.S. population densities
 (percent of 1967 level)



The required output of such useful goods and services can be systematized in the form of market baskets of consumers and producers' goods. (See LaRouche's 1984 book, *So, You Wish To Learn All About Economics?* for the systematic treatment of this.)

What we've done—not simply to demonstrate that Jasinowski and Hamrin have the intellectual consistency of a bowl of cold porridge, but it helps—is to put together a profile of such requirements, in the form of a market basket of goods consumed by households and industries, on the basis of what those elements looked like in 1967. Since a worker doesn't work for himself, in the sense that his or her pay-packet ought to be sufficient to support those who depend on his or her labor, these requirements have to be defined in such a way as to avoid the genocidal piggishness of Jasinowski and Hamrin. Consumption levels ought to be taken per capita, of the whole population, as well as per household. And, since, in the broader sweep, we're interested in the trans-generational increase of human qualities and numbers, per unit area, too.

The idea behind constructing such a market basket is to reduce a plethora of detail to the form in which it is possible to say something useful about the whole society and its functioning. Is, for example, a society such as ours capable of reproducing itself by standards necessary to maintain the forward progress of that society, and humanity more generally? For example, what would Jasinowski and Hamrin have to say about the picture shown in **Figure 4**? Would they even consider that what is portrayed might be a matter for policy concern?

Population rising; people per household falling, i.e., households being created faster than the people to fill up the

households; productive workforce, operatives in manufacturing, construction, and transportation stagnating; and total workforce increasing faster than productive workforce, or the population.

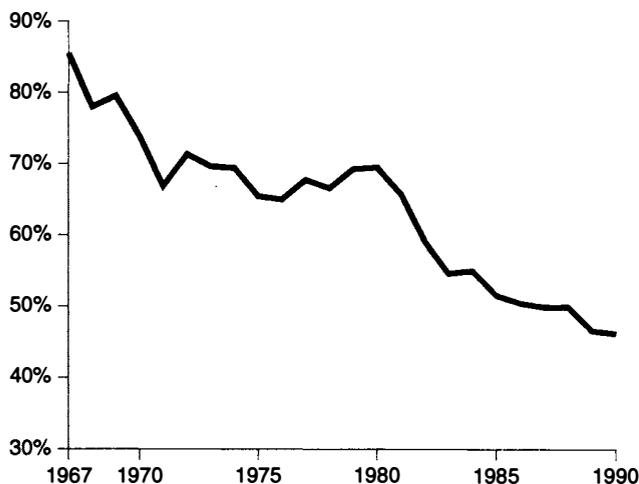
What does that have to do with required market baskets? If household size is falling, even while the labor force is increasing faster than the population, then our economy is not organized in such a way as to support a future for the population! If the productive workforce is stagnating, while the other conditions apply, then we are probably not even producing for the maintenance of the present living generations either. How come we've got the so-called "under class" of people who have been cast out, our own "useless eaters"? We're no longer doing what human beings are supposed to do. What would be required to reverse it, that human existence might continue as it should? A market-basket standard will help answer that question. First, by way of clarification, there are enough of us present here who are old enough to know that 1967 wasn't really any kind of Golden Age. We certainly had problems enough then. But as a chosen reference point, do just bear in mind: Financially, as we have seen, we were roughly profitable, this is the eve of the currency turmoil that characterized the breakdown of the Bretton Woods system, and the fag-end of the recovery impetus imparted by President John Kennedy, through the Apollo program. It also marks the institutionalization of what we now call the "post-industrial" policy shift (which Jasinowski and Hamrin claim hasn't happened). In short, it is a turning point, from one world to another, and the 1967 reference point thus gives us a way of thinking about one world in terms of the other: how we have fallen, as the theologians might say.

But what might such a market basket be? Well, first, it would look like a list of products. But more than that; we're not interested in the products as such, and the question, did this go up or down, by how much, over what time? We're interested in the question, how are/were those products produced? It's a bit like a recipe book for the economy. If you want clothing, or appliances, or housing, or machine tools, what are the ingredients which you will have to gather together to produce them; and, one step further, what are the ingredients of the ingredients? Thus, to make automobiles, we need steel, and to make steel, we need iron ore, and coking coal and limestone, and refractories. And we also need glass, which needs sand and limestone; and rubber, which needs the chemical industry, and sulfuric acid and caustic soda, and so on. And, then, there's the infrastructure, to deliver the fuel and power, and the water, the transportation grid, and, of course the labor force.

Once assembled, what then? Well, what was the throughput of such final products, intermediate goods, and raw materials back in 1967? Which was the greater, what we produced or what we consumed? After all, we don't want anyone to go without, whether it be a job, in the case that production is higher than consumption, or consumption, in

FIGURE 5

Employment of operatives as percentage of actual requirement



the case that we do not produce what we appear to consume. And what was the relationship between that throughput, and what we actually produced? Answering that, one can then identify what the costs of producing the throughput were in 1967. Now, how has that throughput, and the associated costs, changed, relative to 1967, since 1967? We will have more to say about this in a forthcoming *EIR*.

If we know what the throughput ought to be, in our adopted relative terms of reference, and we know what inputs are required to produce the throughput, then we can easily calculate, for example, how many productive workers ought to be employed in the manufacturing industry if we are to produce what is required by our own efforts. We can express the number actually so employed as a percentage of the requirement. **Figure 5** shows the summary result.

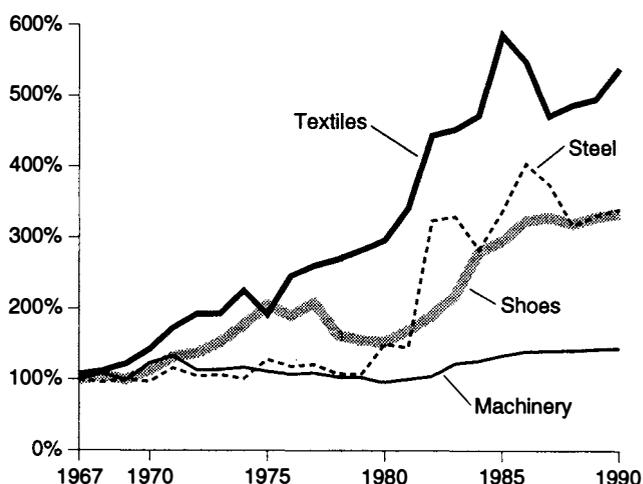
Jasinowski, Hamrin, are you still there? Where's your crazy renaissance now? Of course, it is the earlier cost statement represented. We're capable of producing less than half of what we would have considered to be, perhaps, a decent standard of living just 28 years ago. Do you want to know why two have to work, and still do not produce the standard of living one of their parents, or grandparents, would have been accustomed to a generation ago? Well, there's the answer. We've destroyed the capability to do it. Do you want to address the systemic crisis that Jasinowski and Hamrin are covering up?

Forget about these bloated financial structures whose demise is already ordained. Take up the matter of how we are going to rebuild what we've lost, so that there might be successor generations of humans who come after us.

That's the whole manufacturing sector. We can do the same exercise for sub-sectors of manufacturing, to show

FIGURE 6

Percent of actual workforce required to produce 1967-style market basket



where some of the capabilities we once had have disappeared.

The productivity of labor

Figure 6 shows operative employment requirements to meet production of 1967-style market baskets for the textile, shoe, steel, and non-electrical machinery industries. The percentages are the magnitudes by which employment would have to be increased to meet the production level required.

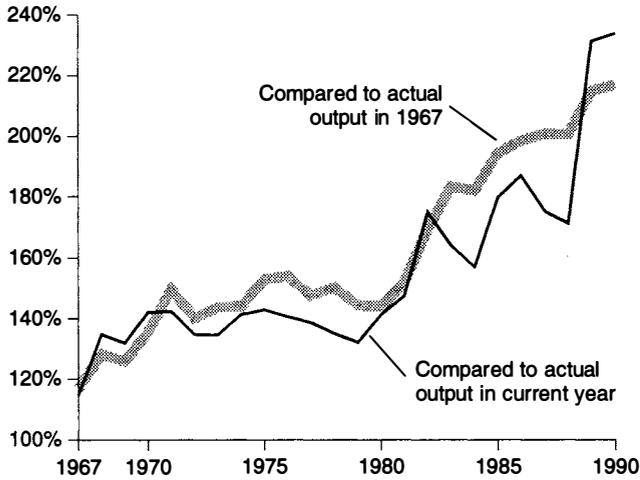
Let's restate the matter in a third way, to dispense with the insistence of those who say, "Well, I can understand what you say you've done. But you must realize that the whole exercise is invalid, because you are not taking account of the question of productivity improvements achieved with the aid of new technology. We've got Macintoshes and Apples, Pentiums and electronic spreadsheets, and other forms of computerized process control. We've got lemons, too."

Figure 7 answers them. The bars marked "per capita basis" represent required employment calculated on the basis of the per capita throughput required, multiplied by the 1967 per operative productivities for those outputs. The bars marked "per operative basis" are calculated by multiplying the annual throughput requirement, defined on the 1967 reference basis, by the per operative productivity in the year to which the estimates applied. What productivity increase? Therefore, what implied technological improvement? If technology had been improved, it ought to show up in a reduction of the labor cost of producing equivalent outputs. It doesn't. As a matter of fact, by the time we get to the late 1980s, the reverse is the case. The labor costs of producing equivalent output are actually increasing. Therefore, per operative productivity is falling.

FIGURE 7

Output required per operator, compared to actual levels

(percent of actual levels)



The question of technological progress comes up in another way, since there's an absurdity involved in all this, of a different sort, but equally absurd, as the Jasinowski-Hamrin "locally generated profit" idiocy. Would anyone in their right mind go about today filling up a 1967 market basket using 1967 methods? Of course they wouldn't. We would need a combination of technological improvements and productive employment that would cheapen the labor cost of producing such a market basket, while also changing its contents. The changes introduced will necessarily change both the array of outputs, as well as the corresponding inputs, including, of course, the educational qualifications of employed labor.

However, such a 1967-type market basket would give us a standard against which to compare what we are doing, on a per capita basis, on a per operative basis, and so forth. Are we on the path to producing a better standard of living more cheaply than we did in 1967? And not just for ourselves, but for the rest of the world, since a modern standard of living is the correlative of the kind of culture which is a universal standard for all people.

The speculative bubble

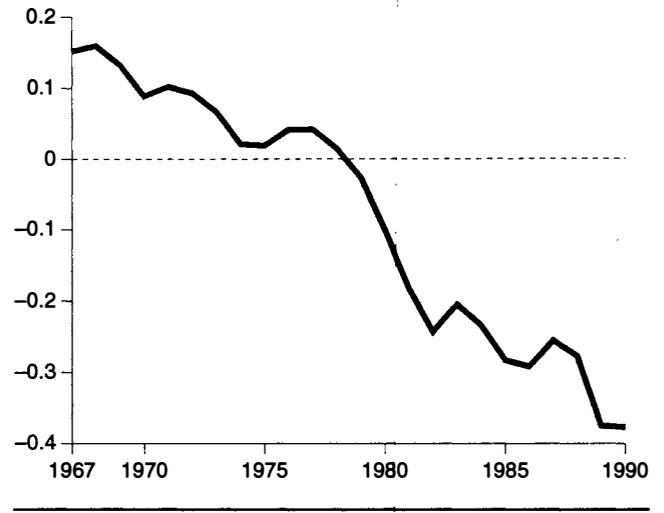
Viewed in this way, there is no way that a debt-based financial bubble of usury and speculation can co-exist with human society. The debt bubble can only exist at the expense of human society, cancer-like, consuming its host, but also cancer-like, incapable of surviving without the host. The "bubble" is doomed out of its own mode of reproduction, and everything that is attached to it is also doomed.

Figure 8 represents an approximation of the financial profit ratio of the U.S. economy. That is to say, gross profits

FIGURE 8

Financial profit ratio of the U.S. economy

(for unit value, see text)



from manufacturing minus debt service, divided by direct costs (wages, materials, so-called new investment) inflated by the effective interest rate (debt service divided by total debt).

This is what the debt bubble has done to the profitability of the economy as a whole, thanks to the warmed-over adolescent or infantile thinking of people like Jasinowski and Hamrin, who insist that profits can grow, even as the costs of producing the profits are reduced. It ought to be clear that even as that ratio falls, the followers of Jasinowski and Hamrin will react with yet more savage assaults on the "costs" of maintaining human existence, in order to increase the profits from which debt service and other forms of usury are extracted. This is what is being fought out in the Congress, around welfare reform, entitlement spending, and these disgusting capital gains tax cut proposals. They will inevitably make that ratio worse, and will, equally inevitably, thereby accelerate the demise of their bubble. The less healthy tissue remains, the shorter the future prospects of the cancer become.

Could capabilities be generated to organize a real recovery *without* excising the cancerous debt bubble? Since the cancer grows by what it feeds on, the answer must be, "No, it can't be done."

This leaves just two choices: Either the debt bubble will destroy itself, or it will be put out of existence through a procedure comparable to a corporate Chapter 11 bankruptcy. There isn't any middle ground to cling to. Therefore, the sooner the credulous come to their senses about such nonsense as Jasinowski and Hamrin's, and the less tolerance there is for such drivelling, the better things will be for everyone.

British royal racists are on a global rampage

by Nancy Spannaus

“Britain’s Decline Is Over—Official,” stated a March 29 headline of the British news service Reuters, in reporting the wrap-up speech of Foreign Secretary Douglas Hurd at the Royal Institute of International Affairs (RIIA) conference on “Britain in the World.” Hurd said that Britain should reject advice to pull back from a global role, “for the effort which Britain now makes in the world is an effort which Britain can and should sustain and increase.”

The reality is that Britain’s global role, a continuation of the evil geopolitical manipulation previously carried out by the Venetian oligarchy, *is* under challenge. That challenge is represented primarily by the potential represented in the government of the United States under President William Clinton, who, having declared an end to the “special relationship” with Great Britain, is seeking to reestablish a foreign policy based on American national interest. Although the President is still evading the central issue of the systemic international financial collapse, he is pursuing policies in the Balkans, the Middle East, Asia, and North Africa, as well as relations with the superpowers Russia and China, which threaten to bring British leverage to an end. Before the total financial breakdown forces the President’s hand, the House of Windsor is cutting a swath of irregular warfare and terrorism intended to sabotage any hope of stability.

As usual, the British viewpoint is expressed accurately by the monarchy’s U.S. agent of influence, former Secretary of State Henry Kissinger. Speaking at the same RIIA affair as Hurd, Kissinger reiterated his longstanding attack on traditional American foreign policy, and insisted that the “equilibrium, or balance of power” approach, which is rejected in America, be adopted. Kissinger honed in on the Asian theater in particular, arguing that “we can talk—as we do talk periodically—about a Pacific community, but anybody studying the relations of Japan, China, Korea, the Asia part of Russia, even India, to each other, must come to the view that, at this stage, their relations to each other are more similar to the relations of nineteenth-century European states to each other than of twentieth-



Iraqi victims of the Thatcher-Bush Gulf war, 1991. The British oligarchy is fostering irregular warfare, terrorism, and ethnic and religious conflicts all around the world, in a new version of the Thirty Years' War.

century European states.”

Kissinger's remarks, of course, do not reflect a statement of objective fact. They are a declaration of intent by his masters in Great Britain to ensure that stability does not ensue in the Pacific theater, or anywhere else for that matter. To that end, British assets in the separatist and terrorist underground internationally, are now being deployed to carry out irregular warfare that will either create conflicts, or prevent conflicts from being resolved through common projects of economic development, as in the Middle East.

The historical backdrop

“There's really a war going on, a war and a half, between the British monarchy and the government of the United States today,” remarked U.S. statesman Lyndon LaRouche in his weekly radio interview with “*EIR Talks*” on April 5. The background to this war goes back to before the founding of the United States of America, to the period of 1688, when the British Crown attempted to shut down the great experiment in republicanism in Massachusetts. And without understanding the basis for this fundamental conflict between the British monarchy and the institutional foundations of the United States, there is no way to understand what underlies the apparently independent eruption of out-of-control terrorism in area after area of the African and Asian continents, not to mention sections of Ibero-America and Europe.

The British monarchy, acting with the methods it inherited from the Venetians, is the *primus inter pares* among the

world oligarchy, as *EIR* elaborated in its groundbreaking work on the “Coming Fall of the House of Windsor” (Oct. 28, 1994). As such, the British rulers consider it a matter of *species-survival* to eliminate threats to their power to control world events. They would rather see nation after nation be destroyed—and even permit the economic and cultural destruction of their own nesting ground—than to permit the flourishing of prosperous republics, and alliances among them.

On this basis, the United States has always been the major perceived enemy of the British monarchy. Not only did the United States defeat the British in *three wars*—the War of Independence, the War of 1812, and the Civil War—but the American Republic, no matter how corrupted its leaders, people, and activity in the world, stands as an institutional commitment to republicanism, the sovereignty of a nation created under God, a constitutional commitment to the General Welfare, and the proposition that all men are endowed by their Creator with the inalienable right to life, liberty, and the pursuit of happiness.

Late in the nineteenth century, it appeared that the monarchy had succeeded in gutting this U.S. commitment from within. Especially after the accession of Teddy Roosevelt, the United States became more and more of an ally of the British Empire, providing the muscle for implementing oligarchical aims of geopolitics, racism, and debt collection. But the British were acutely aware of the fact that this situation was unstable, as long as U.S. integrity under the Consti-

tution was preserved. They were bitterly reminded of this fact under President Franklin Delano Roosevelt, who had the nerve to challenge British Prime Minister Winston Churchill's racist colonialism.

President John F. Kennedy also represented a challenge to British geopolitics, but he was quickly cut down, as part of a wave of British intelligence-instigated assassinations and upheavals in the 1960s.

The U.S. presidency was once again brought basically to heel, until the emergence of President William Clinton. Clinton, who had himself been trained in England and gone through all the "right" clubs, was supposed to be another toady of the British, but he's shown emphatically that he understands the British establishment to be inimical to the United States. Given the remaining power of the U.S. presidency, if President Clinton were to buck the Anglophile establishment of the United States, including the Federal Reserve System, the British see reason to fear.

Venetian methods

It has never been the British, or Venetian, or oligarchical way to take an enemy head-on, when such an exposure could be avoided. The method of the oligarchy is like that of Iago in Shakespeare's *Othello*: insinuation, treachery, lies, turning potential allies against one another. It was this strategy which was used in creating the allegedly religious Thirty Years' War (1618-48), which destroyed Central Europe for a generation, and in creating World War I. The method of warfare has been dubbed "irregular" by the late German law professor and scholar Prof. Dr. Freiherr August von der Heydte, in that it is fought without strict lines of battle, through surrogates, guerrillas, and with massive use of psychological warfare.

These methods are characteristic of the British global war against the United States today. Never ones to have respect for human life, the British monarchy is willing to fight the Clinton administration down to the last Bosnian, African, or Asian.

One of the notable aspects of the current phase of this war was reflected in the speech by Prince Charles to the RIIA Chatham House conference on March 29. Charles, like his evil father, Prince Philip, has invested a considerable amount of effort in cultural warfare, especially on the so-called religious front. Much of the targeting has been against Islam, as Charles's remarks indicate:

"Britain has to play the role of the bridge between the Islamic world and the West. It seems to me that the 'historic links' that Britain traditionally has had with the Muslims, despite the immense potential of experience it has acquired about the Muslim society, qualifies us to play this role, the role of bridge builders and 'interpreters' of the religion."

The actual significance of this alleged (actually false) sympathy for Islam is indicated in many of the case studies in this package:

The British monarchy and its think-tanks are up to their eyeballs in fostering terrorist groups, both in the name of Islam and in the name of fighting Islam! In addition, the cultural aspect of the House of Windsor's warfare cultivates or creates terrorist outfits among other religious groups, or anti-religious groups.

The reality of the matter is that, while pretending to extend its hand to Islam, the British intelligence services have been right in the middle of fostering the bloody civil strife in Palestine, Algeria, Bosnia, Sudan, and Pakistan—to name only a few places. On the other side, seeking to promote dialogue around concrete issues that will permit peaceful co-existence, especially economic development, has been the United States.

The other hallmark of the Venetian method is to attempt at all points to undermine the authority of the nation-state, and national sovereignty. Thus the methods which the British promote in purporting to try to solve problems of ethnic discrimination or human rights abuses, is invariably oriented toward destroying the national government of the targeted state—and, not surprisingly, exacerbating the conflicts already existing.

This author is reminded of the classic case of the British role in the fight over slavery in the United States. On the one hand, the British were the strongest financial and intelligence backers of the Southern slaveholders and their Northern merchant colleagues. On the other hand, the British were the prime public funders and propagandists against slavery, promulgating the Wilberforce doctrine in the 1830s, sponsoring the Abolition Movement, and so forth. In the case of the slavery fight, it is not hard to see the method in this supposedly contradictory policy: The British were attempting to break up and destroy the United States. It took intelligent leaders—like Frederick Douglass and Abraham Lincoln—to avoid the emotional traps set by the British intelligence warfare, and to fight to preserve the national institutions which were required in order to eliminate slavery and build a future for the former slaves.

The global battleground

In the pages that follow, we present a map of the global conflicts, as well as a number of case studies. Note that the swath of irregular warfare overlaps all the areas of crucial economic development projects which are required to reverse the breakdown caused by the collapse of the international financial system. They follow the "Arc of Crisis" which Kissinger and Zbigniew Brzezinski had outlined back in the 1970s. They reach into the very heart of Asia, the most densely populated area of the world.

Recognition of the role of British intelligence in this global war, and resistance by patriots throughout the world, can mean the difference between losing hundreds of millions of lives, and creating the conditions for a just new economic order for all nations.

Eurasia is swept by a Thirty Years' War

by Konstantin George

The zone of Eurasian territory engulfed by a British-orchestrated "Thirty Years' War" process has again expanded, with Turkey's de facto military occupation of northern Iraq, a military operation that began on March 20. Turkey's move was justified as an attempt to at least contain the use of northern Iraq by radical Kurdish Workers Party (PKK) guerrilla forces as a sanctuary to rest, refit, and regroup their units prior to launching new military operations against the Turkish state. However, the very existence of a PKK sanctuary in northern Iraq, which has necessitated the expansion of Turkey's war against the PKK, is a direct result of the post-Persian Gulf war Thatcher-Bush policy, which deprived Iraq of control over its northern region, creating a political power vacuum in the area.

There is now an unbroken line of military conflicts extending from the Russian North Caucasus, down through the Transcaucasus, through eastern and southeastern Turkey, and into northern Iraq. The British-directed policy of manipulating the Russian regime and other governments and movements to support conflicts, and thus have this particular region bleed and plunge into chaos, is hardly accidental. This zone of conflict lies astride the vital European and Russian overland transport and pipeline links with the populous southern tier of the Eurasian land mass. With this region embroiled in protracted warfare, the building of new infrastructure projects has been effectively sabotaged.

The expansion of this core zone of conflict has been accompanied this year by extremely significant escalations of conflicts typical of the "Thirty Years' War," both elsewhere in Eurasia and in Africa. Recent escalations to the east of this core zone include renewed heavy fighting among the various groups in Afghanistan's never-ending "Lebanon" pattern of civil wars. Added to this has been a resumption of violence in Tajikistan and along the Tajik-Afghanistan border. In the Balkans, heavy fighting resumed in Bosnia during March, and the potential is growing for a resumption of warfare between Serbia and Croatia.

Wars and massacres in Africa

To round out this picture, a brief look at Africa is in order.

During March, the civil war in Algeria underwent a

qualitative expansion. The scale of guerrilla conflict has, for the first time, reached the level last seen during the 1950s war of independence, with pitched battles lasting up to a week between government forces, massively using artillery and aircraft, and battalion-size Islamic guerrilla units.

In Egypt, the scale of daily irregular warfare between government police units and Islamic guerrillas is at the level at which Algeria was a year ago.

In black Africa, a new round of war and massacres has begun in Burundi, threatening to rival the horrendous slaughter that occurred last year in neighboring Rwanda (see last week's *EIR*, "Burundi: Countdown to Catastrophe").

EIR has documented the role of Britain and of British assets in France and elsewhere in instigating and perpetuating all these conflicts.

That being said, we can turn our attention to the contiguous zone of conflict, from the Russian Caucasus down to Iraq.

The core zone of conflict

The conflicts located in this zone from the Caucasus to northern Iraq, none of which has any prospects for an early end, are:

1) The war in Chechnya, with its spillover potential into the neighboring Russian North Caucasus regions of Ingushetia and Dagestan. The war in Chechnya, which has claimed tens of thousands of lives, has been raging for four months. Its first, and short, phase was concluded during the end of March and the first week of April with the destruction and capture of Argun, Gudermes, and Shali by Russian forces, thus placing all major towns under Russian control. The second, and longer, phase—protracted guerrilla war in the mountains—is about to begin.

2) The Armenia-Azerbaijan War, including the development of near civil war-like conditions within Azerbaijan itself, as witnessed by the mid-March bloody failed coup attempt against President Geidar Aliyev. That coup, staged by an elite unit of Azerbaijani Interior Ministry troops which marched on the capital, Baku, resulted in more than 100 people killed. Since the coup attempt, Aliyev has tried to preempt or postpone another coup attempt, through arrests of more than 400 opposition figures and government functionaries suspected of disloyalty. Should Azerbaijan plunge into civil war, there is no guarantee that the conflict would be confined to the territory of this former Soviet republic, with its 7 million inhabitants.

The Republic of Azerbaijan borders on Iran, and to be precise, on Iranian Azerbaijan, which contains more Azeris than Azerbaijan. A nightmarish outcome of a civil war would be a regime in Baku embracing a Pan-Turkic ideology, with a program centered on "reuniting the Azerbaijani nation." As the ongoing wave of preemptive arrests shows, this is not some conjectured "scenario." Aliyev has concentrated on rounding up Pan-Turkic opposition figures.

3) The conditions in Georgia, verging on civil war, combined with the potential for fighting to resume between Georgia and the two regions that have seceded from Georgia, Abkhazia and South Ossetia.

4) The more than 10-year-old Kurdish insurrection in eastern and southeastern Turkey, which has cost more than 20,000 lives, covers all of Turkey's northeastern and eastern provinces bordering on Armenia and Iran, and the entire southeast quadrant of Turkey extending inland from Turkey's borders with Iraq and Syria. The war has ruined the physical economy of about one-quarter of Anatolia. The economic and social cost to Turkey has been far higher. The war has caused a flood of millions of homeless Kurds out of eastern Turkey and into the main cities of Turkey, including Istanbul, Izmir, and Ankara, where they live in squalor in shantytowns called *gecekondus*—"towns of the night."

The longer the conflict in eastern Turkey lasts, the greater the danger that the next theater of conflict will erupt, namely the hellish scenario—unfortunately all too real—of communal warfare in the cities of western Turkey. A foretaste of how volatile this situation is, was seen in Istanbul in March, with the bloody riots and clashes with police staged by Turkey's Alawite Islamic minority group.

The Kurdish conflict is not only strategically important because it wreaks havoc with Turkey's—and thus Europe's—overland links to Iraq and Iran and points farther

east. The headwaters of the Euphrates and Tigris rivers, which are the largest freshwater reserves for the Near East region, are located in eastern Anatolia. As London knows only too well, destroying eastern Anatolia deprives the entire Near East of the most important resource required for real economic development: water.

5) The addition of northern Iraq to the "Thirty Years' War" map. The Turkish operation was justified, but unfortunately, the incursion into northern Iraq also forms a trap for Turkey. The problem lies in the "rules of the game" at the higher level being controlled or manipulated by London. As long as the post-Persian Gulf war stranglehold placed on Iraq by Margaret Thatcher and George Bush still holds, northern Iraq cannot be pacified.

This example of the higher level of the problem illustrates that a workable solution to the entire array of conflicts in this zone and elsewhere is only possible through overturning the policies of the western governments of the Thatcher-Bush era that allowed these conflicts to be sparked in the first place. The starting point for this must come from the Clinton administration, and it must come soon. Otherwise, the level and scope of conflict and chaos in the area that geographically bridges Europe and Russia with the Near East and South Asia threatens to grow to a dimension that would make it all but irreversible, drawing other nations and regions into its vortex.

Holbrooke backs Turkish operations in Iraq

U.S. Assistant Secretary of State Richard Holbrooke gave a press conference on March 31, following his meetings with Turkish Prime Minister Tansu Ciller's political adviser Emre Gonensay. In contrast to harsh condemnations made by the British, French, and German governments, Holbrooke fully supported Turkey's incursion into Iraq, and the importance of U.S. support for Turkey generally. Britain, France, and Germany have accused Turkey of human rights violations, have cut off arms sales to Turkey, and have threatened to veto Turkey's proposed admittance into the European Union customs union this year. French President François Mitterrand's wife, Danielle, traveled to Washington in March to denounce the Turkish incursion before the U.S. Congress as constituting genocide.

"Turkey, while it was already a front-line state during the Cold War in the sense that there was a common Turkish-Soviet border, has increasingly become the front-line state for the United States," Holbrooke told the press.

"Look at the issues of the region and consider how many of them impact directly on Turkey and on whom Turkey impacts directly. . . . Nagorno-Karabakh, Chechnya, Iran, Iraq, Cyprus, problems in the Aegean, Bosnia all have a direct effect on Turkey. . . . In addition, there are other tensions in the area which do not directly involve Turkey but can affect them—Greece-Albanian relations, relations between Athens and Skopje, and the situation between Russia and Ukraine because of the Crimea.

"Turkey is critical to the security and stability of Europe. And when I say stability and security of Europe, I include our own stability and security, because we are a European power and it matters to us. . . .

"Currently the Turks have launched a military operation in northern Iraq inside the no-fly zone. We believe that their efforts to deal with the PKK [Kurdish Workers Party] are legitimate and their territorial integrity is critically important, not only of them but all of Europe, because I can tell you clearly that if the territorial integrity of the current boundaries of Europe, no matter what historical accidents created them, is changed, it will lead to chaos throughout the region. . . . At the same time, we have expressed our concern that these operations be limited in scope and duration."

British escalate the war in Sudan

by Joseph Brewda

During the first week of February, the Deputy Speaker of the British House of Lords, Baroness Cox, led a delegation to Washington to meet with U.S. policymakers. Her professed, if confidentially stated, purpose was to gain American support for a revived British effort to overthrow the Sudanese government. "We feel the time is now ripe for the U.S., with the support of Britain, to overthrow this regime," she privately told one congressman, after a Congressional Human Rights Caucus-sponsored press conference on Sudan on Feb. 6.

The Sudanese regime, however, is hardly on its last legs. Over recent months, the insurgent Sudanese Peoples Liberation Army (SPLA) has taken a severe beating, only subsisting through the safe-haven, logistical support, and troops supplied by Ugandan President Yoweri Museveni. Museveni works under the direction of Cox's crony, British Overseas Development Minister Lady Lynda Chalker.

Last year, Museveni, under direction from Lady Chalker, instigated the murder of hundreds of thousands of Rwandans when his Ugandan Army, under the rubric of the Rwandan Patriotic Front, invaded Rwanda.

British efforts to persuade Washington to aid their increased military operations in the region (in which the United States is being set up to take the blame), have had mixed results. The traditionally anglophile State Department endorsed the plan, as have such congressmen as Frank Wolf (R-Va.). On March 24, Cox's delegation returned for hearings before the House International Affairs Subcommittee on Africa. There, Wolf called for "stepped-up operations" against Sudan, while State Department Africa hand Edward Brynn said that a "closed session" would be needed to answer one congressman's query on whether the United States is supplying arms to the Sudanese opposition.

In her public testimony before Congress, and in other meetings, Cox and her associates charged that the Sudanese government was committing "genocide" and "ethnocide" against the Christian and animist tribes of the south. This provides public relations justification for British-orchestrated military and economic constriction of Sudan. Cox called upon the United States to aid Ugandan, Eritrean, and Ethiopian-based insurgencies against Sudan, and to impose an embargo against, and air-blockade over, Sudan.

Cox was speaking as an official of the Oxford-based Christian Solidarity International, which claims to protect Christians in Muslim lands. Together with the Royal African

Society and the Royal Geographic Society, the CSI is the British intelligence coordinator of the Sudanese opposition, including such groups as the SPLA, the Southern Sudan Independence Movement, the Sudanese Communist Party, the Umma party, and the Democratic Union Party, all of which are headquartered in London.

A new base in Eritrea

Aside from Uganda, which has been effectively recolonized by the British since Museveni came to power in 1986, London is now building up Eritrea as a new base for destabilizing both Sudan and Egypt. Carved out of Ethiopia's Red Sea coast in 1993 after a war lasting 30 years, cash-starved Eritrea has become a de facto British colony managed jointly by Uganda and Israel. President Assiyas Afwerki's close ties to Israel preceded independence; Israel has secured a naval base on Eritrea's Red Sea Dahlak Island.

Eritrea broke diplomatic relations with Sudan in December, when Sudan began pressuring Uganda for its operations on the Sudan border. That same month, Eritrea sponsored a meeting of the Sudanese opposition including representatives of the SPLA and the northern-based Democratic Unionist Party and Umma party. There the delegates for the first time agreed to the right of southern Sudan to secede. The resultant state would join the ranks of Rwanda and Burundi as satellites of Uganda.

For three weeks in February, Afwerki was in Washington, where he met with President Bill Clinton, State Department, Defense, and intelligence agency officials, as well as senior congressmen and business leaders. Through such means, the British Eritrean card has acquired a "Made-in-the-U.S.A." label.

Following this trip, Eritrea has become the new northern base of infiltration and subversion of Sudan, in a pincer with Uganda's role in the south. Western arms and training are to provide a capability for launching guerrilla operations against nearby Khartoum.

Preparing a new Israeli-Egyptian war?

Eritrea is also being used against Egypt, with which it has unfriendly relations. The failure of the Israeli-Palestinian accords to so far reach their potential, due to sabotage from London and the International Monetary Fund (IMF), has reportedly lured some British-manipulated Israeli circles into contemplating war with Egypt over the mid-term.

Christian Solidarity International has been orchestrating Christian-Muslim violence in southern Egypt, blamed on Sudan. The devastating effects of IMF conditionalities on Egypt have radicalized the population, and Egyptian President Hosni Mubarak's crude efforts to crush the growing Islamic movement are creating the conditions for a coup. The coming to power of a new regime could be the pretext for an Israeli-Egyptian war, drowning the Israeli-Palestinian accords in blood.

Britain's irregular warfare scenario

The British oligarchy is fostering irregular warfare throughout the world, with the aid of the Kissinger/Bush network within the U.S. establishment.

Sweeping across North Africa, and down its east coast, Britain is orchestrating religious, civil, and tribal wars that are intended to weaken or annihilate all nation-states, while preparing conditions for North-South, Christian-Muslim conflict.

From the Balkans into Turkey, the Middle East, and through Iran into the Indian subcontinent, and also into former Soviet Central Asia, the British are provoking religious and nationalist wars in what they have termed the "Arc of Crisis."

In the India-China-Japan theater, conflict among the dominant Asian regional powers, including nuclear conflict, is a top British objective.

1. Algeria: The British-orchestrated civil war may spread into the neighboring former French colonies of Morocco and Tunisia. The increasing likelihood of a mass flight of refugees to France and Europe generally will aid ongoing British efforts to depict North Africa and Islam as the new danger to Europe. The Clinton administration has been attempting to facilitate a dialogue between the government and Islamic opposition parties.

2. Egypt: Orchestrated Christian Coptic-Muslim strife in southern Egypt is being increasingly blamed on Sudan as part of a plan to spark an Egyptian-Sudanese war. See p. 25.

3. Sudan: The British-run civil war is drawing in neighboring Eritrea and Uganda. See p. 25.

4. Rwanda/Burundi: Ugandan President Yoweri Museveni's sponsorship of Tutsi tribal massacres of Hutus throughout the region, under the patronage of British Overseas Development Minister Lady Lynda Chalker, is building a greater Uganda.

5. Republic of South Africa: See p. 30.

6. Nigeria: Recent British coup attempts, typified by the Royal Institute of International Affairs failed effort to install Gen. Olusegun Obasanjo in power, are meant to force compliance with brutal International Monetary Fund (IMF) austerity measures. Such measures are meant to create civil strife and tribal war in the most populous and economically and militarily powerful black African country.

7. Liberia: Externally directed ongoing civil war, which has drawn in neighboring states, including Nigeria,



remains a threat to the region.

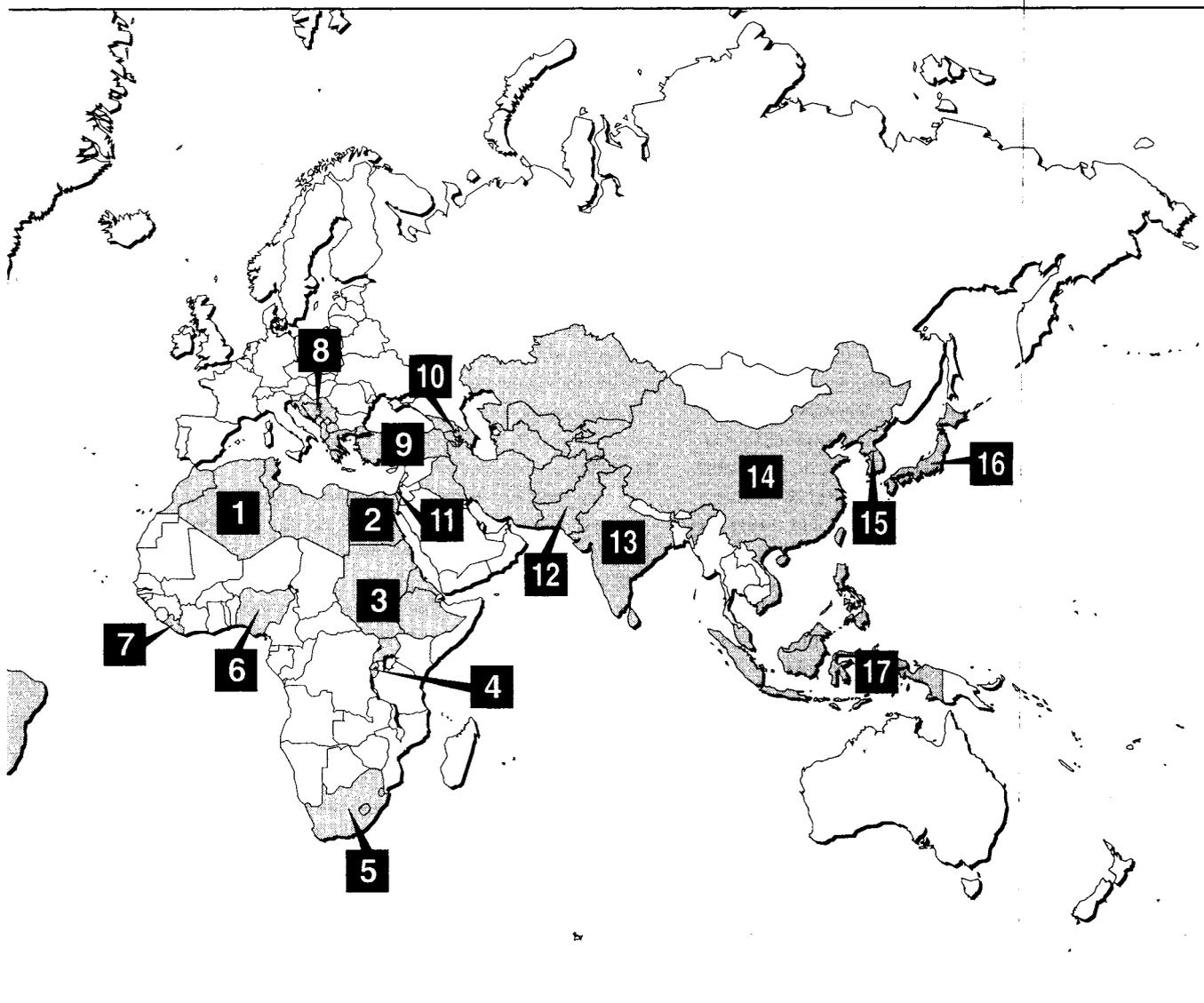
8. Balkans: The British-sponsored Serbian war with Croatia and Bosnia is escalating, with major new battles being projected this spring. An escalated war threatens to draw in Albania and Turkey on the side of Bosnia, and Greece on the side of Serbia.

9. Turkey: See p. 23.

10. Caucasus: See p. 23.

11. Israel/Palestine: British/IMF sabotage of development plans threatens to overturn peace accords, provoking renewed Israeli-Palestinian conflict, as well as conflict between the PLO and Hamas in Gaza. Conflict among Israelis, between those supporting and opposing the accords, cannot be excluded, including assassinations of Israeli political leaders.

12. Pakistan: British-run Shiite-Sunni and ethnic



violence in the port city of Karachi is meant to aid fragmentation of the nation, while Pakistani-Indian conflict over Kashmir might spark a new war. See p. 28.

13. India: The British assassination of Prime Minister Indira Gandhi, and later of her son Prime Minister Rajiv Gandhi, decapitated the nation's leadership. Separatist strife in Kashmir, Punjab, Tamil Nadu, and elsewhere continues to be promoted and manipulated.

14. China: The Indian-based British agent Dalai Lama's calls for a Tibetan insurrection in China, while on a trip to Japan, have increased the potential for regional wars. The London-based International Institute of Strategic Studies continues to plot a Chinese civil war in the aftermath of Deng Xiaoping's coming death, in what is known as the "Gerald Segal plan." See p. 36.

15. Korea: The British attempt to sabotage Clinton

administration efforts to build up North Korea's civilian nuclear industry as a means of defusing a contrived crisis over its claimed bomb-making program. Sabotage of such efforts could block Korean reunification, lead to a new Korean conflict, or even to North Korea getting the "Iraq treatment."

16. Japan: See p. 36.

17. Indonesia: British-Portuguese insurgency in predominately Catholic East Timor is meant to destabilize the archipelago, while conflict between Vietnam, Malaysia, the People's Republic of China, and Taiwan is being prepared over the disputed oil-rich Spratley Islands. Renewed Muslim-separatist insurgency and terrorism is planned for the Philippines.

18. Ibero-America: The British-dominated, Cuban-based São Paulo Forum is escalating continent-wide irregular warfare, with the aid of the U.S. State Department. See p. 31.

London declares war on U.S.-Pakistan revival

by Linda de Hoyos and Ramtanu Maitra

On April 5 through 19, Pakistani Prime Minister Benazir Bhutto will be in the United States, in an attempt to revive her country's relations with the United States.

Since 1971, when Henry Kissinger orchestrated the U.S. support of Pakistan against India during the Bangladesh war, Pakistan functioned as the fulcrum of U.S. policy in South Asia, a role heightened when the 1979 invasion of Afghanistan turned Pakistan into a "front-line state." But under the administration of George Bush, relations with Pakistan went on the skids. In 1990, the year before the Anglo-American war against Iraq, Pakistani President Ghulam Ishaq Khan—without protest from Washington—summarily dismissed the government of Mrs. Bhutto, who had come to power in 1988. In the same year, the United States cut off all economic and military aid to Pakistan, because of its failure to open up its nuclear program to international inspection. Relations reached a nadir in early 1993—in the wake of the New York City World Trade Center bombing and the killing of two CIA employees in Langley, Virginia, allegedly by a Pakistani—when the State Department made a bid to place Pakistan on the list of "terrorist states." Gradually, relations have improved, with the return to power in October 1993 of Benazir Bhutto.

The American decision to revive operations with Pakistan hinges on Washington's projected use of Pakistan as the gateway to Central Asia. The other hinge for the United States into this key region is Turkey. Unlike Kissinger's policy of "tilt," the Clinton administration is simultaneously seeking to improve relations with India. Washington is also seeking to settle the most contentious issues between India and Pakistan—such as the Kashmir dispute—as a necessary step in gaining both countries' acquiescence to nuclear non-proliferation.

Against the realization of this policy, London has hurled itself full-force. London's unmistakable declaration of war came with the March 8 killing of two employees of the U.S. consulate in Karachi, Pakistan, an embattled city reminiscent of 1980s Beirut.

London pulls the strings

British intelligence has utilized a simple strategy against Bhutto: Render Pakistan ungovernable and thereby deny territory to either Pakistani or U.S. interests. London has no lack of assets to do the job.

Operations have focused on Karachi, the 10-million population port city in Sind province, home of the Bhutto family. In the past six months, nearly 1,000 people have died in political murders there. On March 31, British Labour Party Member of Parliament George Galloway declared in session that "the prime minister of Pakistan was right to say in Karachi . . . that to some extent, violence is being encouraged and in part financed by foreign powers." Galloway pointed the finger at Iran for fomenting conflicts between Shia and Sunni Muslims, and also to India, charging that the Indian consulate had been shut down in Karachi because "of the role played by Indian secret intelligence agents in fomenting communal violence."

Galloway, who claims to have been a guest of the prime minister and to hold Pakistan's "highest civil award," failed to mention London's own "invisible hand" in Karachi, a city that has been mentioned by one Londoner as a possible "second Singapore," a free port on the Arabian Sea coast servicing the already heavy flow of drugs and dirty money zipping toward London.

Accordingly, one line of conflict in Karachi is between the Mohajir Quami Movement (MQM), the organization of Indian Muslims who moved to Karachi with the British partition of India in 1947 and who constitute the major business community there, and the city's drug barons, many of whom are offspring of Afghanistan-refugee drug-and-guns culture.

The drug barons, which Pakistani police assert have deployed 4,000 terrorists for operations in Karachi, are offspring and remain linked to the "Afghansi" networks that were created, owned, and operated by both British intelligence, the Bush administration's errant Iran-Contra intelligence nexus, and the rogue elements of Pakistan's own Inter-Service Intelligence (ISI). The multinational "Afghansi" have been publicly identified as responsible for the 1993 World Trade Center bombing, plots to assassinate Pope John Paul II, and murders and assassinations throughout the Middle East and North Africa.

MQM leader Altaf Hussain, in turn, is headquartered in London. In late March, Bhutto's main political opponent, Pakistan Muslim League chief Nawaz Sharif, announced that he would travel to London to meet with Hussain in "an effort to save Pakistan" from dismemberment. Yet Nawaz emerged from the meeting with Hussain to announce an electoral alliance with the MQM against Bhutto. Nawaz further declared that Bhutto is "part of the Karachi crisis."

The other fracture line in Karachi is between the Sunni and Shia branches of Islam, with Iran a major backer of the Shia. More than 10 mosques have been attacked in Karachi this year, leaving scores of people dead, in this apparently internecine strife. On April 6, police announced that they had arrested five Sunni militants on charges of murder and terrorism in regard to the March 11 massacre of 22 Shiite worshippers at a Karachi mosque. The five are members of the Sipat-e Sabha Pakistan, an extremist Sunni organization.

London has a paw in this one, too. According to the London *Sunday Telegraph*, the leader of the group, Zia Rehman Farooqi, has been on a month-long recruitment and fundraising tour of Britain and claims to have recruited 40,000 adherents there—unhampered by British law enforcement! Rallies of the Sipat-e Sabha in England are replete with bloodcurdling chants against Shiites.

The extreme violence in Karachi, highlighted by the murder of two Americans, has surpassed efforts to bring the city to heel. In 1992, the Army had been sent into Karachi, but was called back by Bhutto in December 1994 after its efforts had proved to be a total failure. In mid-March, the Bhutto government charged the Rangers, Pakistani's paramilitary organization, with policing duties in Karachi, and said it would refrain from deploying the Army into the city.

Bhutto's stated determination to end the killings in Karachi quickly elicited protests from that subsidiary of British intelligence, Amnesty International. Noting that 300 suspected terrorists had been arrested since March 11, Amnesty complained that "calls by the Pakistani government for the police to use ruthlessness to curb violence may be seen as the signal that human rights violations . . . will be condoned."

And even as Bhutto was preparing her trip to the United States, the U.S. Public Broadcasting System, which enjoys close links to the British Broadcasting System, ran a 30-minute documentary pinning Bhutto with the blame for what

they allege to be Pakistani support for terrorism. Featured in the broadcast were Yosef Bodansky, the Israeli-linked staff director of the House of Representatives Task Force on Terrorism and Unconventional Warfare, and George Bush's secretary of state, James Baker.

Who runs the renegades?

Despite Bodansky's charges, Bhutto is herself politically hemmed in by the drug-terror networks identified. In the last two months, her government, at high political risk, has launched a crackdown against those Amnesty would seek to protect, in an effort to draw a clear line between Pakistani national interests and the drug-terror gangs running amok in the region:

● On Feb. 7, Pakistani police arrested Ramzi Ahmed Yousef, who is believed to be the mastermind of the World Trade Center bombing. Ramzi, confirmed by his New York lawyer to be an "explosives expert," is believed also to be the man behind a 1994 bomb blast in the city of Mashad, Iran, which killed 25 people. This information emerged when Pakistani police arrested six terrorists in Peshawar, near the Afghan border, who told of Ramzi's role in the Iran bombing.

One of the six also confirmed charges from Mrs. Bhutto that Ramzi had been directly involved in an assassination plot against her in 1993. "He came here in a car toward this house where we are sitting today," Mrs. Bhutto told the

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South Africa: Queen is on the scene

Though going to great lengths to praise "Nelson Mandela's South Africa" as the "democratic giant" of the continent, Great Britain is in fact involved in a multi-faceted operation to isolate President Mandela from his base, a tactic which would make him vulnerable to assassination. South African sources believe that such an event would lead to near-civil war conditions in South Africa.

With 40% unemployment and most of Mandela's electoral promises to provide the masses with housing and basic utilities unfulfilled, the Queen of England's recent tour of South Africa was designed to further drive a wedge between the South African President and the grassroots base of his African National Congress (ANC) party. Mandela's estranged wife, Winnie Mandela, who since the Queen's visit has been fired as deputy minister of arts, culture, science, and technology, assailed the visit. She has recently slammed the ANC leadership for "its failure to live up to its promises." Following the assassination in

April 1993 of her factional ally Chris Hani, Mrs. Mandela is seen as heading the "Stalinist" faction. Hani's assassination had all the pawprints of Britain's M-6.

Mandela's decision to oust Winnie Mandela from the cabinet was widely praised by British and U.S. establishment press as showing resolve to fight "corruption." Unrest in the slums around Johannesburg, where Mrs. Mandela is most idolized, has thus far been minor, but statements coming out of these camps make the sentiment clear: "With Winnie Mandela gone, there can be no stability in South Africa." At an ANC meeting on April 6, the Mandela leadership was accused by other ANC officials of lies and incompetence.

Nelson Mandela, however, is not seen by the international financial oligarchy as showing the same resolve on the economy as he did in sacking his estranged wife. The establishment press complains that Mandela has not gone far enough in accepting the prescriptions of the International Monetary Fund; that foreign exchange controls are still in place, in spite of the abolition of the financial rand (a parallel currency that was set up 10 years ago to protect the rand from exchange-rate shocks); and that South Africa is still far from allowing businesses and individuals to "move their money freely in and out of the country."

press, from her home in Karachi. "But one of the explosives went off accidentally, wounding Ramzi, and he was subsequently taken to a hospital in Karachi. . . . The question that arises is, who was the mastermind that said the World Trade Center should be bombed and that I should be eliminated from the October 1993 elections?"

- In Karachi itself, police have arrested and incarcerated 1,600 people, but this has not slowed down the rate of violence. Between 4-10 people are being gunned down every day in the city.

- On March 15, a major drug bust was staged by 2,800 paramilitary forces in the semi-autonomous Khyber Agency in the Northwest Frontier Province, where heavily armed tribes manage huge drug operations. Authorities seized 7 tons of heroin, 31 tons of hashish, busted up 15 heroin laboratories, and arrested 12 men.

- On March 21, Islamabad authorities, in a joint operation with U.S. officials, arrested two people in Quetta, Baluchistan. One is suspected of being involved in the World Trade Center bombing, and the other is believed to be Aimal Kanshi, suspected of killing two CIA officials in Langley, Virginia on Jan. 25, 1993.

- On April 6, Pakistan extradited two alleged drug barons to the United States, who are accused of running the country's largest heroin- and hashish-trafficking networks.

- In addition, the Bhutto government is attempting to

moderate the role of the Islamic religious schools which were established throughout Pakistan during the Zia ul-Haq regime (1977-87), and which are believed to be involved in training young militants for the Taleban invasion of Afghanistan and terrorist activities. The University of Dawat and Jihad on the Pakistan-Afghanistan border is also under investigation by Pakistani authorities and the FBI, according to the Pakistan press. Terrorists arrested in the Philippines and believed to be operating in Central Asia and North Africa were reportedly trained at the university, which is located outside the Afghani headquarters of Peshawar.

These actions put Mrs. Bhutto right up against the drug-terrorist gangsters that overlap with the ranks of so-called Islamic terror. Since Henry Kissinger gave the green light for the 1977 coup against Zulfikar Ali Bhutto, and since London's favorite, former Pakistani President Ghulam Ishaq Khan, ensured that the Kissinger policy would be carried out, the drug-terror networks have eroded Pakistani political and military institutions. It remains to be seen whether between them, the Clinton administration and Benazir Bhutto can maneuver the defeat of this occupation of Pakistan, thus enabling Pakistan to emerge as a sovereign nation-state capable of contributing—in concert with neighboring nations, including India—to the development of the subcontinent and Central Asia. One thing is certain: London is not on their side.

The British hand behind Cuba's narco-terrorist deployments

by Valerie Rush and Carlos Méndez

Using such time-tested methods of destabilizing nations as terrorism, border conflicts, and human rights scandals, the British oligarchy and its assets abroad are having a field day sowing chaos across Ibero-America, at precisely the moment when the dramatic collapse of the British-inspired "free-trade" economic model is challenging the continent to unify in defense of its political and economic sovereignty, and against its common enemy. Deployed as part of this scenario is former Venezuelan Army Col. Hugo Chávez, who is currently on a continental organizing tour on behalf of the São Paulo Forum—a group of leftist movements sponsored by Cuba's Fidel Castro, and supported by the Inter-American Dialogue, a Washington-based bankers' think-tank.

Chávez's agent role first came to light after the bloody assault on Feb. 26 against a Venezuelan military border post by the Colombian narco-terrorist National Liberation Army (ELN). Eight Venezuelan infantrymen were massacred, and their bodies horribly mutilated, in what was reported to have been a drug-induced orgy of sadism by the ELN assassins. An outcry by Venezuelans disgusted with the Colombian government's appeasement policy toward the narco-terrorists rapidly raised tensions between the two neighboring countries.

Documents later seized by Venezuelan authorities from members of Chávez's Revolutionary Bolivarian Movement (MBR-200) revealed that the scenario was to force a deployment of Venezuelan troops to the border with Colombia, leaving the Venezuelan interior unprotected and incapable of an adequate response to planned uprisings on March 15, particularly in the capital city of Caracas. As part of the March 15 scenario, congressmen and government officials were to have been assassinated, the headquarters of the political police blown up, and looters unleashed in cities across the country. Dozens of Chávez's MBR-200 supporters were arrested, and the plot defused.

On March 15, Colombian authorities announced that they had documented Chávez's links with the ELN, including one or more meetings between the Venezuelan and guerrilla leaders, and that the two forces were in the process of organizing a Greater Colombian Revolutionary Alliance. Chávez denied any links to the ELN, but a few days later,

the ELN's magazine *Dignidad* came out with a feature article, "The Bolivarian Ideal," hailing Chávez as a model leader for the continent.

The ELN is a Theology of Liberation creation of Fidel Castro, which made its fame and fortune in the employ of Anglo-Soviet "Trust" agent Armand Hammer back in the 1980s, running a protection racket for Hammer's Occidental Petroleum facilities in Colombia. Its guard service for Hammer's Occidental did not inhibit the ELN from carrying out hundreds of assaults, bombings, and kidnappings against other oil companies, with the Colombian oil company Ecopetrol being a special target for sabotage. The ELN is a part of the so-called Simón Bolívar Guerrilla Coordinator, an umbrella group for Colombia's narco-terrorist movements which is also a member of Castro's São Paulo Forum.

The rapid responses of both the Colombian and Venezuelan governments in denouncing the narco-terrorists as their common enemy have, for the moment, prevented a full-scale confrontation between the two countries. But to fully disarm this destabilization scenario, the British hand behind Chávez and his string-puller Fidel Castro must be exposed.

Following the Chávez trail

A glimpse of Chávez's British sponsorship was offered by the man himself when he complained at a March 19 press conference in Caracas that Venezuelan President Rafael Caldera had blocked his planned visit to London on invitation of the British government. Chávez charged that President Caldera had made a number of protest calls to the British authorities, leading to the trip being cancelled. One week earlier, the Caracas daily *El Nacional* reported that Chávez had lunched in an elegant restaurant with adviser to the British Embassy in Venezuela Paul Webster Hare.

Chávez's submission to the British gameplan for the continent is perhaps best expressed in his March 30 comments to the Argentine daily *El Cronista*, where he stated that his movement is proposing to "reexamine the neo-structuralist theories of [Argentine economist Raúl] Prebisch . . . in opposition to neo-liberalism." Prebisch is well known in Argentina as a British agent who had worked under the direction

of the Bank of England's Otto Niemeyer to organize the Argentine central bank back in the 1930s. Prebisch was also involved in negotiating the Roca-Runciman Treaty of 1933, according to which Argentina signed a trade deal with England to assure payment of the Argentine debt. After the 1955 overthrow of Juan Domingo Perón, Prebisch helped bring about Argentina's first agreement with the International Monetary Fund in 1957.

Chávez went public with his membership in Castro's São Paulo Forum on Dec. 14 of last year, when he was personally received by Castro at the Havana airport. Said Castro, "It's never been more appropriate to come to this airport than it is for me to receive a visitor such as Lt. Col. Hugo Chávez. I hope I will have many more such opportunities to greet figures as important as he." Replied Chávez, "It is an honor which, in truth, I don't believe we merit yet. . . . I hope that we will soon be worthy."

Castro's embrace of the Venezuelan was especially surprising given that Castro was one of the first to send Venezuelan ex-President Carlos Andrés Pérez a telegram of support after the failed coup attempt by Chávez in February 1992. Even more surprising—or was it?—was Pérez's defense of Chávez on March 20, when, in a videotaped presentation to a forum at Venezuela's Central University, the disgraced ex-President, who is currently under house arrest on corruption charges, said that the charge linking Chávez to the Colombian narco-terrorists is but "one more [Venezuelan] government maneuver to discredit its enemy, instead of facing it."

Castro's own dealings with the British have begun to be revealed publicly as well. In early February, British Conservative Party leader Baroness Young visited Cuba at the head of a delegation of 40 British businessmen. She met at least twice with Castro and praised the Cuban dictator for "having adopted great changes in the economy," many of which she had discussed with Cuban officials during her visit 18 months earlier. Castro's recent high-profile visit to France is viewed by knowledgeable observers as the result of an Anglo-French initiative.

Castro's 'Bolivarian' deployment

Immediately following his December 1994 trip to Cuba, Chávez went to Santa Marta, Colombia, where on Dec. 17-18, he met with a handful of retired military officers from around the continent to plot strategy for a so-called Second Amphictyonic Conference in Panama, on the 170th anniversary of the conference called by Simón Bolívar to promote the unification of the continent around his ideal of a "Greater Fatherland." The Colombian Communist Party newspaper *Voz* hailed the Santa Marta "preparatory meeting" as designed to "ratify the just Bolivarian aspiration of the unity of the Latin American and Caribbean nations, to confront the aggression, abuse, and violation of the rights and sovereignty of our peoples." The Colombian Communist Party runs that

country's largest narco-terrorist army, the Revolutionary Armed Forces of Colombia, and its leader Gilberto Vieira is an active collaborator of the São Paulo Forum.

Among the participants in that Santa Marta meeting with Chávez were Argentine "military strategist" Norberto Ceresole and former Argentine naval officer Raúl de Sagastizabal. Ceresole, a "leftist" geopolitician with links to former Soviet and East German intelligence circles (see article, p. 33), and De Sagastizabal, head of the "Argentina in the World Studies Center," sponsored Chávez's late March trip to Argentina.

Exploiting the fact that Chávez is a retired military officer, the British and Castro are using him as part of their effort to annihilate the armed forces of Ibero-America. As journalist Carlos Manuel Acuña wrote in the March 24 *El Informador*, under the title "A Plan to Refloat the Left," Chávez's trip to Argentina should be seen in the context of the upcoming meeting of the São Paulo Forum in Montevideo, Uruguay, which Chávez will reportedly be attending. Said Acuña, Chávez's visit is related to the launching of a continental Bolivarian movement which, "under leftist banners, will try to counter the existence of other currents which exist . . . based on nationalist principles, and on a definition of professional roles for the armed forces within a more orthodox framework."

It comes as no surprise, therefore, that Chávez's collaborator and adviser Ceresole has just written a detailed proposal on how to dismantle and "restructure" the Argentine military. That proposal has been submitted to presidential candidate José Octavio Bordón, a member of the Inter-American Dialogue, which has its own ties to the São Paulo Forum and which is virulently anti-military.

Significantly, Ceresole's proposal found an echo in the mouth of a self-confessed British agent-of-influence, former U.S. Secretary of State Henry Kissinger. Deliberately choosing April 2—the anniversary of Argentina's 1982 retaking of the Malvinas Islands from Great Britain—as his arrival date, Kissinger held a closed-door session with Argentine Defense Minister Oscar Camilión (also a participant in the Inter-American Dialogue), with whom he discussed the "restructuring of the Argentine Armed Forces," according to the Mexican news agency Notimex. In particular, there was discussion of how to use Argentine forces in United Nations "peace missions" and in "regional defense" rapid deployments.

The British deployment of both Chávez and Kissinger into Argentina coincides with a human rights scandal dredged up from the war against subversion of the 1970s. Driven by the British-spawned international human rights lobby, the scandal has the potential to destroy what remains of the Argentine Armed Forces, and possibly those of other nations in the region as well.

That is precisely what Castro's narco-terrorist collaborators in the São Paulo Forum are waiting for.

Norberto Ceresole and the plot against Argentina's military

by Cynthia Rush

To whom does Argentine leftist geopolitician Norberto Ceresole really owe his allegiance? His proposal "Defense Policy in an Era of Profound Global Military Disorder," delivered to presidential candidate José Octavio Bordón and published in the March 17 *El Nuevo Informador*, answers that question.

His proposal for the creation of an elite Republican National Guard, a high-tech rapid deployment force to be set up while the "institutional framework" of the Armed Forces is overhauled, is an example of what *EIR* has described as the plot to destroy the military institution, as presented by the U.S. government-financed book *The Military and Democracy: The Future of Civil-Military Relations in Latin America*, published in 1990 (see *EIR*, Jan. 11, 1991). This work, which *EIR* made known as the "Bush Manual," has fueled the campaign by the alleged proponents of "democracy" against Ibero-America's armed forces over the past few years, using as their bludgeons both a monetarist economic policy and charges of human rights violations.

Ceresole's geopolitical jargon doesn't hide his basic message, also conveyed by the Bush Manual: The commitment to nation-building and defending national sovereignty must be rooted out, along with those "ethical" or philosophical principles, usually linked to western Christian values, which have historically shaped the Argentine Armed Forces' mission in the broadest sense. A new and more "pragmatic" force must be created in its place, one that can be deployed by the same international oligarchy that Ceresole claims to hate. "There is no possibility of generating defense," he argues, "from the standpoint of the still-existing institutional, doctrinal, and strategic molds."

What Ceresole leaves out

The alleged motivation for Ceresole's proposal to transform Argentina's defense structures is that the country is defenseless. True enough. But this adviser to the "revolutionary" Col. Hugo Chávez never mentions the role of the International Monetary Fund in demanding that military budgets be slashed, to the degree that the operational capacity of Argentina's three armed services is virtually nonexistent. Nor does he mention the witchhunts and slander campaigns waged against individuals such as Col. Mohamed Ali

Seineldín, the visible leader of what Ceresole calls the "National Army"—who has been sentenced to life in jail because of his principled stand in defense of the military institution.

Ceresole insists, then, that "the old schemes of interpretation" are irrelevant; don't confuse the issue, he says, by discussing whether the "Liberal Army" (in the sense of British liberalism) has attacked the "National Army." What really matters, he adds, is that the military leadership's failure to launch a national debate "on a past which includes the defeat and loss of the South Atlantic," confirms that it is in large part loyal to the national and international "oligarchic system," and therefore must be revamped. Never mentioning that the nationalist faction which built much of Argentina's basic industry and infrastructure has been deliberately smashed and its leaders imprisoned, Ceresole whines that the military leadership has been too "servile" in helping to carry out Argentina's deindustrialization.

A military for the 'new world order'

It is no coincidence that at the very moment that the international and domestic human rights lobby has specifically targeted the Navy, using former Navy Capt. Adolfo Scilingo's "confession" of alleged atrocities committed during the 1970s war against subversion (see following article), that Ceresole demands that the Navy, in particular, be completely dismantled.

He says that the Navy "has, with greater historical vehemence and in all circumstances, acted as the military gendarme of the national and international oligarchy." Alleging that it didn't fight during the 1982 Malvinas War and pointing to its "nefarious history" of repression against the population, Ceresole therefore proposes that the institution simply disappear.

But the issue isn't whether the Navy fought in 1982. *It was Navy ships that transported Argentine troops to retake the Malvinas on April 2, 1982*, and Ceresole's plan to destroy that institution is exactly what the British demand: If there is no Navy, then Britain and its Chilean allies have geopolitical control over the South Atlantic and the Malvinas Islands. Any Argentine claims to sovereignty over the islands or even its territorial waters are a dead letter.

And given Ceresole's own ties to the former East German Stasi and Soviet intelligence circles, he is hardly concerned with repression of human rights. What he really wants is a system which will insure that no more Colonel Seineldíns emerge to rally forces around concepts such as the defense of national sovereignty, nation-building, and economic development.

The members of Ceresole's proposed Republican National Guard (GNR), a "lean and mean" elite force that he says will be provided with the "most advanced technology," will be hand-picked by a "military-legal process" to select those individuals who won't question a new, foreign-directed role for the military. Conceived of as a rapid deployment force,

the GNR “will be absolutely autonomous, in terms of doctrine and intelligence as well as organically, operationally, and logistically” (emphasis added). It would have its own officer-training school, and would depend directly on the President.

Ceresole is unabashed in making the point which the Bush Manual crowd deems most crucial for the new and “pragmatic” forces they require. The GNR will have “a different ethos,” he emphasizes. It will also have to “create the ‘foundation’ on which the New Armed Forces will be based. . . . It will be conceived of as the founding nucleus for a new land Army . . . but on the basis of a new strategic conception.”

New assault targets Argentine Armed Forces

by Cynthia Rush

During his March 30 talk-show “Hora Clave,” host Mariano Grondona told his listeners that the best way for Argentina to deal with atrocities allegedly committed by its Armed Forces during the 1970s war against terrorism (what the human rights lobby calls the “dirty war”) was “to do what Germany did after World War II”—ask forgiveness, and then try and punish those guilty of the atrocities. The implication of Grondona’s recommendation is that the Argentine Armed Forces *institutionally* are Nazis—precisely the image created by the international Project Democracy apparatus—and therefore must be punished and purged, just as the Nazis were.

This “collective guilt” campaign can only hope to succeed because of years of Goebbels-style lies, which have suppressed the truth of what actually happened in Argentina during the 1970s. Before Argentina’s military ever entered into action, terrorists were carrying out dozens of assassinations a month, more than 10 bombings a day in the capital, and had attempted to seize control of a province. In the face of this sustained irregular warfare, nationalist military officers urged the civilian government to declare war against the enemy. Instead, the subsequent military junta capitulated to the British-led pressure of the human rights mafia, refused to declare open war, and was thus forced into running a secret war, which succeeded in saving Argentina from the terrorist insurgency, but which set up the Armed Forces for the attempt to destroy it, which is now under way.

Grondona was referring to the public “confession” made in early March by former Navy captain Adolfo Scilingo, who claimed to have participated in dumping the bodies of drugged terrorist prisoners out of Navy airplanes into the Atlantic Ocean during the early 1980s. Claiming to be over-

come with guilt and remorse, Scilingo went public to none other than Horacio Verbitsky, a former bomb-thrower of the Montonero terrorists who has made a name for himself as the editor of the leftist *Página 12* daily. The confession was trumpeted all over the international press, and Scilingo, a defrauder, extortionist and convicted felon who served time in prison and was thrown out of the Navy because of his crimes, became an instant media star.

Mariano Grondona is the voice of British geopolitics in Argentina and is close to former U.S. Secretary of State Henry Kissinger. That the debate he has helped whip up on Scilingo’s accusations centers around demands for trial and punishment of military officers, and recognition of “collective guilt,” makes clear that the only purpose of this campaign is to deliver a final blow to the Armed Forces, just as factions in London and Washington have demanded. The *New York Times* editorialized on March 21 that President Carlos Menem could no longer hope to maintain harmony between military and civilian authorities by “suppressing public discussion of a traumatic past. Others should follow Mr. Scilingo in breaking the silence.”

In the wake of Scilingo’s confession, the entire pro-terrorist “human rights” apparatus swung into action. Verbitsky published Scilingo’s accusations in a widely circulated book. Activists accused the government of hiding lists of thousands of disappeared people and demanded to have the names, while Scilingo accused the military high command of covering up the truth of the “dirty war.” The Menem government finally succumbed to the pressure and announced on March 24 that it would make available a list of 1,000 names. But this was not good enough. Martin Abregu, head of the Center for Legal and Social Studies, demanded “the military lists, detailing who kidnapped which person, at what date and for what reason, where that person was taken, where he was killed, and where he is buried.”

The international media revelled in the gory details provided by Scilingo on bodies being thrown out of planes, and showed pictures of little girls and other family members of the “disappeared” throwing flowers into the Río de la Plata or sending messages in bottles to the remains of their loved ones, presumably in the river.

Mike Wallace, of CBS’s “60 Minutes,” traveled to Buenos Aires with a team to look into the story and, aside from President Menem, he chose to interview Scilingo, Verbitsky, Hebe de Bonafine of the pro-terrorist Mothers of Plaza de Mayo group, and “ex”-Hollinger Corp. employee Andrew Graham-Yool, who now runs the British community’s newspaper, the *Buenos Aires Herald*. Wallace praised Scilingo’s “courage,” and told Verbitsky that the scandal implied by these accusations was actually “much bigger than Watergate.”

Those who heeded the *New York Times*’s call to speak out included Gen. Albano Harguindeguy, the military junta’s interior minister from 1976 to 1981. In an interview with

Gente magazine, Harguindeguy said that "many aberrations" were committed during the so-called dirty war. "Today I admit it was a mistake to do what we did . . . but I had to obey orders." He said he wasn't sorry for what he did, but "a lot of innocent people died."

Harguindeguy is not just a remorseful retired general. His close friend was British-loving José Martínez de Hoz (educated at Eton), the finance minister whose monetarist economic policies leveled the Argentine economy between 1976 and 1981.

'Throw them in jail'

In late 1992 and early 1993, international demilitarizers gave indications that they were preparing an offensive to revoke government-sanctioned amnesties and pardons granted to military personnel and attempt to use international law, in violation of national sovereignty, to try officers accused of human rights violations in fighting the terrorism of the 1970s and early 1980s. This is exactly where the campaign in Argentina is headed.

The United Nations Human Rights Commission has already demanded that the Argentine government report whether all those guilty of repression during the 1976-83 military government have in fact been punished. The U.N. submitted a questionnaire asking the government to explain steps it had taken to deal with certain "incompatibilities" in the Due Obedience and End Point laws (both protecting military personnel from further prosecution for alleged human rights abuses) and asked to what extent individuals charged with human rights violations were actually investigated and, if found guilty, punished. Two Argentine government representatives answered U.N. questions for 48 hours in New York, and are expected to be further grilled by the supranational agency.

Adolfo Scilingo is explicit on this issue. In statements reported in the April 4 *Página 12*, he said, "I think that all of us who committed these atrocities should be in jail. I know it's a little irresponsible to say it now, after the End Point law has been passed . . . but this way we could have a real and permanent *mea culpa*, and pay our debt [to society]."

British foment terror in Colombia, Venezuela

Armand Hammer, the old Anglo-Soviet Trust agent who founded Occidental Petroleum Co., negotiated a deal in 1984 by which three multinational oil companies operating in Colombia paid the narco-terrorist National Liberation Army (ELN) \$200,000 a month not to attack their oil installations. Over the next two years, the ELN left the multits alone, while carrying out more than 120 attacks against Colombia's national oil firm Ecopetrol. "We are giving jobs to the ELN," Hammer bragged. "We give them work as suppliers."

Now, *EIR* has received unconfirmed reports from Venezuelan sources that instead of paying bribes directly to the ELN, Occidental has hired the British firm KMS (Keenie Meenie Services), run by British colonel David Walker, to handle its security. Walker and KMS reportedly handle relations with the ELN, these sources say.

KMS was set up in 1977 by Col. David Stirling, founder of Britain's Special Air Services (SAS) during World War II, who, until his death in 1990, maintained a close personal relationship with the British royal family and functioned as a top official of British intelligence. The company is recognized as being merely a British intelligence-SAS front.

If it is true that it now has an on-the-ground presence

in Colombia, through Occidental Petroleum, this has ominous implications for regional stability, given the ELN's recent activities in heightening tensions between Venezuela and Colombia, and its confirmed ties to the São Paulo Forum's asset, Venezuelan Col. Hugo Chávez.

Other groups set up by Stirling, such as the Capricorn Africa Society (CAS) and the Kilo Alpha Services (KAS), ran ethnic terrorist gangs and murder squads in Africa. Capricorn was among the agencies which ran the Mau Mau insurgency in Kenya. KAS was retained by Prince Philip's World Wide Fund for Nature to establish black-on-black "third force" terrorism in South Africa, modeled on the Mau Mau, employing elements of both Chief Buthelezi's Zulu tribe and the opposing, Xhosa-dominated African National Congress. As in other "third force" operations, leaders and members of rival groups are murdered in an attempt to get the groups to fight each other—in the case of South Africa, the Zulu, and the Xhosa-ANC.

Iran-Contra hearings in the U.S. Congress revealed that KMS was also hired to mine Managua harbor, in Nicaragua. It was also contracted to provide security during this period for Prince Bandar, the Saudi ambassador to the United States who was very active in Iran-Contra operations on behalf of his close friend Vice President George Bush.

KMS's current director, David Walker, has been involved in Ibero-America for more than a decade, and was reportedly one of the "experts" hired by Oliver North to train the Nicaraguan Contras. He and North are said to be friends.—*Cynthia Rush*

Windsors plot 'reverse Pearl Harbor' in Asia

by Jeffrey Steinberg and Joseph Brewda

The British monarchy's Prince Philip and his Club of the Isles allies are out to destroy China and Japan and destabilize all of Asia, and they're willing to use every financial, psychological, and military resources at their disposal to accomplish that goal. The driving motive behind this irregular warfare offensive against those two Asian nations, as well as the Korean peninsula, India, and Asiatic Russia, is British fear that a Tokyo-to-Beijing-to-New Delhi-to-Moscow axis in support of the United States could prove deadly to Anglo-Dutch interests at the point that the world financial structure is entering a phase of accelerating disintegration, and that epoch-making decisions will be made about a new world monetary system.

As British agent Henry Kissinger admitted in his March 29, 1995 speech to the Royal Institute of International Affairs at Chatham House in London, the Club of the Isles has modeled its Asia destabilization on the 19th-century cabinet warfare methods employed by the original "Lord of the Isles," Prince Albert Edward (later King Edward VII), to provoke World War I and thereby sabotage Eurasian-American economic integration and salvage the British Empire (see *Feature*, p. 20).

An international investigation by an *EIR* research team has turned up compelling evidence that this British-Club of the Isles apparatus bears ultimate responsibility for the March 20, 1995 sarin gas attack on the Tokyo subway system, that killed 11 people and left over 4,700 injured. That act of "blind terrorism," coming on the heels of the Kobe earthquake, and a sustained attack against the Japanese yen, was intended to trigger what one informed intelligence source described as a "reverse Pearl Harbor effect," causing a deep rupture in Japanese-American relations. "It was a nearly perfectly planned destabilization of Japan, which just didn't fully

work," one of the sources said.

A crucial included aim of the gas attack, is to use a global ban on all "chemical weapons" as a pretext to force Japan to curtail its production of agricultural chemicals and fertilizers—i.e., a policy of "technological apartheid" meant to kill millions of people in the Third World. And indeed, only ten days after the gassing, a frightened Japanese parliament ratified the U.N. Chemical Weapons Convention.

One key to understanding the British hand behind this psychological warfare operation has been the international media attention focused on the Aum Shinrikyo (Aum Supreme Truth) sect as the leading suspects in the subway terror. Although the Japanese National Police have carried out a series of raids on the group's various facilities in the weeks since the gas attack, no members of the group have been formally charged in the terrorist incident.

The sect's founder, Shoko Asahara, is a protégé of the Tibetan Dalai Lama, a fixture in British intelligence's plan to bust up China following the death of Deng Xiaoping. The Dalai Lama, who resides in exile in India, lays claim to a "Greater Tibet" that he says includes all of Qinghai province, western Szechuan, and part of Yunnan, all now part of China. The Chinese government has issued a series of statements demonstrating that it is aware of the pivotal role Tibet plays in the British "balkanization" plans against China.

Beyond the sponsorship historically of the Tibetan Dalai Lamas by British intelligence's Occult Bureau, which dates back to the late 19th century, the present Dalai Lama boasts of close ties to Prince Philip's World Wide Fund for Nature (WWF) and the eco-terrorist organization Greenpeace. The Dalai Lama's executive secretary, Nancy Nash, is a onetime public relations director for the WWF's Glanz, Switzerland headquarters; the Dalai Lama's U.S. group, the International

Campaign for Tibet, has as one of its directors the head of WWF Asia, Bruce Bunting. Nash led the first WWF delegation into China in 1979, and the Club of the Isles ecology front is currently playing a pivotal role in the internal destabilization of China through a series of WWF projects ostensibly aimed at protecting endangered tigers and pandas.

The intense media campaign playing up the links of the Aum sect to the Dalai Lama is a surefire way to drive a wedge between Tokyo and Beijing. Nine days after the Tokyo subway attack, the Dalai Lama "coincidentally" arrived in Tokyo for a week-long visit, his first in 11 years. Beijing had strongly protested the visit, and the Japanese government, anxious to avert a Sino-Japanese rift on the eve of the Japanese prime minister's visit to China, extracted a promise from the Dalai Lama that he would refrain from any public attacks on China while in Tokyo. The Dalai Lama immediately broke that promise with a press conference vowing to return to power in Tibet within two years and denouncing the Chinese government for human rights violations. In the same statements, the Dalai Lama admitted that he knew the Aum Shinrikyo's Asahara.

Sarin attack was a Tavistock recipe

In 1989, the Tavistock Institute of Human Relations, British intelligence's premier psychological warfare agency, held a conference in Cleveland, Ohio to spell out a gameplan for the destruction of the nation-state system and the forging of a British-dominated "global civilization." According to the Tavistock recipe, this shift requires deep, long-term crises, and what they label "global events." The March 20 sarin gas attack on the Tokyo subway is a perfect example of just such a Tavistock "global event."

Howard Perlmutter, a professor of Social Architecture at the Wharton School of Economics in Philadelphia, and a protégé of former Tavistock chairman Eric Trist, explained how such a paradigm shift could be achieved. To move from what he called "the industrial model" (i.e., international relations based on the nation-state) to the "symbiotic and societal model" (i.e., a British-dominated one-world government), it is necessary to pass through a transitional "de-industrial model," which Perlmutter characterized as a period of chaos.

Perlmutter emphasized the importance of a global network of action groups to catalyze this chaotic "paradigm shift." These groups—such as the thousands of non-governmental organizations spawned by the United Nations, and groups such as the Aum sect—wage war against the nation-state. Another requirement is the staging of "global events," which Perlmutter compared with the initiation rituals of primitive societies, i.e., terrifying experiences which alter how whole populations think.

In Cleveland, Perlmutter quoted British historian E.P. Thompson: "The transition from civilization to planetization, from a materialistic industrial society based on production and consumption to a contemplative culture based upon con-

sciousness and ecological symbiosis, is an initiation experience for the human race. The demons we see outside us in the forms of nuclear war, famine, and ecological catastrophes are the terrifying images that accompany the shift from one level of reality to another. Because of the limitations of our egos we cannot realize that we are all part of one single planetary life unless we discover to our horror that we are now threatened by one single planetary death."

Terrifying "global events" that provoke shock in entire societies are made possible by the advent of mass communication, according to the Tavistock recipe book. The Tokyo sarin attack was a textbook "global event."

Wrecking havoc in Asia

The Tokyo subway terror, focusing international attention on the Aum sect and the Dalai Lama, was also key to London's Asia-wide destabilization. The revelations of Aum's vast operations in Russia, sponsored personally by Russian President Boris Yeltsin's National Security Secretary Oleg Lobov, came close to triggering a Moscow-Tokyo and Moscow-Beijing rift. The fact that the Russian government banned the sect five days before the Tokyo attack and warned Japanese officials that the group might carry out terrorist attacks, averted a major three-way diplomatic crisis.

Likewise, the Aum-Dalai Lama links threaten to throw cold water on recent improvements in China-India relations. So, beyond the worldwide terror evoked by the sarin gas attack, the "global event" was aimed at triggering a series of geopolitical rifts throughout Asia and between Asia and the United States. Reuters news agency coverage of the Aum sect prominently played up charges by Asahara that the U.S. military and CIA were behind the poison gas incident (and researchers are now studiously gathering data on Cold War links between the CIA and the Dalai Lama).

The British had hoped that the nasty treatment of Japan by the Bush administration, and the failure of the Clinton administration to send a clear signal to Tokyo of American policy objectives in Asia, would help catalyze a diplomatic breach between Washington and Tokyo under the strains of the Tokyo blind terror attack. As the accompanying chronological report on the destabilization of Japan shows, Tokyo has been under sustained financial and political warfare attack for the past six years, and, although the assault has been directed by the Windsor-Club of the Isles apparatus, many fronts in the attack have been run through London's U.S.-based "Bush league" allies.

Despite this assault, Japan has so far not broken completely from its commitment to global economic growth and to the prospect of forging a new alliance with the Clinton administration. Such a Washington-Tokyo partnership would have to be based on a revival of the U.S. Asia policy envisioned by President Franklin Roosevelt and Gen. Douglas MacArthur, a policy that drove Britain's Winston Churchill into fits of rage.

Britain's six-year targeting of Japan

by Kathy Wolfe

The following chronology demonstrates that for the past six years, British intelligence and allied friends of George Bush have carried out a campaign to destroy Japan as a sovereign nation. The weapon has been a ridiculous number of petty financial scandals, which have brought down six Japanese elected governments in rapid succession.

These have been coupled with repeated calls from London and New York for wholesale financial and industrial deregulation of Japan's economy, while demanding that Tokyo's foreign policy confront North Korea, China, and Iraq.

This is not an American policy, but a British policy, as President Clinton's attempts to reverse it show. It was first announced by Bush administration Director of Central Intelligence William Webster on Sept. 20, 1989. The "end of the Cold War" he said, means that Japan and Germany, not Russia, are the threat; "the national security implications of a competitor's ability to create or control markets are very significant."

While much of Japan's strength is behind the curtain in its powerful unelected ministries, the chaos in the Diet (parliament) has been enough to cripple opposition to bank deregulation. It has also paralyzed Japan's development diplomacy. Japan's banking system is now bankrupt, its industries illiquid, and it has not created major export development projects in the "Third World." Japan thus remains hopelessly dependent on exports to crumbling America and Britain.

Today's financial crisis in Tokyo dates from the Hongkong and Shanghai Bank-sponsored "Nomura scandal," which destroyed Finance Minister Ryutaro Hashimoto. Hashimoto represented the ministry factions most opposed to Wall Street's "financial AIDS," as he dubbed it.

After the 1991 Nomura scandal, however, the Finance Ministry in June 1991 was forced into broad deregulation.

Most damaging was abolition of the Bank of Japan's "window guidance," under which Japan since the 1870s followed U.S. Treasury Secretary Alexander Hamilton's policy of issuing directed credit by government *lending*. Tokyo's shift to Federal Reserve-style "open market" issuance of money via government *borrowing* has bankrupted Japan.

Japan, however, as of 1995, has not been broken, but is working to form a new alliance with U.S. President Bill Clinton, focused on cooperation to rebuild North Korea's economy based on nuclear electricity. Japanese leaders trav-

eled to Pyongyang in March to aid Clinton talks, and Prime Minister Murayama goes to China on May 2 to ask Beijing to join the U.S. Korea Energy Development Corp. (KEDO).

Clinton is also committed to a policy of economic growth for China and other Asian nations.

The British could never tolerate either the United States or Japan having such a policy; they will stop at nothing to destroy any alliance of the United States and Japan to do this.

1988, Recruit scandal

June 1988: Recruit scandal against Prime Minister Noboru Takeshita. *New York Times* and Japan's liberal *Asahi News* reveal that shares of Recruit Cosmos Co. were sold to leading Japanese at bargain prices prior to being listed.

July 1988: Recruit Chairman Hiromasa Ezo and Nikkei (*Japan Economic Journal*) President Ko Morita resign.

November 1988: President Ronald Reagan and former Japanese Prime Minister Yasuhiro Nakasone agree to have Mitsubishi and General Dynamics develop new FSX fighter jet.

December 1988: Finance Minister Kiichi Miyazawa and Ambassador Plenipotentiary Yasuhiro Nakasone are forced to resign.

Dec. 14, 1988: NTT Co. chairman Hisashi Shinto resigns; Japan's telecommunications giant NTT's market is targeted by deregulators in Washington and London.

1989, Recruit scandal

March 28, 1989: Thirteen are arrested, including the vice ministers of labor and of education.

April 1, 1989: Prime Minister Takeshita confirms that Recruit donated \$150,000 to his 1987 campaign.

April 4, 1989: U.S. Bush administration Commerce Secretary Mosbacher declares that Bush will dump FSX deal.

April 12, 1989: *Bungei Shinju* magazine writes that Ronald Reagan and Nakasone got kickbacks after sale of a U.S. Cray computer to NTT, which Recruit used.

April 18, 1989: *New York Times* reports that NTT is major target, calls for it to be broken up. Bush and Henry Kissinger's friend Ichiro Ozawa, an LDP trade negotiator, are trying to bring Motorola into Japan to take NTT business.

April 23, 1989: Takeshita resigns as prime minister.

May 1989: Finance Ministry and Bank of Japan begin to deregulate interest rates, double the discount rate.

May 30, 1989: Nakasone resigns from LDP.

June 2, 1989: Sosuke Uno, Nakasone ally, is elected prime minister; is immediately accused in a geisha scandal.

June 28, 1989: Bush forces Japan to allow Motorola a major Japanese market share, to avoid U.S. punitive tariffs.

July 24, 1989: Uno resigns on escalating geisha-gate.

Aug. 9, 1989: Toshiki Kaifu becomes prime minister.

Sept. 20, 1989: CIA Director William Webster says "end of Cold War" makes Japan and Germany the main threat to the U.S., not Russia. He creates new CIA "fifth" directorate to coordinate actions against Japan.

1990, the Webster doctrine

Feb. 18, 1990: LDP wins Lower House election, Anglo-American media shocked. Kaifu is reelected to a second term.

April 30, 1990: Kaifu tours India, Pakistan, Bangladesh, and Sri Lanka to promote his "Asia doctrine," says Japan will speak for the development of the less-developed countries.

June 18, 1990: U.S. Attorney in Los Angeles charges Japanese firms with stealing U.S. Strategic Defense Initiative secrets.

July 5, 1990: MITI report proposes that Japan take independent place in the world and promote global development, using "new funding schemes of public-private cooperation which emulate the role the U.S. played after World War II."

Aug. 2, 1990: Iraq invades Kuwait.

Aug. 29, 1990: U.S. Ambassador to Tokyo Michael Armocost demands that Japan give U.N. troops and money; Japan gives \$1 billion.

Sept. 5, 1990: Kissinger in Tokyo attacks Japan for refusing to send troops; Japan gives \$13 billion after Kissinger's friend Ichiro Ozawa uses "tremendous muscle."

Sept. 10, 1990: MITI sends planning team to Moscow to aid in rebuilding Russian economy, attacks IMF shock therapy.

Sept. 25, 1990: Finance Minister Ryutaro Hashimoto calls for overhaul of world monetary system at Bangkok IMF meeting.

Sept. 26, 1990: Shin Kanemaru, Takeshita's lieutenant, heads Japanese delegation to North Korea. Kanemaru meets Kim Il-sung three times; air and satellite communications are set up from Pyongyang to Tokyo.

1991, Nomura scandal

April 1991: Finance Minister Ryutaro Hashimoto is front-runner for prime minister in fall election.

May 20, 1991: U.S. Treasury Secretary Nicholas Brady and Bank of England demand that Japan adopt "Hongkong-style" financial deregulation, opening Japan to London and N.Y. banks.

May 28, 1991: Council on Foreign Relations head Peter Peterson charges that Japan will soon treat U.S. as Eisenhower did Britain at Suez, when U.S. threatened to crash the pound sterling.

June 7, 1991: Nomura Scandal breaks. On tip from Hongkong and Shanghai Bank agent Robert Zielinski, Tokyo economist of Jardine Matheson, Kyodo News charges Nomura and Nikko Securities companies with creating false profits for gangster Susumu Ishii. Ishii is a business partner of George Bush's brother Prescott Bush, Jr.

June 15, 1991: London *Economist* denounces Finance Minister Hashimoto for collusion with Nomura, demands financial deregulation, advises dumping of Japanese bank stocks.

June 21, 1991: Nomura, Daiwa, and Yamaichi Securities confess at Tokyo press conference. Stock market crashes.

June 27, 1991: Japan's Finance Ministry is forced to announce drastic financial deregulation, including decontrols

on interest rates, bank lending, foreign exchange, restrictions separating banks and brokerages, and abolition of Bank of Japan "window guidance."

July 9, 1991: Finance Minister Hashimoto apologizes.

July 22, 1991: Bush administration official complains to *Business Week* that Hashimoto is "pushing Japan's interests more forcefully than his predecessors. . . . Hashimoto has seen the strong rebirth of Japan, while older leaders knew Japan's dependence on the U.S. . . . For American bankers, the crackdown in Japan is welcome."

July 27, 1991: Hashimoto confirms that former aide was involved with questionable loans at Fuji Bank. There are now four such "totally unrelated" scandals implicating heads of all major Japanese banks and a dozen industrial giants.

Oct. 18, 1991: Hashimoto resigns as finance minister.

Oct. 27, 1991: Kiichi Miyazawa is elected prime minister, brings Nakasone and Takeshita back as advisers, to British howls.

Nov. 2, 1991: Petroleum bomb attack on house of Shin Kanemaru by rightists.

Nov. 11, 1991: U.S. Secretary of State James Baker in Tokyo denounces Japan for "checkbook diplomacy," demands that Japan join U.S. actions against North Korea, commit troops to U.N. policing operations, and deregulate its rice market.

Nov. 12, 1991: President Bush makes same demands.

1992, Sagawa Kyubin scandal

Jan. 2, 1992: Bush vomits on Miyazawa in Tokyo.

Feb. 3, 1992: Miyazawa criticizes Wall Street bankers; British media lie that he attacked U.S. workers.

March 1992: Shin Kanemaru is shot at by rightist gunman calling him a "traitor" for his North Korean diplomacy.

March 23, 1992: A Salomon Brothers undocumented report, charging that Japanese banks have world's weakest capital, collapses Tokyo stock market by 17% from March 23 to April 9.

April 5, 1992: Knife-wielding man threatens Miyazawa.

April 23, 1992: Shin Kanemaru receives five bullets in the mail with death threat letter from rightists.

May 18-19, 1992: London Royal Institute of International Affairs conference, "Financial Reform and Global Market Integration," demands that Japan deregulate.

July 3, 1992: Miyazawa demands that U.S. and Europe turn attention to economic development of Asia.

July 26, 1992: Miyazawa and LDP win election; Takeshita faction, now led by Shin Kanemaru, makes large gains.

July 28, 1992: Sagawa scandal breaks out. Head of Sagawa Kyubin trucking firm charges that Shin Kanemaru paid off Susumu Ishii, Prescott Bush's partner.

Sept. 9, 1992: Entire Miyazawa cabinet accused of graft.

Sept. 25, 1992: Shin Kanemaru admits taking \$4.2 million from Inagawa mob. Former Prime Minister Takeshita is also charged.

Oct. 14, 1992: Shin Kanemaru resigns from Diet.

Oct. 23, 1992: LDP Secretary General Ozawa, Kissinger's ally, starts brawl over his demand to head Kanemaru faction; Miyazawa government paralyzed. Keizo Obuchi, ally of Hashimoto, close to imperial family, is named instead. Ozawa threatens to break up LDP.

Oct. 26, 1992: "Japan is not a democracy," charges Chalmers Johnson, dean of Japan-bashers; the LDP must be destroyed for making Japan an "autocratic corporatist state run by gangsters." He praises Ozawa's plan to break up not only the LDP, but the powerful ministries, too.

Nov. 23, 1992: Ozawa masterminded breakup of LDP by knifing his mentor and in-law Shin Kanemaru in the back, Tokyo sources say. Ozawa conned the elderly Kanemaru into a public confession, then moved to take over himself.

Dec. 10, 1992: Kissinger visits Tokyo, meets Ozawa.

Dec. 18, 1992: Ozawa and Finance Minister Tsutomu Hata resign from LDP's Takeshita faction, splitting it.

Dec. 29, 1992: "Ozawa and Hata are very close to the American establishment," Tokyo source says. "They are trying to reform the Japanese political system to make their friends in Washington such as Kissinger happy. Ozawa wants to break up the LDP. Like Watergate, this is a way for the Anglo-American establishment to force their ideas on Japan. You should remember the Tanaka case [Lockheed scandal]; the Takeshita case [Recruit scandal] is the same. Now the Sagawa scandal is like Watergate."

1993, fall of the LDP

March 6, 1993: Shin Kanemaru is arrested and indicted.

March 10, 1993: U.S.-South Korean war games provoke North Korea to announce intent to withdraw from Nuclear Non-Proliferation Treaty (NPT).

March 30, 1993: Twenty Japanese construction firms have been raided on charges that they bribed Kanemaru. U.S. Special Trade Rep. Mickey Kantor demands that Japan's \$100 billion annual construction bids be opened up to foreign companies.

May 12, 1993: U.N. passes resolution against North Korea.

June 4, 1993: Ozawa quits LDP, forms Japan Renewal Party, with Finance Minister Tsutomu Hata. "I am the actor and Ozawa is the scriptwriter," Hata says.

June 15, 1993: President Clinton calms Korean crisis by agreeing to negotiate North Korea's proposal for reconstruction of Pyongyang's nuclear industry.

June 18, 1993: Ozawa wins no-confidence vote against Miyazawa government; general elections are called.

July 9, 1993: U.S. Treasury Secretary Lloyd Bentsen in Tokyo demands that Japan open more to foreign derivatives, charging Tokyo is "trying to exclude foreign firms."

July 18, 1993: General election. Prime Minister Miyazawa and LDP lose majority for first time in 38 years. Only 4 seats are lost by LDP in election; the other 47 seats are lost by Ozawa, who induces 47 other MPs to quit the LDP.

July 30, 1993: Morihiro Hosokawa named prime minister

as puppet of Ozawa's anti-LDP coalition of new mini-parties and Socialists. LDP out of power for first time.

Nov. 16, 1993: MITI "Agenda 21" report to U.N. calls for saving environment by export of nuclear power plants to LDCs and development of nuclear fusion power.

1994, Korea crisis

Jan. 30, 1994: "Japan to Go Nuclear in Asian Arms Race," says London *Sunday Times*, leaking secret British Defense Ministry report charging that Japan is building the bomb.

March 21, 1994: British Defense Ministry adviser Paul Beaver says Korean crisis needed to make Japan and China "stay in the box" of the U.N.-IMF system.

March 22, 1994: Japan tells Asian finance ministers that Asia must resist U.S. calls for financial deregulation, so as not to "disrupt economic growth."

April 8, 1994: Prime Minister Morihiro Hosokawa is forced out, after revelation that he received loans from Sagawa Kyubin.

April 21, 1994: Ozawa puppet Tsutomu Hata is named prime minister, will support sanctions against North Korea.

April 24, 1994: *New York Times* reports Ozawa in campaign to change Japan's constitution to join offensive U.S. naval blockade against North Korea.

May 23, 1994: LDP former Defense Minister Taku Yamasaki attacks unlimited extension of NPT.

June 17, 1994: Jimmy Carter in Pyongyang.

June 25, 1994: Prime Minister Tsutomu Hata is forced out as Socialists refuse to back Ozawa attack on North Korea.

June 30, 1994: Socialist Party Chairman Tomiichi Murayama is elected prime minister in coalition with LDP. LDP Secretary General Yohei Kono is foreign minister, Hashimoto is MITI minister. British bankers complain about ditching of Ozawa's bank regulation plans.

July 6, 1994: The Socialist-LDP government is "a sea change," a Tokyo source says. "President Clinton will find Murayama very useful in dealing with North Korea."

1995, terror explodes

March 20, 1995: Sarin nerve gas released on Tokyo subways targets headquarters of major ministries.

March 21, 1995: Kissinger in a Bombay speech says that India, China, and Japan must fight each other, "similar to the competing nations of Europe in the last century."

March 27, 1995: Prime Minister Murayama announces trip to China to urge Beijing to join Clinton's Korea nuclear pact.

March 28, 1995: Michio Watanabe of LDP's Nakasone wing leads delegation to Pyongyang to normalize relations.

March 30, 1995: Japan Police Director Takaji Kunimatsu is seriously wounded by professional gunman. Death threats to Japan intelligence chief Yoshio Omori.

April 1, 1995: Death threat to Prime Minister Murayama.

'Shimla solution' to the Kashmir imbroglio is back on the table

by Ramtanu Maitra and Susan Maitra

With a banner headline, the *Times of India* on April 4 claimed that in 1972, during the talks between the then heads of state of the two countries, India and Pakistan had agreed to accept the Line of Control that divides the disputed state of Kashmir as the international border and had decided to work toward achieving this goal. The newspaper's claim is based on a first-hand report from one of Indian Prime Minister Indira Gandhi's aides who was very much in the thick of things.

The *Times*'s report was followed by a detailed commentary by P.N. Dhar, a Kashmiri and a top adviser to Gandhi, who spelled out clearly how the final resolution of the 1972 talks, commonly known as the Shimla Agreement, had come about. At that time, the Line of Control separating the India- and Pakistan-held parts of Kashmir, was known as the cease-fire line. The Indians wanted the name changed, but the Pakistanis, for bureaucratic reasons, refused. However, as Dhar points out, the late President Zulfikar Ali Bhutto, father of Prime Minister Benazir Bhutto, agreed not only to change the cease-fire line to a line of control, for which he had earlier proposed the term "line of peace," but also agreed that the line would be gradually endowed with the "characteristics of an international border," in Bhutto's words, Dhar reports.

The transition was to take place as follows: After the resumption of traffic between India and Pakistan across the international border had gained momentum, movement of traffic would be allowed at specified points across the line of control. At these points of entry, immigration control and customs clearance offices would be established. Furthermore, Pakistan-occupied Kashmir would be incorporated into Pakistan. To begin with, Bhutto's party would set up its branches there, and later the area would be taken over by the administration. India would make *pro forma*, low-key protests. (This is what actually happened in 1974 when Bhutto constitutionally made Pakistan-occupied Kashmir a province of Pakistan without much protest from India, Dhar notes.)

The concept

It was thought that with the gradual use of the Line of Control as a de facto frontier, public opinion on both sides would be reconciled to its permanence, Dhar states. In the meantime, opening up trade and commerce and cooperation

between India and Pakistan would result in easing tensions between the two countries. When, after recounting their points of agreement, Gandhi finally asked Bhutto, "Is this the understanding on which we will proceed?" Bhutto replied, "Absolutely, Aap Mujh par bharosa keejiye" (have faith in me).

Dhar claims that this was the understanding between the two leaders and that this was the "Shimla solution" to the Kashmir problem. Shortly after the 1972 Shimla talks, a similar story appeared in the *New York Times*, fed to one of its correspondents by an aide to Bhutto. The agreement that was signed at Shimla on July 3, 1972, was the launching pad for the implementation of the Shimla solution. Some Pakistanis maintain that recent events in Kashmir have overtaken the agreement, while Indians insist that the dispute should be resolved through bilateral negotiations as stipulated under it, Dhar says. Dhar points out that the debate misses the crucial point that the Shimla Agreement provided not only a mechanism for the solution of the Kashmir problem, but it also envisaged the solution itself.

Because another close associate of Gandhi, P.N. Haksar, who was a participant during the talks in 1972, is still around, there is little doubt of the accuracy of Dhar's report. Most intriguing, however, is that it has been penned at a crucial time to have the maximum impact.

The crisis

This version of what happened in 1972 at Shimla rejuvenates the otherwise moribund Shimla Agreement, whose "ineffectiveness" has been a common refrain among western analysts. There are a number of reasons why both India and Pakistan may want to seize on the rejuvenated Shimla accord at this time. It is becoming increasingly evident to the Pakistani side that the Indian part of Kashmir cannot be gotten through either "popular uprisings" or through "jihad" from outside. For the Indians, it is clear that the Pakistanis can continue to drain India's resources for a long time to come by instigating secessionist forces in Kashmir with the help of western forces. Islamabad, under pressure from the United States and the West in general, at the same time has also realized that further growth of the Afghansi operation is no longer possible, and it is getting increasingly difficult even to

protect the assets created during the so-called Afghan jihad.

Moreover, there is little indication that the Clinton administration is committed to resolving the Kashmir issue quickly. On the contrary, there are cues suggesting that the Kashmir issue could be used by Washington to pressure both India and Pakistan to toe the U.S. administration's line on nuclear and human rights issues.

Phony games

A recent article in the *Times of India* by Indian analyst S.D. Muni cited a number of signals that the U.S. State Department is believed to have funded and encouraged American scholars exploring the contours of a possible "Kashmir autonomous region" that would exclude the northern territories under Pakistani occupation, Jammu, and Ladakh—the latter two belonging to India as of now. According to Muni, this amounts to the United States playing with the "independence option" without really pursuing it, not because the latter is not considered desirable, but because it is not feasible. The United States knows that all of Kashmir's powerful neighbors—India, Pakistan, and China—would stoutly resist the emergence of an independent Kashmir state. It may also cause tremendous destabilization in India and Pakistan, which is not in either the short- or long-term strategic interests of the United States.

While the United States may continue to pay lip service to the Kashmiris in order to cut a good image with restless Muslims around the world, it is the domestic situation in Pakistan, fast reaching the boiling point, which could provide the impetus for resolving the Kashmir dispute. Neither Benazir Bhutto nor any other politician in Pakistan, nor the all-powerful Pakistani Army, has any answer to the developments in Karachi and elsewhere. Washington is also at a loss how to prevent the disintegration of their old ally. At the same time, Washington is eager to see that the Bhutto government acts sternly against the drug-barons and Islamic extremists who are actively involved in seizing power through violence in many friendly Islamic nations. Bhutto has responded to Washington's request as much as she could, and perhaps at a grave political cost.

On the Indian side, there is a realization that Kashmir will continue to be a major drain on India's weak economy and a sore point which can be exploited by outsiders at will. It is also likely that India will now experience center coalition governments for years to come, and it is safe to assume that such weak governments will not be able to take any new initiative to resolve an old and politically complex issue as Kashmir. Moreover, it seems that the coming governments in New Delhi will be more engrossed with India's economic health and will put territorial disputes on "hold."

Also to be taken into account is the growing realization in Islamabad, particularly within the Army, that Washington's good office is necessary to keep the country in one piece. The Pressler Amendment, which ties Pakistan's nuclear weapon



In 1972, Pakistani Prime Minister Zulfikar Ali Bhutto (left) and Indian Prime Minister Indira Gandhi (right) agreed on a plan to resolve the Kashmir crisis. The plan is being given prominent coverage in the Indian press.

development to U.S. military sales and economic aid to Pakistan, is a thorn in the side of U.S.-Pakistan relations. One of the objectives of Bhutto's April 5-14 trip to the United States was reportedly the lifting of that amendment. If the whispers in the corridors of power are based on truth, one would believe that U.S. First Lady Hillary Clinton, during her recent trip, conveyed to Bhutto that Washington has little to offer on this. There are other reports which suggest that some in Washington, linked to the International Monetary Fund and World Bank, are thinking of dethroning Bhutto and putting a coalition government in place.

All this is mere talk as of now. However, the fact remains that Bhutto cannot come back empty-handed after her three-week sojourn in the United States. Hollow promises of "billions of dollars of private investment" in Pakistan will not suffice, many Pakistani commentators have warned.

What can Bhutto offer to satisfy Washington and get the Pressler Amendment lifted and make the Army happy? She will, of course, promise more captures and extradition of drug barons, and disarming and extradition of Islamic militants whom we hire on from other countries. But that will only help Pakistan for a short while. Greater issues need to be urgently resolved for the security of Pakistan. The rediscovered fullness of the "Shimla solution"—as opposed to the tired and partial Shimla "process"—could be a way out for Bhutto. The question is: Is Washington or Islamabad interested and ready?

Strike wave makes all French candidates into demagogues—but one

by Christine Bierre and Eric Sauzé

This article was translated and adapted by Nora Hamerman from reportage by Christine Bierre and Eric Sauzé for the French newspaper, Nouvelle Solidarité.

Over the last two weeks of March, all the media-sanctioned French presidential candidates have been vying to give the most exaggerated promises in social policy: Almost all of them, from Prime Minister Edouard Balladur on the right to Robert Hue on the left, with neo-Gaullist Jacques Chirac and Socialist Lionel Jospin in between, have been shedding crocodile tears about society's outcasts and pronouncing themselves in favor of higher wages.

One might well ask if this is an April Fool's joke. Indeed, all of these statements contradict the speeches favoring greater "labor flexibility" and opposing "the overly high cost of wages," which the same candidates gave only a few weeks ago. Even Balladur—a partisan of analyst Alain Minc who, in his report *The Challenge of the Year 2000*, asserts that job loss in France is due to excessive wages—was the first to support the appeal of the president of the CNFP labor confederation, Jean Gandois, for a wage increase. It does not seem to matter what one promises in order to get elected, and the level of demagogy in this campaign, as the first round for election to the seven-year term of the French head of state approaches, on April 23 (the second round is on May 7), has been frankly shameful.

In fact, the fear of a social explosion in the relatively short term is quite real. Although the lid was kept on too long while the standard of living was steadily deteriorating, the pressure-cooker of social demands now threatens to explode any day.

The March 30 day-long strike of the subway, railway, and Air Inter state-owned domestic airline workers, described as "Black Thursday" in the international media, was a lot tougher than most expected. Although the strike demands varied—the rail workers' main battle is for the defense of public sector jobs under impending privatization, the subway workers are demanding wage hikes, and Air Inter's union is defending its contract in the face of the upcoming merger with Air France—the breadth of the movement attested to deep fears about future wages. The movement in public transport, strongly inspired by the strike at Renault, has spread

like wildfire into other sectors. Seven hundred workers in Chaussou participated on Friday morning, March 31, in blocking traffic in the Oise department: 200 new Renault vans were parked and left, locked, across the highways, which caused monstrous bottlenecks in the region. This was on the eve of the opening of negotiations with the public authorities, talks which have been off and on for three years without reaching any lasting solution. The postal strike on March 30 was also largely successful. Work stoppages hit some 20 departments, three of them hard: Var, Bouches-du-Rhône, and Loiret. The Social Security unions announced a strike for April 11, and in Paris, on Sunday, April 2, it was the turn of two teachers unions to demonstrate, to demand that all teachers be allowed to join the professors' labor contract by the year 2000 rather than 2017, and the retail workers unions, to protest having to work on Sundays.

These actions were, of course, much encouraged by the declaration of Jean Gandois as well as by the candidates' promises, based on the illusion of the supposed economic recovery. Chirac claims to be able to increase direct wages by shrinking social security withholdings paid by employees, which represent 20% of gross wages; Lionel Jospin also proposes a kind of apportioning of social costs; Robert Hue has long advocated raising the minimum wage to 7,500 francs and hiking wages under 15,000 francs by 1,000 francs; while Jean-Marie Le Pen, the National Front leader, recommends a 7,000 franc minimum wage.

Reorganize the monetary system

But as Jacques Cheminade, the candidate supported by the Federation for a New Solidarity, insists on underlining, all these promises are made by men who are standing on the *Titanic* a few minutes before it sinks. Despite the alarmist statements of the international money managers—the men in charge of the big international financial institutions, heads of the central banks, the treasuries, and ministers of finance—not one of these politicians seems to realize that the international monetary system is on the brink of a much bigger crash than that of 1929. Unless we move toward reorganizing the international monetary system, wage increases will not only be impossible, but chaos will be unleashed on the economy as a whole.

Cheminade expressed his total support for the transport strikers, in a statement to the press released on March 30, saying, "We have been living for years in a system where financiers and speculators proliferate at the expense of producers, wage-earners, and the most deprived." Yet, while a wage increase is perfectly legitimate and the public service must be defended, he warns against other candidates' demagoguery in promoting the recovery myth.

This is where candidate Cheminade has some concrete and original ideas to propose, which parallel those of the American political economist Lyndon LaRouche: putting the international monetary system into orderly bankruptcy proceedings, along with a series of approaches which will discourage financial speculation and reorient money into production. In addition to his proposal for a "Marshall Plan" for the countries of the East and South, centered around launching big infrastructure projects, Cheminade has just made public a whole series of innovative projects in the areas of housing, the suburbs, management of territory, space and defense policy for France (which has been reduced to bare survival), as well as for agriculture.

So far, the Paris media's boycott of his candidacy has been almost total (which is remarkable, given that Cheminade's success in obtaining the 500 signatures of elected mayors which are required for ballot status, when some much better known and better-funded politicians were having trouble making the grade, is a highly newsworthy event in itself). Only *Quotidien de Paris* voiced, in an article on March 28 on "Pierre" Cheminade, the real fear of the entrenched Parisian bureaucracy: that in a period of trouble and crisis like the present, the "preposterous" ideas of this candidate might begin to spread.

Campaign's impact in French regions

The Paris media's attitude has certainly not been reflected in the provincial parts of France, where Jacques Cheminade recently began a campaign tour that will take him to every region in the country, and which national media are following quite closely.

His metaphor of the unsinkable *Titanic* ("The other candidates are making grand speeches from the bridge of the *Titanic* and they calculate their programs while pretending they don't see the iceberg") has been taken up by numerous articles and media reports. In general, his battle against speculation and against the domination of finance over economic life is welcomed with open arms, in farming areas as well as by business.

The tour started in the Rhône-Alps region. At Moire, in the Beaujolais region, Cheminade arrived on March 28 to visit a wine cellar, invited by Jean-Paul Gutty, one of the 500 mayors who signed petitions for his candidacy, who had invited two mayors of neighboring villages. The FR3-Lyon television channel covered the visit on that night's 7 o'clock news, and a journalist from Agence France Presse,

the largest French wire service, interviewed the mayor and candidate. France-Info, a national all-news radio channel, broadcast an interview with Cheminade, conducted at Villefranche-sur-Saône, four times that day.

That afternoon he was in Lyon for a press conference, and held an impromptu meeting with about 15 local sympathizers of the Federation for a New Solidarity. In the evening, invited to a dinner-debate organized by some business people in Lyon, Cheminade developed his conceptions on the scope of the world and national economic and financial crisis, for a group of decisionmakers, who welcomed the chance to discuss these matters with someone with a grip on reality.

The next morning in Thonon-les-Bains on the Swiss border, Radio Thollon interviewed the presidential candidate. This station covers the region from Geneva to Lausanne, Switzerland, as well as the French periphery of Lake Lemane and some of the North Alpine valleys.

At noon, accompanied by about ten supporters, Cheminade laid a wreath at the Memorial to the Victims of Vercors, a high point of the anti-Nazi Resistance. The silent ceremony was filmed by FR3 Grenoble. When this was aired on the evening local news, the reporter commented that for Cheminade, the fight against the Holocaust was not just a past episode to commemorate; but also a present duty: If we had drawn the lessons of the Second World War, we would never tolerate today's genocide in Bosnia.

At the end of the afternoon, the candidate was invited to visit a mountain village of Vercors, Malleval, where Mayor Kempf guided him on a visit to a snowy mountain tourist spot and a farm where cheeses are produced. After touring l'Isère, Cheminade wound up his Rhône-Alps sojourn in Lyon by holding a forum for some 30 supporters.

Cheminade then headed for Burgundy. During an appearance at the market in Mâcon—a name famous to wine lovers around the world—FR3 television filmed him, and a regional newspaper covered the campaign under the title, "Cheminade: Politician or Philosopher?" At Louvières (Haute Marne), Mayor Michel Jeangeorge invited Cheminade to visit a local silverware factory, in the presence of several city council members.

On March 31, the candidate was back in Paris, where he attended the opening of the small vineyards' Viticulture Fair. The 330 exhibitors were all concerned about the insane policy of the European Union in Brussels, which, unless it radically changes, will wipe out one out of two small producers within a few years. Jacques Cheminade—the only presidential candidate to appear there—supports their demand for better protection of their labels, without restricting the export of vine stocks. His farm program, distributed at the entrance of the fair, aroused very great interest. Wherever he goes, Cheminade is making himself known as the candidate who breaks with the rules of the game and the media blackout maintained by the Paris nomenclatura.

The less hair, the more chance

by Roman Bessonov

On March 26, Yuri Boldyrev, member of the Federation Council and vice chairman of the Counting Chamber (Shchotnaya Palata), held a public meeting in St. Petersburg. Boldyrev is also co-chairman of the "Yabloko" movement (the name means "apple," but it is an agglomeration of surnames: Yavlinsky, Boldyrev, Lukin, or "YaBL"), founded on the base of the "YaBL" faction in the State Duma. In St. Petersburg, the movement is represented by the Regional Party of the Center (RPC), headed by Igor Artemyev (former chairman of the ecology commission of the dissolved St. Petersburg City Council). Almost all the other RPC members were also members of the dissolved Council. The explanation is that Boldyrev sharply criticized Russian President Boris Yeltsin for dissolving the federal, municipal, and local representative bodies on a quasi-ideological pretext ("we have to get rid of the Soviets and the Soviet era"), even though these councils ("Soviets") were elected in 1990 in a much more democratic and legitimate way than the new "Dumas" formed in late 1993 and 1994.

Boldyrev, a deputy of the U.S.S.R. Supreme Soviet in 1989-91, had been one of the most active members of the Democratic Platform in the Communist Party of the Soviet Union, and did a lot for the disintegration of that party. This was appraised by Yeltsin, who appointed him chairman of the Control Department. But Boldyrev appeared to be too honest and not obedient enough to retain this post, so, in 1992, the whole department was dissolved. In October 1993, Boldyrev sharply criticized Yeltsin for dissolving the parliament. That's why Yavlinsky, who was trying to make up a "democratic anti-Yeltsin opposition," decided to form an alliance with him.

The Yabloko faction was later used as an instrument by the Moscow Mayor Yuri Luzhkov-Vladimir Gusinsky people, who tried to take over power, launching their "heavy artillery" mass media campaign against the President in 1994. Actually, these efforts had been under way since autumn 1993. In December 1993, the "YaBL" election block was financed by Gusinsky's Most Bank.

In 1993, Boldyrev was elected to the Federation Council, the upper house of the new Russian Parliament, from St. Petersburg, his native city. Despite the efforts of the Yegor Gaidar people to push their candidate, Nikolai Arzhannikov,

Boldyrev gained the biggest rating in this election campaign.

In 1994, Boldyrev was elected vice chairman of the Counting Chamber. At the public meeting, he said he was doing everything possible to make this structure an analogue to the former Control Department. Boldyrev's relations with Yavlinsky have been rather tense, especially in periods when Yavlinsky was about to make compromises and yield to Yeltsin's pressure. Now, he was again asked if he would support Yavlinsky in the 1996 race for President, and Boldyrev said he was not quite sure. Some of his supporters (they are mostly women, Boldyrev being a rather handsome young man) tried to assure him that he is more popular than Yavlinsky, and he could try to run for President himself. He was also encouraged to run for mayor of St. Petersburg. "Not with this President," he answered. "If I am elected mayor now, Yeltsin will establish an economic siege of the city."

Boldyrev very seldom speaks on geopolitical issues, but this time he had to, for he was asked many questions. He said that, in his opinion, Russia and Belarus have to be reintegrated both economically and politically. It is a different situation with Ukraine, he said, because that country consists of two parts; if we try to impose its reintegration, there will be a civil war in Ukraine.

At the same time, Boldyrev does not approve of the liquidation of Crimean autonomy by Kiev. Surprisingly, several members of the "YaBL" faction, including Vyacheslav Igrunov, former manager of the Soros Foundation in Russia, supported Konstantin Zatulin, chairman of the Duma commission on Community of Independent States affairs, criticizing Ukraine President Leonid Kuchma's policy and the indifference of Russian Vice Prime Minister Oleg Soskovets in his talks in Kiev. The fact is that Gaidar's Russia's Choice party is the only faction in the State Duma that does not protest against the liquidation of the Crimean peninsula's quasi-statehood.

The argument over Crimea again proves that the liberals will be unable to make up a "united block of democratic forces" for the December 1995 parliamentary election. This fact was also demonstrated in another hearty argument dealing with the question of Ostankino, the main state television company.

The Ostankino question

On March 21, Igor Yakovenko, co-chairman of the Democratic Alternative Party that had joined the Yabloko Movement, and also head of the Duma subcommission on mass media, spoke at the hearings on the Ostankino issue in the Duma. He drew the attention of the audience to the fact that Sergei Blagovolin, the newly appointed director of the Russian Public Television, is also head of the Moscow organization of Gaidar's Russia's Choice party. So, the Ostankino tower can again become the "ideological syringe" it has been in the past.

Yakovenko said, "I was sure that the fact of Sergei Ka-

lashnikov's membership in Vladimir Zhirinovsky's faction would be used against the Ostankino company by the eight financial groups that have monopolized the broadcasting on the 1st TV channel." Indeed, the criticism of "Berezovsky and others" ("others" including Oleg Boiko's National Credit Bank) by Sergei Kalashnikov, chairman of the commission of labor and social support, was followed by an article in the Boiko-financed *Izvestia* newspaper that not only emphasized Kalashnikov's membership in Zhirinovsky's LDPR, but also accused him of speculating with state pension funds. Yakovenko said that not only Kalashnikov but also the other Duma factions were protesting against the monopolization of Ostankino's Channel 1 by Gaidar's lobby.

So, Yakovenko broke Gaidar's game, in the same way Boldyrev did during the December 1993 elections. Unfortunately, Yakovenko did not notice (or did not pay attention to) the fact that Blagovolin was not only (or not so much) a Gaidar agent, but London's agent. The Institute of National Security and Strategic Research headed by Blagovolin is a daughter structure of the International Institute of Strategic Studies in London. That's whose "syringe" the Ostankino "needle" is to become.

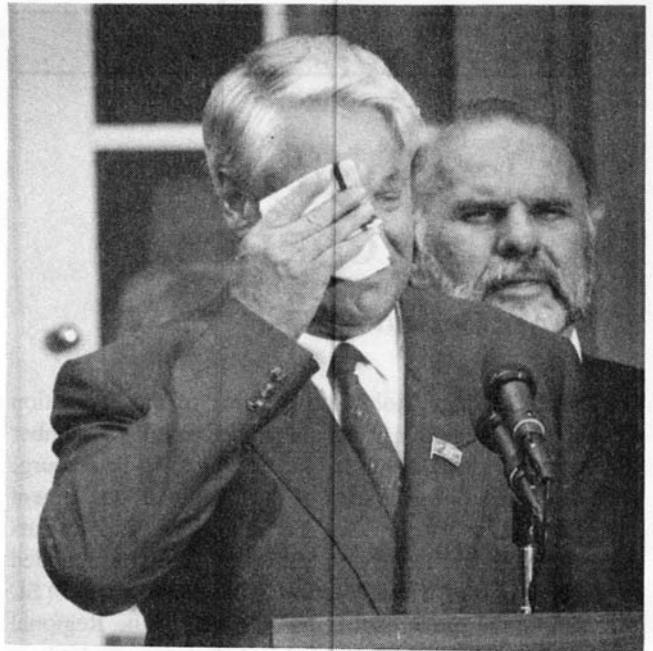
No longer dangerous

But there is another side of the coin in this polemic. Yakovenko and Kalashnikov's opposition against the eight financial structures of public TV can be used at will by those who didn't get a share in this deal, primarily by Gusinsky's Most Bank. Yakovenko is known as an honest politician (a rare case in liberal circles). Still, his pathetic indignation may be used as an instrument, just as happened with Boldyrev, who was only given one opportunity to be published in *Izvestia*, i.e., last November, when both Gusinsky and Boiko were interested in discrediting Pavel Grachov, the defense minister. The subject of that interview with Boldyrev was corruption in the Western Group of Russian Forces.

After his March 20 talk with Prime Minister Viktor Chernomyrdin, who guaranteed that Moscow will get budget subsidies for purchasing food and for some other primary needs, Moscow Mayor Luzhkov seemed to be satisfied. He does not speak of retirement any more, and he also does not object to the resignation of two top Moscow officials, Prosecutor Ponomaryov and former head of Moscow militia Pankratov. Right after the Luzhkov-Chernomyrdin talks, Sergei Gerasimov, who previously refused to replace Ponomaryov, agreed to.

So, a superficial glance gives the impression that Luzhkov has already given up, and is not dangerous to the President. However, Luzhkov's mass media (NTV Co., and *Sevodnya* and *Moskovsky Komsomolets* papers) seem to be starting another fierce campaign aimed allegedly at security officials Korzhakov and Barsukov, but actually aimed at Yeltsin.

On March 26, the NTV "Itogi" program served up a new dish from the "pocket" sociologists of the Public Opinion Foundation. According to the latest "objective" poll, only



Russian President Boris Yeltsin: How much hair will his successor have?

6% of respondents wholly trust Yeltsin, while 78% don't believe him at all! "Itogi" also presented a new version of the politicians' "weight scale" (it does not include the President). As usual, Chernomyrdin was the first, but it was also emphasized that his position had become much stronger after he signed the agreement with International Monetary Fund Managing Director Michel Camdessus. Then came Korzhakov (still second but allegedly losing weight), Ilyushin, Chubais (allegedly gaining influence), Speaker of the State Duma Ivan Rybkin, Soskovets, Luzhkov, Shumeiko, Filatov, and . . . Communist Party leader Zyuganov!

Speculating on the prospects, Yevgeny Kiselyov, Luzhkov's chief propagandist from "Itogi," with his usual black-mailing smile, drew some "historical parallels," imposing similarity between Grachov and former U.S.S.R. Defense Minister D.T. Yazov; Korzhakov, with former U.S.S.R. KGB Chairman Vladimir Kryuchkov; and so on. Any TV spectator could understand the hint that Yeltsin is today's Mikhail Gorbachov. Luzhkov's mouthpiece just forgot to add who is today's analogue of the 1991 Yeltsin.

Luzhkov himself tries to make it clear, appearing here and there with workers, pensioners, artists, and priests, with a very modest and quite innocent expression on his round face. And the Russian intelligentsia, threatened by the images of Korzhakov and Zyuganov, quite naturally recollect that the leaders of the country used to change in a specific sequence: with few exceptions, every other one was bald. So, the next one should be either Zyuganov or Luzhkov. And Yavlinsky or Boldyrev, with their thick hairdos, have to wait for their turn.

Lauck arrest a blow against neo-Nazi international

by Angelika Beyreuther-Raimondi

On March 23, at the behest of the German Federal Crime Bureau and the state prosecutor in Hamburg, 80 apartments were raided in every state of Germany except Saarland, and right-extremist propaganda material, swastikas, weapons, and munitions were seized. The operation, codenamed "Atlantic," was aimed at members of the Nationalsozialistische Deutsche Arbeiterpartei—Auslands- und Aufbauorganisation (National Socialist German Workers Party—Foreign and Base Organization, or NSDAP-AO), founded in the United States in the early 1970s by Gary Rex Lauck. For more than 20 years it has been the top supplier of neo-Nazi literature for the German Nazi scene.

Lauck, who likes to be called Gerhard Lauck, was arrested in Denmark on March 20. The Hamburg prosecutor is confident that Lauck will be extradited to Germany. Already over recent weeks, more than 60 apartments of recipients of NSDAP-AO materials have been searched.

Lauck had founded the NSDAP-AO as a "corporation for the common good" in Lincoln, Nebraska in 1972. The group is conceived as a direct successor to Hitler's NSDAP. Meanwhile, Lauck distributes his bimonthly *NS-Kampfruf*—saturated with swastikas and the most gruesome Nazi propaganda—in 10 European languages.

Recruitment to a 'Brown Army Faction'

In one 1993 issue of the *NS-Kampfruf*s, the "theoretical possibilities of armed resistance against the German state" were discussed. The NSDAP-AO also distributes by diskette the personal computer journal *Endsieg*. This way, every "comrade" can become an expert on assembling and manufacturing firebombs and high-explosive bombs, delayed-action and detonation techniques, and explosives, with detailed bomb-building instructions provided by computer or in print. Lauck also published the terror manual *Eine Bewegung in Waffen (A Movement in Arms)*, promoting the leftist Red Army Faction (RAF) as a model for the buildup of a kind of Brown Army Faction. Among the targets for acts of sabotage are: "destruction of broadcast installations for the media system," and "disruption of transport means and infrastructure" such as airports, railway stations, and bridges. Also important are banks, in order to "create some financial elbow room for the strike groups." Sympathy is declared with the RAF

for opening a "weak spot in the system" with the April 1991 killing of Detlev Karsten Rohwedder, the head of the Treuhand agency for administering the conversion of former state-owned industries in the former communist East Germany.

But this orientation to "brown" terrorism is not new. Already in the 1970s, calls for the assassinations of politicians appeared in NSDAP-AO literature. Just like the left extremist and terrorist publications, Lauck, printed rules of conduct for "comrades," in case they are imprisoned and interrogated by authorities. By the early 1980s, Lauck was giving out literature on how to make explosives. Because Lauck's organization had built up a network of underground cells in Germany acting independently of each other for two decades, and "autonomous" structures had been emanating from the neo-Nazi scene for a considerable time, there is a risk that these terrorist instructions could be carried out.

In a June 1993 report titled *Strategy of Tension*, an investigative team from EIR News Agency in Germany researched the case of the NSDAP-AO and Lauck, and concluded that his Nazi undertaking had been worked out from the start with the full protection of U.S. government agencies. On March 26, 1974, the Nationalsozialistische Deutsche Arbeiterpartei—Auslands- und Aufbauorganisation was registered in Nebraska under that name, as the precondition for setting up a bank account and other business activities. The official in charge, Allen Jay Beermann, told *EIR* reporter Anton Chaitkin that the decision to register Lauck's Nazi organization had been made by him and other government officials, including criminal justice officials. Thus it can be concluded that the FBI has known all of Lauck's writings and his international contacts since that time.

Several times in the past, German authorities have gone after the NSDAP-AO's network, but without getting any official U.S. help. In March 1989, some 2,000 persons all over West Germany were investigated, and a mountain of evidentiary material was seized, including neo-Nazi propaganda from the United States and Canada. The police and justice system assumed that this large-scale attack would halt the further spread of neo-Nazi materials.

This did not occur. An officer of the German Bureau for Defense of the Constitution described the lack of U.S. interest in dispelling the specter of neo-Nazism on Sept. 12, 1993 in the weekly *Welt am Sonntag*: "For the FBI and CIA, Lauck is uninteresting, because he is just a propagandist and not a perpetrator of violent acts. If they would only make his mailing list available to us, we could go after the people who are illegally circulating his stuff in Germany."

Recently, Lauck's office in Nebraska was linked up by modem with the electronic networks of the Nazis in Germany, Scandinavia, and America. These communications links can be precisely investigated. One would hope that improved German-American ties under the Clinton administration would also lead to real cooperation against neo-Nazi networks on both sides of the Atlantic.

International Intelligence

British destabilizers upset over Amazon project

Survival International and Oxfam, two of the "action anthropology" and Non-Governmental Organization (NGO) fronts of British intelligence's terrorist international exposed in *EIR*'s March 31 issue, are frantic over Brazilian President Fernando Enrique Cardoso's decision to complete the trans-Amazonian highway that will link Brazil to the Pacific via Peru. Oxfam spokesperson Patricia Feeney complained that more than 160,000 people moved into the Amazon after one stretch of the road was opened, according to *Jornal do Comercio* April 4.

Fiona Watson of Survival International added that colonization of these areas and subsequent development will be a "disaster" for everyone. Survival's major issue of concern is the demarcation of zones for Indian populations.

As part of his Amazon program, Cardoso did announce that the Brazilian government will set up 58 Indian reservations over the next five years, in an area that will cover 32 million hectares.

Mass desertions reported from EZLN in Mexico

According to several sources monitored by *EIR*'s Mexico City bureau, the "Zapatista National Liberation Army" (EZLN) forces ensconced in the Chiapan jungle are suffering mass desertions and could easily be defeated by the surrounding Army troops, should Mexican President Ernesto Zedillo give the word.

The assessment was corroborated by the influx of international and domestic human rights groups into Chiapas bearing tons of food and, more importantly, attempting to shine a media spotlight on the rapidly waning insurgency. The Mexican Army stopped them.

A Mexico City columnist reported that a short-wave radio operator in Chiapas had intercepted a message from EZLN leaders to their dispersed cadre asking them to be

ready to attend a major rally in support of Bishop Samuel Ruiz, a key figure in fomenting the violent movement (see *Special Report* in *EIR*, March 24, 1995). The message also spoke of "the great number of comrades who have deserted," and short supplies. Finally, it said, "It is necessary to ask more support from the International Red Cross and the human rights groups so that the movement doesn't disappear."

Meanwhile, reflecting a fissure in the pro-terrorist PRD party of Cuauhtémoc Cárdenas, PRD Sen. Guillermo del Río Ortégón issued a statement warning that if the Zapatistas don't respond satisfactorily to the government's mediation proposal by April 10, this would "demonstrate that the armed movement and the attitude of 'Marcos' respond to foreign interests, and not to the just national demand for a democratic change and more justice."

British intelligence scribbler: Partition U.S.

Ambrose Evans-Pritchard, the British intelligence mouthpiece best known for his efforts to destroy the institution of the U.S. presidency through scandals, is now promoting the "Lebanonization" of the United States.

In his April 1 column for the London *Sunday Telegraph*, Evans-Pritchard inflates the importance of the ideas of British expatriate author Peter Brimelow, in a book called *Alien Nation*, which foresees a "dis-united United States." Brimelow, formerly a backer of racist demagogue Enoch Powell in the United Kingdom, is now a financial journalist for *Forbes* magazine.

Brimelow believes that America is being "deconstructed" by the wave of immigration into the country of past decades, and is now "rather like Lebanon before its ethnic divisions erupted." Evans-Pritchard's account omits to mention that Lebanon, a model for peaceful coexistence of various ethnic groups and faiths, exploded due to the meddling of Henry Kissinger on behalf of his British Foreign office masters in the early 1970s.

In Brimelow's view, America, 80% British and 96% Protestant at the time of the Revolution, was "still British by race, culture, and disposition." But then, the idea of "Americanization" through large-scale immigration came into fashion, and "Catholics from southern Europe" poured into the United States, forever changing its complexion.

Pope's allies attacked in Austrian Church

The Austrian Catholic Church's hierarchy came under unprecedented attack in March, and the fallout could well affect the government in this European nation where 80% of the population is nominally Catholic.

Early in the month, all members of the council of priests of the Salzburg archdiocese resigned in protest over "not being consulted" when it was announced that Archbishop Georg Eder had appointed the Salesian priest Andreas Laun as auxiliary bishop for the diocese (all such nominations are confirmed by the Vatican). Laun had been one of the staunchest supporters of Pope John Paul II's battle to block the worst features of the genocidal agenda of the 1994 U.N. population conference in Cairo.

In mid-March, Bishop Kurt Krenn of St. Poelten faced a clergy revolt when he withdrew permission to teach theology from Franz Schmatz, who publicly opposes the church's teaching that divorced persons who remarry without a religious annulment may not take the sacraments. Four hundred priests threatened disobedience if Bishop Krenn were not to renounce this decision.

Finally, at the end of the month, a 37-year-old man alleged in a news magazine profile that he was sexually harassed 23 years ago by Cardinal Hans Hermann Groer, the archbishop of Vienna.

Groer, Eder, and Krenn represent the wing of the Austrian church which is faithful to the church's moral teachings and to the pope, as opposed to the Liberation Theology clique tied to Groer's predecessor, Cardinal Koenig.

The media-orchestrated "rebellions"

may be an effort to skew the internal fight in Austria's Christian Democratic party, the OeVP, which recently lost about 10% of their traditionally Catholic core vote. At their April 22 national congress, a more explicitly Christian platform will be voted on. A return of the party to traditional Catholic social doctrines could affect the government, of which the OeVP is a member.

Russians draw 'Korea' parallel to Iran deal

Vladimir Lukin, the chairman of the Russian Parliament's foreign affairs committee, was quoted in a French daily on April 4: "The reactors that we intend to deliver to Teheran are of the same type as those that the United States would like to furnish to North Korea. On what grounds can the Americans affirm that a similar technology is 'proliferating,' when we sell, and 'non-proliferating,' when it comes to North Korea. Besides, Iran, signatory of the Non-Proliferation Treaty, is open to inspections by the International Atomic Energy Agency."

The article, commenting on U.S. Defense Secretary William Perry's trip to Moscow, appeared in *Le Figaro*. U.S. newspapers report that Perry was told that the deal was definitely going ahead.

Algerian ambassador seeks U.S. support

In a speech on March 30 to a Washington, D.C. think-tank, the newly named Algerian ambassador to the United States appealed for U.S. support.

"Pressing the Algerian government to talk to the FIS," the Islamic Salvation Front, "would only reinforce the position of the Islamists," Hadj Osmane Bencherif told reporters. "There is absolutely nothing to be gained by appeasing the fundamentalists in Algeria."

He also confirmed that a major government offensive had been launched against the Islamic rebels. Press reports state that the government's security forces had killed

close to 1,300 Islamic rebels in recent days. These figures are dismissed as greatly exaggerated by FIS sources in western Europe.

Meanwhile, in a move that could signal a reopening of negotiations, which are backed by the U.S. Clinton administration, the Algerian government moved the top two leaders of the FIS, Abassi Madani and Ali Belhadj, from jail to house arrest for "secret talks."

A similar move by President Liamine Zeroual failed in fall 1994, but this time there are reportedly eight Algerian generals drawing up a plan for national reconciliation with the FIS.

Former Algerian Prime Minister Abdulhamid Ibrahimi told France's *Le Figaro* newspaper on April 1 that he expects an "awakening" among Algerian Army officers, and hopes that the nationalist faction can defeat the hardline generals, who want to "eradicate" the Islamic movement even at the cost of a bloodbath.

China daily praises euthanasia as 'human'

The March 17 issue of *China Daily* reports that this year, 78 delegates to the National People's Congress called for legalizing euthanasia, up from 32 last year. The article quotes a delegate saying: "Legalization, or mercy killing, is a human, reasonable, scientific attitude toward death." The bill would allow the murder of anyone who requests death if the family and three doctors approve. It references the Oregon referendum legitimizing physician-assisted suicide and the challenge to it in the U.S. courts, and the use of "compassionate killing" in the Netherlands.

The article admits that life is considered a gift from one's parents in the Chinese tradition, and therefore one's own life cannot be taken at will. It also admits that euthanasia is already practiced widely in some parts of China since the 1989 legal decisions acquitting a son who murdered his mother. China's enforcement of population-control policies through forced sterilization, late-term abortion, and infanticide are already notorious.

● **NUMBER TWO** terrorist Margie Clavo Peralta and three other members of the central committee of the rejectionist wing of Shining Path were arrested in Peru in March. They had rejected jailed leader Abimael Guzmán's call to lay down arms, and allegedly planned an armed strike against the April 9 presidential elections.

● **AMNESTY** International, a prominent "human rights" group, is funded by British Intelligence, charged Sudan's leading Islamic authority, Hassan al-Turabi, at an April 2 press conference in Khartoum. He observed that although he spent seven years in prison, he never appeared in an AI report.

● **THE BEIJING** United Nations conference on women slated for September is "in chaos," according to a source close to the preparatory committee in New York. If Deng Xiaoping, the Chinese supremo, were to die before the event, it might be moved, out of fear of turmoil.

● **DOZENS** of Algeria's independence war veterans have been reported killed by suspected Muslim rebels during the civil strife since January 1992. On March 22, Abdelouhab, the son of Algeria's most respected independence fighter, was gunned down.

● **'AZTEC'** actress Ofelia Medina, as she styles herself, is touring Europe to "raise money for the Indians," reports the Mexican press. Her tour apparently stemmed from an invitation by French Communist Party chief Georges Marchais.

● **COLOMBIA'S** National Electoral Council arbitrarily cancelled the registration of the Ibero-American Solidarity Movement as a legal political party. The party had used its access to national TV to present LaRouche's programs to the Colombian public every six weeks.

As 'Contract' falters, the circus comes to town

by William Jones

The Roman Emperor Nero used to say that in order to maintain power, you had to give people bread and circuses. Well, the new Jacobins under King Newt on Capitol Hill are adhering to at least part of Nero's advice. They did provide the circus, bringing Ringling Brothers and Barnum and Bailey to the nation's capital on April 5. House Speaker Newt Gingrich (R-Ga.) felt that the end of the Republican "100 days," in which his "Contract with America" was supposed to have passed Congress, should be celebrated in style, with a "photo op" for himself and Senate Majority Leader Bob Dole (R-Kan.) with elephants, the GOP party symbol. But as for the bread, the Gingrich Republicans have taken it out of the mouths of babes, rather than distributing it to the masses. In the Gingrich plan, there are no palliatives—at least, not for the poor and needy, but then again, the poor and needy really haven't been the political base of the Gingrich campaign.

All the ballyhoo that the pundits and the "talking heads" will make about the success of the Contract after the 100 days, will be fraudulent. Most of what the House Republicans have passed as part of their Contract, has been stopped in the Senate, or at least seriously blunted, despite the Republican majority there.

Retaking the House and the Senate in the November 1994 elections after long being out of power, House Republicans found themselves in the unenviable position of having to make good on their Contract, initially an election-year gimmick comprised of a laundry-list of populist demands that they could use as sound-bites in their campaigns. Having gained control of the Congress, House Republicans then felt compelled to at least make a credible effort to try to pass some of the measures. Faced with the near impossibility of passing the Contract during the first 100 days, they declared that they had simply promised to *bring it to a vote* during that time.

The only provisions of the Contract signed into law so far are the Congressional Accountability Act, a rule that legislation passed by the Congress must apply to the Congress (these relate primarily to private sector employment laws); and, more significant, is a prohibition against unfunded mandates that makes it impossible for the federal government to mandate action by the states which requires the expenditure of a significant amount of funds, without also providing the funds for implementing that action. The line-item veto, which shifts "the power of the purse" more into the hands of the Executive branch, has been passed by both houses and is expected to be signed by President Clinton when the conflicting versions are reconciled. The Paperwork Reduction Act, a relatively insignificant measure, was sent to Clinton on April 6 for his signature. Also on April 6, the Senate passed \$16 billion in budget cuts (rescissions), which will be reconciled with the House-passed \$17 billion in cuts.

Big issues defeated

But two big-ticket items have been defeated. One item, term limits, didn't even pass the House. Although the House succeeded in passing a version of the balanced budget amendment on Jan. 26, which would have required an absolute majority to raise taxes, the measure lost in the Senate when Tom Daschle (D-S.D.) and Byron Dorgan (D-N.D.), two senators whom amendment backers were courting, revealed that pro-Contract Republicans planned to loot Social Security to balance the budget.

Up until that point, pro-Contract Republicans seemed to be on a roll. However, the defeat of the balanced budget amendment led to a significant loss of momentum in the Republican "steamroller." The debate around the balanced budget amendment also brought out the dissension within

Republican ranks over the Contract itself.

The Contract with America was the personal whim of Gingrich. The ostensible success of the Republicans last November led to the temporary rise of his star, getting him elected Speaker of the Republican-dominated House. But from that time, his star has steadily dimmed.

In the Senate, less influenced by the Jacobin rhetoric, Republicans had not campaigned on the Contract, and didn't feel themselves bound by it. Gingrich and his cohorts thought that the alleged success of the Contract in allowing Republicans to take back the House, plus the aura that was created around it, would be enough to create the illusion that the Contract was Republican policy, and this would get the troops in line. Things didn't quite work out that way.

Among the measures that have been passed by the House but are now stuck in the Senate, are a draconian crime bill, bills on senior citizens and national security, a tax cut (the Senate will not vote until at least late summer), and welfare reform. When it came down to issues like welfare reform, the differences within the Republican Party rose quickly to the surface.

Welfare 'reform' and taxes

The more radical Republican elements in the House wanted to go all the way in eliminating "welfare as we know it." On March 24, the House passed a measure that was labeled the "biggest, toughest, and most comprehensive" welfare reform in modern times. Many of the financial "safety nets," that are the only thing standing between millions of people and destitution, were now targeted for extinction in the Republican legislation. Money earmarked for welfare would be transformed into block cash grants to the states, which the states might or might not expend on welfare programs. The Republican measure would also end such critical programs as Aid to Families with Dependent Children (AFDC), Emergency Assistance, the Women, Infants, and Children (WIC) nutrition program, and the federal school breakfast and lunch programs.

In addition, the measure would deprive legal immigrants of welfare benefits, would restrict eligibility for the food stamp program, and would cut drastically the Supplemental Security Income (SSI) for many children with mental and physical disabilities.

On April 5, the House passed a controversial tax cut, dubbed by Gingrich Republicans the "crown jewel" of the Contract. The bill would provide a \$500 tax credit to families making up to \$200,000 per year, and a reduction in the capital gains tax. In addition, the measure places a tax hike on federal workers who must, according to the legislation, increase their contributions to their pension funds by 2.5%. Democrats pointed out the hypocrisy in this tax hike, since one of the first measures that Republicans had tried to pass as part of their Contract was the stipulation that taxes could only be raised by a two-thirds majority vote in both houses. The tax cut was passed by a simple majority vote of 246-188.

Debate over the Contract has been among the most bitter and most boisterous the House has seen in years, with hooting, booing, and cheering that is more characteristic of the British House of Commons. The "line in the sand" has been drawn by the Gingrich Republicans, who apparently believe that they can maintain their toe-hold on the House majority solely by relying on the populist, anti-Washington furor of their supporters, fueled by radio hosts such as Rush Limbaugh.

But the dichotomy created by the Republican "slash and burn" policy has given the Democrats the opportunity to score the ideological bias of the Contract's perpetrators, with some Democrats pointing to the fascist origins of the philosophical outlook behind the Contract—an obvious comparison for the philosophically literate, most strongly emphasized by *EIR*.

Democrats, albeit ploddingly, have been following up on the advice of Sen. Edward Kennedy (D-Mass.) given earlier this year in a speech at the National Press Club, in which he upbraided many of his colleagues for running *from* the President during the election campaign and trying to "out-Republican" the Republicans. Kennedy encouraged colleagues to fight for the issues for which Democrats traditionally have stood. The ferment evoked by the draconian cuts in the Republican Contract will really not let the Democrats hide from those issues. On March 31, for example, thousands of registered nurses and hospital workers marched on Washington to protest the cuts in Medicare contained in the Contract.

Republican 'unity' falters

The Contract has also split Republican unity and underlined the differences between the Republican Senate and the Republican House. It is unlikely that that "unity" will ever return, especially after the threatened use of what one pundit characterized as "Leninist methods," recommended by Conservative Revolution supporter Sen. Rick Santorum (R-Pa.), who wanted to "discipline" Senate Appropriations Committee Chairman Mark Hatfield (R-Ore.) by stripping him of his chairmanship because of his "heresy" in opposing the balanced budget amendment.

But even as a gimmick, the Contract with America has failed miserably. Gingrich, lauded as "Mr. Contract" during the heady January days of the Republican takeover of the House, is now in a tailspin. Newt is quickly going "from hero to zero." From an almost unknown figure prior to the November elections, he rose suddenly to superstardom, but is now rapidly becoming one of the most hated figures in America (although Henry Kissinger is still leagues ahead of Newt in that race.)

As the demonstrations against his Contract increase throughout the nation, Newt may try to distract voters by bringing more circuses to town. He's liable to find, however, as people lose patience with the insanity emanating from the Republican Congress, that he's only succeeded in making a monkey out of himself.

Book Reviews

Intelligence is not a statistic: the pseudo-science of the 'bell curve'

by Dennis Speed

The Bell Curve: Intelligence and Class Structure in American Life

by Richard J. Herrnstein and Charles Murray
The Free Press, New York, 1994
845 pages, hardbound, \$30

The Bell Curve Debate: History, Documents, Opinions

edited by Russell Jacoby and Naomi Glauberman
Times Books/Random House, New York, 1995
720 pages, paperback, \$15

During the late 1960s and early 1970s, a reactionary campaign against the achievements of the civil rights movement of the just-assassinated Dr. Martin Luther King, was spearheaded by the release of a series of publications that sought to rejuvenate the hard-core racial inferiority outlook of the Southern Confederacy, in a modern, "post-industrial" guise. The discredited eugenics arguments of the 1920s, and even of the 19th century, were exhumed and recycled. This was done as a leading component of the campaign for the "social policy" of what became known, through its advocacy by Nixon adviser (and now U.S. Senator) Daniel Patrick Moynihan, as "treating America's urban centers"—and the populations therein contained—"with 'benign neglect.' "

In the immediate aftermath of the Newark and Detroit riots of 1967, and the April 1968 nationwide riots immediately following King's assassination, international operatives, such as the Club of Rome's Alexander King, sought to work with their American counterparts to tie together the floundering anti-Vietnam War movement, the "student movement," and the decapitated civil rights movement, into a battering-ram against the spread of scientific and technological progress.

Indeed, a "dumbing down" process had already begun, in part through the early-1960s introduction of "new math." Somewhat later came the fraudulent Meadows-Forrester *Limits To Growth* computer study, which purported to prove that "the world is running out of resources."

As each newer, and dumber, idea was introduced, people's intelligence diminished. Individuals, typified by the denizens of think-tanks such as the RAND Corp., who were designing radical depopulation programs for every sector of the world, including the United States, argued that contrary to what the civil rights movement claimed, in fact people of different skin colors have different "levels of intelligence."

In this irrational world of "small is beautiful," collapsing economies, assassinated heads of state, and depopulation wars such as Vietnam, it became increasingly difficult to maintain the belief that all people, regardless of skin color or some other accident of birth, possessed the same intelligence—and therefore the same responsibility to improve the world. Instead, militant "studies" movements of every stripe appeared, largely because students no longer possessed the capacity to comprehend universal ideas.

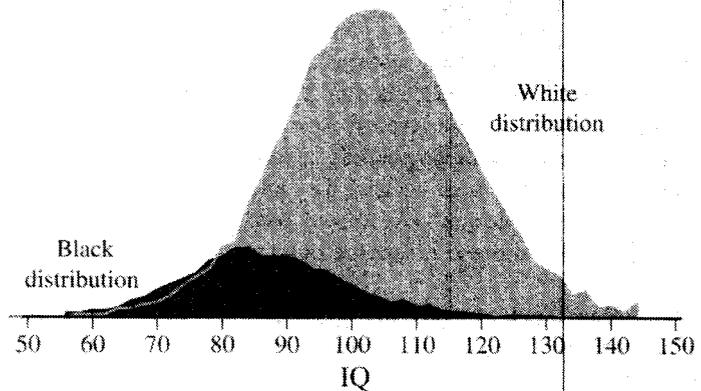
Populist refrains abounded, such as "the money spent in space has to be brought down to Earth and spent in the ghettos." The all-too-predictable result of that particular slogan, was that the space program was cut, the ghettos got worse, and serious science education became virtually nonexistent in the nation's schools.

Meanwhile, thousands of African-American students, with temporary access to America's university system as a result of King's work, fought militantly on the campus for what was referred to at the time as "a Black studies curriculum." That, however, was *their own* perceived agenda, and it was professedly not the agenda of the university officials, such as the deans of admissions, who had recruited them, nor of the foundations which usually assisted in paying their tuition.

What post-industrial age gurus Alexander King, Julian Huxley, Kenneth Clark, and others hoped to induce, was that the "minority" students in American, and European,

The black and white IQ distributions in the NLSY, Version II

Frequency distributions proportional to the ethnic composition of the U.S. population



Herrnstein and Murray's The Bell Curve is liberally smattered with suggestive graphics such as this one, designed to lead the gullible to the conclusion that racial differences in "intelligence" are genetically determined.

colleges, including much of the future leadership of Third World countries, would reject the very idea of universal human progress as some sort of "western cultural imperialist" value, and would therefore stop fighting for the improvement of the conditions of life of the world's population. And then, their rejection was to be regarded as "proof" of the "genetic cultural inferiority," masquerading as the "unique cultural difference," of these populations. This would provide the proprietors of the International Monetary Fund, World Bank, etc., with a convenient way of denying their own responsibility for the collapse of living conditions worldwide.

Such justifications were to be supplied, in large measure, by these students themselves in order to achieve the exact psychological "spin" required. Thus the "social sciences," such as "ethnology" (the actual name for the field today known as "anthropology"), were used to castrate any effective opposition by the newly militant "Black Power" advocates, or the moribund civil rights movement, to acquiesce in the already-decided-upon Nixon administration social policy of "benign neglect." The "knife" to be used in the surgical procedure, was provided by the militant victims through their own "term papers" on "the Black psyche," "the Black aesthetic," "the Black voice in music," "basketball, music, and the Black aesthetic: a psychological history," etc.

While "Black Power" advocates blithely enjoyed their brief popularity on the New York cocktail party circuit, the "culture files" of several intelligence agencies and their branches, such as the London Institute for Race Relations, went to work. Through the dissemination of the writings of "purgative violence" advocate Franz Fanon, by means of the conduit of the "Black Power" movement, a shift away from Dr. King's work was achieved among students. The content of that "paradigm shift" was not only toward violence, but toward the *ad hominem* rejection of western values.

Simultaneously, the Federal Bureau of Investigation,

whose head, J. Edgar Hoover, had employed the Anti-Defamation League (ADL) of B'nai B'rith and various "covert operatives" to stalk Martin Luther King, and who had also, in his youth, headed a campus chapter of the Ku Klux Klan, used such creatures as the late Meyer Kahane, and his racist Jewish Defense League, to "work the other side of the street." At Harvard, the psychology department began to churn out the racist screeds essential to the "waving of the Confederate flag," against which the enraged troops of the post-King, Fanon-inspired "Black Power" movement would be deployed.

The racist Arthur Jensen

Such a person was Arthur Jensen. Jensen's 123-page *How Much Can We Boost IQ and Scholastic Achievement?* released in 1969, was part of the manure that prepared the ground for justification of "Days of Rage" against the racists of "the System"—and justification for the repressive police measures that followed the "Days of Rage."

For those who were unable to follow Jensen's tendentious treatise, two authors, a Briton and an American, Eysenck and Herrnstein, supplied the "Cliff Notes" version of a "guide for the perplexed." Finally, in case one might have entirely missed the point, there was William Shockley, the Nobel prizewinner who advocated paying people with low intelligence quotients for their consent to be sterilized; and Harvard's Edward C. Banfield, author of *The Unheavenly City*, who proposed that welfare mothers and unwed mothers be encouraged to sell their children.

Already in those days, the same idea that underlies Richard Herrnstein and Charles Murray's *The Bell Curve* was becoming fashionable—namely, that there exists, if not a difference between "cognitive intelligence" and "affective intelligence" (as is advocated by their colleague, Harvard psychologist Howard Gardner), at least a clear gulf between the "cognitive elite" and the majority of African-Americans,

who, Herrnstein and Murray contend, are less intelligent. This, they say, is demonstrated by a 15-point difference in the average-distribution (or “curve”) on IQ tests, between African-Americans and whites. Further, the authors contend that the higher IQs among African-Americans occur among those with lighter skin, as a “group.”

Last year, the *Washington Post* reported a survey done by a teacher in a Washington, D.C. class of 29 elementary school children, 24 of whom were African-American. Children were found to hold the following beliefs, among others: 1) “Blacks are poor, and stay poor because they are dumber than whites”; 2) “Black people don’t like to work hard. White people are smart and have money. Asians are smart and *make* money.”

Similarly, author Hugh Pearson recounted in a recent article that “by the time I reached sixth grade, I was determined to enter junior high school at the highest level of the tracking system. So I applied myself in class and registered the greatest improvement in test scores of any student in my predominantly white school, only to hear a black classmate say, ‘I guess you think you’re like the white students now.’ ”

We can see from this example that the damage which many think Herrnstein and Murray’s book would do, has in fact already been done—not *despite*, but largely *because of* “multiculturalism” and its attack on “western values” such as literacy, or, more importantly, technological and scientific progress (referred to by Bertrand Russell in his *Icarus, Or the Future of Science* as “white science”).

In *The Bell Curve*’s final chapter, “A Place for Everyone,” the authors reveal their own vision of a multicultural utopia: “The broadest goal is a society in which people throughout the functional range of intelligence can find, and feel that they have found, a valued place for themselves. For ‘valued place,’ we offer a pragmatic definition: *You occupy a valued place if other people would miss you if you were gone.* . . . Nonetheless, millions of Americans have levels of cognitive ability low enough to make their lives statistically much more difficult than life is for most people. How may policy help or obstruct them as they go about their lives? Our thesis is that it used to be easier for people who are low in ability to find a valued place than it is now.

“In a simpler America, being comparatively low in the qualities measured by IQ did not necessarily affect the ability to find a valued niche in society. Many such people worked on farms. . . . People who would score 80 or 90 on an IQ test could be competent farm workers. . . . Much the same could be said of a wide variety of skilled and unskilled trades. . . . Inevitably, with technological advances, the niches for the less intelligent have shrunk.”

In this utopian world, similar to that imposed by the Emperor Diocletian during the death throes of the Roman Empire, it’s “back to the plantation” for the “cortically challenged” and darker-skinned, if only such a beneficent fate might still be arranged for them in time by the “cognitive elite.”

Try as they might, no multiculturalists could, on the basis of their own “pluralist” outlook, actually refute what is propounded here by *The Bell Curve*. That is why the political agenda of the recent “Conservative Revolution,” though it may be hated by many, holds such sway over many people’s thinking. “You’ve got to admit that they have a point, even if we don’t want to put it exactly that way,” one will hear liberal-minded folk saying. “After all, how many white people do you see panhandling in New York City?” (Though with the recent collapse in the value of investment-house financial paper in Wall Street, that argument may quickly lose even a vestige of truth.)

Not one race, but humanity is the target

In order to combat such prejudices, an immediate “boosting” of the U.S. population’s true intelligence—as opposed to its IQ, which is a mere test result—is required. Boosting test results is easy; getting people to think on a higher level is considerably more difficult, though even Herrnstein and Murray concede that it is not “genetically” impossible. This intelligence boost can be rapidly achieved by doing what any creative thinker does, namely, divesting oneself of illusions and misconceptions that have, perhaps, resided in the mind for years.

For example, “benign neglect” and its “bell curve” variant is, in a real sense, only secondarily racist. As pointed out by the late Allen Chase, author of *The Legacy of Malthus: the Social Cost of the New Scientific Racism*: “Far from being aimed at ethnic, social, and racial minorities, scientific racism has from its early 19th-century origins been directed at the majorities of the populations of England, France, Germany, the United States, and other industrial nations. The original victims . . . were as white, as Anglo-Saxon, as Protestant as was the noted British political economist who gave scientific racism the first of its historically devastating pseudo-laws of demography and biology.”

Actually, Parson Thomas Malthus had plagiarized his *Essay on Population* from the work of the Venetian Giannaria Ortes, who had attacked the American Benjamin Franklin for a 1750 essay advocating massive population growth for the American colonies as a primary source for the increase of wealth. Just as Adam Smith’s *The Wealth of Nations* had been published in 1776 in *opposition* to the American Revolution, Malthus’s work was used against the opposing school of economics, called the “American System,” which saw *the development of the creative powers of reason of the labor force* as the primary source of wealth.

Contrary to the misconceptions of the multiculturalist, it is not “the West” or “the European” who is the source of his problem. It is an oligarchy, comprised of families in Europe, America, and other parts of the world, such as the British monarchy, which believes that the majority of the world should be slaves, especially if they are of darker skin. Those who know that all men possess the same intelligence, argue

against the enslavement of mankind, and are therefore the mortal enemy of the oligarchy. It is this oligarchy which hates the West and its values. If one allies oneself against the idea of progress, then in doing so, one allies oneself with this anti-western oligarchy, on the side of slavery.

So, the multiculturalist is not enslaved by "the European," but rather by the fallacy of his own anti-western axioms, shared with his oligarchical oppressor. It is through this slave mentality that he is subject to manipulation, at the hands of would-be British empiricists, such as Herrnstein and Murray, *who do not even know what intelligence is*. But after all, no real intelligence is required to manipulate the victim of multiculturalism. All that is required, is a familiarity with his "affective," i.e. "emotional" state—his psychological profile, which predetermines all his thoughts and actions.

The oligarchy hates the Florentine Renaissance, the American Revolution, the idea of scientific and technological progress, and its global spread through the agency of western culture. Those who guide oligarchical policy, know that such ideas are the only reason why over 5 billion people are alive on the planet today. The last thing they want to see, is the dark-skinned masses of the "great unwashed" adopting and reproducing the principle behind these ideas—that *man is made in the image of God, and is perfectible specifically through his reason's apprehension of the laws of God's creation*.

The Bell Curve's use of mounds of statistical data (correlation coefficients, factor analysis, and regressive functions) has intimidated some reviewers. The effectiveness of this "baffle them with buffalo chips" approach, primarily rests on

most Americans' mystical reverence for the unchallengeability of statistics, algebra, and formal logic, as criteria for arriving at "true evaluations" of all sorts of things, when such methods are in fact incapable of telling us anything useful about intelligence as such.

But underneath the fluff, the book is an elaborated rehash of Herrnstein's own 1970s restatements of Arthur Jensen's 1969 repetition of several eugenics theories—theories which had already been disproven in the 1920s, and had in fact been refuted much earlier, in the realm of philosophy, by Plato and others.

Even in the 1970s, as shown by some of the articles in the 1995 anthology *The Bell Curve Debate*, competent researchers and thinkers, such as Harvard astrophysicist David Layzer, refuted the epistemological premises of much of Jensen's 1969 argument. In short, there is no credible contemporary reason why anyone, including Herrnstein and Murray, could seriously entertain any of these "pseudo-science" diatribes as more than a useful, if embarrassing, clinical study of hysteria as a mass phenomenon.

Yet that is precisely what they do, even going so far as to defend the work of the notorious J. Philippe Rushton (*Race, Evolution, and Behavior, A Life History Perspective*, New Brunswick, N.J.: Transaction Publishers, 1994) of the University of Western Ontario, who claims that intelligence is inversely proportional to the size of the genitalia.

Some of Herrnstein and Murray's critics, such as Stephen Jay Gould, competently refute the statistical evaluation of intelligence supplied by the authors, on the grounds of their (in the opinion of this author probably willfully) faulty em-

Fraudulent even on its own terms

From Stephen Jay Gould, "Mismeasure By Any Measure," reprinted in *The Bell Curve Debate*, pp. 11-12:

The book is also suspect in its use of statistics. As I mentioned, virtually all its data derive from one analysis—a plotting, by a technique called multiple regression, of the social behaviors that agitate us, such as crime, unemployment, and births out of wedlock (known as dependent variables), against both IQ and parental socioeconomic status (known as independent variables). . . .

Indeed, almost all of their relationships are very weak: Very little of the variation in social factors is explained by either independent variable (although the form of this small amount of explanation does lie in their favored di-

rection). In short, their own data indicate that IQ is not a major factor in determining variation in nearly all the social behaviors they study—and so their conclusions collapse. . . .

Herrnstein and Murray's correlation coefficients are generally low enough by themselves to inspire lack of confidence. (Correlation coefficients measure the strength of linear relationships between variables; the positive values run from 0.0 for no relationship to 1.0 for perfect relationship.) Although low figures are not atypical for large social-science surveys involving many variables, most of Herrnstein and Murray's correlations are very weak—often in the 0.2 to 0.4 range. Now, 0.4 may sound respectably strong, but—and this is the key point— R^2 is the square of the correlation coefficient, and the square of a number between zero and one is less than the number itself, so a 0.4 correlation yields an R^2 of only .16. . . . *These very low values of R^2 expose the true weakness, in any meaningful vernacular sense, of nearly all the relationships that form the meat of *The Bell Curve*.*

ployment of regression analysis, factor analysis, and statistics in general. Yet there is one notion, either unknown or overlooked by all of these critics (see box). Layzer gets a bit closer to the truth, by showing the internal “logical inconsistencies”—otherwise known as fakery—with which Jensen’s paper is imbued. But even his happy attempt misses one crucial fact.

What is intelligence?

Statesman Lyndon LaRouche, in his paper “The Fraud of Algebraic Causality,” published in the Winter 1995 issue

The idea that mathematics represents the final word in “objective truth” is about as wrongheaded as asserting that a microwave dinner represents the final word in cuisine.

of *Fidelio* magazine, takes aim at classroom mathematics and formal-logical systems as inherently incapable of generating creative thought. This is not to say that mathematics is not useful. The idea, however, that mathematics represents the final word in “objective truth” is about as wrongheaded as asserting that a microwave dinner represents the final word in cuisine. A microwave oven can be useful in meal preparation, but no one should confuse its use with fine cooking.

Similarly, no one should confuse the use and mastery of formal mathematics with thinking. But thanks to the horrendous education received by what Herrnstein and Murray refer to as the “cognitive elite” in America’s colleges, there is ignorance of the elementary fact that mathematics is completely incapable of representing any fundamental, creative idea.

IQ, the reader should note, is a statistical result arrived at through a method of inferring, through a mathematical procedure called factor analysis, that something called “intelligence” exists. From the introduction to *The Bell Curve*, we quote the following: “By the end of the 19th century, mental tests in the form that we would recognize today were already in use throughout the British Commonwealth, the United States, much of continental Europe, and Japan. Then, in 1904, a former British Army officer named Charles Spearman made a conceptual and statistical breakthrough that has shaped both the development and much of the methodological controversy about mental tests ever since. . . .

“Spearman’s statistical method, an early example of what has since become known as factor analysis, is complex. . . . Insofar as two items tap into the same trait, they share something in common. Spearman developed a method for estimating how much sharing was going on in a given set of data. From almost any such collection of mental or academic test

scores, Spearman’s method of analysis uncovered evidence for a unitary mental factor, which he named *g*, for ‘general intelligence.’ The evidence for a general factor in intelligence was pervasive but circumstantial, based on statistical analysis rather than direct observation. Its reality therefore was, and remains, arguable”—in other words, unproven.

The text continues: “Spearman then made another major contribution to the study of intelligence by defining what this mysterious *g* represented. He hypothesized that *g* is a general capacity for inferring and applying relationships drawn from experience. Being able to grasp, for example, the relationship between a pair of words like ‘harvest’ and ‘yield,’ or to recite a list of digits in reverse order, or to see what a geometrical pattern would look like upside down, are examples of tasks (and of test items) that draw on *g* as Spearman conceived of it. . . . This definition of intelligence differed subtly from the more prevalent idea that intelligence is the ability to learn and to generalize what is learned. The course of learning is affected by intelligence, in Spearman’s view, but it was not the thing in itself.”

IQ, then, is the estimate of the capacity to arrive at some series of correct deductions, which appears to correlate statistically with the results of the same procedure administered to many other people, whose test results are compared. Layzer informs us: “Thus the statement, ‘A has an IQ of 100,’ means that half the members of a certain reference population scored lower than A on a certain set of tests, and half scored higher. . . . (IQ tests are so constructed that the frequency distribution of test scores in the reference population conforms as closely as possible to the normal distribution—the familiar bell-shaped curve—centered on the value of 100 and having a half-width or standard deviation [the square root of the variance] of 15 points.)”

Of course, the inference made, in real life, may or may not be correct, though it may be consistent with the body of “experience” from which it is drawn—which experience may or may not be valid. IQ’s validity, it seems, even if we grant its existence, rises and falls with the validity of the deductive method. But what if deductive method itself, the method of inference, is fatally flawed? What if it can be demonstrated that deductive method cannot be used as the criterion for the establishment of truth?

Edgar Allan Poe’s fictional detective C. Auguste Dupin might be observed, in the mind’s eye, to tease Sherlock Holmes, that “it would then be elementary, my dear Holmes, that the investigative methods for the discovery of truth that you British insist are correct, are worth considerably less than even your recipes for cuisine.”

Knowledge versus ‘information’

There is a great distinction between using statistical correlations to discover something about human behavior, which may under some circumstances have some validity, and attempting to “quantize” intelligence, especially if you don’t know what intelligence is.

The comprehension of any new, revolutionary idea, means that that new idea is in principle communicable to the rest of the human race. This does not happen in “language” or “information,” which is one of the reasons why it cannot be quantized. It happens, as LaRouche states, through the reliving of the act of discovery of the idea, in the mind of both the person who teaches the idea, and the person to whom the idea is taught.

The “substance” of the mind—its ability to hypothesize—is forever changed, and improved, if the *hypothesis of the idea* presented to “mind” is grasped—i.e., not just the idea itself. Otherwise, the student will say, correctly, “I had it for a minute, but then I lost it.” To grasp the hypothesis of a revolutionary idea, those axioms of belief which exclude the very existence of that idea, must be subjected to merciless scrutiny and be overthrown. Therefore, intelligence can only be “measured” by its *transformation* through new hypotheses, thus invalidating any “quantization” assigned to it.

In other words, if it’s intelligence, it can’t be “quantized.” However, we owe the reader some explanation as to why the *method* behind the faulty reasoning of the IQ cult must needs refute any contention that these fellows have the least idea of what intelligence is.

In 1931, the 25-year-old mathematician Kurt Gödel demonstrated in his paper, entitled “On Formally Undecidable Propositions of *Principia Mathematica* and Related Systems,” that a formal-logical mathematical system, perfectly constructed, could not at the same time be both complete and consistent. In his two famous theorems, he showed that he could create a formal-logical statement, rendered in a perfectly constructed arithmetic, that asserted and proved, in effect, that the statement *could not be demonstrated to exist in the formal-logical system which generated it*.

This meant, in turn, that there existed at least one statement (also called a “formula” or theorem) which, if the “arithmetic” of the constructed system were consistent, could not be demonstrated to exist, and therefore could not, by definition, be contained within the system. But how could that be possible, if that “undemonstrable” statement had been generated in a precise, “demonstrable” way, by the system and its rules (axioms)?

Further, even if the new formula were added to the system, Gödel showed, the same process that generated the first non-demonstrable statement, could generate another, on the basis of the previous rules (axioms) of his system. Therefore, his arithmetic system, in its perfect consistency, was *essentially and necessarily* incomplete. If it were true for his system, however, Gödel showed, it would be true for *all* systems of arithmetic so rigorously constructed.

Finally, Gödel showed that he could represent “meta-mathematical” (literally, “above mathematics”) statements in his system, which could be demonstrated to be “true”—that is, logical—for the system, but which *also* could not be demonstrated to exist within that system. For example, the statement “Arithmetic is consistent” was formally represent-

able in Gödel’s arithmetic-system as the proposition “ $A \supset G$.” The statement reads, “if arithmetic is consistent, then the formula G (Gödel’s undemonstrable formula) cannot be demonstrated” (that is, it cannot be demonstrated to be either true or false).

Here, Gödel “sprang his trap” for Bertrand Russell’s *Principia Mathematica*, and for all formal-logical systems. An earlier axiom of Gödel’s arithmetic system, the “Rule of Detachment,” had stated that if two formulas, 1) “ S_1 ” and 2) “ $S_1 \supset S_2$ ” (which reads, “if S_1 , then S_2 ”), exist, then the formula 3) “ S_2 ” can be derived from the first two formulas. “ S_2 ” can, according to this rule, be known, i.e., *demonstrated*. Ironically, however, in the formula “ $A \supset G$ ”—which states, “if arithmetic is consistent, the Gödel formula G is not demonstrable”—the *opposite*—is not only proven, but of necessity, proves another, much more devastating point. For, if the *second* part of the proposition “ $A \supset G$ ” cannot be demonstrated, which was earlier proven to be so, neither can the proposition “ $A \supset G$ ” be demonstrated.

The implication? If Gödel’s arithmetic is perfect, and if his representations of “meta-mathematical” statements are consistent with the rules of his system, then he has proven that *it is not possible to demonstrate, in a perfect formal-logical system, that arithmetic, the most basic of formal-mathematical systems, is consistent*. In short, Gödel proved, in the language of formal logic, that formal-logical systems, including mathematics, cannot explain themselves.

The “rules of inference” at the bedrock of the axioms, and the resultant theorem-lattice that forms any logic, are not sufficient to give us knowledge of the creative-mentative process that originates the logic. Thinking, therefore, is not comprehensively representable in any such system. Thus it would be a fundamental contradiction to claim that the intelligence which cannot, as demonstrated in Gödel’s case by rules of inference themselves, be represented in the system, can be represented in a lower-order mathematical procedure such as factor analysis, or that it can be correlated to a slaphappy and probably nonexistent statistical result, such as IQ.

All useful branches of mathematics are the product of creative processes that shape the domain out of which these expressions of that fundamental creative process “erupt.” This is what is properly known as the domain of Reason, which is transcendent of any “logic.” Reason, hierarchically, is superior to logic, just as a circle is hierarchically superior to any of the polygons that may be constructed within it. Once this is recognized, it should be clear that any attempt to “quantize” intelligence, is like trying to pour the Pacific Ocean into a hole on a California beach with a measuring cup.

The divine spark has no bell curve

Fundamentally, therefore, not only are *The Bell Curve*, and all such products, tautological; the authors are themselves desperately in need of an education that no thirteen-year-old in America should leave home without. The bias of

the text, amply in evidence, is well cited by the following excerpts:

“John Locke . . . did not accept the Hobbesian choice between despotism and anarchy. He conceived of people in a state of nature as being in ‘a *state* also of *equality*, wherein all the Power and Jurisdiction is reciprocal, no one having more than another,’ and sought to preserve that condition in actual societies through a strictly limited government. What Locke propounded is especially pertinent here because it was his theory that the American Founders brought into reality.”

Here, we must interpolate that, on the contrary, the Founders did not “bring into reality” Locke’s worldview, but one far different. Instead of “Life, Liberty, and Property”—the formulation of Locke and other British empiricists—the Founders adopted the formulation stemming from the scientist and statesman Gottfried Leibniz: “Life, Liberty, and the Pursuit of Happiness.”

Leibniz’s view was that the Creator had composed the best of all possible worlds, by the necessity of the perfection of His nature, since His creation could do nothing else but mirror His perfection—else He were not God. Man’s intellect allowed him to comprehend that since the Creator is the most perfect, He must needs be the most happy, and that man’s pursuit of God’s perfection, as knowable (and *only* as knowable) through His creation, would make man the most “happy of all sentient creatures.”

Leibniz was an implacable opponent of Locke’s view of man, as expressed in Locke’s *Essays on Human Understanding*, and as quoted by Herrnstein and Murray in *The Bell Curve*: “Now there is such a difference between men in respect of their understandings, I think nobody who has had any conversation with his neighbors will question. . . . Which great difference in men’s intellects, whether it rises from any defect in the organs of the body particularly adapted to thinking . . . or, as some think, in the natural differences of men’s souls themselves; or some or all of these together, it matters not here to examine. Only this is evident, that there is a difference of degrees in men’s understandings, apprehensions, and reasonings, to so great a latitude that one may, without doing injury to mankind, affirm that there is a greater distance between some men and others in this respect, than between some men and some beasts.”

This was the outlook that no doubt inspired Royal Africa Company founding member and East India Company employee Locke to co-author the constitution, not of the United States, but of South Carolina, the most radically racist of the American Southern slave states. On the topic of slavery, “philosophical radical and democrat” Locke states, in his *Second Treatise on Government*: “Nobody can give more power than he has himself; and he that cannot take away his own life cannot give another power over it. Indeed, having by his fault forfeited his own life by some act that deserves death, he to whom he has forfeited it may, when he has him in his power, delay to take it and make use of him to his own

service; and he does him no injury by it, for whenever he [the slave] finds the hardship of his slavery [to] outweigh the value of his life, it is in his power, by resisting the will of his master, to draw on himself the death he desires.

“This is the perfect condition of slavery, which is nothing else but ‘the state of war continued between a lawful conqueror and a captive.’ ”

Horrified by this worldview, Leibniz responded to Locke with the 700-page *New Essays on the Human Understanding*. This work, written primarily as dialogue, takes Plato’s *Meno* as its point of departure. Plato had developed his view of the nature of intelligence, as well as slavery, in this dialogue. He demonstrated that a slave-boy, with no previous knowledge of mathematics, could be taught the existence of different “species” of numbers, such as the “irrationals” (for example, the diagonal in a square), and their function, through geometric proof. Further, the slave was able to learn because he possessed the innate capacity, according to Plato’s protagonist Socrates, to know all things that men could know.

This capacity to know is generated through the possession of *agapē*, as St. Paul informs us in Corinthians I:13 and following: “Charity . . . rejoiceth not in iniquity, but rejoiceth in the truth. . . . For now, we see through a glass, darkly, but then face to face; now I know in part; but then shall I know, even as I am known.”

It is the possession of that capacity for *agapē* which allows the teacher to educate, that is, to “lead out of” the student the infinite capacity for “divining” the universe. In this way, the “divine spark” that is in the possession of all men, as is implicitly stated by the Declaration of Independence, is realized equally in all men, though necessarily differently, because each individual is sovereign and unique. The “equality” is the equality of possession of the divine spark, the *Götterfunken* hailed by the poets Friedrich Schiller and Beethoven in the “An die Freude” (“Ode to Joy”) of the Ninth Symphony.

It is the pursuit of *Freude* that is meant in the Declaration of Independence—the happiness that comes with the labor to understand the creation, and to perfect ourselves in the image of that creation through discoveries and inventions, *especially* through skilled labor, advanced agriculture, and the development of infrastructure. “Value” is not given to the human condition because someone will, or might, miss you when you are gone. You must actually do something of value, for people who will *never* know you, to have truly lived.

The Bell Curve doesn’t quite make it. For Herrnstein, it would appear already to be too late. For Murray, we would hope that he might yet pass his Scholastic Aptitude Tests—or, rather, a “Sanity Aptitude Test”—so that the rest of his life doesn’t threaten to go by the boards. Whether he listens or not, our readers, who might continue to fulminate on “bell curves,” “curve balls,” and other curves, should take heed from the quotation often cited by Martin Luther King: “The arc of the moral universe is long, but it bends toward justice.”

Financial control board? No thanks

Federal statutes allow D.C. to borrow from the U.S. Treasury and solve its crisis without the bankers' control board.

Congressional sources involved with the efforts to place the nation's capital under the rule of a banker-dictated Emergency Financial Control Board said on March 31 that the new board would probably seek to borrow funds from the U.S. Treasury to meet some of the city's short-term cash needs. Such borrowings would be linked to forcing a draconian austerity plan over several years on District citizens, the sources reported.

The cash shortfall, caused in large part by the collapse of speculative real estate values while the cost of services escalated, is expected to run into the several hundreds of millions of dollars. The District is unable to tax any federal lands or properties owned by tax-exempt institutions; and it is heavily reliant on a lump-sum federal payment, which, according to city officials, is far less than required to cover services.

However, an *EIR* investigation has confirmed that under both the District's home rule charter and existing federal codes, D.C. *already has* the unlimited power to borrow, on demand, from the U.S. Treasury, at below market rates. This power only limits the borrowing to other than capital projects; and Treasury would not legally be able to reject the request. This means that the District can weather the current financial crisis without resorting to the severe austerity being dictated by the financial community through their congressional stooges. Such measures would slash services below what District citizens minimally need, and can be accurately

ly compared to the murderous "structural adjustments" that the International Monetary Fund imposes on Third World nations.

In fact, the control board legislation seeks to effectively remove the District's ability to borrow from the Treasury—by placing that power in the hands of the new board, effectively terminating home rule; the legislation was being rushed to a vote before the April 8 recess.

Before home rule in the mid-1970s, Washington, as a federal district, obtained all funds from Treasury and routinely borrowed for various needs, including capital projects. That broad power was abridged during the home rule negotiations, but a liberal authority to borrow from the Treasury "window" was kept in place. The authority to borrow from Treasury allows for unlimited borrowing "from time to time," as approved by the District Council, with the request being forwarded to the secretary of the treasury by the mayor.

Several sources have reported to *EIR* that District officials have been told that if they were to use this power, Treasury would seek to block it, by claiming that it was not the intent of the law that it be used to cover deficits. At least one source, citing unnamed Treasury officials, claimed that they would refuse to give the District any monies, since D.C.'s failure to obtain funds from lending institutions would show that they were a "bad risk" for repayment.

Examination of the relevant code sections reveals no ability of the sec-

retary of the treasury to challenge a request for borrowing. According to a congressional source, the law was established and left on the books to be used "to prevent the nation's capital from ever going insolvent," which gives the lie to any argument that it can be denied for "risk assessment" reasons.

When pressed to come up with the restrictive statutes, one congressional aide admitted that there really weren't any, that it was all a matter of "legal interpretation," and should Mayor Marion Barry try to use the window now, the best hope for those opposing its use was "to have a lengthy court case to delay payment of funds."

However, the same people and media who say that it would be "unworkable" for the District to borrow from the Treasury, reversed on a dime to state that it was perfectly all right if the bankers' control board were to ask to borrow Treasury funds, under the same authority.

Lyndon LaRouche excoriated the idea of a financial control board, when an elected official from Washington, D.C. asked his opinion during a conference on March 29: "I'm against this whole operation. It's a sideshow, and this comes as a part of what is frankly a racist operation, (though disguised) coming out of the Republican takeover, as it's called, of the Congress."

He continued, "Those bums on Capitol Hill should stop playing fascist games, and that's what it is; it's Auschwitz economics, is what that board is. It's the same thing they did to the victims in the concentration camps—*exactly*—which is why I wanted to send congratulations to John Lewis [D-Ga.], who had earlier in the week infuriated Republicans by making just such a comparison. LaRouche further stated that those imposing the control board were deliberately setting up the potential for riots.

Specter bill would restrict 'habeas corpus'

Sen. Arlen Specter (R-Pa.) introduced on March 24 a bill that would limit *habeas corpus* appeals by state death row inmates. Provisions of the bill include a six-month limitation on the time in which a federal *habeas* petition can be filed, as well as severe restrictions on the filing of successive petitions.

Specter said that his bill "goes a long way toward restoring the death penalty as an effective deterrent." He claimed that it "will bring practical reinstatement of the death penalty, so that meaningless procedures do not remain the enemy of substantive justice."

Specter has made the hysteria over "increasing crime" a major part of his election campaign for President. In announcing his candidacy on March 24, the "moderate" Specter put extraordinary emphasis on the crime issue. "Let's begin with early intervention for juvenile offenders with job training and education to see if they can be led away from a life of crime. But if they can't, if they become career criminals, then let's lock them up until they're too old to be dangerous to anyone," he said.

Specter promised to "put teeth back into the death penalty, which I am convinced is a deterrent to violent crime." He added, "The best weapon we have in the battle against crime . . . is the certainty of tough sentences for tough criminals swiftly carried out."

Senate Judiciary Committee Chairman Orrin Hatch (R-Utah), a co-sponsor of the legislation, claimed that the writ of *habeas corpus* is "an important means of guaranteeing that innocent persons will not be illegally imprisoned," but is being "perverted by those who would seek to frustrate

the demands of justice."

Hatch complained that death row inmates were not being killed fast enough. "As of Jan. 1, 1995, there were some 2,976 inmates on death row. Yet, only 38 prisoners were executed last year, and the states have executed only 263 criminals since 1973," he said.

Senate votes to put new regulations on hold

The Senate on March 29 rejected a House measure that would have placed a hold on any new regulations authorized by the Executive branch until the end of the year. Instead, in a unanimous vote of 100-0, it approved its own version of a federal regulatory moratorium that would put regulations with an economic impact of \$100 million or more on hold for 45 days while Congress considers legislation to block them.

The House passed its version earlier in February. The Senate measure, on the other hand, would give Congress new powers to block individual government regulations as an alternative to a broader regulatory moratorium.

A Senate committee had designed a version closer to the House approach, but many supporters thought that it would lead to a wrenching debate, dividing Republicans, and that, if passed, it would be vetoed by the President, with almost no possibility of a veto override.

The compromise, crafted by Don Nickles (R-Okla.) and Harry Reid (D-Nev.), was supported by President Clinton. Although less radical than the House measure, it is sure to increase gridlock in the functions of the federal government. When measures

are initiated by the administration, Congress, according to the legislation, would have 45 days to vote its disapproval. Congress could overturn regulations on a case-by-case basis by a majority vote of both houses. The President, if he wished to implement the regulation, would have to veto the "disapproval" measures, a veto that could only be overridden by a two-thirds vote of both houses.

The Senate measure puts Senate Republicans in conflict with their House counterparts, a conflict that may erupt during the House-Senate conference committee that must work out the differences between the two versions.

Domenici moves to scrap Republican tax cut

Senate Budget Committee Chairman Pete Domenici (R-N.M.) said in late March that he will propose a seven-year budget that would eliminate the deficit but would not provide for a tax cut, as proposed by the "Contract with America" of House Speaker Newt Gingrich (R-Ga.). Gingrich's Conservative Revolution backers have been politically hurt by charges that their proposed capital gains tax cut is a "tax cut for the rich," while they are simultaneously pushing draconian cuts in welfare assistance to the poor.

A measure passed by the House Ways and Means Committee includes a tax giveaway to corporations and a \$500 cut for "middle income" taxpayers. Domenici, a deficit hawk, doesn't believe that there is money for such a cut if maximum austerity is to be imposed.

Domenici is seconded by Senate Finance Committee Chairman Bob Packwood (R-Ore.), who wants to put

off consideration of a tax bill until Congress finishes work on a long-term deficit reduction package that could involve a record \$1.2 trillion in spending cuts.

The tax cut issue has seriously rent Republican unity. Senate Majority Leader Bob Dole (R-Kan.) has said that the Senate Democratic leadership is intent on cutting taxes, and he wants to do likewise. Senate Majority Whip Trent Lott (R-Miss.) remarked, "I've never met a tax cut I didn't love." Lott, Sen. Phil Gramm (R-Tex.), and other Conservative Revolution advocates are preparing a tax bill containing many of the provisions of the House measure.

ABM Treaty threatens Deutch posting to CIA

In response to warnings from Republican senators that his confirmation to head the CIA would be in trouble if he moved forward on a missile defense agreement with Russia, John Deutch canceled a visit to Moscow set for the beginning of April. A Pentagon spokesman claimed that Deutch had canceled in order to prepare for his confirmation hearings later in April.

The trip was part of an attempt by the Clinton administration to resolve an impasse in negotiations on what regional missile defenses are permitted under the 1972 Anti-Ballistic Missile (ABM) Treaty. Several Republican senators made it clear that if Deutch returned with an agreement, his nomination would be in trouble.

Senate Republicans are attempting to revive a ballistic-missile defense effort that would go beyond the restrictive limits placed on such defenses by the ABM Treaty. The U.S. negotiating position that there

should be limits on the speed of anti-missile interceptors, has raised concerns among Republicans that such limits would hamper the development of more comprehensive systems.

Draconian welfare reform bill passed by House

Following an extremely bitter debate, the House passed on March 24 a welfare reform measure that goes far toward eliminating the safety net that keeps large sections of the population from total devastation.

Following the general outline of House Speaker Newt Gingrich's (R-Ga.) "Contract with America," the measure would end the guarantee of cash support for poor families, cut federal aid by \$66 billion, and cede control over 40 public assistance programs to the states, including food stamps, school lunch programs, disability, foster families, and nutrition for pregnant women, infants, and children.

The measure also denies benefits to most legal immigrants who have not become citizens, and to children whose disabilities are deemed not to be severe. The bill would terminate the federal guarantee of cash benefits under Aid to Families with Dependent Children, the main welfare program created by the Social Security Act of 1935. No poor family could receive payments for more than five years and cash benefits would be denied to unwed teenage mothers.

During the debate, welfare recipients were compared to alligators. Democrats effectively hammered on the idea that the Gingrich Republicans are stealing from the poor to give to the rich, combining their massive cuts in welfare with a planned capital gains

tax giveaway to the wealthy.

Sandra Lee Jackson (D-Tex.) read from the "general welfare clause" of the U.S. Constitution, where it is specified that Congress must "provide for the general welfare of the United States."

Line-item veto passes Senate

With the assistance of the Clinton White House, the Senate took a major step on March 23 to shift the "power of the purse" from the Legislative to the Executive branch, by giving the President the ability to veto specific items in spending bills. The measure was passed by the Senate in a 69-29 vote.

On March 20, President Clinton called for the strongest possible line-item veto, thus winning over some Senate Democrats. Robert Byrd (D-W.Va.), a firm advocate of the constitutional separation of powers, conducted a last-ditch attempt to defeat the measure. Although Byrd's parliamentary maneuvers had succeeded in stopping the balanced budget amendment on March 2, this time there was simply not enough support to stop the measure. Byrd concluded his remarks by reading the names of the signers of the Constitution.

In the House version, the President could rescind or cancel specific items within 10 days of signing an appropriations bill. The Senate, more concerned with the constitutionality of the measure, would break all provisions in new spending measures into separate bills, which the President could then accept or reject individually. The differences between the two bills will have to be worked out in conference, and is expected to be challenged in the courts.

National News

'Conference of states' confederates to meet

Claiming to model themselves on the 1786 conference of states which set the stage for the Constitutional Convention, a conference of states designed to reshape the relationship of the federal government to the states is being planned, tentatively for October in Philadelphia, according to Nebraska Gov. Ben Nelson (D). Far from the intent of the constitutional authors, this conference is closer to a "new Confederacy," which would strip the nation of the "general welfare" clause of the Declaration of Independence.

The prospective conference accelerates Virginia Gov. George Allen's schedule, outlined in his "Self-Determination and Federalism" executive order, which had set a conference for 1996, with a planning meeting for 1995. According to the *Washington Post*, an initial planning conference would now be set for July, with a main conference a year later. Allen's order requires his Governor's Advisory Council (which includes Lady Margaret Thatcher of Great Britain) to prepare an initial assessment by Sept. 1.

Following the 1994 inauguration of Thatcher as chancellor of the College of William and Mary, the Virginia Council was kicked off at a nationwide Republican governors conference meeting in November 1994 in Williamsburg. Thatcher addressed a joint session of the Virginia legislature on anti-federal government themes.

NAACP opposes Alabama chain gang plans

The Huntsville-Madison County, Alabama branch of the National Association for the Advancement of Colored People (NAACP) unanimously adopted a resolution at its Feb. 20 meeting, denouncing the return to felon chain gangs as a "provocative and reprehensible act." The resolution commits the NAACP to "utilize all legal measures available, including public demonstrations, to reverse this sadistic decision."

Gov. Fob James, who proposed the use of the chain gangs, denied that there were any racial implications, which the NAACP sharply disputed: "The black male percentage in the Alabama general population is only 13.5%, but the black male percentage in the Alabama prison population is over 60%," the resolution states. "An inordinate percentage of black males will be consigned to these 'chain gangs' and put on display as 'high risk' criminals."

The resolution notes the shocking fact that the Alabama Constitution of 1901 was written by delegates pledged "to remove the Negro forever from the political life of the State of Alabama." Under James's dictum that inmates' first impression of prison be "so unpleasant that they never come back," the state would house the chain gang crews in the harshest prison environment, with no radio, no TV, and no visitation.

Pennsylvania judge rules against privatizing school

Pennsylvania Judge Friedman granted the Wilkensburg Education Association an injunction against efforts by the local school board to hand Turner Elementary School over to a private contractor, Alternative Public Schools (APS), Inc., of Nashville, Tennessee.

The school district made plans to hire APS when the union rejected a contract which extended the work year and tied teacher raises to student achievement. APS proposed to extend the school year, extend the school day, and give pupils a "concentration in a particular field of study for a quarter of the year, and hire its own teachers. The contract with APS would have made Turner the first charter school in Pennsylvania, in accordance with Gov. Tom Ridge's (R) plans for the state to fund charter schools, which allow school districts to suspend many of the state regulations in the name of "reform" and "flexibility."

Friedman called the district's plans to privatize "illegal," saying that "the defendants may not legally bind themselves to a contract with a private corporation to operate and manage their public schools. It is the

defendant's direct and undeleagable duty to do that themselves." The ruling is being seen as a strong statement that an attempt to privatize is not in accordance with the laws and regulations of the state.

State high court justice retires over death penalty

Washington State Supreme Court Justice Robert Utter decided recently to retire from the court rather than continue to work within a "system that could not be rationalized," and compared that system to Nazi Germany in an interview that appeared in the *Seattle Times* on March 29.

Utter told the daily that his decision to retire was influenced by reading *Hitler's Justice: The Courts of the Third Reich*, saying that he was troubled by the similarities he saw in his own moral struggles. "It was not that the judges were evil," he said. "But they worked within a system that could not be rationalized."

Utter denounced the idea that a judicial system, "with all of its human fallibilities," could sentence a human being to death. In 23 years on the bench, Utter never voted to uphold a death sentence, and recounted several cases in which individuals who had avoided it were rehabilitated.

Nurses march in D.C. against cuts

As many as 50,000 registered nurses marched in Washington, D.C. on March 30 to protest Medicaid and Medicare cuts, and insurance company cost-cutting pressures that have created increasingly unsafe conditions in the nation's hospital system. The nurses want Congress to protect patients by requiring health care institutions to disclose how many nurses they employ and their nurse/patient ratio. They want Congress to guarantee the public's right to know the profession and licensure of their caregivers at health care institutions. For instance, hospitals are using janitors and housekeeping

Briefly

● **MARY SUE TERRY**, the former Virginia Attorney General who violated every norm of constitutional and human rights in her prosecution of Lyndon LaRouche and his associates, is now teaching U.S. constitutional history at the University of Richmond and Virginia Union University. She continues to boast of her "Get LaRouche" role, most recently in remarks to the *Virginian Pilot*.

● **CLINTON'S HUMOR** was unleashed on the Conservative Revolution in remarks to the Gridiron Club on March 25: "The problem is that the Republicans are making cruel, painful cuts. I think we should call those 'circum-rescissions.'" The President continued, "Let's replace food stamps with E-mail stamps available to the poor on their computers, where they can order virtual food and download it from the Internet."

● **THE 'ECONOMIST'** of London upbraided Anglo-American darling Virginia Gov. George Allen (R) in its March 4-10 issue, citing his friends as saying that he was "a victim of his own ambition." The *Economist* continued, "Mr. Allen's sorry performance has made it likely that, come November's vote, his enemies will stay on top," in the Democrat-controlled legislature.

● **ALAN KEYES**, a former Maryland U.S. Senate candidate, became the first black to announce his candidacy for the Republican nomination on March 27. Keyes holds a PhD from Harvard (1979). He worked for the State Department policy planning staff from 1981-83; from 1983-85 he was U.S. representative to the U.N. Economic and Social Council, and assistant secretary of state for international affairs in 1985-88.

● **PHIL GRAMM** proposed turning prisons into Auschwitz-style "industrial parks," on March 26. "We're going to take out the air conditioning, take out the TV sets. We'll make our prisons industrial parks, with work six days a week, and at night they'll go to school."

staff to do the work of nurses.

Finally, nurses want legal protection for those who speak out against dangerous conditions in hospitals, and they are asking to be guaranteed protection under the National Labor Relations Act. In some states, when hospital staff cuts endanger patients, nurses are required by law to speak out. However, many who have done so have lost their own jobs, and can only be reinstated after appeal to the National Labor Relations Board. In one test case, the hospital argued successfully before the U.S. Supreme Court that the nurse "whistleblower" was a supervisor and not eligible for NLRB protection.

'Fax Day' mobilization to exonerate LaRouche

The Schiller Institute declared April 5 an "International Fax Day" for people internationally to transmit faxes to their congressmen, President Clinton, and the leadership of the House and Senate judiciary committees to exonerate LaRouche. The suggested message read:

"On Jan. 26, 1994, after five long years in prison, the American statesman and physical economist Lyndon H. LaRouche was freed on parole. But the fact remains that a terrible crime goes unanswered.

"There is mounting and incontrovertible evidence that the U.S. government knew at all relevant times, from 1979 to the present day, that Lyndon LaRouche and his co-defendants were innocent but that, despite this knowledge, the government proceeded to fraudulently charge, convict, and wrongfully imprison them. This proof is documented by six volumes of evidence, consisting chiefly of government documents, that is part of the public record on file with the federal appeals court in Richmond, Virginia. Since LaRouche's wrongful conviction, three separate judges, having heard evidence of this prosecutorial misconduct, have all strongly rebuked the government for their conduct in the LaRouche case. . . .

"I urge you to take any and all measures necessary to ensure the full and immediate exoneration of Lyndon LaRouche and his associates, and to investigate, redress, and

reform the injustices committed here, so that they may never occur again."

The institute has purchased ads signed by hundreds of U.S. and international elected officials in major U.S. newspapers asking President Clinton and Attorney General Janet Reno to act on the LaRouche case.

Localities hemorrhaging from derivatives losses

As the first quarter of 1995 drew to a close, more and more local governments are registering hefty losses due to "investments" in financial derivatives.

● Independence Township, Michigan could lose as much as \$6 million on derivatives bought with the proceeds from sewer and road assessment payments; the derivatives, which the Michigan Treasury has declared illegal and ordered sold, have lost between 50% and 90% of their market value in 18 months. The township (population 24,000) has an annual budget of \$14 million.

● The State of Wisconsin's Investment Board lost \$130 million from derivatives investments in its pension and municipal fund, according to State Sen. Joseph Wineke. Wineke said the board plans to pay Bankers Trust \$487,000 a month for 10 years, and J.P. Morgan \$1.2 million a month for five years for a total of \$130 million to cover its losses.

● Connecticut's pension fund could lose up to \$25 million on speculative investments, including derivatives, and has already incurred losses of nearly \$20 million. The state has sold about two-thirds of the derivatives contracts, whose value was based on interest payments from pools of home mortgages and was highly sensitive to shifts in interest rates. The state also lost about half of its investment in a \$15 million bond issued by a Mexican bank. The bond has been sold.

● Collier County, Florida has an unrealized loss of up to \$10 million on mortgage-backed derivatives investments, while Escambia County faces possible derivatives-related losses of \$22 million.

Time for decisive action

At the March 29 Schiller Institute Conference on Development held in Washington, D.C., Helga Zepp-LaRouche pointed to the fact that European policymakers are far more realistic in recognizing the dangers of the present economic situation, than their counterparts in the United States.

The reader can contrast the general tenor of U.S. news coverage on any day of the past weeks, to a series of statements which appeared in the German press on April 4. But that is only one indication of the contrast. Obviously, such blindsidedness as we now see among U.S. circles is a danger not only to America but to the world as a whole, because of the unique position of the United States.

A statement by a leading German industrial organization painted a stark picture of how the fall of the dollar is undermining the German productive economy. If the dollar remains in the 1.35 to 1.40 to the deutsche-mark range, this will lead to the loss of 300,000 jobs in German export industries. For every 1% decrease in the dollar, there is a 0.5% decrease in German exports.

This same theme was expressed by the lead editorial in the daily *Bild Zeitung*, which ridiculed the idea that the dollar had reached a floor in its decline. Questioning whether the United States is seriously trying to support the dollar, the editors noted that while experts are claiming that the slide cannot go much deeper, speculators are having the last laugh. Calling the Bundesbank (central bank) efforts to back the dollar courageous but futile, they remarked that the dollar is not funny money, nor play money in a monopoly game. The dollar is the anchor for jobs and prosperity for the whole world, and if it is not stabilized soon, then the crash will come.

Volker Hölterhoff, a leading economist for the Bayrische Hypotheken Bank in Bavaria, gave a clear and concise analysis of the disastrous decoupling of finance from the physical economy in the United States. Taking 1978 as a turning point in the destruction of the Bretton Woods System, he described how the American dream of prosperity was shattered.

In 1985, he said, the myth of the success of Reaganomics exploded. The creation of money on an unprecedented scale led to the globalization and liberalization of financial markets internationally. In 1989 and 1990, the United States was again forced to create money on a large scale in order to finance the rising deficit and to bail out the savings and loan institutions.

Now, he said correctly, the world is paying the price for political decisions made in order to defer the crisis in the short term, and the whole of the American economy has been turned away from production to become instead a huge "asset-management company." Wealth is measured in terms of assets and financial performance, rather than in terms of productive resources, by those who would delude themselves that the ongoing depression is prosperity.

This trend is particularly evident in U.S. financial markets, which no longer have any relationship to the real economy. The players in the financial market refuse to face up to the inevitable—the fact that their financial investments are about to become worthless, in part because the growth in real capital stock has not kept pace with paper values. The disaster is compounded because monetary policy is increasingly oriented toward ensuring the stability of oversized financial markets, although it frequently has the effect of compounding the problem by stunting real economic growth for a long time to come, in order to protect financial investments.

Our readers will recognize that Lyndon LaRouche warned of the emergence of precisely this kind of crisis decades ago. In his Ninth Forecast (see *EIR*, June 24, 1994), LaRouche outlined all of the features of the current financial collapse. Without a bankruptcy reorganization of the world monetary system, there can be no solution. A first step must be recognition of the extent of the present debacle.

We cannot afford the kind of hysterical optimism which insists that everything is under control, when in fact the global economic system is badly out of control. Now is the time when decisive action must be taken.

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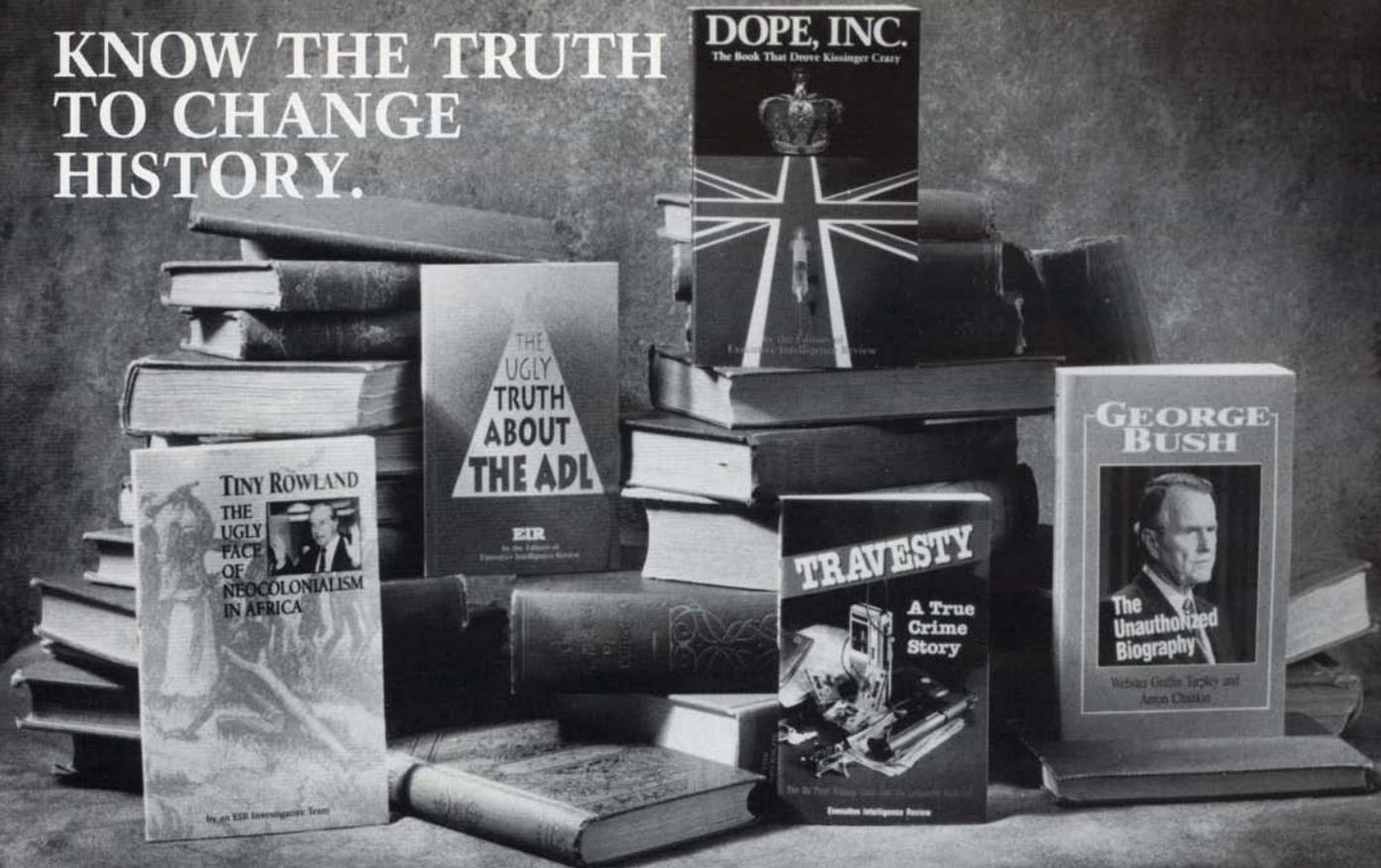
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